



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 820 273 672  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: FUNCOM OSLO LICENSING AS  
Forretningsadresse: C/o Funcom Oslo AS  
Kirkegata 15  
0153 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

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

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Stian Skirstad Drageset  
Dato for fastsettelse av årsregnskapet: 27.08.2021

### Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 31.07.2022



### Resultatregnskap

Beløp i: NOK	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Personnel expenses	5		
Other operating expenses	5	37 619	51 106
<b>Sum kostnader</b>		<b>37 619</b>	<b>51 106</b>
<b>Driftsresultat</b>		<b>-37 619</b>	<b>-51 106</b>
<b>Finansinntekter og finanskostnader</b>			
Income from joint operations	2	12 156 569	10 861 027
Annen renteinntekt	7	9	3 449
Financial income	7	247 274	55 862
<b>Sum finansinntekter</b>		<b>12 403 852</b>	<b>10 920 338</b>
Annen rentekostnad	7	222	
Financial expenses	7	174 490	26 333
<b>Sum finanskostnader</b>		<b>174 712</b>	<b>26 333</b>
<b>Netto finans</b>		<b>12 229 139</b>	<b>10 894 005</b>
<b>Ordinært resultat før skattekostnad</b>		<b>12 191 521</b>	<b>10 842 899</b>
Tax on ordinary result	6	2 682 135	2 385 438
<b>Ordinært resultat etter skattekostnad</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Årsresultat</b>	3	<b>9 509 386</b>	<b>8 457 461</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Totalresultat</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Overføringer og disponeringer</b>			
Allocated to other equity	3	9 509 386	8 457 461
<b>Sum overføringer og disponeringer</b>		<b>9 509 386</b>	<b>8 457 461</b>



### Balanse

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	6		
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	2		
Investering i annet foretak i samme konsern	2		
Lån til foretak i samme konsern	1	7 614 514	5 577 109
Investments in joint operations	2	62 250 538	63 270 473
<b>Sum finansielle anleggsmidler</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Sum anleggsmidler</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
<b>Sum fordringer</b>	1		
<b>Investeringer</b>			
Aksjer og andeler i foretak i samme konsern	2		
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and bank deposits		345 218	10 567
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>345 218</b>	<b>10 567</b>
<b>Sum omløpsmidler</b>		<b>345 218</b>	<b>10 567</b>
<b>SUM EIENDELER</b>		<b>70 210 271</b>	<b>68 858 149</b>

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital

#### Innskutt egenkapital



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Share capital	3, 4	60 000	60 000
Beholdning av egne aksjer	4		
Overkurs	3	57 950 000	57 950 000
<b>Sum innskutt egenkapital</b>		<b>58 010 000</b>	<b>58 010 000</b>
Other equity	3		
<b>Sum egenkapital</b>	3	<b>58 010 000</b>	<b>58 010 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	6		
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	1		
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		8 750	5 250
Tax payable	6		
Kortsiktig konserngjeld	1	12 191 521	10 842 899
<b>Sum kortsiktig gjeld</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>Sum gjeld</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>70 210 271</b>	<b>68 858 149</b>



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Journalnummer: 2021 808534

**Enheten**

Organisasjonsnummer: 820 273 672  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: FUNCOM OSLO LICENSING AS  
Forretningsadresse: C/o Funcom Oslo AS  
Kirkegata 15  
0153 OSLO

**Regnskapsår**

Årsregnskapets periode: 01.01.2020 - 31.12.2020

**Konsern**

Morselskap i konsern: Nei

**Regnskapsregler**

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

**Årsregnskapet fastsatt av kompetent organ**

Bekreftet av representant for selskapet: Stian Skirstad Drageset  
Dato for fastsettelse av årsregnskapet: 27.08.2021

**Revisjon**

Årsregnskapet er utarbeidet av ekstern  
autorisert regnskapsfører: Ja  
Ekstern autorisert regnskapsfører har i  
løpet av regnskapsåret bistått ved den  
løpende regnskapsføringen eller utført  
andre tjenester for selskapet enn å  
utarbeide årsregnskapet: Ja

**Grunnlag for avgivelse**

År 2020: Årsregnskap er elektronisk innlevert.  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020.

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

Brønnøysundregistrene, 13.10.2021

---

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: 820 273 672  
FUNCOM OSLO LICENSING AS

## RESULTATREGNSKAP

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Personnel expenses	5		
Other operating expenses	5	37 619	51 106
<b>Sum kostnader</b>		<b>37 619</b>	<b>51 106</b>
<b>Driftsresultat</b>		<b>-37 619</b>	<b>-51 106</b>
<b>Finansinntekter og finanskostnader</b>			
Income from joint operations	2	12 156 569	10 861 027
Annen renteinntekt	7	9	3 449
Financial income	7	247 274	55 862
<b>Sum finansinntekter</b>		<b>12 403 852</b>	<b>10 920 338</b>
Annen rentekostnad	7	222	
Financial expenses	7	174 490	26 333
<b>Sum finanskostnader</b>		<b>174 712</b>	<b>26 333</b>
<b>Netto finans</b>		<b>12 229 139</b>	<b>10 894 005</b>
<b>Ordinært resultat før skattekostnad</b>			
Tax on ordinary result	6	2 682 135	2 385 438
<b>Ordinært resultat etter skattekostnad</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Årsresultat</b>	3	<b>9 509 386</b>	<b>8 457 461</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Totalresultat</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Overføringer og disponeringer</b>			
Allocated to other equity	3	9 509 386	8 457 461
<b>Sum overføringer og disponeringer</b>		<b>9 509 386</b>	<b>8 457 461</b>



Organisasjonsnr: 820 273 672  
FUNCOM OSLO LICENSING AS

## BALANSE

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	6		
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	2		
Investering i annet foretak i samme konsern	2		
Lån til foretak i samme konsern	1	7 614 514	5 577 109
Investments in joint operations	2	62 250 538	63 270 473
<b>Sum finansielle anleggsmidler</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Sum anleggsmidler</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
<b>Sum fordringer</b>	1		
<b>Investeringer</b>			
Aksjer og andeler i foretak i samme konsern	2		
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and bank deposits		345 218	10 567
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>345 218</b>	<b>10 567</b>
<b>Sum omløpsmidler</b>		<b>345 218</b>	<b>10 567</b>
<b>SUM EIENDELER</b>		<b>70 210 271</b>	<b>68 858 149</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	3, 4	60 000	60 000
Beholdning av egne aksjer	4		
Overkurs	3	57 950 000	57 950 000
<b>Sum innskutt egenkapital</b>		<b>58 010 000</b>	<b>58 010 000</b>



