

# 2018 Second Quarter Financial Report

The Funcom® Group  
Funcom N.V. and subsidiaries

## 1 Highlights

- With an EBITDA of USD 8 268 thousand 2Q18 is the most profitable quarter in Funcom's history, driven by the successful launch of *Conan Exiles*
- *Conan Exiles* is the most selling game in Funcom's history. Full launch was completed by the PlayStation 4 launch on 23 August in Japan by our distribution partner Spike Chunsoft. Free updates and paid downloadable content packs (DLCs) will continue to be released to support the game's engagement and monetization
- *Mutant Year Zero: Road to Eden* will be launched on 4 December 2018 for PC, Xbox One and PlayStation 4. The game has had significant pick-up in social media and gaming press
- Another 5 games are in the launch pipeline. The Conan game developed by Petroglyph to be released in 1H 2019, the game developed by Rock Pocket Games to be released in 2H 2019 and the cooperative online shooter developed in Funcom's North Carolina studio are all in full development. The Company's Oslo studio has started developing a new single player Conan IP game. A new open-world multiplayer game developed in Funcom's Oslo studio is in early concepting and scheduled to enter pre-production during 4Q18

## 2 Financials

- Revenues in 2Q18 grew to USD 15 211 thousand, almost 5 times the revenue in 2Q17. Revenues are also 39% higher than 1Q17, the quarter of the Early Access launch of *Conan Exiles*. Revenues are dominated by *Conan Exiles*. Nearly all recognized revenues are from digital sales.
- Both the 2Q18 Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of USD 8 268 thousand (USD 917 thousand in 2Q17) and the 2Q18 Earnings before Interest and Tax (EBIT) at USD 6 995 thousand (USD 154 thousand in 2Q17), were the strongest in Funcom's history.
- Underlying profitability in 2Q18 was the strongest in Funcom's history. The Profit before tax for 2Q18 was USD 5 804 thousand (USD 199 thousand in 2Q17). Due to net financial items of USD -1 191 thousand, dominated by a reported currency loss, reported profit is slightly lower than in 1Q17. The currency loss is caused by the USD strengthening compared to NOK in the quarter. This is beneficial for Funcom as a large share of revenues are in USD. The reported loss is due to USD being the group's reporting currency and cash reserves in NOK to cover future costs in NOK get a lower USD denomination with a stronger USD. The calculated tax of USD 1 519 thousand is not expected to be payable in 2018 due to temporary differences.

- The total equity increased from USD 14 123 thousand at the end of 2Q17 to USD 42 338 thousand at the end of 2Q18, driven by profits, a private placement, IP rights acquisition and debt conversion.
- The cash position increased from USD 7 818 thousand at the end of 2Q17 to USD 18 250 thousand at the end of 2Q18. The cash inflow during 2Q18 was USD 1 718 thousand. Significant revenue from the full launch of *Conan Exiles* had not been received at the end of the quarter, as indicated by the trade receivable of USD 7 530 thousand. The cash position was also impacted by investments of USD 5,621 thousand, primarily into *Mutant Year Zero: Road to Eden*, *Conan Exiles* and the games developed by Petroglyph and our North Carolina studio.

### 3 Game highlights

#### 3.1 Age of Conan and Secret World Legends:

- *Age of Conan* (AoC) ran its anniversary event during May and June
- A New treasure chest “Bloodstained Treasure Chest” was launched in July and has since become the top selling item in AoC
- The AoC team is currently running a summer PvP event which will be active until 6 September
- *Secret World Legends* held an anniversary event from late June to mid-July
- The anniversary introduced a new Cache item
- The SWL team is currently focused on creating repeatable event-based content
- The SWL Team is working on the next event which will launch in late September

#### 3.2 Conan Exiles

##### Status:

- The team implemented several quality of life improvements requested by community (such as whitelist support, “Away From Keyboard” kicker, player anti-harassment, etc)
- Full localization was done for the Japanese and Korean languages
- Implemented server optimizations that improve server performance by up to 60% in certain conditions
- Released DLC 1 (Imperial East) in June and DLC 2 in early August (*Jewel of the West*)
- Launched in Japan on PS4 on 23 August together with Spike Chunsoft

