Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	Stian Skirstad Drageset
Dato for fastsettelse av årsregnskapet:	13.07.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 17.08.2023

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue	2	0	640 000
Sum inntekter		**0**	**640 000**
Kostnader			
Personnel expenses	3	0	52 000
Other operating expenses	4	197 000	1 825 000
Sum kostnader		**197 000**	**1 877 000**
Driftsresultat		**-197 000**	**-1 237 000**
Finansinntekter og finanskostnader			
Financial income	5	819 000	611 000
Sum finansinntekter		**819 000**	**611 000**
Finance expenses	6	473 000	749 000
Sum finanskostnader		**473 000**	**749 000**
Netto finans		**346 000**	**-138 000**
Ordinært resultat før skattekostnad		**149 000**	**-1 375 000**
Taxes	7	0	0
Ordinært resultat etter skattekostnad		**149 000**	**-1 375 000**
Årsresultat		**149 000**	**-1 375 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	0	0
Sum immaterielle eiendeler		**0**	**0**
Finansielle anleggsmidler			
Shares in subsidiaries	8	39 036 000	36 077 000
Receivables from group companies	9	29 940 000	4 674 000
Sum finansielle anleggsmidler		**68 976 000**	**40 751 000**
Sum anleggsmidler		**68 976 000**	**40 751 000**
Omløpsmidler			
Varer			
Fordringer			
Prepayments and other receivables		39 000	85 000
Sum fordringer		**39 000**	**85 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	4 226 000	1 130 000
Sum bankinnskudd, kontanter og lignende		**4 226 000**	**1 130 000**
Sum omløpsmidler		**4 265 000**	**1 215 000**
SUM EIENDELER		**73 241 000**	**41 966 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	11	19 190 000	19 190 000
Share premium	12	188 887 000	188 887 000
Sum innskutt egenkapital		**208 077 000**	**208 077 000**

Balanse

Beløp i: USD	Note	2021	2020
Opptjent egenkapital			
Ohter paid-in equity	12	13 597 000	12 911 000
Retained earnings	12	-179 567 000	-179 716 000
Sum opptjent egenkapital		**-165 970 000**	**-166 805 000**
Sum egenkapital		**42 107 000**	**41 272 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Interest-bearing long-term debt	13	30 000 000	0
Liabilities to group companies	14	146 000	146 000
Other long-term liabilities	15	687 000	0
Sum annen langsiktig gjeld		**30 833 000**	**146 000**
Sum langsiktig gjeld		**30 833 000**	**146 000**
Kortsiktig gjeld			
Leverandørgjeld		17 000	14 000
Other payables	16	284 000	534 000
Sum kortsiktig gjeld		**301 000**	**548 000**
Sum gjeld		**31 134 000**	**694 000**
SUM EGENKAPITAL OG GJELD		**73 241 000**	**41 966 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue	5	26 877 000	25 894 000
Sum inntekter		**26 877 000**	**25 894 000**
Kostnader			
Personnel expenses	6	9 952 000	7 950 000
Depreciation and amortization	9	9 472 000	8 710 000
Impairment charges	9	28 000	10 088 000
General and administrative expenses	7	6 165 000	7 185 000
Other operating expenses	8	1 223 000	976 000
Sum kostnader		**26 840 000**	**34 909 000**
Driftsresultat		**37 000**	**-9 015 000**
Finansinntekter og finanskostnader			
Finance income	10	1 440 000	3 046 000
Sum finansinntekter		**1 440 000**	**3 046 000**
Finance expenses	10	2 686 000	3 401 000
Sum finanskostnader		**2 686 000**	**3 401 000**
Netto finans		**-1 246 000**	**-355 000**
Ordinært resultat før skattekostnad		**-1 209 000**	**-9 370 000**
Income tax (expense)/ income	12	-168 000	-1 658 000
Ordinært resultat etter skattekostnad		**-1 041 000**	**-7 712 000**
Årsresultat		**-1 041 000**	**-7 712 000**
Exchange differences on translating		-1 968 000	1 465 000
Sum resultatkomponenter for IFRS-foretak		-1 968 000	1 465 000
Totalresultat		**-3 009 000**	**-6 247 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12	250 000	0
Intangible assets	13	79 998 000	36 612 000
Goodwill	14	2 171 000	334 000
Sum immaterielle eiendeler		**82 419 000**	**36 946 000**
Varige driftsmidler			
Equipment	14	400 000	227 000
Sum varige driftsmidler		**400 000**	**227 000**
Finansielle anleggsmidler			
Right-of-use assets	26	3 010 000	2 840 000
Non-current prepayments and receivables	15	2 017 000	1 495 000
Sum finansielle anleggsmidler		**5 027 000**	**4 335 000**
Sum anleggsmidler		**87 846 000**	**41 508 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	17, 33	2 822 000	2 274 000
Prepayments and other receivables	18,33	1 628 000	1 695 000
Sum fordringer		**4 450 000**	**3 969 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	19, 33	19 718 000	8 456 000
Sum bankinnskudd, kontanter og lignende		**19 718 000**	**8 456 000**
Sum omløpsmidler		**24 168 000**	**12 425 000**
SUM EIENDELER		**112 014 000**	**53 933 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	19	19 190 000	19 190 000
Reserves	19	194 971 000	196 253 000
Sum innskutt egenkapital		**214 161 000**	**215 443 000**
Opptjent egenkapital			
Retained earnings (Accumulated deficit)	20	-171 429 000	-170 388 000
Sum opptjent egenkapital		**-171 429 000**	**-170 388 000**
Sum egenkapital		**42 732 000**	**45 055 000**
Gjeld			
Langsiktig gjeld			
Deferred tax liabilities	12	0	30 000
Sum avsetninger for forpliktelser		**0**	**30 000**
Annen langsiktig gjeld			
Loans and borrowings	21	51 000 000	0
Lease liabilities	30, 33	2 306 000	2 267 000
Other non-current liabilities	22	5 166 000	0
Sum annen langsiktig gjeld		**58 472 000**	**2 267 000**
Sum langsiktig gjeld		**58 472 000**	**2 297 000**
Kortsiktig gjeld			
Leverandørgjeld	29	1 306 000	1 004 000
Deferred revenue	23	154 000	249 000
Lease liabilities	30, 33	1 265 000	1 087 000
Other current liabilities	24, 33	8 085 000	4 241 000
Sum kortsiktig gjeld		**10 810 000**	**6 581 000**
Sum gjeld		**69 282 000**	**8 878 000**
SUM EGENKAPITAL OG GJELD		**112 014 000**	**53 933 000**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer:	2022 837253

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	Stian Skirstad Drageset
Dato for fastsettelse av årsregnskapet:	13.07.2022

Grunnlag for avgivelse

År 2021: Årsregnskap er elektronisk innlevert.
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021.

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Brønnøysundregistrene, 09.08.2022

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 925 209 171
FUNCOM SE

RESULTATREGNSKAP

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue	2	0	640 000
Sum inntekter		**0**	**640 000**
Kostnader			
Personnel expenses	3	0	52 000
Other operating expenses	4	197 000	1 825 000
Sum kostnader		**197 000**	**1 877 000**
Driftsresultat		**-197 000**	**-1 237 000**
Finansinntekter og finanskostnader			
Financial income	5	819 000	611 000
Sum finansinntekter		**819 000**	**611 000**
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Sum finanskostnader		**473 000**	**749 000**
Netto finans		**346 000**	**-138 000**
Ordinært resultat før skattekostnad		**149 000**	**-1 375 000**
Taxes	7	0	0
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Årsresultat		**149 000**	**-1 375 000**

Organisasjonsnr: 925 209 171
FUNCOM SE

BALANSE

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	0	0
Sum immaterielle eiendeler		**0**	**0**
Finansielle anleggsmidler			
Shares in subsidiaries	8	39 036 000	36 077 000
Receivables from group companies	9	29 940 000	4 674 000
Sum finansielle anleggsmidler		**68 976 000**	**40 751 000**
Sum anleggsmidler		**68 976 000**	**40 751 000**
Omløpsmidler			
Varer			
Fordringer			
Prepayments and other receivables		39 000	85 000
Sum fordringer		**39 000**	**85 000**
Bankinnskudd, kontanter og lignende			
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BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
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Sum egenkapital		**42 107 000**	**41 272 000**

Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Interest-bearing long-term debt	13	30 000 000	0
Liabilities to group companies	14	146 000	146 000
Other long-term liabilities	15	687 000	0
Sum annen langsiktig gjeld		**30 833 000**	**146 000**
Sum langsiktig gjeld		**30 833 000**	**146 000**
Kortsiktig gjeld			
Leverandørgjeld		17 000	14 000
Other payables	16	284 000	534 000
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Organisasjonsnr: 925 209 171
FUNCOM SE

KONSERNRESULTATREGNSKAP

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue	5	26 877 000	25 894 000
Sum inntekter		**26 877 000**	**25 894 000**
Kostnader			
Personnel expenses	6	9 952 000	7 950 000
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Sum kostnader		**26 840 000**	**34 909 000**
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Finansinntekter og finanskostnader			
Finance income	10	1 440 000	3 046 000
Sum finansinntekter		**1 440 000**	**3 046 000**
Finance expenses	10	2 686 000	3 401 000
Sum finanskostnader		**2 686 000**	**3 401 000**
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Exchange differences on translating		-1 968 000	1 465 000
Sum resultatkomponenter for IFRS-foretak		-1 968 000	1 465 000
Totalresultat		**-3 009 000**	**-6 247 000**

Organisasjonsnr: 925 209 171
FUNCOM SE

KONSERNBALANSE

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12	250 000	0
Intangible assets	13	79 998 000	36 612 000
Goodwill	14	2 171 000	334 000
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Fordringer			
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Sum egenkapital		**42 732 000**	**45 055 000**
Gjeld			
Langsiktig gjeld			
Deferred tax liabilities	12	0	30 000
Sum avsetninger for forpliktelser		**0**	**30 000**
Annen langsiktig gjeld			
Loans and borrowings	21	51 000 000	0
Lease liabilities	30, 33	2 306 000	2 267 000
Other non-current liabilities	22	5 166 000	0
Sum annen langsiktig gjeld		**58 472 000**	**2 267 000**
Sum langsiktig gjeld		**58 472 000**	**2 297 000**
Kortsiktig gjeld			
Leverandørgjeld	29	1 306 000	1 004 000
Deferred revenue	23	154 000	249 000
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Sum kortsiktig gjeld		**10 810 000**	**6 581 000**
Sum gjeld		**69 282 000**	**8 878 000**
SUM EGENKAPITAL OG GJELD		**112 014 000**	**53 933 000**

Organisasjonsnr: 925 209 171
FUNCOM SE

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
3

Antall årsverk i regnskapsåret
0.00

Sum	Beløp

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

Organisasjonsnr: 925 209 171
FUNCOM SE

NOTEOPPLYSNINGER - KONSERN

- alle poster oppgitt i hele tall

Note
6

Antall årsverk i regnskapsåret
265.00

Sum	Beløp

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

To the General Meeting of Funcom SE

Independent Auditor's Report

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 2021, the income statement and cash flow statement 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 2021, 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Independent Auditor's Report - Funcom SE

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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

Oslo, 5 July 2022
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant

(This document is signed electronically)

Securely signed with Brevio

Auditor's report

Signers:

Name	***Method***	***Date***
Nilsen, Eivind	BANKID_MOBILE	2022-07-05 18:29

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Funcom Annual Report 2021

Contents

Director's report

In 2021 revenue and EBIT are higher than both 2020 and 2019 mainly due to continued strong sales of Conan Exiles. The game increased its revenue from the previous year and continued the strong 'games as a service' performance highlighting the longevity of the game. An expansion map was released, '*Isle of Siptah*' (full launch), and a DLC, '*People of the Dragon*'. No new games were released during 2021, but significant investments were made into future publishing games and a huge internal open-world survival 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 holds a broad portfolio of released games and great IPs well suited for games. The Group has its headquarters and development studio in Oslo in Norway, and development studios in North Carolina in US and Lisbon in Portugal. In addition, in 2021 the Group acquired The Outsiders, a development studio located in Sweden, and Cabinet Group (including the remaining 50% of Heroic Signatures the group did not already own), which owns a wide range of IPs including Conan the Barbarian. Furthermore, the Group opened a QA studio in Bucharest in Romania, which will focus on quality assurance of the Group's game portfolio. In addition, the Company is growing strongly through new hires. Including outsourcing and developers of Funcom published games more than 500 people worked on Funcom games during 2021.

Operations

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, with Conan Exiles dominating the investments. 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:** the current main focus of the Company is developing a large open-world survival 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 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 upcoming games such as *Metal: Hellsinger, Conan Chop Chop,* and Dune: Spice Wars the Company is strengthening its portfolio as a publisher.

- **Intellectual property licenses:** Generation of games, and revenue from IP. This includes the IP licenses held through recently acquired Cabinet Group, including *Conan the Barbarian, Mutant Year Zero, Solomon Kane* and other IPs, as well as internally developed IPs like *The Longest Journey, Anarchy Online* and *The Secret World.*

Funcom focuses on the PC and Console digital markets with its main gaming segment being persistent open world multiplayer games. This requires a highly technically skilled organization to deliver on challenging multi-player elements which represent 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 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 2021 was USD 26 877 thousand (2020: USD 25 894 thousand). Conan Exiles continues strong performance, supporting the revenue increase from 2020.

Operating expenses
Operating expenses for 2021 was USD 26 841 thousand (2020: USD 34 909 thousand). Personnel expenses accounted for USD 9 952 thousand (2020: USD 7 950 thousand).

EBITDA
EBITDA for 2021 was USD 9 583 thousand (2020: USD 9 783 thousand), with an EBITDA percentage of 35.5% (2020: 37.8 %). The reduced EBITDA margin is due to increased investments into future games, new studios and growing the organization to be able to develop and release even larger games.

Operating profit/loss
The Group generated an operating profit of USD 37 thousand in 2021 (2020: USD -9 015 thousand). The loss in 2020 was due to write down of two games under development (USD 9 903 thousand) that will not be finalized as they did not fit into the revised strategy after Tencent's acquisition of the company.

Financial items
Net financial expenses amounted to USD -1 245 thousand (2020: USD -355 thousand).
The increase is due to new office leases and interest on loans received from Tencent.

Result before tax
The result before tax was USD -1 209 thousand (2020: USD -9 370 thousand). Tax on ordinary result was USD 168 thousand (2020: USD 1 658 thousand). Result for the year was USD -1 041 thousand (2020: USD -7 712 thousand. No dividend was distributed or proposed for the financial year 2021.

Cash flow
The cash flow from operating activities was USD 11 103 thousand (2020: USD 11 039 thousand). Cash flow from investment activities were USD -48 735 thousand (2020: USD -19 834 thousand) and cash flow from financing activities was USD 49 300 thousand (2020: USD 4 315 thousand). Cash and cash equivalents at year end 2021 were USD 19 718 thousand (2020: USD 8 456 thousand).

Financing and debt
The Company's equity was USD 42 732 thousand at the end of 2021 (2020: USD 45 055 thousand). The Group had total long-term liabilities of USD 58 472 thousand at the end of 2021 (2020: USD 2 297 thousand).

Financial summary for the parent company Funcom SE
Operating revenues from Funcom SE amounted to USD 0 thousand (2020: USD 640 thousand), and the operating expenses was USD -197 thousand (2020: USD -1 877 thousand). The result

for the period was USD 149 thousand (2020: USD -1 375 thousand). The equity amounted to USD 42 107 thousand (2020: USD 41 272 thousand) and the Board proposes to allocate and transfer the profit of USD 149 thousand to retained earnings.

Risk factors
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 business model robustness, learning and ongoing cash flow. The Company's overall performance is still dependent on the revenues from existing and future games, and in particular the much anticipated open-world survival game with the DUNE IP, which is the focus of current investments. Further risks:

- 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, to reduce currency risk. 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 strong growth of the Company is funded by operating revenues and loans from The Tencent Group, one of the world's largest companies in terms of market capitalization. A loan agreement securing estimated funding need in 2022 has been signed. The Company expects to need further funding from Tencent Group for 2023.

- 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 Group has entered a liability insurance policy to cover members of the board. The liability insurance covers all subsidiaries.

Going concern
The company's key funding sources is the cash balance, revenues from released games, future pipeline, and a strong shareholder funding growth. As described in the Events after the reporting period note, a loan and credit agreement securing estimated funding requirements in 2022 has been signed. 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 projections.

Research and development
In 2021 the Group has continued to focus on further developing Dreamworld Technology with new functionalities and systems to continue to enhance our ability to efficiently operate multiplayer games in large open-worlds with the Unreal Engine.