Other equity	3		
<b>Sum egenkapital</b>	<b>3</b>	<b>58 010 000</b>	<b>58 010 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	6		
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	1		
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		8 750	5 250
Tax payable	6		
Kortsiktig konserngjeld	1	12 191 521	10 842 899
<b>Sum kortsiktig gjeld</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>Sum gjeld</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>70 210 271</b>	<b>68 858 149</b>



Organisasjonsnr: 820 273 672  
FUNCOM OSLO LICENSING AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:  
0.00



Skatteetaten

Vår dato 22.03.2019	Din/Deres dato 17.01.2019	Saksbehandler Henning Stokke
800 80 000 Skatteetaten.no	Din/Deres referanse Edvinas Kulravicius	Telefon 800 80 000
Org.nr 974761076	Vår referanse 2019/5244474	Postadresse Postboks 9200 Grønland 0134 OSLO

Funcom Oslo Licensing AS  
c/o Funcom Oslo AS  
0153 OSLO

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Funcom Oslo Licensing AS, org.nr. 820 273 672

Vi viser til deres brev av 17. januar 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Funcom Oslo Licensing AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Funcom Oslo Licensing AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Fra søknaden gjengis:

*Funcom Oslo Licensing er datterselskap av Funcom Oslo AS som er datterselskap av det nederlandske selskapet Funcom NV. Selskapets virksomhet er å utvikle, markedsføre og selge dataspill. Kundene er andre konsernselskaper. Arbeidsspråket er engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav. Funcom Oslo AS har allerede fått tillatelse å utarbeide årsregnskap på engelsk.*

### Skattedirektoratets 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 m.v., 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 Skattedirektoratets 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.

Som nevnt ovenfor er det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er indirekte eid av et utenlandsk selskap. I tillegg opererer selskapet i en internasjonal bransje. Videre er det vektlagt at arbeidsspråket i selskapet er engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Inger Helene Iversen  
seniorrådgiver  
Juridisk avdeling  
Skattedirektoratet

Henning Stokke

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



# Annual Report 2020 Funcom Oslo Licensing AS

Revenue statement  
Balance sheet  
Notes to the Accounts

Org.no.: 820 273 672



### Revenue statement Funcom Oslo Licensing AS

Operating income and operating expenses	Note	2020	2019
Other operating expenses	5	37 619	51 106
<b>Total operating expenses</b>		<b>37 619</b>	<b>51 106</b>
<b>Operating profit</b>		<b>-37 619</b>	<b>-51 106</b>
<b>Financial income and expenses</b>			
Income from joint operations	2	12 156 569	10 861 027
Interest income	7	9	3 449
Financial income	7	247 274	55 862
Interest expenses	7	222	0
Financial expenses	7	174 490	26 333
<b>Net financial items</b>		<b>12 229 139</b>	<b>10 894 005</b>
Operating result before tax		12 191 521	10 842 899
Tax on ordinary result	6	2 682 135	2 385 438
<b>Ordinary result after tax</b>		<b>9 509 386</b>	<b>8 457 461</b>
<b>Extraordinary income and expenses</b>			
<b>Annual net profit</b>	<b>3</b>	<b>9 509 386</b>	<b>8 457 461</b>
<b>Brought forward</b>			
Allocated to other equity	3	9 509 386	8 457 461
<b>Net brought forward</b>		<b>9 509 386</b>	<b>8 457 461</b>



## Balance sheet Funcom Oslo Licensing AS

Assets	Note	2020	2019
<b>Fixed assets</b>			
<b>Tangible assets</b>			
<b>Financial fixed assets</b>			
Loan to group companies	1	7 614 514	5 577 109
Investments in joint operations	2	62 250 538	63 270 473
<b>Total financial fixed assets</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Total fixed assets</b>		<b>69 865 052</b>	<b>68 847 582</b>
<b>Current assets</b>			
Cash and bank deposits		345 218	10 567
<b>Total current assets</b>		<b>345 218</b>	<b>10 567</b>
<b>Total assets</b>		<b>70 210 271</b>	<b>68 858 149</b>



## Balance sheet Funcom Oslo Licensing AS

Equity and liabilities	Note	2020	2019
<b>Equity</b>			
<b>Paid-up equity</b>			
Share capital	3, 4	60 000	60 000
Share premium reserve	3	57 950 000	57 950 000
<b>Total paid-up equity</b>		<b>58 010 000</b>	<b>58 010 000</b>
<b>Retained earnings</b>			
<b>Total equity</b>	<b>3</b>	<b>58 010 000</b>	<b>58 010 000</b>
<b>Liabilities</b>			
<b>Provisions for liabilities</b>			
<b>Other long-term liabilities</b>			
<b>Current debt</b>			
Trade creditors		8 750	5 250
Liabilities to group companies	1	12 191 521	10 842 899
<b>Total current debt</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>Total liabilities</b>		<b>12 200 271</b>	<b>10 848 149</b>
<b>Total equity and liabilities</b>		<b>70 210 271</b>	<b>68 858 149</b>

Oslo, 27.08.2021  
The board of Funcom Oslo Licensing AS

*Stian Drageset*  
Stian Drageset (Aug 27, 2021 11:48 GMT+2)  
Stian Skirstad Drageset  
chairman of the board

*Rui Casais*  
Rui Casais (Aug 27, 2021 11:51 GMT+2)  
Rui Casais  
member of the board



## Accounting principles

The annual accounts have been prepared in conformity with the Accounting Act and NRS 8 - Good accounting practice for small companies.

### GOING CONCERN

The accounts have been prepared on a going concern basis.

### Foreign currency

Monetary foreign currency items are valued at the exchange rate on the balance sheet date.

### 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.

### Classification and valuation of current assets

Current assets and short-term liabilities normally include items that fall due for payment within one year of the balance sheet date, as well as items that relate to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value.

### Investments in joint operations

Joint operations are valued using the equity method in the company accounts. The investment is valued at the participant's share of the equity and that the share of the income is recognized as income / expensed in the participant's income statement.

