

2019 First Quarter Financial Report

The Funcom® Group
Funcom N.V. and subsidiaries

“The first quarter of 2019, a quarter without any new game launches, brings us the highest rolling 12 months EBITDA margin to date of 55%. A remarkable result that clearly shows the profitability that can be achieved through successful game launches, especially for the larger multiplayer games we develop internally.

This quarter, and this year as a whole, are dominated by investments into the growing pipeline of upcoming games, where we now have seven confirmed new titles in development, in addition to several activities to continue monetizing the existing catalogue and bring the revenue needed to support those investments.

Conan Unconquered is the next of these titles to be released, a week from today, and the first time Conan the Barbarian will command armies in a Real Time Strategy game. Conan Unconquered promises gamers many hours of entertainment, alone or with a friend, as you fight to survive the waves of enemies trying to destroy your city.

With the partnership with Legendary Entertainment for games based on the works of Frank Herbert’s DUNE we secured a fantastic science fiction universe to complement the vast worlds of Conan and Robert E Howard, giving us two strong Intellectual Property catalogues to explore through our games.

We have more games in our development pipeline than ever before and in order to support it we are gradually investing in our organization, both on the publishing front but also on the development side as seen by the partial acquisition of Lisbon-based studio ZPX.

This first quarter was a good start to the year even without a new game being released, and we’re looking forward to the upcoming releases throughout the year and especially to the larger releases in 2020 and beyond.”

Rui Casais, Chief Executive Officer

1 Highlights

- The first quarter of 2019 reports another profitability record: the last twelve-month EBITDA of 55% is the highest in Funcom's history, despite no new game launches in the quarter
- *Conan Exiles* continued to perform well with a successful Steam free weekend during the first quarter, and two DLC releases and another Steam free weekend after the quarter
- *Conan Unconquered* has been well received by the gaming press and is launching next week, on 30 May 2019
- The pipeline of projects in development has been further strengthened, with seven confirmed new games in development in addition to over eight other active investments in existing games (additional SKUs, updates, stores, platforms, etc.)
- Exclusive gaming partnership with DUNE and majority acquisition of Lisbon developer ZPX announced

2 Financials

First quarter 2019

- Revenues for the quarter increased by 117% to USD 5 812 thousand, versus same period last year (1Q18: USD 2 677 thousand), driven by *Conan Exiles* and *Mutant Year Zero*
- EBITDA increased by USD 2 467 thousand to USD 2 544 thousand (1Q18: USD 77 thousand). The 12-month rolling EBITDA margin at 1Q19 was 55%, the strongest to date
- EBIT increased by USD 1 265 thousand to USD 128 thousand (1Q18: USD -1 138 thousand)
- The equity increased by 31% to USD 45 955 thousand (1Q18: USD 35 137 thousand)
- The cash position increased by 19% to USD 19 614 thousand (1Q18: USD 16 533 thousand) despite significant investments in game development in the period
- Cash flow from operating activities for the quarter increased by 572% to USD 4 102 thousand (1Q18: USD 611 thousand)

3 Game activities

<p>CONAN EXILES DURING 1Q: Major update and Steam Free Weekend AFTER 1Q: Anniversary patch, 2nd SFW, PS+ month, DLC 5 Turan & DLC 6 Riddle of Steel</p>	<p>MUTANT YEAR ZERO DURING 1Q: Stalker Trials game update, Humble monthly AFTER 1Q: Switch and DLC preparations, EA Origins</p>	
<p>AGE OF CONAN: UNCHAINED DURING 1Q: Siege of Blood end, Unconquered Mode AFTER 1Q: Onslaught Game Mode</p>	<p>ANARCHY ONLINE DURING 1Q: Launched AO 2019 Server AFTER 1Q: Anniversary Event</p>	<p>SECRET WORLD LEGENDS DURING 1Q: Stonehenge Group and Equinox Event AFTER 1Q: Anniversary Event</p>

4 Pipeline

<p>External</p>	<p>CONAN UNCONQUERED</p>	<p>MOONS OF MADNESS</p>	<p>+2 GAMES TOP SECRET</p>
	<p>PLATFORMS : PC RELEASE : 30 May STATUS : In Production</p>		<p>PLATFORMS : PC - XBOX ONE - PS4 RELEASE : Halloween 2019 STATUS : In Production</p>
<p>Internal</p>	<p>HEROIC SIGILLIS</p>	<p>CONAN SINGLE PLAYER</p>	<p>OPEN WORLD MULTIPLAYER FRANK HERBERT'S DUNE TOP SECRET</p>
	<p>PLATFORMS : PC - XBOX ONE - PS4 RELEASE : 2020 STATUS : In Production</p>		<p>PLATFORMS : PC - XBOX ONE - PS4 RELEASE : 2020 STATUS : In Production</p>