Health, safety, and environment
The working environment has been good in 2021 with no accidents or injuries related to the business. It has not been necessary to implement improvement measures. The Group had 1.45% absence due to sick leave in 2021. 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 2021. The Group has approximately 81% male employees, and 19% female employees. One out of three board members is female. The company's activities do not pollute the environment.

Effect of COVID-19

In general, the gaming industry revenues have been positively affected by people spending more time at home during to the pandemic. Funcom have kept people working from home when relevant government guidelines have applied. The nature of work Funcom employees execute is suitable for working from home, although there might be a limited impact on overall productivity, wellbeing, and churn.

Effect of Ukraine and Russia crisis

Our hearts and minds are with the people affected by this humanitarian crisis. The Group has supported The Red Cross with USD 100 000 for humanitarian aid to in Ukraine. The Group has no studios or employees in Ukraine or Russia and as such no significant direct effect on the Group 's business is expected.

Oslo, 27 June 2022
The Board of Directors of Funcom SE

DocuSigned by: Eddie Chan
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Eddie Tak Ho Chan
Chairman

DocuSigned by: Ming (Michelle) Liu
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Ming Liu
Board member

DocuSigned by: Li Shen
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Li Shen
Board member

DocuSigned by: Rui Manuel Monteiro Casais
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Rui Manuel Monteiro Casais
CEO

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

In thousands of US dollars	**Note**	**2021**	**2020**
Continuing operations			
Revenue	5	26 877	25 894
Personnel expenses	6	-9 952	-7 950
General and administrative expenses	7	-6 165	-7 185
Other operating expenses	8	-1 223	-976
Depreciation and amortization	9	-9 473	-8 710
Impairment charges	9	-28	-10 088
Operating expenses		26 841	-34 909
Operating result		37	-9 015
Finance income	10	1 440	3 046
Finance expenses	11	-2 685	-3 401
Result before income tax		-1 209	-9 370
Income tax (expense) / income	12	168	1 658
Result from continuing operations		-1 041	-7 712
Result for the period		**-1 041**	**-7 712**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		-1 968	1 465
Other comprehensive income for the year, net of tax		-1 968	1 465
Total comprehensive income for the year		**-3 009**	**-6 247**

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

In thousands of US dollars	**Note**	**2021**	**2020**
Result for the period attributable to:			
Equity holders of Funcom SE		-1 041	-7 730
Non-controlling interests		-	18
		-1 041	**-7 712**
Total comprehensive income attributable to:			
Equity holders of Funcom SE		-3 009	-6 265
Non-controlling interests		-	18
		-3 009	**-6 247**

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**	**2021**	**2020**
ASSETS			
Non-current assets			
Deferred tax assets	12	250	-
Intangible assets	13	79 998	36 612
Goodwill	14	2 171	333
Right-of-use assets	30	3 010	2 840
Equipment	15	400	227
Non-current prepayments and receivables	16	2 017	1 495
Total non-current assets		87 846	41 508
Current assets			
Trade receivables	17,33	2 822	2 274
Prepayments and other receivables	18,33	1 628	1 695
Cash and cash equivalents	19,33	19 718	8 456
Total current assets		24 168	12 425
Total assets		**112 014**	**53 933**

Funcom SE
Consolidated Statement of Financial Position
as at 31 December

In thousands of US dollars	**Note**	**2021**	**2020**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	19 190	19 190
Reserves	20	194 971	196 253
Retained earnings (Accumulated deficit)	20	-171 429	-170 388
Equity attributable to owners of the Company		42 732	45 055
Non-controlling interest		-	-
Total equity	20	42 732	45 055
Non-current liabilities			
Deferred tax liabilities	12	-	30
Loans and borrowings	21	51 000	-
Lease liabilities	30,33	2 306	2 268
Other non-current liabilities	22	5 166	-
Total non-current liabilities		58 472	2 297
Current liabilities			
Trade payables	33	1 306	1 004
Deferred revenue	23	154	249
Lease liabilities	30,33	1 265	1 087
Other current liabilities	24,33	8 085	4 240
Total current liabilities		10 810	6 581
Total equity and liabilities		**112 014**	**53 933**

Oslo, 27 June 2022
The Board of Directors of Funcom SE

DocuSigned by:
Eddie Chan
Eddie Tak Ho Chan
Chairman

DocuSigned by:
Ming (Michelle) Liu
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Ming Liu
Board member

DocuSigned by:
Li Shen
Li Shen
Board member

DocuSigned by:
Rui Manuel Monteiro 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	2021	2020
Cash flows from operating activities			
Profit (loss) before income tax		-1 209	-9 370
Adjustments for:			
Depreciation, amortization and impairment losses	9	9 502	18 798
Share-based payments		686	166
Interest income/expense	10, 11	1 198	141
Effect of exchange rate fluctuations	10, 11	48	225
Working capital adjustments:			
Change in trade and other receivables		-1 331	1 138
Change in trade payables		264	-332
Change in other current assets and liabilities		2 039	461
Cash generated from operations		11 197	11 227
Interest received	10	7	35
Interest paid	11	-171	-176
Income tax and other taxes paid	12	70	-47
Net cash from operating activities (A)		**11 103**	**11 039**
Cash flows from investing activities			
Investment in intangible assets	13	-27 230	-20 255
Purchase of equipment	15	-337	-
Acquisition of subsidiary, net of cash acquired	27, 28	-21 237	-
Proceeds from finance subleases	30	68	421
Net cash used in investing activities (B)		**-48 735**	**-19 834**
Cash flows from financing activities			
Net proceeds from issue of share capital	16	-	5 687
Repurchase of Employee SBP	16	-	-15
Acquisition of non-controlling interests	29	-531	-323
Proceeds from borrowings	21	51 000	-
Principal paid on lease liabilities	30	-1 169	-1 214
Net cash from financing activities (C)		**49 300**	**4 135**
Net increase in cash and cash equivalents (A+B+C)		11 668	-4 660
Cash and cash equivalents at beginning of period	19	8 456	13 131
Effect of exchange rate fluctuations		-406	-14
Cash and cash equivalents at end of period	19	**19 718**	**8 456**

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	Translation reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total Equity
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**
Equity as at January 1, 2021:	**19 190**	**188 887**	**12 911**	**-5 545**	**-170 388**	**45 055**		**45 055**
Profit or loss for the period					-1 041	-1 041		**-1 041**
Other comprehensive income for the period				-1 968		-1 968		**-1 968**
Total comprehensive income for the period	**-**	**-**	**-**	**-1 968**	**-1 041**	**-3 009**		**-3 009**
Share-based payments expense (RSU)			686			686		**686**
Total contributions and distributions			**686**			**686**		**686**
Equity as at December 31, 2021:	**19 190**	**188 887**	**13 597**	**-7 513**	**-171 429**	**42 732**	**-**	**42 732**

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 consolidated financial statements for the year ended 31 December 2021, comprise the Company and its subsidiaries (together referred to as the "Group"). The objectives of the Group are to develop, market, publish, and carry on business related to computer games. The ultimate controlling party of the Company is Tencent Holdings Ltd.

The consolidated financial statements were authorized for issue by the Board of Directors on 10 June 2022.

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.

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.

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

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 2021 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 in time when 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 constitute 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, constitute a distinct performance obligation and are recognized at a point in time when the virtual item is made available to the customer.

Bundles
Funcom sell 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 is recognized over time.

Season passes
Funcom sell 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 obligation 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 subscription 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 is 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 has accepted the product, and the Group has received the cash or have a present right to payment.

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 has 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 price 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 attached 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 attached 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 Group'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 Group 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 Group 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 13.

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.

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.

Trademarks and licenses
Trademarks and licenses that are acquired by the Group are measured at cost less accumulated amortization and impairment losses. Trademarks and licenses with limited useful life are amortized using the straight-line method over the estimated useful life, normally 2 - 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
Leasehold improvements	Shorter of useful life (generally up to 7 years) or remaining lease term

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 to 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 was accounted as a joint operation. Heroic Signatures DA revenue originating from Funcom royalty fees are eliminated. This implies that 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. In July 2021 Funcom acquired the remaining 50% interest of Heroic Signatures DA, and from that date Heroic Signatures DA is fully consolidated in the financial statements.

3.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed annually 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 annually 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.

Equity-settled employee benefits reserve
The equity-settled employee benefits reserve comprises of share-based payments related to the Groups employee option program and Restricted Stock Units (RSU).

