Funcom N.V.

Annual Report

2015

Contents

	Page
About Funcom	3
Large-scale Massively Multiplayer Online Games	5
The Dreamworld Technology	9
Report of the Management Board	10
Corporate Governance	22
Responsibility Statement	25
Corporate Governance Declaration	26
Report of the Supervisory Board of Directors	27
Consolidated Financial Statements:	
Consolidated Statement of Comprehensive Income	31
Consolidated Statement of Financial Position	33
Consolidated Statement of Cash Flows	35
Consolidated Statement of Changes in Equity	36
Notes to the Consolidated Financial Statements	37
Financial Statements of Parent Company:	
Income Statement	87
Statement of Financial Position	87
Notes to the Company Financial Statements	88
Other information:	
Other information	99
Auditor's report	100
Annexes:	
Annex I: Investor Relations Policy	107
Annex II: Financial Calendar for Funcom 2015	109
Annex III: Contact Details	110

About Funcom

Funcom is an award-winning independent developer and publisher of computer and console games.

Funcom® N.V. (the Company) was founded in 1993 and during the 23 years that have followed since then, the Company has developed and published over 25 game titles across several genres and gaming platforms. Most notable of these are the online games *'The Secret World®', 'Age of Conan'* and *'Anarchy Online®',* which despite their respective ages continue to be important, contribution-generating pillars in Funcom's live portfolio of games.

Funcom has also developed several single-player classics, such as the highly critically acclaimed 'The *Longest Journey®*' and *'Dreamfall®'*. In October 2015, Funcom released *'The Park'*, its first single-player game in over ten years. *'The Park'* became a significant hit among Twitch and YouTube streamers, and these videos generated more than 10,000,000 views in the weeks after the game was released.

In the early days, Funcom developed console games such as *'Pocahontas'* and *'Casper*', and also created numerous ports of existing games to various platforms.

As of the date of the annual report close to 100 talented individuals are working at its studios in Oslo and North Carolina.

Today, Funcom's strategy consists of:

- Developing small and innovative games, focused on trying new concepts, experimenting with new technology and platforms, and utilizing our IPs while keeping the investment level low.

- Developing larger games, focused on genres or game types where we can create products of higher production value than the competition, using our own or 3rd party IPs and drawing from the innovation and experimentation of the smaller products to lower the risk overall.

- Leveraging and growing the internal IPs such as *'Anarchy Online',* 'The *Longest Journey'* and *'The Secret World'* for both internal and 3rd party licensing.

It is Funcom's vision for 2016 and onwards to be able to launch at minimum one small game game per year and one larger game to be in development at all times per development studio. As part of this strategy, market segments and platforms will be constantly evaluated as the trends in the gaming industry change very quickly and new opportunities are emerging such as *eSports, VR* and *AR*, among others.

The first *smaller* game to be released under this new strategy was *'The Park'*, released on 27 October 2015. The first *larger* game is *'Conan Exiles'*, an open-world survival game expected to be released in Early Access on the PC during Summer 2016, with a full launch on PC and consoles to follow.

Funcom has a highly skilled team of developers situated at its Durham, North Carolina studio. In 2016 this studio will be expanding into developing a new *smaller* titles, but will also retain its focus on supporting, expanding and enhancing the Company's live games. The Company regularly reviews the performance of each of its live games and adapts them to the needs and wants of their audience.

'Age of Conan' launched in 2008 and sold more than 1.4 million copies before it went over to a free-to-play business model. Since launch, more than four million players have signed up to experience *'Age of Conan'*. *'Anarchy Online'*, the Company's first MMO, has been in operation for 14 years and is still going strong. *'The Secret World'* is Funcom's latest large-scale MMO, and the title is still going strong with new players coming in from both the Steam platform and Funcom's own channels. In

2015, the Company released three major content updates for *'The Secret World'*, containing new stories and areas to explore.