15 active projects in total: 7 new + 8 existing or prototype game projects

4 Risk factors

- For information regarding risk factors for the Company and its games, please refer to note 26 in the 2018 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 ongoing significant investments into both internal and published games, most of which for projects launching in 2020 and beyond
- Key factors of the outlook
 - The continued sales of *Conan Exiles* and *Mutant Year Zero: Road to Eden* including upcoming DLCs and additional stores and platforms support
 - Launch of *Conan Unconquered* on 30 May 2019 on PC
 - Launch of *Moons of Madness* in the Halloween season of 2019 on PC, Xbox One and PlayStation 4
 - Launch of Funcom North Carolina's Shooter game and Funcom Oslo's Conan single player game in 2020
 - Development and launch of 3 or more games in six years based on the DUNE IP
- Revenue and profitability should be expected to vary from quarter to quarter, depending on launch activity, discounts and other events. The Company's strategy of releasing both internally and externally developed games, allowing multiple releases each year, is designed to increase diversification and reduce risk
- Revenue from the online games are expected to slowly decline over time due to their ageing. However, Funcom will continue to launch events and content releases to spur periods of growth
- In line with the communicated strategy Funcom is investing in the above mentioned and additional co-development and publishing games going forward

Badhoevedorp, The Netherlands, 23 May 2019

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 2018 note 26
- For more information about Funcom, its games and its organization, please see www.funcom.com

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

FUNCOM N.V. - FIRST QUARTER FINANCIALS OF 2019
PRELIMINARY, CONDENSED, NOT AUDITED, FIGURES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS					
<i>(Figures in TUSD)</i>	First Quarter		Accumulated		Full Year
	2019	2018	2019	2018	2018
Revenue	5 812	2 677	5 812	2 677	33 776
Operating expenses	-3 268	-2 600	-3 268	-2 600	-16 086
Earnings Before Interest, Tax, Depreciation and Amortization	2 544	77	2 544	77	17 690
Depreciation, amortization and impairment charges	-2 261	-1 215	-2 261	-1 215	-7 523
Depreciation of Right-of-use assets	-155	-	-155	-	-
Operating result ("EBIT")	128	-1 138	128	-1 138	10 166
Net financial items	-62	-34	-62	-34	-1 926
Profit (loss) before income taxes	66	-1 172	66	-1 172	8 240
Income taxes	44	-	44	-	-1 622
Profit (loss) for the period	110	-1 172	110	-1 172	6 618
Attributable to non-controlling interests	-6	-	-6	-	-
Attributable to shareholders of Funcom N.V.	115	-1 172	115	-1 172	6 618
Earnings per share basic (USD)	0.00	-0.02	0.00	-0.02	0.09
Earnings per share fully diluted (USD)	0.00	-0.02	0.00	-0.02	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Profit (loss) for the period	110	-1 172	110	-1 172	6 618
Foreign exchange translation difference	444	432	444	432	-1 508
Other	-	-	-	-	-
Total comprehensive income for the period	554	-740	554	-740	5 110

Attributable to non-controlling interests	-6	-	-6	-	-
Attributable to shareholders of Funcom N.V.	559	-740	559	-740	5 110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
<i>(Figures in TUSD)</i>	31 March		31 Dec
	2019	2018	2018
ASSETS			
<u>Non-current assets</u>			
Deferred tax assets			
Intangible assets	26 996	12 515	24 711
Tangible fixed assets	165	38	155
Goodwill	344	-	-
Right-of-use assets	3 255	-	-
Investments accounted for using the equity method	-	7 723	-
Long term receivables	425	531	489
Total non-current assets	31 185	20 806	25 354
<u>Current assets</u>			
Trade receivables	3 412	986	4 797
Prepayments and other receivables	1 179	661	1 269
Cash and cash equivalents	19 614	16 533	19 902
Total current assets	24 205	18 179	25 968
Total assets	55 390	38 985	51 322
EQUITY AND LIABILITIES			
<u>Equity</u>			
Share capital	18 248	17 754	18 224
Reserves	189 130	186 762	188 539
Retained earnings	-161 482	-169 379	-161 589
Non-controlling interest	59	-	-
Total equity	45 955	35 137	45 175
<u>Liabilities</u>			
Deferred tax liabilities	1 892	707	2 086
Long-term liabilities	-	91	92
Lease liabilities	3 325	-	-
Contract liabilities	362	435	222
Short-term loans and borrowings	-	630	-
Other short term liabilities	3 856	1 984	3 747
Total liabilities	9 435	3 848	6 147
Total equity and liabilities	55 390	38 985	51 322