##### Future:

- The team is currently focusing on bug-fixing, free updates, and future DLC production
  - Each of these will be a paid cosmetic DLC with a specific theme
- Free updates
  - Focus on either retention or acquisition of new (or inactive) players
  - Will continue to be rolled out in the coming months
  - Examples of free updates are new dungeons, a new pet system, and a new religion with a new avatar

### 3.3 Mutant Year Zero: Road to Eden:

- E3 – Los Angeles, June 2018
  - The first hands-on demos for press were conducted at E3 in Los Angeles
  - Over 70 journalists attended, and feedback at the event in their coverage was more or less unanimously positive
  - The game and the developers were also featured on several high-profile live shows including IGN, GameSpot, Twitch, and Facebook Live
  - The game was nominated for and won several «Best of E3» awards
- GamesCom – Cologne, August 2018
  - The second round of hands-on demos were conducted at GamesCom in Cologne
  - The European press was targeted and over 130 journalists and influencers attended the demos. The initial feedback is very positive.

### 3.4 Petroglyph and Rock Pocket projects:

- Two additional games are being externally developed and are aimed to be released in 2019:
  - A game with Petroglyph utilizing the Conan the Barbarian IP, to launch on PC during the first half of 2019
  - A game with Rock Pocket Games based on a Funcom IP to launch on PC, Xbox One and PlayStation 4 during the second half of 2019
- More information on the games will be made available closer to their respective launches

### 3.5 Future internal games:

- In Funcom North Carolina:
  - A game in the “Cooperative online shooter” genre with a Premium business model using an IP from Heroic Signatures that isn’t Conan
  - Production started during 1Q18 and the team is almost fully staffed
- In Funcom Oslo:
  - A new single player Conan IP game developed has just entered pre-production
  - A new open-world multiplayer game developed in Funcom’s Oslo studio is in early concepting stage, to enter pre-production in 4Q18
  - The company does not expect to reveal any information about the new projects in 2018

## 4 Risk factors:

- For information regarding risk factors for the Company and its games, please refer to note 27 in the 2017 Annual Report. The report can be downloaded from the company website at <https://investors.funcom.com/> For evaluation of the risks related to Funcom games and activities, Funcom encourages investors to seek information about the industry in general and Funcom specifically from analyst reports, industry reports, game reviews etc
- Several different financial scenarios should be evaluated when analysing the potential of any existing or future games. The financial performance of new games and the development of games’ performance over time is uncertain

## 5 Outlook:

- The financial performance outlook of the Company is positive
- With USD 18.3 million cash at the end of 2Q18 and only USD 0.6 million in interest-bearing debt the company has a strong financial position, significantly improved compared to prior years. The interest-bearing debt is convertible, mostly held by the Company's largest investor, with the maturity date at the end of 2018.
- Key factors of the outlook
  - The continued sales of *Conan Exiles* from the game and its upcoming DLCs, and the PlayStation 4 Japan launch
  - Launch of *Mutant Year Zero: Road to Eden* on 4 December 2018 on PC, PlayStation 4 and Xbox One
  - Launch of the Petroglyph developed game based on the Conan IP in 1H 2019 on PC
  - Launch of the Rock Pocket developed game in 2H 2019 on PC, Xbox One and PlayStation 4
- Revenue and profitability should be expected to vary from quarter to quarter, for instance depending on launch activity, sales and other events
- Revenue from the other games are expected to slowly decline over time due to the ageing of the games. However, Funcom will continue to launch events and content releases to spur periods of growth, as successfully executed with the *Saga of Zath* server for *Age of Conan*
- In line with the communicated strategy Funcom plans to invest in the above mentioned and additional co-development and publishing games during 2018 and onwards

**Badhoevedorp, The Netherlands, 28 August 2018**

**The Management Board of Funcom N.V.**

- This report is also available at <http://www.newsweb.no>
- This report contains forward-looking statements. These statements are based on current estimates and projections of Funcom's management and currently available information. Many factors could cause the actual results, performance or achievements of Funcom to be materially different from those that may be expressed or implied by such statements. Such factors include risks discussed in Funcom's Annual Report 2017 note 27.
- For more information about Funcom, its games and its organization, please see [www.funcom.com](http://www.funcom.com)

\* "Funcom", "*Secret World Legends*" and "*Anarchy Online*" are registered trademarks of Funcom Oslo AS.