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.

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.

Restricted Stock Units (RSU)
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 Group and Tencent and the continued employment in the Group.

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 Current 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 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 2021.

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 trade receivables 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.

Borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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.

A contingent consideration is the Group's obligation to transfer additional consideration to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future conditions are met.

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 interests are measured by using the proportionate share of the recognized net assets at the acquisition date.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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. This is documented in a business case which is authorized by the board if the size of the investment is significant. Judgments and estimates are also applied in assessing the cost of the asset, and identifying inefficiencies reliably.

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 13 for more information.

Useful life of intangible assets
The useful life of the Group'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.

Recoverability of non-financial assets
The Group tests annually whether goodwill, intellectual property (IP), right-of-use assets, and other non-financial assets have suffered any impairment. Goodwill, IP, other non-financial assets, and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgment is required to identify any impairment indicators existing for any of the Group's goodwill, other nonfinancial assets to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated income statement.

Principal versus agent considerations

The Group evaluate sales of our digital 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 whether we are the principal (gross treatment) versus agent(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 from third party digital storefronts on a net basis. (i.e., net of fees retained by the storefront.)

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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates and judgments (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.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

5. Revenue

Disaggregation of revenue from contracts with customers

In thousands of US dollars	[redacted]	**2020**	**%**
PC[1]	[redacted]	18 655	72.0 %
Console[2]	[redacted]	7 176	27.7 %
Other[3]	[redacted]	63	0.2 %
Total	[redacted]	**25 894**	**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

2021

In thousands of US dollars	**PC**	**Console**	**Other**	[redacted]
Segment revenue	13 373	13 340	165	[redacted]
Timing of revenue recognition:				[redacted]
At a point in time	11 335	13 340	163	[redacted]
Over time	2 037		2	[redacted]
Total	**13 373**	**13 340**	**165**	[redacted]

2020

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

USD 64 thousand (2020: USD 330 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 mainly to external royalties from IP.

6. Personnel expenses

In thousands of US dollars	[redacted]	**2020**
Salaries	[redacted]	13 740
Social Security Contributions	[redacted]	1 578
Contributions to defined contribution plans	[redacted]	556
Expenses for RSU program	[redacted]	112
Other Personnel expenses	[redacted]	1 215
Government grants (Skattefunn)	[redacted]	-252
Capitalization of personnel expenses	[redacted]	-9 001
Total Personnel Expenses	[redacted]	**7 950**

Average Number of employees:	[redacted]	**2020**
Europe	[redacted]	132
North America	[redacted]	73
Asia	[redacted]	1
Total	[redacted]	**206**

Pensions
The Group has established pension schemes that are classified as defined contribution plans. The contributions to defined contribution plans satisfies the requirements in the law and are recognized in the consolidated statement of profit and loss in the period in which the contribution amounts are earned by the employees.

Research and development costs of USD 3 160 thousand (2020: USD 2 915 thousand) were recognized as personnel expenses.

7. General and administrative expenses

In thousands of US dollars	[redacted]	**2020**
Marketing	[redacted]	1 294
Professional services[1]	[redacted]	1 861
Office costs	[redacted]	287
Royalties	[redacted]	3 322
Investor relations	[redacted]	147
IT, hardware and software	[redacted]	761
External game development[2]	[redacted]	10 076
Other	[redacted]	514
Capitalization of G&A	[redacted]	-11 075
Total G&A expenses	[redacted]	**7 185**

[1] Professional services includes auditor's remunerations, accounting services, legal services, consultants, and other professional services. It also includes legal services, consultants, and transaction costs related to acquisitions.

[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	[redacted]	**2020**
Statutory audit	[redacted]	251
Other audit services	[redacted]	8
Tax advisory services	[redacted]	–
Other non-audit services	[redacted]	–
Total	[redacted]	**259**

Fees for statutory audit include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include review of government grants. 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]	**2020**
Commissions	[redacted]	108
Hosting costs for online games	[redacted]	868
Total other operating expenses	[redacted]	**976**

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]	**2020**
Amortization of intangible assets	[redacted]	8 282
Impairment of intangible assets	[redacted]	9 903
Depreciation of equipment	[redacted]	99
Depreciation of right-of-use assets	[redacted]	924
Impairment of right-of-use assets	[redacted]	185
Capitalization of development cost	[redacted]	-595
Total	[redacted]	**18 798**

10. Finance income

In thousands of US dollars	[redacted]	**2020**
Interest income		38
Net foreign exchange gain		2 999
Other financial income		8
Finance income		**3 046**

11. Finance expenses

In thousands of US dollars	[redacted]	**2020**
Interest expense, related parties		–
Interest expense, lease liabilities		176
Interest expense, deferred consideration		–
Other interest expense		–
Net foreign exchange loss		3 224
Finance expenses		**3 401**

12. Income tax expense

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

In thousands of US dollars	**2021**	**2020**
Current period tax (expense)/income	1	- 51
	1	- 51
Deferred tax expense		
Origination and reversal of temporary differences	4 409	795
Recognition of previously unrecognized tax losses	-4 242	1 089
Withholding tax		
Derecognition of recognized tax losses		- 175
	167	1 709
Income tax (expense)/income excluding tax on sale of discontinued operations	168	1 658
Income tax (expense)/income from continuing operations	**168**	**1 658**
Income tax from discontinued operation (exluding gain on sale)		
	168	**1 658**
Income tax on gain on sale of discontinued operations		
Total income tax (expense)/income	**168**	**1 658**

In thousands of US dollars	**2021**	**2020**
Result before income tax	-1 209	-9 370
Tax according to the average tax rate in USA, China, Netherlands and Norway	- 366	167
Tax effect of non-deductible expenses	- 177	
Tax effect of non-taxable income	- 28	- 63
Changes in deferred taxes recognized on the balance sheet	288	1 640
Withholding tax, capital asset tax, and other non-income taxes	- 28	- 49
Utilisation of losses carried forward	748	209
Deferred tax asset related to carry forward tax losses not recognised	- 270	- 246
Tax effect of change in tax rate		
Income tax (expense) / income	**168**	**1 658**

The Group has not recognized any income tax directly in equity. Deferred tax has been calculated using the tax rate of 22% for 2021 and for 2020. 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 48 690 thousand as of 31 December 2021 (2020: USD 29 848 thousand).

Deferred tax liability/tax asset	2021	2020
Deferred tax liability		- 30
Deferred tax asset, net	250	
Deferred tax asset (liability), net	**250**	**- 30**
Deferred tax effect of tax increasing temporary differences:		
Equipment and intangible assets	-10 129	-6 117
Provisions		
Total deferred tax effect of tax increasing temporary differences	**-10 129**	**-6 117**
Deferred tax effect of tax reducing temporary differences:		
Tax losses carried forward	10 407	6 408
Equipment and intangible assets	4	5
Withholding tax	311	312
Provisions/receivables	151	129
Total deferred tax effect of tax reducing temporary differences	**10 873**	**6 854**
Deferred tax asset (net) not recognised in the balance sheet:	495	241
Recognised deferred tax asset (liability), net	**249**	**496**
Reconciliation of deferred tax asset, net:		
Opening balance	- 30	-1 855
Net tax asset in acquired company	85	
Change according to statement of income	192	1 880
Exchange differences, prior year adjustments etc.	3	- 54
Deferred tax asset (liability), net, at year-end	**250**	**- 30**

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 1 994 thousand due to uncertainty of its future use.

For the income year 2021 Funcom Inc is working on changing its taxation method from cash basis to accrual-based taxation, due to the acquisition of Cabinet triggering a needed change. As of the time of reporting the consequences have been assessed that most of the not recognized tax asset will be lost due to the method change.

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

In thousands of US dollars	Development costs	Software	Trademarks & licenses	Total
Balance at January 1, 2020	58 197	417	6 799	**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**	**87 308**
Acquisitions, internally developed	27 211			**27 211**
Acquisitions, business combinations	–	–	26 454	**26 454**
Other acqusitions	–	19	–	**19**
Disposals	–	-280	–	**-280**
Translation difference	-794	2	-622	**-1,414**
Balance at December 31, 2021	**106 300**	**168**	**32 828**	**139 296**
Accumulated amortization and impairment losses				
Balance at January 1, 2020	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**
Amortization for the year	8 188	101	–	**8 289**
Impairment for the year	–	–	–	**–**
Disposals	–	-280	–	**-280**
Translation difference	591	4	–	**594**
Balance at December 31, 2021	**59 185**	**113**	**–**	**59 298**
Carrying amount at Jan. 1, 2020	**25 866**	**252**	**6 799**	**33 251**
Carrying amount at Dec. 31, 2020	**29 477**	**183**	**6 997**	**36 657**
Carrying amount at Jan. 1, 2021	**29 477**	**183**	**6 997**	**36 657**
Carrying amount at Dec. 31, 2021	**47 115**	**55**	**32 828**	**79 998**
Estimated useful lives	Straight line	3-5 years	Indefinite	
Method of amotization	Straight line and diminishing balance method	Straight line	N/A	

For more info related to acquisitions through business combinations see Note 28.