Dividends, group contributions and other distributions from joint operations are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

## Note 1 Inter-company items between companies in the same group

	2020	2019
<b>Receivables</b>		
Loans to companies in the same group	7 614 514	5 577 109
Customer receivables within the group	0	0
Other short-term receivables within the group	0	0
<b>Total</b>	<b>7 614 514</b>	<b>5 577 109</b>
<b>Liabilities</b>		
Loans from companies in the same group	0	0
Debt to suppliers within the group	0	0
Other short-term liabilities within the group	12 191 521	10 842 899
<b>Total</b>	<b>12 191 521</b>	<b>10 842 899</b>

The company has per 31.12.2020 given a group contribution of NOK 12 191 521 to Funcom Oslo.



## Note 2 Subsidiaries, associates, joint operations

	Municipality	Owner - Interest	Book value	Share of result
Heroic Signatures DA	Oslo	50%	62 250 538	12 156 569
<b>Total</b>			<b>62 250 538</b>	<b>12 156 569</b>

## Note 3 Equity capital

	Share capital	Share premium	Other equity capital	Total equity capital
<b>As at 01.01.2020</b>	<b>60 000</b>	<b>57 950 000</b>	<b>0</b>	<b>58 010 000</b>
Result for the year			9 509 386	9 509 386
Group contribution			-9 509 386	-9 509 386
<b>As at 31.12.2020</b>	<b>60 000</b>	<b>57 950 000</b>	<b>0</b>	<b>58 010 000</b>

## Note 4 Shareholders

The share capital in Funcom Oslo Licensing AS as of 31.12 consists of:

	Total	Face value	Entered
Ordinary shares	30 000	2,0	60 000
<b>Total</b>	<b>30 000</b>		<b>60 000</b>

### Ownership structure

The largest shareholders in % at year end:

	Ordinary	Owner interest	Share of votes
Funcom Oslo AS	30 000	100,0	100,0

The Company is a subsidiary of Funcom Oslo AS. Funcom Oslo AS is 100% owned by Funcom SE which was relocated from the Netherlands to Norway in July 2020. The consolidated financial statements of the Group are available at their place of business: Kirkegata 15, 0153 Oslo, Norway.

## Note 5 Note Salary costs and benefits, remuneration to the chief executive, board and auditor

In 2020 the company employed 0 FTE.

Company has not formally employed or hired-in General Manager and there was no remuneration granted to executives in 2020.

No loans have been granted to the Board Chairman or other related parties.

### Auditor

Audit fees expensed for 2020 amount to NOK 30 919.

In addition there is a fee for other services of NOK 6 500.



## Note 6 Tax

<b>This year's tax expense</b>	<b>2020</b>	<b>2019</b>
Entered tax on ordinary profit/loss:		
Payable tax	2 682 135	2 385 438
Changes in deferred tax assets	0	0
<b>Tax expense on ordinary profit/loss</b>	<b>2 682 135</b>	<b>2 385 438</b>
Taxable income:		
Ordinary result before tax	12 191 521	10 842 899
Permanent differences	0	0
Provided intra-group contribution	-12 191 521	-10 842 899
<b>Taxable income</b>	<b>0</b>	<b>0</b>
Payable tax in the balance:		
Payable tax on this year's result	2 682 135	2 385 438
Payable tax on provided Group contribution	-2 682 135	-2 385 438
<b>Total payable tax in the balance</b>	<b>0</b>	<b>0</b>

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	<b>2020</b>	<b>2019</b>	<b>Difference</b>
<b>Deferred tax (22 %)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 7 Financial income and expenses

<b>Financial income</b>	<b>2020</b>	<b>2019</b>
Net positive share of the result relating to investment in subsidiaries, associated companies and joint operations	12 156 569	10 861 027
Interest income	9	3 449
Income from currency differences (agio)	247 274	55 862
<b>Total financial income</b>	<b>12 403 852</b>	<b>10 920 338</b>
<b>Financial expenses</b>	<b>2020</b>	<b>2019</b>
Interest expenses	222	0
Expenses from currency differences (disagio)	174 490	26 333
<b>Total financial expenses</b>	<b>174 712</b>	<b>26 333</b>











# 2020 Annual Report Funcom Oslo Licensing AS @25.08 for signing (002)

Final Audit Report

2021-08-27

Created:	2021-08-27
By:	Alexander Voldsund (voldsund@funcom.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAJTvHjK5yybmtwAeb68gke8jl4ZAWRA59

## "2020 Annual Report Funcom Oslo Licensing AS @25.08 for signing (002)" History

-  Document created by Alexander Voldsund (voldsund@funcom.com)  
2021-08-27 - 9:43:36 AM GMT - IP address: 195.110.29.124
-  Document emailed to Stian Drageset (stiandr@funcom.com) for signature  
2021-08-27 - 9:44:31 AM GMT
-  Document emailed to Rui Casais (rui@funcom.com) for signature  
2021-08-27 - 9:44:31 AM GMT
-  Email viewed by Stian Drageset (stiandr@funcom.com)  
2021-08-27 - 9:46:47 AM GMT - IP address: 158.248.13.70
-  Document e-signed by Stian Drageset (stiandr@funcom.com)  
Signature Date: 2021-08-27 - 9:48:29 AM GMT - Time Source: server- IP address: 158.248.13.70
-  Email viewed by Rui Casais (rui@funcom.com)  
2021-08-27 - 9:51:35 AM GMT - IP address: 88.90.221.165
-  Document e-signed by Rui Casais (rui@funcom.com)  
Signature Date: 2021-08-27 - 9:51:56 AM GMT - Time Source: server- IP address: 88.90.221.165
-  Agreement completed.  
2021-08-27 - 9:51:56 AM GMT





## Minutes

From Annual General meeting Funcom Oslo Licensing AS 820273672

Held 31.08.2021 in Oslo, Norway

Chairman of the Board of Funcom Oslo Licensing AS, Stian Skirstad Drageset called the meeting to order, stating that a quorum of directors was present. No objections were voiced regarding the notice of the meeting.