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNTS</b>					
<i>(Figures in TUSD)</i>	<b>Second Quarter</b>		<b>Accumulated</b>		<b>Full Year</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Revenue	15 211	3 072	17 888	13 992	23 162
Operating expenses	-6 943	-2 154	-9 543	-6 368	-13 225
<b>Earnings Before Interest, Tax, Depreciation and Amortization</b>	<b>8 268</b>	<b>917</b>	<b>8 345</b>	<b>7 624</b>	<b>9 937</b>
Depreciation, amortization and impairment charges	-1 273	-763	-2 488	-1 495	-3 298
<b>Operating result ("EBIT") from continuing operations</b>	<b>6 995</b>	<b>154</b>	<b>5 857</b>	<b>6 129</b>	<b>6 639</b>
Net financial items	-1 191	45	-1 225	199	89
<b>Profit (loss) before income taxes from continuing operations</b>	<b>5 804</b>	<b>199</b>	<b>4 632</b>	<b>6 328</b>	<b>6 729</b>
Income taxes	-1 519		-1 519		-1 773
<b>Profit (loss) from continuing operations</b>	<b>4 286</b>	<b>199</b>	<b>3 114</b>	<b>6 328</b>	<b>4 957</b>
Profit from discontinued operation, net of tax					
<b>Profit (loss) for the period</b>	<b>4 286</b>	<b>199</b>	<b>3 114</b>	<b>6 328</b>	<b>4 957</b>
Attributable to non-controlling interests	0	0	0	0	0
Attributable to shareholders of Funcom N.V.	4 286	199	3 114	6 328	4 957
Earnings per share basic (USD)	0.06	0.00	0.05	0.12	0.07
Earnings per share fully diluted (USD)	0.05	0.00	0.04	0.12	0.07

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
Profit (loss) for the period	4 286	199	3 114	6 328	4 957
Foreign exchange translation difference	-490	38	-58	-97	135
<b>Total comprehensive income for the period</b>	<b>3 796</b>	<b>236</b>	<b>3 055</b>	<b>6 231</b>	<b>5 092</b>

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>				
<i>(Figures in TUSD)</i>	<b>30 June</b>		<b>31 Dec.</b>	
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
<b>ASSETS</b>				
<u>Non-current assets</u>				
Deferred tax assets		1 069		
Intangible assets	16 194	7 702	10 249	
Tangible fixed assets	35	2	37	
Investments accounted for using the equity method	8 186			
Long term receivables	513	493	567	
<b>Total non-current assets</b>	<b>24 928</b>	<b>9 266</b>	<b>10 852</b>	
<u>Current assets</u>				
Trade receivables	7 530	1 419	1 559	
Prepayments and other receivables	585	489	269	
Cash and cash equivalents	18 250	7 818	7 731	
<b>Total current assets</b>	<b>26 365</b>	<b>9 726</b>	<b>9 559</b>	
<b>Total assets</b>	<b>51 293</b>	<b>18 992</b>	<b>20 411</b>	
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Share capital	17 895	13 481	13 525	
Reserves	189 536	167 478	168 359	
Retained earnings	-165 093	-166 836	-168 206	
<b>Total equity</b>	<b>42 338</b>	<b>14 123</b>	<b>13 678</b>	
<u>Liabilities</u>				
Deferred tax liabilities	2 105		671	
Long-term liabilities	145	3 513	91	
Deferred income	350	598	478	
Short-term loans and borrowings	560	48	3 411	
Other short term liabilities	5 795	710	2 082	
<b>Total liabilities</b>	<b>8 956</b>	<b>4 868</b>	<b>6 733</b>	
<b>Total equity and liabilities</b>	<b>51 293</b>	<b>18 992</b>	<b>20 411</b>	