Impairment assessment
No impairments were booked in 2021 on Intangible assets and goodwill. 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.

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

In thousands of US dollars	[redacted]	2020		
Class		**Under Development**	**In Use**	**Total**
Development costs		19 712	9 765	29 477
Software		–	138	138
Trademarks and licenses		–	6 997	6 997
Total		**19 712**	**16 900**	**36 612**

Mutant Year Zero Royalties
Bearded Dragons International the developer of Mutant Year Zero had a royalty rate on sale of each game, in March 2021 Funcom agreed to buy out the publisher royalty for a one time payment of about 700 000 EUR.
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.

Contractual commitments
The Group has contractual commitments for development costs and minimum guarantees for IP license payments of USD 6 299 thousand (2020: USD 5 008 thousand).

14. Goodwill

In thousands of US dollars	[redacted]	**2020**
Acquisition of ZPX	[redacted]	333
Acquisition of Cabinet	[redacted]	–
Acquisition of Sunhammer	[redacted]	–
Goodwill balance at 31.12	[redacted]	**333**

For further details concerning the acquisition and the calculation of goodwill see note 27 and 28.

Impairment tests for goodwill
The Group has performed annual impairment tests to assess whether goodwill exceeds its recoverable amount. Goodwill is allocated to cash generating units (CGU) or groups of CGUs, and impairment tests on goodwill are carried out by comparing the recoverable amounts of the CGUs to their carrying amounts.

Goodwill attributable to the acquisition of Cabinet is allocated towards the CGU Trademarks and Licenses. The allocation is due to Cabinet owning several valuable IP licenses, and there are significant plans to monetize the IP licenses in the coming years. The skill and know-how of acquired employees are valuable human resources that are subsumed into goodwill, although not recognized as a separate CGU.

Goodwill attributable to the Sunhammer and ZPX acquisitions is allocated towards the CGUs Game Development Costs, as the acquisitions were mainly due to attainment of developer talent.

The key assumptions used for the calculation of the recoverable amounts of the CGUs under impairment testing were as follows: fair value less costs of disposal were primarily determined based on a discounted future cash flow analysis. For impairment testing of goodwill attributable to Cabinet, the Group used a 10.9% WACC, five-year financial projections and a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate of 1.5%. For impairment testing of goodwill attributable to the Sunhammer and ZPX acquisitions, the Group used a 5.5% WACC and five-year financial projections. In addition, a transaction value per headcount analysis was performed for the goodwill impairment test of Sunhammer. For this test we looked at similar transactions value per headcount. The comparable companies for this analysis were chosen based on factors such as industry similarity, company size and profitability etc.

Based on the discounted cash flow analyses and transaction value per headcount analysis performed on the CGUs, it is concluded that any reasonable change in the key assumptions would not require an impairment of goodwill.

15. Equipment

In thousands of US dollars	Computers	Furniture	Renovation	Total
Cost				
Balance at January 1, 2020	171	88	–	**259**
Acquisitions	121	57	–	**179**
Translation difference	16	8	–	**24**
Balance at December 31, 2020	**307**	**154**	**–**	**462**
Acquisitions	183	12	90	**285**
Acquisitions, business combinations[1]	24	14	–	**37**
Translation difference	-20	-5	–	**-25**
Balance at December 31, 2021	**495**	**174**	**90**	**759**
Accumulated depreciation				
Balance at January 1, 2020	90	32	–	**122**
Acquisitions, business combinations[1]	–	–	–	**–**
Depreciation for the year	73	26	–	**99**
Translation difference	11	4	–	**14**
Balance at December 31, 2020	**174**	**61**	**–**	**235**
Depreciation for the year	106	32	11	**150**
Acquisitions, business combinations[1]	-24	-14	–	**-37**
Translation difference	-1	14	–	**13**
Balance at December 31, 2021	**255**	**93**	**11**	**359**
Carrying amount at Jan. 1, 2020	**81**	**57**	**–**	**137**
Carrying amount at Dec. 31, 2020	**134**	**93**	**–**	**227**
Carrying amount at Jan. 1, 2021	**134**	**93**	**–**	**227**
Carrying amount at Dec. 31, 2021	**240**	**81**	**79**	**400**
Method of depreciation	Straight line	Straight line	Straight line	
Estimated useful lives	3 years	5 years	2 years	

[1] For more info related to acquisitions through business combinations see Note 27 to 29.

16. Non-current prepayments and receivables

In thousands of US dollars	[redacted]	2020
Non-current lease receivable	[redacted]	–
Non-current prepayments	[redacted]	1 000
Security deposits for office leases	[redacted]	495
Total	[redacted]	**1 495**

17. Trade Receivables

In thousands of US dollars	[redacted]	**2020**
Trade receivables	[redacted]	2 274
Allowances for doubtful debt	[redacted]	–
Total	[redacted]	**2 274**

Please refer to Note 33 Financial Instruments for further details.

18. Prepayments and other receivables

In thousands of US dollars	[redacted]	**2020**
Settlement account for VAT	[redacted]	418
Government grants (Skattefunn)	[redacted]	365
Finance Lease Receivable	[redacted]	21
Other prepayments	[redacted]	890
Other receivables	[redacted]	–
Total	[redacted]	**1 695**

19. Cash and cash equivalents

In thousands of US dollars	[redacted]	**2020**
Non-restricted cash at bank	[redacted]	8 202
Restricted cash	[redacted]	254
Total cash and cash equivalents	[redacted]	**8 456**

20. Equity

Share Capital

Number of shares	[redacted]	**2020**
Outstanding as at 1 January	[redacted]	77 286 989
Issues against payment in cash	[redacted]	4 059 165
Outstanding as at 31 December	[redacted]	**81 346 154**
Nominal value of the share-capital at December 31 (EUR)	[redacted]	16 269 231

The share capital in Funcom SE as of the 31st of December 2021 was EUR 16 269 231 distributed between 81 346 154 shares, each with a nominal value of EUR 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 Board of Directors has no authorization to increase the Company's share capital at year-end 2021.

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 are held in a nominee account in Goldman Sachs International, where the ultimate owner is Tencent Holding Limited.

Dividends
The Group did not pay any dividends in 2021.

21. Loans and borrowings

In thousands of US dollars	**Interest rate**	**Maturity date**	[redacted]	**2020**
Loan facility 1 (USD)	2.00 %	December, 2024		–
Loan facility 2 (USD)	3.50 %	July, 2024		–
Balance at 31.12				–

In February 2021 the Group got a USD 15 million unsecured loan with a credit facility up to USD 30 million through a subsidiary of its parent company, Tencent Holding Limited. In November 2021 the Group increased this loan by USD 15 million loan to a total of USD 30 million.

In July 2021 the Group got a USD 21 million unsecured loan with a credit facility up to USD 30 million, through a subsidiary of its parent company, Tencent Holding Limited. The interest rate will be adjusted with the same number of percentage points as the key policy rate of Norges Bank (Norway's central bank).

Accrued interest expense of USD 639 thousand (2020: nil) related to the loans were recognized as finance expense in the P&L. The accrued interest is presented as Other current liabilities on the balance sheet and was paid out in 2022. For more info, see note 11 and 24.

22. Other non-current liabilities

In thousands of US dollars	[redacted]	**2020**
Non-current deferred consideration		–
Total		–

The deferred consideration is the Group's obligation to transfer additional consideration to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future conditions are met. For more info, see note 27 and 28.

23. 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 2022. 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 2021 will be recognized as revenue during the next reporting period. All deferred revenue outstanding as of 31 December 2020 was recognized as revenue during 2021.

24. Other current liabilities

In thousands of US dollars	[redacted]	**2020**
Taxes and social security payable		566
Payable to Heroic Signatures DA		256
Deferred consideration		–
Accrued interest to related parties		–
Accrued expenses		3 418
Total		**4 240**

The deferred consideration is the Group's obligation to transfer additional consideration to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future conditions are met. For more info, see note 27 and 28.