One of the key reasons for Funcom's achievements in the MMO segment is the development of the Company's proprietary technology platform *'DreamWorld Technology'*. This platform and all its associated tools gives the developers the flexibility and power needed to create some of the most advanced virtual worlds on the market. After years of continuous development and upgrades, the *'DreamWorld Technology'* has become one of the most powerful game engines available. The Company continues to expand and enhance its proprietary technology simultaneously with all its game production. In 2015, Funcom also adopted the Unreal Engine for the development of *'The Park'*, and the Company continues to use Unreal Engine in its upcoming open-world survival game *'Conan Exiles'*.

Funcom is currently undergoing a review of strategic options and has retained ABG Sundal Collier for that purpose. These strategic options include a share issue to raise capital in order to execute the new Company Strategy. As part of this process, Funcom is actively engaging with interested parties in the Financial, Media and gaming industries to find the best investment and development partner to pave the way for a new era of growth.

Funcom is a publicly listed company on the Oslo Stock Exchange under the ticker 'Funcom'.

For more information, visit www.funcom.com.

Large-scale Massively Multiplayer Online Games

LEGO® *MINIFIGURES ONLINE*

LEGO® *Minifigures Online* is an online game for kids of all ages based on the hugely popular Minifigures brand of collectible toys. Here you get to assemble your very own team of great Minifigures and bring them out on adventures through colorful and fantastical worlds.

Funcom released LEGO® *Minifigures Online* on all planned platforms in 2015.The game features full cross-platform play, allowing anyone to play together in the same world regardless of which device they are playing on.

Even though the game certainly is enjoyable to just about everyone, it is particularly suited for kids. Funcom and the LEGO Group have worked closely together to make sure the play experience in the game is both fun and safe, and multiple functionalities was added to the game to make sure it is a secure and positive environment for everyone. This includes, among many other features, filtered and real-time moderated chat. The game is also fully COPPA compliant and KidsSafe certified.

The collectible Minifigures are immensely popular throughout the world, and it is these iconic characters that everyone get to play with in LEGO® *Minifigures Online*. Here players can collect and play with the Yeti, the Bumblebee Girl, the Alien Avenger or even the Chicken Suit Guy and many, many more. Every Minifigure has their own unique abilities and special attacks that makes collecting them and playing with them an exciting discovery each time.

Each year, millions of bags containing physical Minifigures are sold throughout the world. Funcom and the LEGO Group have teamed up to make sure the game features seamless integration with the physical toys: in each of the Minifigures bags bought in stores everywhere, is a unique code that unlocks that very same figure as well as other exciting rewards inside the game. In 2015 series 14 and series15 were included in the game.

Funcom communicated in the Q3 2014 report that the initial numbers coming in from the first weeks of live data indicated that it would take longer than planned to achieve the internal targets for player and revenue in 2014 and 2015. The Company has during 2015 been unable to improve these numbers. As a result of this the revenues generated by LEGO® *Minifigures Online* did not meet the internal forecasts. The Company has therefore fully written off the underlying assets of the game. As of the time of this annual report, the Company does not find it likely that any of the game metrics will improve, and has adjusted its investment in the game accordingly. The license agreement with LEGO for the LEGO® *Minifigures Online* game ends October 2016.

LEGO® *Minifigures Online* is available for play in English, German, French and Spanish, and can be downloaded at www.playminifigures.com.

About the LEGO Group: The LEGO Group (www.LEGO.com) is a privately held, family-owned company, based in Billund, Denmark. It was founded in 1932 and today the group is one of the world's leading manufacturers of play materials for children. The Company is committed to the development of children's creative and imaginative abilities through its products, which can be purchased in more than 130 countries. Visit www.LEGO.com.

THE SECRET WORLD

In 2015 *The Secret World* released three major content patches and a revamp with the Enhanced Player Experience. The game saw a thrilling conclusion to Season 1 with the release of Issue 11. *The Secret World* saw the first post-launch dungeon with the release of Issue 12. Several events were also celebrated including a three year anniversary celebration.