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>					
	<b>Second Quarter</b>		<b>Period ended 30 June</b>		<b>Full Year</b>
<i>(Figures in TUSD)</i>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>Cash flow from operating activities</b>					
Profit (loss) before income tax	5 804	199	4 632	6 328	6 729
<b>Adjustments for:</b>					
Depreciation, amortization and impairment	1 273	763	2 488	1 495	3 298
Share-based payments	2 691	97	3 016	197	750
Income taxes paid	-46		-47		
Effect of exchange rate fluctuations	1 165		1 165		
Changes in working capital	-3 614	-2 169	-3 371	-1 558	-380
<b>Net cash from operating activities</b>	<b>7 273</b>	<b>-1 111</b>	<b>7 884</b>	<b>6 463</b>	<b>10 397</b>
<b>Cash flow from investing activities</b>					
Purchase of equipment and investment in intangible assets	-5 621	-1 355	-8 582	-2 569	-6 610
Investment in equity-accounted entities			-121		
<b>Net cash from investing activities</b>	<b>-5 620</b>	<b>-1 355</b>	<b>-8 704</b>	<b>-2 569</b>	<b>-6 610</b>
<b>Cash flow from financing activities</b>					
Net proceeds from issue of share capital	714	19	12 094	331	470
Proceeds / repayments from (of) borrowings and leases					
<b>Net cash from financing activities</b>	<b>714</b>	<b>19</b>	<b>12 094</b>	<b>330</b>	<b>470</b>
Change in cash and cash equivalents	2 366	-2 446	11 274	4 224	4 257
Cash and cash equivalents, beginning of period	16 533	10 286	7 731	3 710	3 709
<b>Cash and cash equivalents, end of period before exchange effect</b>	<b>18 899</b>	<b>7 840</b>	<b>19 006</b>	<b>7 934</b>	<b>7 966</b>
Effect of exchange rate fluctuations	-648	-22	-755	-116	-234
<b>Cash and cash equivalents, end of period after exchange effect</b>	<b>18 250</b>	<b>7 818</b>	<b>18 250</b>	<b>7 818</b>	<b>7 731</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>			
	<b>30 June</b>		<b>Full Year</b>
<i>(Figures in TUSD)</i>	<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>Opening balance</b>	<b>13 678</b>	<b>3 773</b>	<b>3 773</b>
Total comprehensive income for the period	3 055	6 231	5 092
Equity issues	22 588	3 767	3 906
Exercise of warrants		156	157
Share-based payments	3 016	197	750
<b>Closing balance</b>	<b>42 338</b>	<b>14 123</b>	<b>13 678</b>

## NOTES TO THE INTERIM REPORT

### 1 Corporate information

Funcom N.V. is a limited company registered in The Netherlands, and the shares are publicly traded on the Oslo Stock exchange under the ticker “FUNCOM”. The principal activity of the Company is to develop, publish and carry on business in computer and console games in the broadest sense. The unaudited interim condensed consolidated financial statements for the Company year to date at 30 June 2018 were approved for issue by the Supervisory Board on 28 August 2018.

### 2 Basis for preparation and selected significant accounting policies

Based on successful recent launches, future pipeline and additional funding received in February 2018 the company’s financial situation is strong. Based on this the going concern assumption is justified and consequently the unaudited interim condensed consolidated financial statements of the Company for the year to date at 30 June 2018 have been prepared on a going concern basis. Notwithstanding the above, the actual performance of the Company may deviate significantly from the projections.

These unaudited statements have been prepared in accordance with IAS 34, which means that they do not include all information and disclosures required in annual financial statements but only selected significant information. The principles applied are consistent with those used in the 2017 Annual Report.

As of 1 January 2018, the Group has adopted the mandatory revised standards, amendments to existing standards and interpretations as adopted by the EU, applicable for this quarter. Their adoption has not had significant impact on the amounts reported in this interim report but may affect the accounting for future transactions or arrangements. The impact of the financial statements of standards issued, but with an adoption date on 1 January 2019 or later will be discussed in the annual report.

