

Relevant information before adoption of annual accounts of Funcom N.V. for the financial year ended December 31, 2018

What follows is the relevant information before adoption of annual accounts of Funcom N.V. (the "Company") for the financial year ended December 31, 2018 as included in the annual accounts of Funcom N.V. for the financial year ended December 31, 2018.

1 - Remuneration of the members of the Management Board

Remuneration to the Management Board

In thousands of US dollars

Management Board member	Total remuneration is composed of:					
	Total remuneration	Remuneration	Bonus	Severance	Pension cost	Share based
2018						
Rui Casais	622	260	89	-	6	267
Christian Olsthoorn	96	25	-	-	-	71
Total:	717	285	89	-	6	338
2017						
Rui Casais	360	221	86	-	3	50
Christian Olsthoorn (1)	39	19	-	-	-	20
Total:	399	240	86	-	3	70

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 shares held / controlled at year end
2018				
Rui Casais	100 000	-	389 332	40 000
Christian Olsthoorn	38 000	-	95 500	-
Total:	138 000	-	484 832	40 000
2017				
Rui Casais	80 000	10 000	289 333	30 000
Christian Olsthoorn	27 500	-	57 500	-
Total:	107 500	10 000	346 833	30 000

2017 numbers of shares and options in the above table have been adjusted to reflect the reverse stock split.

2 - Remuneration of the members of the Supervisory Board

Remuneration to the Supervisory Board

On June 1, 2018, the General Meeting approved annual remuneration to the Chairman of the Supervisory Board of EUR 31,000 (2017: EUR 27,000) and EUR 21 000 (2017: EUR 18 000) for all other members of the supervisory board.

The following tables show the details of the cash remuneration and the stock incentives of the individual members of the Supervisory Board:

Supervisory Board member	Total remuneration	Total remuneration is composed of:	
		Board fee TUSD	Share based TUSD
2018			
Ole Gladhaug	142	37	105
Alain Tascan (1)	98	21	77
Magnus Grøneng (2)	38	13	25
Fredrik Malmberg	95	25	70
Egil Kvannli	95	25	70
Andreas Arntzen (3)	57	12	45
Susana Meza Graham (4)	38	7	31
Total:	562	139	423

2017			
Ole Gladhaug	65	32	33
Alain Tascan	36	21	15
Magnus Grøneng	40	21	19
Fredrik Malmberg	40	21	19
Egil Kvannli	40	21	19
Total:	221	116	105

Supervisory 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 shares held / controlled at year end (incl. related parties)
2018				
Ole Gladhaug	56,000	-	141,000	-
Alain Tascan (1)	38,000	n/a	n/a	n/a
Magnus Grøneng (2)	-	n/a	n/a	n/a
Fredrik Malmberg	38,000	-	88,000	4,500,000
Egil Kvannli	38,000	-	88,000	-
Andreas Arntzen (3)	38,000	-	38,000	-
Susana Meza Graham (4)	38,000	-	38,000	155,000
	246,000	-	393,000	4,655,000

2017				
Ole Gladhaug	45,000	-	85,000	-
Alain Tascan	30,000	-	90,000	-
Magnus Grøneng	30,000	-	50,000	88
Fredrik Malmberg	30,000	-	50,000	-
Egil Kvannli	30,000	-	50,000	-
	165,000	-	325,000	88

(1) Alan Tascan resigned from the Supervisory Board on 31 October 2018.

(2) Magnus Grøneng resigned from the Supervisory Board on 10 July 2018.

(3) Andreas Arntzen joined the Supervisory Board on 10 July 2018.

(4) Susana Meza Graham joined the Supervisory Board on 14 September 2018.

2017 numbers of shares and options in the above table have been adjusted to reflect the reverse stock split.

Remuneration to the Supervisory Board and Management Board):

<i>In thousands of US dollars</i>	2018	2017
Salaries and benefits in kind (short-term employee benefits)	513	442
Share-based payments	761	175
Pension plan contributions	6	3
Total remuneration	1 280	620

3 – Loans

The Company does not provide any loans to members of the Management Board.

The Company does not provide any loans to members of the Supervisory Board.

4 - Employee benefits

Funcom has established defined contribution pension plans in some of its subsidiaries. The premium paid relating to these schemes in 2018 was USD 181 thousand (2017: USD 55 thousand).

Funcom has option programs that entitle employees, members of the Management Board and members of the Supervisory Board to purchase shares in Funcom N.V.

5 - Option program in Funcom N.V.

The Group has option programs that entitle employees, members of the Management Board and members of the Supervisory Board to purchase shares in Funcom N.V., the parent company of the Group. The exercise price of the granted options is equal to the weighted market price of the shares 5 trade days prior to and 5 trade days following the date of grant, which means the option only has value if the share price increases from the time it is granted. Options are conditional on the employee remaining an employee or director of the Company on the date of exercise. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 June 2018 the annual general meeting approved changes to the option program. The key changes were extension of option life time from 5 to 10 years and elimination of the vesting period. The elimination of the vesting period means all cost associated with options issued is 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 year's expenses.

Option program in Funcom N.V.