Present in the meeting:

Name	Title
Stian Skirstad Drageset	Chairman of the Board and representing Funcom Oslo AS, the sole owner of the Company

Agenda	Title	Decision
1	Opening of the agenda, and list participants and shareholders present	Stian Drageset representing both Funcom Oslo AS and Funcom Oslo Licensing AS was present and Markus Enge to record the minutes
2	Election of chairman and protocol signer	Stian Drageset was elected chairman and Markus H. Enge protocol signer
3	Approval of the notice of and the agenda for the meeting.	Approved
4	Approval of the annual accounts, annual report, and the audit report for 2020 for Funcom Oslo Licensing AS, including payment of dividend. The board propose that for 2020 no dividend is paid out.	Approved
5	Determination of remuneration to the members of the board. The Board propose that the remuneration is set to 0 NOK for the Chairman of the Board and 0 NOK for the Members of the Board.	Approved
6	Approval of auditor's fee	The invoices from the auditor were Approved
7	Any other business	No other matters were discussed

Oslo, Norway, 31.08.2021

*Stian Drageset*  
Stian Drageset (Sep 14, 2021 18:48 GMT+2)

Stian Skirstad Drageset  
Chairman of the Board  
Funcom Oslo Licensing AS &  
Funcom Oslo AS

*Markus H. Enge*

Markus H. Enge  
Cosignatory of minutes










## 20210831 Minutes Annual General Meeting 2021 Funcom Oslo Licencing

Final Audit Report

2021-09-14

Created:	2021-09-14
By:	Markus Enge (markuse@funcom.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAANRLMYhJ0g0pgPsNasQZPqZYdC3tUxcl

### "20210831 Minutes Annual General Meeting 2021 Funcom Oslo Licencing" History

-  Document created by Markus Enge (markuse@funcom.com)  
2021-09-14 - 4:14:24 PM GMT - IP address: 195.110.29.166
-  Document emailed to Stian Drageset (stiandr@funcom.com) for signature  
2021-09-14 - 4:15:07 PM GMT
-  Document emailed to Markus Enge (markuse@funcom.com) for signature  
2021-09-14 - 4:15:07 PM GMT
-  Document e-signed by Markus Enge (markuse@funcom.com)  
Signature Date: 2021-09-14 - 4:15:13 PM GMT - Time Source: server- IP address: 195.110.29.166
-  Email viewed by Stian Drageset (stiandr@funcom.com)  
2021-09-14 - 4:45:52 PM GMT - IP address: 158.248.13.70
-  Document e-signed by Stian Drageset (stiandr@funcom.com)  
Signature Date: 2021-09-14 - 4:48:37 PM GMT - Time Source: server- IP address: 158.248.13.70
-  Agreement completed.  
2021-09-14 - 4:48:37 PM GMT





To the General Meeting of Funcom Oslo Licensing AS

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

---

#### *Opinion*

We have audited the financial statements of Funcom Oslo Licensing AS, which comprise the balance sheet as at 31 December 2020, the revenue statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

---

#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

#### *Responsibilities of the Board of Directors for the Financial Statements*

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

---

*PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no  
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm*



Independent Auditor's Report - Funcom Oslo Licensing AS



---

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*Report on Other Legal and Regulatory Requirements*

---

*Opinion on Registration and Documentation*

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

Oslo, 31 August 2021  
**PricewaterhouseCoopers AS**

Eivind Nilsen  
State Authorised Public Accountant

(This document is signed electronically)

(2)



 Securely signed with Brevio

Revisjonsberetning

**Signers:**

<b>Name</b>	<b>Method</b>	<b>Date</b>
Nilsen, Eivind	BANKID_MOBILE	2021-09-01 17:27

**This document package contains:**

- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



This file is sealed with a digital signature.  
The seal is a guarantee for the authenticity  
of the document.



# Funcom Annual Report 2020



## Contents

Director's report	3
<b>Consolidated Financial Statements:</b>	
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	10
Consolidated Statement of Cash Flows	12
Consolidated Statement of Changes in Equity	13
Notes to the Consolidated Financial Statements	14
<b>Parent Company Financial Statements:</b>	
Income Statement	57
Statement of Financial Position	58
Statement of Cash flows	59
Notes to the Parent Company Financial Statements	60

## Director's report

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

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

### The Group's activities

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

The Group holds a broad portfolio of released games



and controls some great IPs well suited for games.





## **Operations in 2020**

The four main revenue streams are as follows.

- **Games in operation & back catalogue:** the portfolio of games in operation includes *Conan Exiles*, *Secret World Legends*, *Age of Conan*, and *Anarchy Online*. These games are actively developed, new content is added, and events are held to support engagement. The back catalogue includes *Mutant Year Zero*, *Conan Unconquered*, *Moons of Madness* and other smaller games that are monetized without any ongoing development work or cost. With frequent new releases we aim to increase the portfolio of operational games, increasing the stable base cash flow.
- **New internally developed games:** Currently the Company is developing a large persistent open world game based on the *DUNE* IP.
- **New publishing games:** The Group is supporting great developers to co-develop and/or publish games and bring them to market utilizing its internal resources that the external developers do not typically have themselves, such as Marketing, Sales, Community management, Online operations, Motion Capture, Localization, Quality Assurance and Customer Service and Technology and porting to console expertise. With the reveal of rhythm-shooter *Metal: Hellsinger* and upcoming games such as *Conan Chop Chop* the Company is strengthening its portfolio as a publisher.
- **Intellectual property licenses:** Generations of activity, games, and revenue from IP. This includes the interactive IP licenses held through Heroic Signatures DA, *Conan the Barbarian*, *Mutant Year Zero*, *Solomon Kane* and other IPs, as well as our own IP portfolio comprising *The Longest Journey*, *Anarchy Online* and *The Secret World*.

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

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



## **Financial Summary for the Group**

### **Operating revenue**

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

### **Operating expenses**

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

### **EBITDA**

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

### **Operating profit/loss**

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

### **Financial items**

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

### **Result before tax**

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

### **Cash flow**

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

### **Financing and debt**

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

### **Financial summary for the parent company Funcom SE**

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



## Risk factors

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

- **Currency risk:** Sales and balances with other companies and customers are closely managed by the management of the Company and cash balance in relevant currencies are kept as a natural hedge against cost, and therefore there is no significant currency risk for the Company. The Company does not use derivative instruments to manage its financial risk.
- **Credit risk:** Funcom's revenue is dominated by its three largest customers, namely Microsoft/Xbox, Sony/PlayStation and Valve/Steam, digital platforms that sell games to end users. The Company also has customers that are end-users who purchase the right to play games and/or subscriptions through solid and well-known payment service provider firms. The Board therefore considers the Company's credit risk as low.
- **Liquidity risk:** The Board considers the Company's liquidity situation as satisfactory.
- **Market risk:** The global gaming market continues to have significant year-on-year growth. There will always be uncertainty associated with the performance of individual games, particularly before launch. The company reduces this by having multiple games, games as a service with significant revenue over many years and IP revenues.