* Further information relating to interest to related parties is set out in note 32.

25. Contingent liabilities

As at 31 December 2021 the Group had no contingent liabilities.

26. Group entities

Group entities
The Funcom Group consist of 15 companies. Funcom SE, the parent company of the Group, and 14 subsidiaries.

		Ownership interest	
Name	**Country of incorporation**	[redacted]	**2020**
Funcom SE	Norway		100 %
Funcom Oslo AS	Norway		100 %
Funcom Oslo Licensing AS	Norway		100 %
Heroic Signatures DA	Norway		50 %
Funcom Games Beijing Ltd	China		100 %
Zona Paradoxal Lda	Portugal		100 %
Funcom Inc.	United States		100 %
Nephilim LLC	United States		100 %
Cabinet Group LLC	United States		0 %
Cabinet Licensing LLC	United States		0 %
Conan Properties International LLC	United States		0 %
Mutant Chronicles International LLC	United States		0 %
Robert E Howard Properties LLC	United States		0 %
Funcom Games Bucharest S.R.L.	Romania		0 %
Sunhammer AB (*)	Sweden		0 %

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

(*)Funcom have both an option to buy the remaining 15% of Sunhammer AB and a put obligation to buy the remaining 15%. See Note 27 for more info.

27. Acquisition of subsidiary (Sunhammer)

On 1 July 2021, Funcom completed the acquisition of 85% (with option to buy the remaining 15%) of the shares in the Swedish-based company Sunhammer AB ("Sunhammer") operating in game development. Before the acquisition, Funcom has had a development agreement for the game, Metal: Hellsinger. In the agreement, Funcom covered all costs in Sunhammer AB and all of their 29 employees worked on Hellsinger. All revenue in Sunhammer in 2021 was towards Funcom and from the 1 July 2021, Sunhammer contributed USD 528 thousand in net loss. If Sunhammer was owned the full year the result contribution before tax would be a loss of USD 1.2M.

Acquisition costs of USD 72 thousand arose because 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, purchase consideration, and goodwill are as follows:

Purchase consideration

In thousands of US dollars	[redacted]
Deferred consideration	
Cash consideration paid	
Total consideration transferred	

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The fair value of the deferred consideration of USD 672 thousand was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10.9%.

In thousands of US dollars	[redacted]
Current assets	
Cash and cash equivalents	
Trade payables	
Tax and employee payables	
Other payables	
Total identifiable net assets acquired	

Net of cash acquired

In thousands of US dollars	[redacted]
Cash consideration paid	
Cash acquired	
Net of cash acquired	

Goodwill

In thousands of US dollars	[redacted]
Consideration transferred	
Fair value of identifiable net assets	
Total consideration transferred	

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.

28. Acquisition of subsidiary (Cabinet)

On 1 July 2021 Funcom acquired 100% of the shares and voting interests in Cabinet Group LLC ("Cabinet"). Cabinet owns around 30 IPs, with Conan being the largest and most valuable one. The acquisition of Cabinet in large was driven by ensuring strategic control of key IPs, enabling exploration of Cabinet's IPs, and leveraging the Cabinet team to manage future IPs. The acquisition will give Funcom full control and ownership over the Trademarks and IPs. Funcom also expects to use the expertise and knowhow acquired in the development of new games.

The acquired business contributed revenues of USD 629 thousand and net profit of USD 249 thousand to the group for the period from 1 July to 31 December 2021. If the acquisition had occurred on 1 January 2021, the contributed revenues and net profit would have been USD 2 460 thousand and USD 1 293 thousand respectively.

Acquisition costs of USD 58 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, purchase consideration, and goodwill are as follows:

Purchase consideration

In thousands of US dollars	[redacted]
Cash consideration paid	
Deferred consideration	
Total consideration transferred	

The fair value of the deferred consideration of USD 6 732 thousand was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10.9%.

Fair value recognized on acquisition

In thousands of US dollars	[redacted]
Intangible assets	
Trade receivables	
Prepayments and other receivables	
Cash and cash equivalents	
Trade payables	
Other current liabilities	
Total identifiable net assets acquired	

Net of cash acquired

In thousands of US dollars	[redacted]
Cash consideration paid	
Cash acquired	
Net of cash acquired	

Goodwill

In thousands of US dollars	[redacted]
Consideration transferred	
Fair value of identifiable net assets	
Goodwill	

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.

29. Acquisition of Non-controlling interest (2020)

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.

30. Leases

30.1 Group as a lessee

The Group leases office facilities. The office leases normally 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 will expire in 2023.

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]	2020
Balance at 1 January	**2 840**		**3 926**
Depreciation of right-of-use assets	-1 035		-924
Impairment of right-of-use assets	-28		-185
Additions to right-of-use assets	1 310		-
Variable lease payment adjustment	10		24
Derecognition of right-of-use assets	-489		-
Derecognition of accumulated depreciation and impairment	489		-
Foreign exchange movements	-87		-1
Balance at 31 December	**3 010**		**2 840**

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Lease liabilities

In thousands of US dollars	Office leases	[redacted]	2020
Balance at 1 January	**3 354**		**4 542**
Non cash flows:			-
Interest expense	167		176
Additions to lease liabilities	1 310		-
Variable lease payment adjustment	10		24
Foreign exchange movements	66		3
Cash flows:			-
Principal paid on lease liabilities	-1 169		-1 214
Interest paid on lease liabilities	-167		-176
Balance at 31 December	**3 571**		**3 354**

Amounts recognized in profit or loss - Leases under IFRS 16

In thousands of US dollars	[redacted]	2020
Leases under IFRS 16		
Interest expense on lease liabilities		176
Depreciation of right-of-use assets		924
Impairment of right-of-use assets		185
Interest income from sub-lease		-7
Expenses relating to short-term leases[1]		18
Expenses relating to low-value assets[2]		54
Total		**1 350**

[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.

Amounts recognized in statement of cash flows

In thousands of US dollars	[redacted]	2020
Leases under IFRS 16		
Principal paid on lease liabilities		-1 214
Interest paid on lease liabilities[1]		-176
Proceeds from finance sub-leases		421
Interest income received from sub-leases[1]		7
Total		**-963**

[1] Presented under operating activities in statement of cash flows.

Maturity of lease liabilities

In thousands of US dollars	[redacted]	**2020**
Leases under IFRS 16		
Less than one year		1 217
One to two years		937
Two to three years		368
Three to four years		349
Four to five years		359
More than five years		495
Total undiscounted lease liabilities		**3 726**
Non incurred finance expense		371
Net lease liabilities		**3 354**

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.

30.2 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 2021, the Group recognized interest income on finance lease receivables of USD 5 thousand (2020: USD 7 thousand).

Finance Lease Receivable

In thousands of US dollars	**Office leases**	[redacted]	**2020**
Balance at 1 January	21		442
Interest income	5		7
Additions	157		–
Variable lease payment adjustment			–
Foreign exchange movements			–
Lease payments received	-63		-427
Balance at 31 December	**119**		**21**

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]	2020
Leases under IFRS 16	[redacted]	
Less than one year	[redacted]	21
One to two years	[redacted]	–
More than two years	[redacted]	–
Total undiscounted lease receivable	[redacted]	**21**
Unearned finance income	[redacted]	–
Net investment in the lease	[redacted]	**21**

31. 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 2021 was USD 364 thousand (2020: USD 556 thousand).

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

The old share-based option program has been closed following the acquisition in 2020 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 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)**
	2021	**2021**	**2020**	**2020**
Oustanding options on January 1	-	-	6 307 365	1.83
Options granted	-	-	-	-
Options exercised	-	-	-4 120 365	1.40
Options terminated	-	-	-2 187 000	-
Options expired	-	-	-	-
Oustanding options on Dec 31	**-**		**-**	

32. Transactions with related parties

Identification of related parties
The Group has a related party relationship with its subsidiaries (see Note 26), its executive officers and shareholders.

Remuneration to the Supervisory Board
After the AGM decided to move the statutory seat of Funcom SE from the Netherlands to Norway in 2020, the Supervisory Board was converted to a one tier Board of Directors system.
In 2021 there is only the Board of Directors that manages the Group, and there is no renumeration to the Board members.