CONSOLIDATED STATEMENT OF CASH FLOWS					
	First Quarter		Period ended 31 March		Full Year
<i>(Figures in TUSD)</i>	2019	2018	2019	2018	2018
Cash flow from operating activities					
Profit (loss) before income tax	66	-1 172	66	-1 172	8 240
Adjustments for:					
Depreciation, amortization and impairment	2 261	1 215	2 261	1 215	7 523
Depreciation of Right-of-use assets	155	-	155	-	-
Share-based payments	-	325	-	325	2 903
Interest income/expense	-38	-	-38	-	-49
Interest received	74	-	74	-	49
Income taxes paid	-170	-	-170	-	-71
Effect of exchange rate fluctuation	100	-	100	-	1 322
Changes in working capital	1 655	244	1 655	244	-2 720
Net cash flow from operating activities	4 102	611	4 102	611	17 196
Cash flow from investing activities					
Purchase of equipment and investment in intangible assets	-4 308	-2 962	-4 308	-2 962	-16 585
Investment in equity-accounted entities	-	-122	-	-122	-
Net cash flow from investing activities	-4 308	-3 084	-4 308	-3 084	-16 585
Cash flow from financing activities					
Net proceeds from issue of share capital	-	11 381	-	11 381	12 374
Acquisitions, net of cash acquired, and other	-84	-	-84	-	-
Payment of lease liabilities	-129	-	-129	-	-
Net cash flow from financing activities	-214	11 381	-214	11 381	12 374
Change in cash and cash equivalents	-420	8 908	-420	8 908	12 985
Cash and cash equivalents, beginning of period	19 902	7 731	19 902	7 731	7 731
Cash and cash equivalents, end of period before exchange effect	19 482	16 639	19 482	16 639	20 716
Effect of exchange rate fluctuations	132	-107	132	-107	-814
Cash and cash equivalents, end of period after exchange effect	19 614	16 533	19 614	16 533	19 902

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	1Q	1Q	Full Year
<i>(Figures in TUSD)</i>	2019	2018	2018
Opening balance	45 175	13 678	13 678
Total comprehensive income attributable to Funcom N.V.	559	-740	5 110
Equity issues	170	21 874	23 483
IFRS 16 adjustment to opening balance	-9	-	-
Share-based payments	-	325	2 903
Attributable to shareholders of Funcom N.V.	45 896	35 137	45 175
Acquisition of non-controlling interests	65	-	-
Total comprehensive income attributable to non-controlling interest	-6	-	-
Total equity	45 955	35 137	45 175

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 31 March 2019 were approved for issue by the Supervisory Board on 23 May 2019.

2 Basis for preparation and selected significant accounting policies

Based on a strong cash balance, recent successful launches, future pipeline and access to external funding in the financial markets 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 31 March 2019 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 2018 Annual Report.

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. The intellectual property rights acquired by Heroic Signatures DA are classified as having indefinite useful life, which means they are not amortized unless the annual impairment test implies there is a reason to do so.

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 have an amortization period of up to five years, whereas other games have an amortization period of two years or below. 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 after release, diminishing over time. If that pattern cannot be determined reliably, the company uses the straight-line method.

2.3 Equity

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

2.4 Contract liabilities

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.

2.5 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 recognises 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 recognises the individual identifiable assets acquired and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Other costs related to the transaction can be capitalized.

On 8 February 2018, Funcom completed a transaction to acquire 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 with Funcom royalty cost and only Heroic Signatures DA third-party revenue is included in Funcom's consolidated revenue. The asset value of Heroic Signatures DA is shown under intangible assets on the balance sheet. Heroic Signatures DA was booked as a joint venture until 4Q18 when the booking was changed to a joint operation, so for 1Q18 the asset value is shown as "investments accounted for using the equity method".

2.6 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.

2.7 Goodwill

Goodwill arises on acquisition of subsidiaries and associates. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Any excess of the Group's

share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition is recognized immediately in the Statement of Comprehensive Income.

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.

2.8 Leases

The Group applied, for the first time in the first quarter of 2019, the new standard of accounting of leases, IFRS 16. The new standard replaced IAS 17 Leases, used in first quarter 2018.

Under IFRS 16 lease agreements are recognized in the balance sheet, and the right-to-use asset and lease liability are recognized in the financial statements. The right-to-use asset will be depreciated in profit or loss over the lease term. Lease payments are recognized as a reduction of the lease liability. For each period the Group will recognize an interest expense on the lease liability. Under IAS 17, used in first quarter of 2018, office rent was expensed as operating expenses directly in profit or loss.

There are two exceptions: Leases with the lease term of 12 months or less with no purchase option (applied to the whole class of assets), and leases where underlying asset has a low value when new (applied on one-by-one basis). These leases are expensed directly in profit or loss.

3 Operating revenues

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

4 Operating expenses

Personnel cost, external development cost, marketing and games operating cost are main elements of the operating expenses.

5 Intangible assets

The increase of intangible assets in 1Q19 was USD 2 286 thousand. USD 245 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 1Q19 affecting the result is USD 2 041 thousand.