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

## Going concern

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

## Research and development

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

## Health, safety, and environment

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

## Effect of COVID-19 virus

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



### Events after the reporting period

#### *Funding*

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

#### *Acquisition of Cabinet Group and The Outsiders*

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

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

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

*Eddie Chan*

*Ming Liu(刘铭)*

\_\_\_\_\_  
*Eddie Tak Ho Chan*  
Chairman

*Li Shen*

\_\_\_\_\_  
*Li Shen*  
Board member

\_\_\_\_\_  
*Ming Liu*  
Board member

*Rui Casais*

\_\_\_\_\_  
*Rui Manuel Monteiro Casais*  
CEO



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

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



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

<i>In thousands of US dollars</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Result for the period attributable to:			
Equity holders of Funcom SE		-7 730	-277
Non-controlling interests		18	-12
		<u>-7 712</u>	<u>-289</u>
Total comprehensive income attributable to:			
Equity holders of Funcom SE		-6 265	-174
Non-controlling interests		18	-12
		<u>-6 247</u>	<u>-187</u>

**Earnings per share \***

From continuing operations			
Basic earnings per share (US dollars)	11	-0.10	-0.00
Diluted earnings per share (US dollars)	11	-0.10	-0.00

\* Based on result for the period

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



**Funcom SE**  
**Consolidated Statement of Financial Position**  
as at 31 December

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



**Funcom SE**  
**Consolidated Statement of Financial Position**  
as at 31 December

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

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

\_\_\_\_\_  
*Eddie Tak Ho Chan*  
Chairman

*Li Shen*

\_\_\_\_\_  
*Li Shen*  
Board member

\_\_\_\_\_  
Ming Liu  
Board member

*Rui Casais*

\_\_\_\_\_  
Rui Manuel Monteiro Casais  
CEO



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

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



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

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



## Funcom SE Notes to the Consolidated Financial Statements

### 1. Corporate Information

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

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

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

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

### 2. Basis of preparation

#### *Statement of compliance*

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

#### *Presentation and functional currency*

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

#### *Going concern*

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

#### *Rounding*

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

#### *Basis of measurement*

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



*Estimates and judgements*

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

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

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

**Standards and Interpretations affecting amounts reported in the current period**

There are no new standards in 2020 with significant impact for the Group.

**Standards and Interpretations in issue but not yet adopted**

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

### 3. Significant accounting policies

#### 3.1 Basis of consolidation

*Subsidiaries*

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

The acquisition method is applied when accounting for business combinations.

*Inter-company transactions*

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



## 3.2 Foreign currency

### *Foreign currency transactions*

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

### *Foreign operations*

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

## 3.3 Revenue from contracts with customers

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

### *Performance obligations and timing of revenue recognition*

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

### *Third party platforms*

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

### *Revenues from Funcom's own channels*

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



### *Subscriptions*

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

### *Virtual currency*

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

### *Virtual in-game items*

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

### *Bundles*

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

### *Season passes*

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

### *Pre-orders*

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

### *One-off deals*

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

### *External consulting services*

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

### *IP Licensing royalties*

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



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

#### *Determining the transaction price*

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

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

#### *Allocating amounts to performance obligations*

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

Most extended warranties are sold on the Group's behalf by retailers when the end customer buys one of the Group's products from the retailer. There is therefore also no judgement required for determining the amounts received for extended warranties in retail sales – it is the 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 attaching to them.

Subsidies that compensate the Group for the costs of an asset are recognized as a deduction from the asset that the subsidy is intended to cover and are recognized in the Statement of Comprehensive Income over the useful life of the asset through a reduced amortization or depreciation charge. Grants that compensate the Group for expenses incurred are recognized as reduced expenses in the Statement of Comprehensive Income in the same periods in which the expenses are recognized. There are no unfulfilled conditions or other contingencies attaching to

these grants. The group did not benefit directly from any other forms of government assistance.

### **3.7 Income tax**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax/tax assets are calculated on all taxable temporary differences, with the exception of:

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

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

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

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

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

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

### **3.8 Intangible assets**

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

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



## *Research and development*

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

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

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

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

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

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

## *Trademarks and licenses*

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

## *Software*

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

## *Intellectual property*

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



### 3.9 Equipment

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

Subsequent costs

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

#### *Depreciation*

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

Computers	3 years
Furniture	5 years

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

### 3.10 Joint operation

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

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

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

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

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

### 3.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. For



intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

### 3.12 Equity

#### *Share capital*

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

#### *Dividends*

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

### 3.13 Employee benefits

#### *Defined contribution plan*

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

#### *Defined benefit plans*

The Group does not have any defined benefit plans.

#### *Profit-sharing and bonus plans*

A provision is recognized for an undiscounted amount expected to be paid under bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Share-based payment transactions*

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

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

#### *Restricted Stock Units (RSU)*

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

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **3.14 Assets and Liabilities**

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

### **3.15 Provisions**

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

### **3.16 Contingent liabilities and assets**

Contingent liabilities are:

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

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

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

### **3.17 Financial Instruments**

#### *Classification of Financial Assets*

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

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

#### *Cash and cash equivalents*

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

#### *Trade receivables and other receivables*

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

#### *Impairment of Financial Assets*

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

#### *Classification of Financial Liabilities*

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

#### *Offsetting*

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

#### *Hedge accounting*

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



### *Finance income*

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

### *Finance expenses*

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

## **3.18 Cash flow statement**

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

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

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

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

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

## **3.19 Business combinations**

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

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

Acquisition-related costs are expensed as incurred.