The revised accounting principles due to the adoption of IFRS 9, 15 and 16 are described in note 2 in Funcom’s 2017 Annual Report. IFRS 9 and 15 are applied from 1 January 2018, whereas IFRS 16 will be applied from 1. January 2019. With respect to IFRS 9 Funcom has taken advantage of the exemption allowing it not to restate comparative information of prior periods with respect to classification, measurement and impairment. Funcom has concluded that the application of IFRS 9’s impairment requirements in 1 January 2018 will not result in an increase in its impairment provision. For IFRS 15 the cumulative catch up method is used, allowing 2017 financials not being restated with new principles. As the effect of the minor adjustment to Funcom’s revenue policy, as described in the 2017 Annual report is insignificant, it is not illustrated how the 2018 numbers would have been based on the old accounting principles and no adjustment to opening retained earnings as at 1 January 2018 has been made. An adjustment of USD 64 thousand has been made to retained earnings because of changed business model and subscription options connected with the relaunch of The Secret World to Secret World Legends. Disclosures of disaggregated revenue are presented in note 15.

All amounts are in USD thousand 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.

## 2.1 Basis of consolidation

The Company's Interim consolidated financial statements comprise of Funcom N.V. and companies in which Funcom N.V. has a controlling interest.

## 2.2 Intangible assets

Intangible assets are recognized in the balance sheet if it can be confirmed that there are probable future economic benefits that can be attributed to the assets that are owned by the Company, and the assets' cost price can be reliably estimated. Both internally and externally developed games that are published by Funcom are capitalized. Intangible assets are initially recognized at their cost price and subsequently measured using the cost method (i.e. historical cost less accumulated amortization and accumulated impairment losses). A review to assess whether there are indicators of impairment is undertaken at the end of each reporting period. In addition, intangible assets not yet available for use are tested for impairment annually.

## 2.3 Equity

Transaction costs relating to equity transactions are recognized directly in equity after deducting tax.

## 2.4 Deferred revenues

Per copy sales of new games, whether delivered via Internet (game download) or packaged goods (boxes) are recognized in the Statement of Comprehensive Income as revenue at the time of sale, given that sufficient visibility has been secured. Sales through third-party distribution platforms is also recognized as underlying sales occur. Revenues from subscriptions are recognized over the subscription period, normally 1-12 months, revenues from sales of in-game items / micro-transactions are recognized at the time of sale. Revenue from virtual currency is recognized at the estimated time of spending rather than at the time of purchase. A provision for expected refunds is charged against revenue to the extent Funcom has an obligation for such arrangements.

## 2.5 Investments in equity-accounted entities

Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Based on IFRS 11, Funcom will recognize its interest in Heroic Signatures DA as investment and shall account for that investment using the equity method in accordance with IAS 28. Therefore, Funcom will recognize its initial investment in Heroic Signatures DA at cost. The carrying amount is increased or decreased to recognize its share of the profit or loss of Heroic Signatures DA after the date of acquisition. Transactions between Funcom and Heroic Signatures are eliminated, which means Heroic Signatures revenue from royalty paid by Funcom, e.g. royalty for the games Conan Exiles and Age of Conan, is eliminated with group operating expenses. The investment in equity-accounted entities illustrated in the cash flow statement constitute transaction fees.



### **3 Operating revenues**

The revenues mainly consist of sales of game software, subscriptions, in-game items and royalties.

### **4 Operating expenses**

Personnel cost, external development cost, marketing, office rent and games operating cost are main elements of the operating expenses. 2Q18 had higher operating expenses than previous quarters driven by marketing for Conan Exiles full launch, higher royalties due to higher sales, outsourcing fees related to finalization for Conan Exiles and option cost. The option cost is a non-cash cost, calculated based on option pricing principles. The changes to the option program approved on the 1 June 2018 annual general meeting included elimination of the vesting period. This means all cost associated with options issued in the quarter will be booked immediately, rather than spread out over the previous 3-year vesting period. In addition, cost from options issued in previous years, but initially periodized to the following years is added to this quarter's expenses. Furthermore, the cost before periodization of new shares this year was higher than previous years due to an increase in the number of employees and the recent increase in the share price. In line with the company's capitalization policy part of the option cost are capitalized on relevant projects as other personnel cost.