		Total remuneration is composed of:	
Supervisory Board/ Board of Directors	**Total Remuneration**	**Board fee TUSD**	**Share based TUSD**
2021			
Eddie Tak Ho Chan (2,4,5)	-	-	-
Li Shen (5)	-	-	-
Ming Liu (5)	-	-	-
Total:	**-**	**-**	**-**
2020			
Egil Kvannli (1)	19	19	-
Susana Meza Graham (3)	13	13	-
Eddie Tak Ho Chan (2,4,5)	-	-	-
Peng Lu (2,3)	-	-	-
Li Shen (5)	-	-	-
Ming Liu (5)	-	-	-
Total:	**32**	**32**	**-**

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**
2021				
Eddie Tak Ho Chan (5)	-	-	-	-
Li Shen (5)	-	-	-	-
Ming Liu (5)	-	-	-	-
Total:	**-**	**-**	**-**	**-**
2020				
Egil Kvannli (1)	-	88 000	-	-
Susana Meza Graham (3)	-	38 000	-	-
Eddie Tak Ho Chan (2,4,5)	-	-	-	-
Peng Lu (2,3)	-	-	-	-
Li Shen (5)	-	-	-	-
Ming Liu (5)	-	-	-	-
Total:	**-**	**126 000**	**-**	**-**

(1) Egil Kvannli resigned from the Supervisory Board in 2020
(2) Eddie Tak Ho Chan and Peng Lu joined the Supervisory Board in 2019
(3) Susana Meza Graham and Peng Lu resigned from the Board of Directors in 2020
(4) Eddie Tak Ho Chan resigned from the Supervisory Board in 2020
(5) Eddie Tak Ho Chan, Li Shen, Ming Liu joined the Board of Directors in 2020

Remuneration to the Supervisory Board / Board of Directors:

In thousands of US dollars	2021	2020
Salaries and benefits in kind (short-term employee benefits)	-	32
Share-based payments	-	-
Pension plan contributions	-	-
Total remuneration	-	32

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 2021 at market value of HK$556 per RSU, in addition to the 2020 Scheme 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.

The remuneration paid-out to the CEO both years 2021 and 2020 is presented below:
In thousands of US dollars

	Total remuneration is composed of:						
Management of the Group	**Total remuneration**	**Remuneration**	**Bonus**	**Bonus % of total remuneration**	**Severance**	**Pension cost**	**Share based**
2021							
Rui Casais	533	260	105	20%	-	7	161
Total:	**533**	**260**	**105**		-	**7**	**161**
2020							
Rui Casais	655	251	89	14%	-	5	310
Christian Olsthoorn	16	16	-	-	-	-	-
Total:	**671**	**267**	**89**	**13%**	-	**5**	**310**

Management of the Group	**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**
2021				
Rui Casais	-	-	-	-
Total:	-	-	-	-
2020	-	-	-	-
Rui Casais	-	549.332	-	-
Christian Olsthoorn	-	95.000	-	-
Total:	-	**644.332**	-	-

Transactions with shareholders

In February 2021 the Group got a USD 15 million loan with a credit facility up to USD 30 million through a subsidiary of its parent company, Tencent Holding Limited. In November 2021 the Group increased this loan by USD 15 million loan to a total of USD 30 million.

In July 2021 the Group got a USD 21 million loan with a credit facility up to USD 30 million, through a subsidiary of its parent company, Tencent Holding Limited. In addition to the loans, Tencent Holding Limited charged interest to Funcom Group in the amount of USD 638 thousand during 2021.

Transactions with a Management Board member
Christian Olsthoorn, is a partner with Temmes Management Services which had service contracts with Funcom Group, resigned from the Board of Directors in 2020.

There were no transactions with Management Board members in 2021

33. 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]	**2020**
Trade receivables[1]		2 274
Security deposits for office leases[2]		495
Lease receivables		21
Other short-term receivables[3]		784
Cash and cash equivalents[4]		8 456
Total		**12 030**

[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 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 includes VAT receivables and government grant 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
The aging of trade receivables at the reporting date was:

	Gross		**Impairment**	
In thousands of US dollars	[redacted]	**2020**	[redacted]	**2020**
Not past due		2 071		–
Past due 0-30 days		203		–
Past due 31-120 days		–		–
More than 120 days		–		–
Total		**2 274**		**–**

The Group recorded no impairment losses for receivables in 2021 (2020: 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 2022.

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 and long-term loans from Tencent. See the maturity table of the leasing agreements in Note 22 and 30 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
Interest rate risk is mainly incurred through the Group's interest-bearing debt. This debt is USD-denominated and centrally managed. Interest rate risk management is primarily designed to minimize the cost of the Group's borrowings and reduce exposure to this risk. For this purpose, the Group primarily uses fixed-rate loans for its long-term financing needs and variable-rate loans to finance specific needs relating to increases in working capital during particularly busy periods.

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.

34. 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 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.

35. Events after the reporting period

Loan facility
On 18 March 2022, the Group secured a USD 34 million loan facility through a subsidiary of its parent company, Tencent Holding Limited. On 4 April 2022 a drawdown of USD 14 million was made. The proceeds of the loan will be used to fund further growth of the Group in general, and in particular the further development of the eagerly anticipated open-world survival game based on the DUNE IP.

New releases
On 1 March 2022 Conan Chop Chop was released on PC, Nintendo Switch, PlayStation, and Xbox, well received by press and players. On 26 April 2022 Funcom released Dune: Spice Wars, a real-time strategy game with 4X elements.

Effect of Ukraine and Russia crisis
Our hearts and minds are with the people affected by this humanitarian crisis. The Group has supported The Red Cross with USD 100 000 for humanitarian aid to in Ukraine. The Group has no studios or employees in Ukraine or Russia and as such no significant direct effect on the Group 's business is expected.

Parent Company Financial Statement Funcom SE

Income Statement
for the year ended 31 December

In thousands of US dollars	**Note**	**2021**	**2020**
Revenue	2	–	640
Personnel expenses	3	–	-52
Other operating expenses	4	-197	-1 825
Operating expenses		**-197**	**-1 877**
Operating result		-197	-1 237
Financial income	5	819	611
Financial expenses	6	-473	-749
Result before taxes		**149**	**-1 375**
Taxes	7	–	–
Net profit for the year		**149**	**-1 375**

Statement of Financial Position

as at 31 December

In thousands of US dollars	Note	2021	2020
Deferred tax assets	7	–	–
Shares in subsidiaries	8	39 036	36 077
Receivable from group companies	9	29 940	4 674
Total non-current assets		**68 976**	**40 752**
Prepayments and other receivables		39	85
Cash and cash equivalents	10	4 226	1 129
Total current assets		**4 265**	**1 214**
Total assets		**73 241**	**41 966**
Share capital	11	19 190	19 190
Share premium	12	188 887	188 887
Other paid-in equity	12	13 597	12 911
Retained earnings	12	-179 566	-179 716
Total equity	12	**42 107**	**41 272**
Interest-bearing long-term debt	13	30 000	–
Liabilities to group companies	14	146	146
Other long-term liabilities	15	687	–
Total non-current liabilities		**30 833**	**146**
Trade payables		17	14
Other payables	16	284	534
Total current liabilities		**301**	**548**
Total equity and liabilities		**73 241**	**41 966**

Oslo, 27 June 2022
The Board of Directors of Funcom SE

DocuSigned by:
Eddie Chan

Eddie Tak Ho Chan
Chairman

DocuSigned by:
Ming (Michelle) Liu

Ming Liu
Board member

DocuSigned by:
Li Shen

Li Shen
Board member

DocuSigned by:
Rui Manuel Monteiro Casais

Rui Manuel Monteiro Casais
CEO

Statement of Cash flows
for the year ended 31 December

In thousands of US dollars	Note	2021	2020
Cash flows from operating activities			
Profit (loss) before income tax		149	-1 375
Adjustments for:			
Interest income/expense	5, 6	-414	-243
Effect of exchange rate fluctuations	5, 6	68	381
Working capital adjustments:			
Change in trade payables		3	-42
Change in other current assets and liabilities		-485	522
Cash generated from operations		-678	-757
Interest received	5	731	243
Interest paid	6	-	-
Income tax paid	7	-	-
Net cash from operating activities (A)		**53**	**-514**
Cash flows from investing activities			
Acquisition of subsidiaries	8	-1 600	-
Net increase in loans to subsidiaries	9	-25 266	-4 255
Net cash used in investing activities (B)		**-26 866**	**-4 255**
Cash flows from financing activities			
Net proceeds from issue of share capital	12	-	5 687
Proceeds from borrowings	13	30 000	-
Net cash from financing activities (C)		**30 000**	**5 687**
Net increase in cash and cash equivalents (A+B+C)		3 186	918
Cash and cash equivalents at beginning of period	10	1 129	592
Effect of exchange rate fluctuations		-89	-381
Cash and cash equivalents at end of period	10	**4 226**	**1 129**

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 (NGAAP). The parent company accounts are presented in USD which also is the functional currency for the parent.