## **3.20 Non-controlling interest**

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

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

### 3.21 Goodwill

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

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

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

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

### 3.22 Leases

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

#### *As a lessee*

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

*Incremental borrowing rate*

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

*Short-term leases and leases of low-value assets*

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

*As a lessor*

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

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

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

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

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

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



## 4. Accounting estimates, judgments, and estimation uncertainty

### *Accounting estimates and judgments*

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

### *Development costs and technology*

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

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

### *Useful life of intangible fixed assets*

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

### *Revenue recognition*

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

### *Principal Agent Considerations*

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

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

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



### *Share option scheme*

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

### *Leases - Estimating the incremental borrowing rate*

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

### *Leases - Estimating the lease term*

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

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



## 5. Revenue

### Disaggregation of revenue from contracts with customers

<i>In thousands of US dollars</i>		2019	%
PC <sup>[1]</sup>		16 726	62.8 %
Console <sup>[2]</sup>		9 554	35.9 %
Other <sup>[3]</sup>		340	1.3 %
<b>Total</b>		<b>26 620</b>	<b>100 %</b>

<sup>[1]</sup> PC revenue relates to revenue from contracts with customers related to services. It also includes direct sales through Funcoms own channels.

<sup>[2]</sup> Console revenue relates to revenue from contracts with customers related to services through 3rd party stores.

<sup>[3]</sup> Other activities referred to external royalties from IP, external consulting services and other, direct sales.

### Timing of revenue

#### 2020

<i>In thousands of US dollars</i>	PC	Console	Other	
Segment revenue	18 655	7 176	63	
Timing of revenue recognition:				
At a point in time	16 539	7 176	61	
Over time	2 117		2	
<b>Total</b>	<b>18 655</b>	<b>7 176</b>	<b>63</b>	

#### 2019

<i>In thousands of US dollars</i>	PC	Console	Other	
Segment revenue	16 726	9 554	340	
Timing of revenue recognition:				
At a point in time	14 541	9 554	311	
Over time	2 185		29	
<b>Total</b>	<b>16 726</b>	<b>9 554</b>	<b>340</b>	

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



## 6. Personnel expenses

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

<i>Average Number of employees:</i>		<b>2019</b>
Europe		102
North America		73
Asia		1
<b>Total</b>		<b>176</b>

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

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

## 7. General and administrative expenses

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

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

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



## Auditor's remunerations

<i>In thousands of US dollars</i>	Total	2019
Audit of Funcom Group		220
Other audit services		12
Tax advisory services		–
Other non-audit services		–
<b>Total</b>		<b>232</b>

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

## 8. Other operating expenses

<i>In thousands of US dollars</i>		2019
Commissions		108
Hosting costs for online games		840
<b>Total other operating expenses</b>		<b>948</b>

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

<i>In thousands of US dollars</i>		2019
Amortization of intangible assets		11 955
Impairment of intangible assets		–
Depreciation of equipment		68
Depreciation of right-of-use assets		867
Impairment of right-of-use assets		53
Capitalization of development cost		-658
<b>Total</b>		<b>12 285</b>



## 10. Finance income and expenses

<i>In thousands of US dollars</i>		<b>2019</b>
Interest income		244
Net foreign exchange gain		1 426
Other financial income		55
<b>Finance income</b>		<b>1 725</b>

<i>In thousands of US dollars</i>		<b>2019</b>
Interest expense		179
Net foreign exchange loss		1 690
<b>Finance expenses</b>		<b>1 869</b>

## 11. Earnings per share

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

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

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



## 12. Income tax expense

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

<i>In thousands of US dollars</i>	<b>2020</b>	<b>2019</b>
<u>Current period tax (expense)/income</u>	- 51	- 4
	- 51	- 4
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	795	2 065
Recognition of previously unrecognized tax losses	1 089	-2 000
Withholding tax		- 58
Derecognition of recognized tax losses	- 175	
	1 709	7
<u>Income tax (expense)/income excluding tax on sale of discontinued operations</u>	1 658	2
<u>Income tax (expense)/income from continuing operations</u>	<b>1 658</b>	<b>2</b>
<u>Income tax from discontinued operation (excluding gain on sale)</u>		
	<b>1 658</b>	<b>2</b>
<u>Income tax on gain on sale of discontinued operations</u>		
<u>Total income tax (expense)/income</u>	<b>1 658</b>	<b>2</b>
<i>In thousands of US dollars</i>	<b>2020</b>	<b>2019</b>
<u>Result before income tax</u>	-9 370	- 291
Tax according to the average tax rate in USA, China, Netherlands and Norway	167	63
Tax effect of non-deductible expenses		- 17
Tax effect of non-taxable income	- 63	- 171
Changes in deferred taxes recognized on the balance sheet	1 640	- 7
Withholding tax, capital asset tax, and other non-income taxes	- 49	4
Utilisation of losses carried forward	209	350
Deferred tax asset related to carry forward tax losses not recognised	- 246	- 221
Tax effect of change in tax rate		
<u>Income tax (expense) / income</u>	<b>1 658</b>	<b>2</b>

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



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

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

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

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

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



### 13. Intangible assets and goodwill

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

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

#### Impairment assessment

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



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

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

Class	In thousands of US dollars	2019		
		Under Development	In Use	Total
Development costs		16 493	9 374	25 867
Software		-	252	252
Trademarks and licenses		-	6 799	6 799
Goodwill		-	333	333
<b>Total</b>		<b>16 493</b>	<b>16 758</b>	<b>33 251</b>

### *Dreamworld Technology*

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

### *IP licenses held through Heroic Signatures DA*

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

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

### **Goodwill**

#### *Sensitivity Analysis Goodwill and IP with indefinite life*

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

#### *Contractual commitments*

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



## 14. Equipment

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

Method of depreciation                      Straight line      Straight line  
 Estimated useful lives                      3 years              5 years

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

## 15. Non-current prepayments and receivables

<i>In thousands of US dollars</i>		2019
Non-current prepayments		500
Security deposits for office leases		478
<b>Total</b>		<b>978</b>

## 16. Trade Receivables

<i>In thousands of US dollars</i>		2019
Trade receivables		3 837
Allowances for doubtful debt		–
<b>Total</b>		<b>3 837</b>

Please refer to Note 29 Financial Instruments for further details.



## 17. Prepayments and other receivables

<i>In thousands of US dollars</i>		<b>2019</b>
Settlement account for VAT		108
Government grants (Skattefunn)		511
Finance Lease Receivable		442
Other prepayments		298
Other receivables		469
<b>Total</b>		<b>1 828</b>

## 18. Cash and cash equivalents

<i>In thousands of US dollars</i>		<b>2019</b>
Non-restricted cash at bank and in hand		12 851
Restricted cash		280
<b>Total cash and cash equivalents</b>		<b>13 131</b>

## 19. Equity

### Share Capital

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

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

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

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

### Events in 2020

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

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



### *Equity-settled employee benefits reserve*

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

### *Translation reserve*

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

### *Non-controlling interests in Funcom SE group companies*

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

### *Dividends*

The Group did not pay any dividends in 2020.