The Company executed a 5:1 reverse stock split with ex date 1 February, 2018, exchanging five existing shares for one new share. As a result, the options authorized before that date have been adjusted to reflect the reverse stock split, i.e. five options authorized were revised to one option authorized. The following share issuances (for options and other purposes) have been authorized by the shareholders meeting:

<i>Time of authorization</i>	Number of shares issuances authorized	Expiry of authorization
May 10, 2005	250 000	May 10, 2008
November 30, 2006	200 000	November 30, 2008
December 19, 2008	600 000	December 19, 2010
May 18, 2010	600 000	May 18, 2011
June 27, 2011	1 600 000	GM 2012
June 27, 2012	2 000 000	GM 2013
June 27, 2013	3 000 000	GM 2014
June 27, 2014	6 600 000	GM 2015
June 26, 2015	6 000 000	GM 2016
February 25, 2016	28 000 000	GM 2017
June 30, 2016	28 000 000	GM 2017
June 27, 2017	5 000 000	GM 2018
June 1, 2018	7 500 000	GM 2019
Total number of options authorized	89 350 000	

In the following table, 2017 numbers have been adjusted to reflect the 5:1 reverse stock split.

List of outstanding options:	Number of options	Weighted average exercise price (USD)	Number of options	Weighted average exercise price (USD)
	2018	2018	2017	2017
Outstanding options on January 1	2 988 160	1.35	2 068 694	1.15
Options granted	1 974 500	2.41	1 381 300	1.55
Options exercised	-838 135	1.18	-343 416	0.90
Options terminated	-16 127	1.14	-75 797	1.10
Options expired	-	-	-42 620	3.90
Outstanding options on Dec 31	4 108 398	1.89	2 988 160	1.35

The following table shows the share options outstanding at the end of the year with the expiry date and exercise prices. Exercise price and 2017 columns have been adjusted to reflect the reverse stock split. The option term changes are also reflected in 2018 Column, such as expiry date being extended for five years.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry day	Exercise price	Options	
		2017	2016
27.06.2017	USD 2,65		50 000
24.08.2017	USD 0,45		200 000
20.09.2017	USD 0,36		317 133
09.01.2018	USD 0,13	8 749	
28.02.2018	USD 0,13	1 749	
01.03.2018	USD 0,30	424 439	
31.03.2018	USD 0,13	10 498	
24.06.2018	USD 0,31	564 334	1 380 336
27.06.2018	USD 0,30	200 000	200 000
26.06.2019	USD 0,81	1 204 000	1 316 000
27.06.2019	USD 0,80	500 000	500 000
30.01.2020	USD 0,25	300 000	300 000
26.06.2020	USD 0,25	100 000	100 000
25.02.2021	USD 0,18	350 000	400 000
30.06.2021	USD 0,13	3 975 530	5 080 000
11.10.2021	USD 0,16	500 000	500 000
30.03.2022	USD 0,35	50 000	
07.07.2022	USD 0,31	6 751 500	
Sum		14 940 799	10 343 469

After the 5:1 reverse split that was executed on 1st February 2018 all of the options have been updated accordingly, by dividing the number of shares by 5 and multiplying the strike price by 5, to secure that the value of the options is not affected by the reverse split.

		Options		
Expiry day	Exercise price	2018	2017	
09.01.2018	USD 0.66	-	1 750	
28.02.2018	USD 0.66	-	350	
01.03.2018	USD 1.51	-	84 888	
31.03.2018	USD 0.66	-	2 100	
24.06.2018	USD 1.55	-	112 867	
27.06.2018	USD 1.50	-	40 000	
02.06.2019	USD 2.54	12 200	-	
26.06.2019	USD 4.05	-	240 800	
27.06.2019	USD 4.00	-	100 000	
10.07.2019	USD 0.82	19 000	-	
31.08.2019	USD 2.35	5 500	-	
28.09.2019	USD 2.35	5 500	-	
30.09.2019	USD 2.35	5 500	-	
25.10.2019	USD 1.60	18 700	-	
12.11.2019	USD 2.35	5 500	-	
12.12.2019	USD 2.35	11 000	-	
30.01.2020	USD 1.25	-	60 000	
26.06.2020	USD 1.25	-	20 000	
30.06.2020	USD 1.94	32 233	-	
25.02.2021	USD 0.90	-	70 000	
30.06.2021	USD 0.65	-	795 106	
11.10.2021	USD 0.80	-	100 000	
30.03.2022	USD 1.75	-	10 000	
07.07.2022	USD 1.56	-	1 350 300	
24.08.2022	USD 1.71	40 000	-	
20.09.2022	USD 1.37	43 134	-	
24.06.2023	USD 1.15	93 066	-	
27.06.2023	USD 1.14	40 000	-	
26.06.2024	USD 3.05	226 800	-	
27.06.2024	USD 3.03	100 000	-	
30.01.2025	USD 1.18	60 000	-	
26.06.2025	USD 1.27	20 000	-	
25.02.2026	USD 0.94	70 000	-	
30.06.2026	USD 0.67	427 765	-	
11.10.2026	USD 0.82	80 000	-	
30.03.2027	USD 1.76	10 000	-	
07.07.2027	USD 1.57	857 500	-	
01.06.2028	USD 2.68	346 000	-	
29.06.2028	USD 2.35	1 541 000	-	
14.09.2028	USD 2.30	38 000	-	
Sum		4 108 398	2 988 160	

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was USD 0.77 per option (2017: USD 1.12). The significant inputs into the model were a weighted average share price of USD 2.22 – 2.56 (2017: USD 1.55-1.92) at the grant date, the exercise prices shown above, volatility 60.00% (2017: 108.06%-113.65%), dividend yield 0% (2017: 0%), expected option life of 1.4-3 years (2017: 3.245-5 years), expected annual turnover rate of

7% (2017: 7%) and an annual risk free rate of 0.83%-1.28% (2017: 0.78%-1.11%). The volatility measured is based on the variation in daily share prices for Funcom. The acceleration of unamortized cost due to changed terms (removal of vesting criteria) amounted to USD 521 thousand. The increased fair value of the old options due to changed terms was USD 150 thousand.