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.

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.

Loans
All loans are recognized at cost price. That means that they are recognized at the current rate of value of amounts received. Costs relating to raising new loans are expensed over the term of the loan.

Trade 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. Revenue

In thousands of US dollars	[redacted]	**2020**
Group management services		236
Office sublease		404
Total		**640**

3. Personnel expenses

In thousands of US dollars	[redacted]	**2020**
Remuneration to the Board		52
Share-based payment		–
Total Personnel expenses		**52**

There were no employees in Funcom SE in 2021 or 2020.

4. Other operating expenses

In thousands of US dollars	[redacted]	**2020**
Rent of premises and other office costs		408
Audit fees		224
Legal services		978
Investor relations		147
Consulting fees		48
Other		21
Total other operating expenses		**1 825**

Auditor's remunerations

In thousands of US dollars	[redacted]	**2020**
Statutory audit		224
Other audit services		–
Tax advisory services		–
Other non-audit services		–
Total		**224**

5. Financial income

In thousands of US dollars	[redacted]	**2020**
Intercompany interest income		238
Interest income		5
Foreign exchange gain		369
Finance income		**611**

6. Financial expenses

In thousands of US dollars		**2020**
Interest expense, related parties	[redacted]	–
Foreign exchange loss		749
Other interest expense		–
Finance expenses		**749**

Interest expense (related parties) of USD 281 thousand (2020: nil) was paid out in 2022 and is presented as Other payable on the balance sheet.

Other interest expense is related to the interest on deferred considerations. See consolidated statements Note 27 for more details.

7. Taxes

In thousands of US dollars		**2020**
Ordinary result before taxes	[redacted]	-1 375
Non deductable expenses		944
Basis for income tax		**-431**
Calculated tax based on 22%		-95
Deferred tax asset not recognized in the balance		95
Total tax expense for the year		–

The Company has no history of taxable profits and due to uncertainty of future utilization, deferred tax assets has not been recognized in the balance sheet. Deferred tax asset not recognized in the balance sheet amounts to USD 428 thousand (2020: USD 525 thousand). The carry forward loss has no time limit according to current tax legislations.

8. Shares in subsidiaries

Shares in subsidiaries directly owned by Funcom SE:

		Ownership interest	
Subsidiaries	**Location**	[redacted]	**2020**
Funcom Inc.	Durham, United States	[redacted]	100 %
Nephilim LLC	Durham, United States	[redacted]	100 %
Funcom Oslo AS	Oslo, Norway	[redacted]	100 %
Funcom Games Beijing Ltd	Beijing, China	[redacted]	100 %
Zona Paradoxal, Lda	Lisboa, Portugal	[redacted]	100 %
Funcom Games Bucharest S.R.L.	Bucharest, Romania	[redacted]	0 %
Sunhammer AB	Stockholm, Sweden	[redacted]	0 %

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]	**2020**	[redacted]	**2020**	[redacted]	**2020**
Funcom Inc.	[redacted]	365	[redacted]	5 054	[redacted]	1 233
Nephilim LLC	[redacted]	-	[redacted]	-59	[redacted]	1
Funcom Oslo AS	[redacted]	-5 690	[redacted]	34 369	[redacted]	33 191
Funcom Games Beijing Ltd	[redacted]	-6	[redacted]	177	[redacted]	400
Zona Paradoxal, Lda	[redacted]	36	[redacted]	150	[redacted]	1 252
Funcom Games Bucharest S.R.L.	[redacted]	–	[redacted]	–	[redacted]	–
Sunhammer AB	[redacted]	n/a	[redacted]	n/a	[redacted]	–
Balance at 31.12	[redacted]	**-5 296**	[redacted]	**39 691**	[redacted]	**36 077**

For more info regarding the Sunhammer acquisition see the Consolidated Financial Statements, Note 27.

Cash flows from Acquisition of subsidiaries

In thousands of US dollars	[redacted]
Acquisition of Sunhammer AB	[redacted]
Acquisition of Funcom Games Bucharest	[redacted]
Sum acquisition of subsidiaries	[redacted]

9. Receivable from group companies

	Receivable from group companies	
In thousands of US dollars	[redacted]	**2020**
Funcom Oslo AS	[redacted]	4 225
Zona Paradoxal, Lda	[redacted]	449
Funcom Inc.	[redacted]	–
Funcom Games Bucharest S.R.L.	[redacted]	–
Balance at 31.12	[redacted]	**4 674**

10. Cash and cash equivalents

In thousands of US dollars	[redacted]	2020
Non-restricted cash at bank and in hand		1 129
Restricted cash		–
Total cash and cash equivalents		**1 129**

11. Share capital

Number of shares	[redacted]	2020
Outstanding as at 1 January		77 286 989
Issues against payment in cash		4 059 165
Outstanding as at 31 December		**81 346 154**
Nominal value of the share-capital at December 31 (EUR)		16 269 231

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 Funcom does not hold any of Funcom SE's own shares.

The shares in Funcom SE are held in a nominee account in Goldman Sachs International where the ultimate owner of is Tencent Holding Limited. 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.

12. Shareholders' equity

In thousands of US dollars	Share capital	Share premium	Other paid-in equity	Accumulated losses	Total equity
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**
Equity as at January 1, 2021:	**19 190**	**188 887**	**12 911**	**-179 716**	**41 272**
Profit or loss for the period				149	**149**
Share-based payments expense (RSU)			686		**686**
Equity as at December 31, 2021:	**19 190**	**188 887**	**13 597**	**-179 566**	**42 107**

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13. Interest-bearing loan

In thousands of US dollars	[redacted]	**2020**
Interest-bearing loan from Tencent		–
Balance at 31.12		–

In February 2021 the Company got a USD 15 million loan with a credit facility up to USD 30 million through a subsidiary of its parent company, Tencent Holding Limited. In November 2021 the Company increased this loan by USD 15 million loan to a total of USD 30 million with maturity in the fourth quarter of 2024.

14. Liabilities to group companies

	Liabilities to group companies	
In thousands of US dollars	[redacted]	**2020**
Funcom Games Beijing Ltd		-146
Balance at 31.12		**-146**

15. Other long-term liabilities

In thousands of US dollars	[redacted]	**2020**
Deferred consideration		–
Balance at 31.12		–

The deferred consideration represents the Company's obligation to transfer additional consideration to the former owners of Sunhammer AB as part of the exchange for control of the subsidiary if specified future conditions are met. See consolidated statements Note 24 for more details.

16. Other payable

In thousands of US dollars	[redacted]	**2020**
Payable to NCI		531
Accrued interest to Tencent		–
Other		3
Balance at 31.12		**534**

17. Remuneration of the members of the Board

After the AGM decided to move the statutory seat of Funcom SE from the Netherlands to Norway in 2020, the Supervisory Board was converted to a one tier Board of Directors system.
In 2021 there is only the Board of Directors that manages the Group, and there is no renumeration to the Board members.

The remuneration paid-out to the CEO both years 2021 and 2020 is presented below:
In thousands of US dollars

	Total remuneration is composed of:						
Management of the Group	**Total remuneration**	**Remuneration**	**Bonus**	**Bonus % of total remuneration**	**Severance**	**Pension cost**	**Share based**
2021							
Rui Casais	533	260	105	20%	-	7	161
Total:	**533**	**260**	**105**		-	**7**	**161**
2020							
Rui Casais	655	251	89	14%	-	5	310
Christian Olsthoorn	16	16	-	-	-	-	-
Total:	**671**	**267**	**89**	**13%**	-	**5**	**310**

Management of the Group	**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**
2021				
Rui Casais	-	-	-	-
Total:	-	-	-	-
2020	-	-	-	-
Rui Casais	-	549.332	-	-
Christian Olsthoorn	-	95.000	-	-
Total:	-	**644.332**	-	-

18. Transactions with Related parties

Please refer to Consolidated Financial Statements, Note 32.

19. Events after the reporting date

Please refer to Consolidated Financial Statements, Note 35.

Skatteetaten

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