## **Events in 2019**

### *Shares*

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

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

### *Options*

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

### *Equity-settled employee benefits reserve*

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

### *Translation reserve*

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

### *Non-controlling interests in Funcom SE group companies*

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

### *Dividends*

The Group did not pay any dividends in 2019.



## 20. Deferred revenue

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

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

## 21. Other current liabilities

<i>In thousands of US dollars</i>		<b>2019</b>
Taxes and social security payable		577
Payable to Heroic Signatures DA		270
Accrued expenses		1 965
<b>Total</b>		<b>2 812</b>

## 22. Contingent liabilities

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



## 23. Group entities

### Group entities

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

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

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

### Joint operation

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

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

## 24. Acquisition of Non-controlling interest

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

### In thousands of US dollars

Carrying amount of NCI acquired	
Consideration paid to NCI	
<b>A decrease in equity attributable to owners</b>	

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

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



## 25. Acquisition of subsidiary (2019)

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

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

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

### Purchase consideration

<i>In thousands of US dollars</i>	
Cash consideration	
Shares issued, at fair value	
<b>Total consideration transferred</b>	

### Fair value recognized on acquisition

<i>In thousands of US dollars</i>	
Tangible fixed assets	
Trade receivables	
Prepayments and other receivables	
Cash and cash equivalents	
Trade payables	
Other short-term liabilities	
<b>Total identifiable net assets acquired</b>	

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

### Goodwill

<i>In thousands of US dollars</i>	
Consideration transferred	
Non-controlling interest <sup>[1]</sup>	
Fair value of identifiable net assets	
<b>Goodwill</b>	

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



The main factors leading to the recognition of goodwill are:

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

The goodwill recognized will not be deductible for tax purposes.

## 26. Leases

### 26.1 Group as a lessee

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

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

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

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

#### Right-of-use assets

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



## Lease liabilities

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

## Amounts recognized in profit or loss - Leases under IFRS 16

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

<sup>[1]</sup> Short-term leases mainly consist of leased servers used for hosting. These leases typically have a non-cancellable period of one to three months.

<sup>[2]</sup> Excluding short-term leases of low-value assets.

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

## Amounts recognized in statement of cash flows

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

<sup>[1]</sup> Presented as Interest received under operating activities.



## Lease liabilities

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

## Extension options

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

## 26.2 The Group as a lessor

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

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

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

<i>In thousands of US dollars</i>		<b>2019</b>
Less than one year		449
One to two years		–
More than two years		–
<b>Total undiscounted lease receivable</b>		<b>449</b>
Unearned finance income		7
<b>Net investment in the lease</b>		<b>442</b>



## 27. Employee benefits

### *Defined contribution plans*

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

### *Share-based payments*

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

### *Performance bonus*

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

### *Restricted Stock Units (RSU)*

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

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

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



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

## **At the end of 2020**

<b>Name</b>	<b>Number of shares</b>	<b>Number of options</b>	<b>Comments</b>
<b><i>Supervisory Board/BoD</i></b>			
Egil Kvannli (3)		n/a	
Susana Meza Graham (4)		n/a	

## **Management Board**

Rui Casais			CEO of Funcom SE
Christian Olsthoorn			

## **At the end of 2019**

<b>Name</b>	<b>Number of shares</b>	<b>Number of options</b>	<b>Comments</b>
<b><i>Supervisory Board</i></b>			
Ole Gladhaug (1)		197,000	
Fredrik Malmberg (2)		n/a	
Egil Kvannli		126,000	
Andreas Arntzen (1)		76,000	
Susana Meza Graham	222,300	76,000	

## **Management Board**

Rui Casais	47,000	689,332	CEO of Funcom SE
Christian Olsthoorn		133,500	

(1) Ole Gladhaug and Andreas Arntzen resigned from the Supervisory Board on 9 October 2019

(2) Fredrik Malmberg resigned from the Supervisory Board on 16 December 2019

(3) Egil Kvannli resigned from the Supervisory Board on 12 June 2020

(4) Susana Meza Graham resigned from the Board of Directors on 10 September 2020



## 28. Transactions with related parties

### *Identification of related parties*

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

### *Remuneration to the Supervisory Board*

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



Supervisory Board/ Board of Directors	Total Remuneration	Total remuneration is composed of:		
		Board fee TUSD	Share based TUSD	
<b>2020</b>				
Egil Kvannli (4)	19	19		
Susana Meza Graham (5)	13	13		
Eddie Tak Ho Chan				
Peng Lu (5)				
Li Shen (6)				
Ming Liu (7)				
<b>Total:</b>	<b>32</b>	<b>32</b>		
<b>2019</b>				
Ole Gladhaug (1)	47	27	20	
Fredrik Malmberg (2)	38	24	13	
Egil Kvannli	37	24	13	
Andreas Arntzen (1)	31	18	13	
Susana Meza Graham	37	24	13	
Eddie Tak Ho Chan (3)				
Peng Lu (3)				
<b>Total:</b>	<b>190</b>	<b>116</b>	<b>74</b>	
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
<b>2020</b>				
Egil Kvannli (4)		88,000		
Susana Meza Graham (5)		38,000		
Eddie Tak Ho Chan				
Peng Lu (5)				
Li Shen (6)				
Ming Liu (7)				
<b>Total:</b>		<b>126,000</b>		
<b>2019</b>				
Ole Gladhaug (1)	56,000		197,000	
Fredrik Malmberg (2)	38,000		n/a	n/a
Egil Kvannli	38,000		126,000	
Andreas Arntzen (1)	38,000		76,000	
Susana Meza Graham	38,000		76,000	222,300
Eddie Tak Ho Chan (3)				
Peng Lu (3)				
<b>Total:</b>	<b>208,000</b>		<b>475,000</b>	<b>222,300</b>

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



## Remuneration to the Supervisory Board / Board of Directors:

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

## Remuneration to the Management Board

### Share based payments – Funcom share

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

### Share based payments / RSUs – Tencent share

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

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

In thousands of US dollars

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

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



#### *Transactions with shareholders*

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

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

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

#### *Transactions with a Supervisory Board member*

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

#### *Transactions with a Management Board member*

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

## 29. Financial instruments

### *Credit risk*

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

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

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

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

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

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

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



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

### Maximum credit exposure

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

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

<sup>[1]</sup> 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.