6 Net financial items

Net financial items mainly consist of interest earned, exchange rate differences, and interest related to real estate lease liabilities.

7 Taxes

A deferred tax liability of USD 1 892 thousand is recorded on the balance sheet, due to temporary tax differences driven by increasing investments into new games which are expensed for tax purposes. This resulted in no payable tax in Norway nor in the Netherlands for the fiscal year 2018. A tax gain of USD 44 thousand for 1Q19 has been calculated in Funcom Oslo AS and Funcom Oslo Licensing AS.

The latest tax assessment received by Funcom N.V. reports carry forward losses amounting to USD 1 917 thousand as of the end of 2017. Funcom N.V. expects that its carry forward losses will decrease to an amount of USD 278 thousand as of the end of 2018.

8 Long term receivables

Long term receivables consist of deposits for real estate.

9 Cash

Cash and cash equivalents are USD 19 614 thousand. Of these USD 136 thousand are restricted.

10 Liabilities

Funcom has no interest-bearing debt, with the exception of real estate lease liabilities related to IFRS 16.

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 the same currencies.

12 Average number of shares

	First Quarter		Three months	
	2019	2018	2019	2018
Average number of shares (1'000)	77 089	66 123	77 089	66 123

13 Other comprehensive income

In accordance with IAS 21, the Company reported in 1Q19 under the 'Other comprehensive income' a foreign exchange gain amounting to USD 433 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 Group increased from USD 45 175 thousand at the end of 4Q18 to USD 45 955 thousand at the end of 1Q19.

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 N.V. with USD 170 thousand and the equity attributable to non-controlling interests by USD 65 thousand. The ZPX-acquisition will not have significant impact on Funcom's financials and is classified as an immaterial business combination in terms of reporting requirements.

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: IP revenue from third parties and game development services

Segment information	Revenue from external customers		Segment profit (loss) *)	
	January - March		January - March	
<i>In thousands of US dollars</i>	2019	2018	2019	2018
PC	4 056	2 056	2 445	1 431
Console	1 618	475	1 064	276
Other activities	137	146	84	18
Total	5 812	2 677	3 593	1 725
General and administrative expenses			-1 049	-1 648
Depreciation, amortization and impairment charges			-2 416	-1 215
Net financial items			-62	-34
Profit (loss) before tax			66	-1 172

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

	PC	Console	Under development	SUM
Segment assets as at 31 March 2018	7 861	2 744	1 646	12 250
Segment assets as at 31 March 2019	7 338	3 115	9 410	19 864

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

16 Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired. All of our goodwill relates to the acquisition of ZPX, also see note 14. The ZPX-acquisition will not have significant impact on Funcom's financials and is classified as an immaterial business combination in terms of reporting requirements.

<i>In thousands of US dollars</i>	Goodwill
Net book balance at December 31, 2018	-
Arising on acquisition of subsidiaries	344
Net book balance at March 31, 2019	344

17 Implementation of IFRS 16 Leases

The Group implemented IFRS 16 Leases as of January 1, 2019, superseding IAS 17 Leases used in 2018. The Group adopted IFRS 16 using the modified retrospectively approach. Under this approach, a lessee does not restate comparative information. The cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as of 1 January 2019. With IFRS 16 all lease agreements are recognised in the balance sheet, and the right-to-use asset and lease liability are recognised in the financial statements.

The Group applied the short-term exemption, which means that all leases with a lease term that ends in 2019 are expensed as before and not capitalized upon transition. The Group also applied the general low value exemption in IFRS 16 for leases of office and other equipment. This means that no low value leases of such assets will be capitalized and that such lease payments are expensed in profit or loss.

On 1 January 2019, the Group recognized right-of-use assets of USD 3 626 thousand and lease liabilities of USD 3 634 thousand, together with a decrease in equity of USD 8 thousand.

Impact on the statement of financial position:

<i>In thousands of US dollars</i>	At 1 January 2019
Assets	
Right-of-use assets	3 626
Liabilities	
Lease liabilities	3 634
Impact on equity	-8

18 Subsequent events

On 17 May an Extraordinary General Meeting was held that approved the conversion of the legal form of Funcom N.V. into a “societas europaea” or “S.E.”. The explanatory notes outlined that the main purpose of the Conversion is to structurally reflect the diversified operational presence (in particular in terms of offices and employees) of the Funcom group in different European countries, and to potentially take advantage of the flexibility such a conversion offers, including but not limited to moving the converted Company to another European state. Furthermore, Funcom wishes to improve the unified corporate identity, the employee and other stakeholder’s identification, and to enhance the supra national nature and image of the Funcom group. The Conversion would entail a technical change in the legal form of the Company and will not materially affect the current rights of its shareholders or the listing of the shares.