### **5 Depreciation and amortization**

The Company amortizes investment in the development of technology and game assets on a systematic basis over their useful life. MMO games (Age of Conan and Secret World Legends) and technology can have an amortization period of typically up to five years, whereas other games typically have an amortization period of two years or below. The company applies the diminishing balance amortization method that reflects the pattern of consumption of the future economic benefits. If that pattern cannot be determined reliably, the company uses the straight-line method. The increase of intangible assets in 2Q18 was USD 3 679 thousand. Of this USD -490 thousand is a translation effect, reflecting that the USD value of the intangible assets decreases when the USD / NOK foreign exchange rate decreases, as the intangible assets are held by Funcom Oslo in NOK. This means the underlying net addition of intangible assets in 2Q18 affecting the result is USD 4 169 thousand.

### **6 Net financial items**

Net financial items mainly consist of interest earned, exchange rate differences, and interest incurred on loans.

### **7 Taxes**

A deferred tax liability of USD 2 105 thousand is recorded on the balance sheet, which is the result of temporary tax differences, primarily due to Conan Exiles. There was no payable tax in Norway or in the Netherlands for 2017.

The tax assessments received by Funcom N.V. with respect to the financial years 2014 and 2015 report nil taxable amounts for those years, and no remaining carry forward losses as of the end of 2015 after corrections and settlement of the carry forward losses available as of the end of 2013 (USD 40 017 thousand). The tax assessment received by Funcom N.V. with respect to the financial year 2016 reports nil taxable amounts for this year and carry forward

losses amounting to USD 1,835 thousand as of the end of 2016. The Company has not recognized deferred tax assets for any potential carry forward loss of Funcom N.V.

A tax cost of USD 1,519 thousand for 1H 2018 has been calculated in Funcom Oslo. It is not expected to be payable for 2018 due to the temporary differences caused by growing investments into game development which are expensed for tax purposes.

## 8 Long term receivables

Long term receivables consist of deposits for real estate.

## 9 Cash

Cash and cash equivalents are USD 18 250 thousand. Of these USD 417 thousand are restricted.

## 10 Liabilities

Long-term liabilities consist of long term lease liabilities. Short-term loans and borrowings is dominated by the USD 560 thousand convertible bond.

The convertible bond matures on 31 December 2018 with an interest rate of 3.5%, and a conversion price of USD 0.518 per share. In March 2018 USD 2 828 785 (plus accrued interest of USD 171 214.91) was converted into new shares. As of 30 June 2018, the remaining bonds have a carrying amount of USD 560 thousand and a face value of USD 570 thousand. The convertible bond is the only outstanding interest-bearing debt.

## 11 Cash flows

A significant part of Funcom's cash and cash equivalents are denominated in Norwegian kroner, in United States Dollar and in Euro. The Company's NOK, USD and EUR cash holdings are a natural hedge against the operating expenses arising in NOK, USD and EUR.

## 12 Average number of shares

	Second quarter		Six months	
	2018	2017	2018	2017
Average number of shares (1'000)	75,107	57,439	70,640	54,058

On 1 February 2018 a 5:1 reverse split was conducted. In the above, for comparison purposes also the specified number of shares for 2017 has been adjusted for the reverse split.

## 13 Other comprehensive income

In accordance with IAS 21, the Company reported in 2Q18 under the 'Other comprehensive income' a foreign exchange loss amounting to USD 490 thousand mainly related to the reconciliation of intercompany balances in foreign currencies and to the translation of foreign operations into the reporting currency.

## **14 Equity**

The equity of the Company increased from USD 35 137 thousand at the end of 1Q18 to USD 42 338 thousand at the end of 2Q18.