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

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

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

### Impairment losses

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

### Liquidity risk

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

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

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

### Currency risk

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



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

#### *Interest rate risk*

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

#### *Classes of financial instruments*

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

#### *Fair values*

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

## **30. Capital Management**

#### *Capital management*

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

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



### 31. Events after the reporting period

#### *Funding*

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

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

#### *Acquisition of Cabinet Group and The Outsiders*

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

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

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



## Parent Company Financial Statement Funcom SE

### Income Statement

for the year ended 31 December

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



## Statement of Financial Position

as at 31 December

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

*Eddie Chan*

Oslo, 31 August 2021

The Board of Directors of Funcom SE *Ming Liu (刘铭)*

*Eddie Tak Ho Chan*  
Chairman

*Ming Liu*  
Board member

*Li Shen*

*Li Shen*  
Board member

*Rui Casais*

*Rui Manuel Monteiro Casais*  
CEO



### Statement of Cash flows

for the year ended 31 December

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



## Notes to the Parent Company Financial Statements

### 1. Accounting principles

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

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

#### Transition from Dutch GAAP to Norwegian GAAP

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

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

#### Changes in accounting principles in 2020

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

#### Leases

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

#### Shares in subsidiaries

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

#### Going concern

The accounts have been prepared on a going concern basis.

#### Classification

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

#### Revenues

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

#### Debtors

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

**Foreign currency**

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

**Receivables**

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

**Tax**

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

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

**Cash Flow**

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



## 2. Changes in accounting principles

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

### Presentation of equity

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

#### Equity as at 31 Dec (Dutch GAAP):

<i>In thousands of US dollars</i>		<b>2018</b>
Issued capital		17 635
Share premium		195 651
Legal reserves		17 643
Other reserves		-186 703
Result after taxation		948
<b>Total equity</b>		<b>45 175</b>

#### Equity as at 31 Dec (Norwegian GAAP):

<i>In thousands of US dollars</i>		<b>2018</b>
Share capital		18 224
Share premium		183 812
Other paid-in equity		11 839
Accumulated losses (*)		-168 700
<b>Total equity</b>		<b>45 175</b>

\*Before changes in accounting principles.

### Changes in accounting principle: Shares in subsidiaries

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

*In thousands of US dollars*

Change in accounting policy initial impact 01.01.2019	
Exchange effects on subsidiaries 2019	
Results for subsidiaries 2019	
<b>Total impact on accumulated losses 31.12.2019</b>	

### Changes in accounting principle: Leases

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

**Adjustments recognized in the balance sheet on 31 December 2019:**

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

**Adjustments recognized in the Income Statement for 2019:**

<i>In thousands of US dollars</i>	<b>D-GAAP 2019</b>	<b>Shares in subsidiaries</b>	<b>Leases</b>	
Revenue	397		486	
Personnel expenses	-230			
General and administrative expenses	-630		-496	
Operating expenses	<b>-861</b>		<b>-496</b>	
Operating result	<b>-463</b>		<b>-9</b>	
Financial income	1 045		-28	
Financial expenses	-275		29	
Result before income tax	<b>306</b>		<b>-9</b>	
Income tax expenses	-			
<b>Result for the period</b>	<b>306</b>	<b>-</b>	<b>-9</b>	



### 3. Shares in subsidiaries

Shares in subsidiaries directly owned by Funcom SE:

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

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

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

### 4. Balance with Group companies

In thousands of US dollars	Receivable from group companies		Liabilities to group companies		SUM	
		2019		2019		2019
Funcom Oslo AS		1 158		-		1 158
Zona Paradoxal, Lda		115		-		115
Funcom Games Beijing Ltd		-		-146		-146
<b>Balance at 31.12</b>		<b>1 273</b>		<b>-146</b>		<b>1 127</b>

### 5. Cash and cash equivalents

In thousands of US dollars		2019
Non-restricted cash at bank and in hand		592
Restricted cash		-
<b>Total cash and cash equivalents</b>		<b>592</b>



## 6. Share capital

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

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

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

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

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



## 7. Shareholders' equity

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

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

## 8. Other payable

<i>In thousands of US dollars</i>		2019
Payable to NCI		-
Payable sublease deposit		43
Accrued expenses		60
Other		-
<b>Total</b>		<b>103</b>

## 9. Revenue

<i>In thousands of US dollars</i>		2019
Group management services		379
Office sublease		505
<b>Total</b>		<b>884</b>



## 10. Personnel expenses

<i>In thousands of US dollars</i>		<b>2019</b>
Remuneration to the Board		140
Share-based payment		90
<b>Total Personnel expenses</b>		<b>230</b>

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

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

## 11. General and administrative expenses

<i>In thousands of US dollars</i>		<b>2019</b>
Rent of premises and other office costs		521
Audit fees		192
Legal services		124
Investor relations		180
Consulting fees		92
Other		17
<b>Total other operating expenses</b>		<b>1 126</b>

## Auditor's remunerations

<i>In thousands of US dollars</i>		<b>2019</b>
Audit of Funcom Group		192
Other audit services		–
<b>Total</b>		<b>192</b>

## 12. Financial income

<i>In thousands of US dollars</i>		<b>2019</b>
Intercompany interest income		838
Interest income		39
Foreign exchange gain		85
Other financial income		55
<b>Finance income</b>		<b>1 017</b>

## 13. Financial expenses

<i>In thousands of US dollars</i>		<b>2019</b>
Foreign exchange loss		246
Interest expense		–
<b>Finance expenses</b>		<b>246</b>

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



## 14. Income taxes

<i>In thousands of US dollars</i>		<b>2019</b>
Ordinary result before taxes		298
Non deductible expenses		90
<b>Basis for income tax</b>		<b>388</b>
Calculated tax based on 22%		85
Deferred tax asset not recognized in the balance		-85
<b>Total tax expense for the year</b>		<b>-</b>

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

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

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

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



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

### Loans

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



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

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

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

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

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



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

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

## 16. Transactions with Related parties

Please refer to Consolidated Financial Statements, Note 28.

## 17. Events after the reporting date

Please refer to Consolidated Financial Statements, Note 31.