In February 2018 Funcom executed a private placement of 6 800 000 new shares at a subscription price of NOK 13 per share. The total gross proceeds to Funcom in the private placement was NOK 88.4 million. The transaction increased the equity of the Company with USD 7 366 thousand after USD 127 thousand in transaction fees.

On 8 February 2018 the acquisition of 50% of "Heroic Signatures DA" in exchange for issuing 4 460 000 new shares, each at a subscription price of NOK 13, was completed. The transaction increased the equity with USD 7,493 thousand.

In March 2018, USD 3 000 thousand of Funcom convertible bond (including accrued interest) was converted into 5 413 127 Funcom shares at the price of USD 0.518 per share.

In June 2018, Funcom issued 597 141 new shares in relation to exercise of employee options.

## 15 Segments

IFRS 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision makers to allocate resources to the segment and to assess its performance. PC and console are key segments for Funcom with different growth, separate customer groups and payment terms. The reportable operating segments of the group are defined as:

- PC
- Console: PS4 and Xbox.
- Other: predominantly office rental revenue and IP revenue

Numbers in USD thousand:

Segment information	Revenue from external customers January - June		Segment profit (loss) *) January - June	
	2018	2017	2018	2017
	PC	8 890	13 670	6 207
Console	8 718	76	6 655	64
Other activities	280	246	28	12
Total	17 888	13 992	12 891	11 466
General and administrative expenses			-4 546	-3 842
Depreciation, amortization and impairment charges			-2 488	-1 495
Net financial items			-1 225	199
<b>Profit (loss) before tax (from continuing operations)</b>			<b>4 632</b>	<b>6 328</b>

Segment information	Revenue from external customers April - June		Segment profit (loss) *) April - June	
	2018	2017	2018	2017
	PC	6 834	2 902	4 776
Console	8 243	44	6 379	31
Other activities	134	125	10	5
Total	15 211	3 072	11 166	2 090
General and administrative expenses			-1 836	-1 173
Depreciation, amortization and impairment charges			-1 273	-763
Share of result from equity-accounted entities				
Net financial items			-1 191	45
<b>Profit (loss) before tax (from continuing operations)</b>			<b>6 866</b>	<b>199</b>

\*) Segment profit (loss) is measured as revenue earned less personnel costs and other operating costs related to segments. General and administrative costs not directly allocated to games, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.

	PC	Console
Segment assets as at 30 June 2017	5 638	1 741
Segment assets as at 30 June 2018	10 737	5 224

Segment assets only include the book value of the games. No other assets are allocated to the segments.

## **16 Subsequent events**

On 7 July 2018 Funcom announced entering into a partnership where Rock Pocket Games AS will develop a game to be published by Funcom. The game is based on a Funcom IP and is planned to launch for PC, Xbox One and PlayStation 4 during the second half of 2019. This is in line with the Company's strategy of publishing both internally and externally developed titles to generate more revenue streams and improve the risk profile of the Company.

On 3 August 2018 an extraordinary general shareholder meeting was convened to take place on 14 September 2018. It is proposed that Mrs. Susana Meza Graham is appointed as a new Supervisory Board member.

## Directors' responsibility statement

The members of the Management Board, as required by section 5:25d, paragraph 2, under c of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), confirms that to the best of their knowledge:

The Consolidated Interim Financial Statements for the six months ended 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of Funcom N.V. and its consolidated companies, and

The Interim Directors' Report gives a true and fair view of:

- the development and performance of the business during the first six months of the financial year of Funcom N.V. and its consolidated companies and the consequences thereof on the unaudited interim condensed consolidated financial statements for the Company for the half year ended 30 June 2018;
- the relevant share transactions with related parties during the first six months of the financial year;
- the expected development and performance of the business, provided that the interests of Funcom N.V. and its consolidated companies are not harmed by disclosure, with particular attention to the investments, and the circumstances of which the development of revenues and profitability are dependent;
- the relevant risks and uncertainties for the remaining six months of the financial year.

Badhoevedorp, The Netherlands  
28 August 2018

The Management Board of Funcom N.V.

Rui Casais (Chairman of the Management Board and CEO)  
Christian Olsthoorn (Management Board member)