The Secret World is an innovative massively multiplayer online game, which offers deep and creative storylines, free form character progression and challenging content in a modern-day setting. The players join one of three Secret Societies, the *Dragon*, the *Templars* or the *Illuminati* to battle a tide of rising darkness threatening the whole world.

The year started off strong with the release of the Enhanced Player Experience. The development team rebalanced several key points in the game to streamline the play experience for new members and veterans of the game. In addition several new tutorials, rewards, and quality of life improvements were added to the game.

Issue #11: *Reaping the Whirlwind* was released in May reaching the epic conclusion to the first season of *The Secret World.* This content update allowed players to take on the mighty Orochi corporation in the Orochi Tower and introduced many new characters, enemies, game systems, monsters and hours of new content to the game.

In August Issue #12: *To the Dark Tower Below* went live. It expanded on the acclaimed story and introduced the first group based dungeons since launch. Issue #12 included a new daily challenge system which was a free update for all players. In addition Nightmare versions of all raids were included in the Issue.

December saw the release of Issue #13: *Trail of Shadows.* The Issue included several new missions that revisited some of the favourite characters from Kaidin. In addition to the content Issue 13 included a new gifting option for players that allowed them to gift items from the store to other players.

The Secret World also saw a the release of the mount system in 2015. The first released mount was the motorcycle which included an exciting mission for players to experience. In total three mount types and over 10 vehicle varieties were released in 2015.

Funcom is pleased with *The Secret World's* performance over the last year. The game continues to offer its players unique high quality content, an original MMO story and deep character development systems.

For more information, visit www.thesecretworld.com.

AGE OF CONAN: HYBORIAN ADVENTURES

***Age of Conan* celebrated its seventh anniversary in 2015. It was released in 2008 to critical acclaim and was the third best selling PC game, and the number one best selling new MMO that year in North America and Europe. Well over 4 million players have signed up to play *Age of Conan* since launch.**

Age of Conan offers a brutal and mature world, capturing the essence and magic of Robert E. Howard's incredible stories about Conan the Barbarian and the world of Hyboria. It combines action based combat with deep character progression, captivating stories and extraordinary content.

Since its launch the *Age of Conan* development team has been updating the game and creating new content for the players to enjoy. In 2010 the well received Rise of the Godslayer expansion was launched for *Age of Conan*. The expansion introduced the all-new lands of Khitai, filled with new quests, monsters, items and dungeons, as well as the fresh Alternate Advancement system, which gave the players a host of new opportunities for character development.

2015 saw many content updates and improvements to the game. The Achievement System was released in early February adding hundreds of new goals for players. The community experienced *Age of Conan* in a brand new light with “Leaps of Faith”, timed dungeon runs, playfield races, and new rewards for every experience in the game.

The second half of the achievement system was released in April which included the Panorama System. Players were able to see Hyboria as they never had before with beautiful camera paths showing some of the most memorable and epic locations that *Age of Conan* has to offer. In addition new Treasure Chests were spread around the world rewarding the explorers by adding challenging new locations for them to discover.

October saw the release of the highly anticipated Palace of Cetriss raid instance. Players rejoiced as they experienced the explored the massive palace below the jaded Dragon’s Spine mountains. Palace of Cetriss offered a brand new raiding experience for 24-man teams and introduced Tier 6 armor and weapons.

For Halloween players were treated to The Shambling Plague event! A terrible plague has spread throughout Tarantia and players must band together to fight off the infected hordes.

The brutal world of Hyboria will keep offering a haven for Conan fans hungry for adventure and savage action for years to come.

For more information, visit www.ageofconan.com.

ANARCHY ONLINE

After fourteen years and hundreds of millions of hours of entertainment given to its players, *Anarchy Online* keeps doing well and its developers are busy making new content and improved game systems for its loyal community.

Anarchy Online was released in 2001 and is one of the few massively multiplayer online games from that era still offering its players both an exciting game and continuous updates and improvements.

Set in a unique science fiction world tens of thousands of years into the future on the planet *Rubi-ka*, where the rebellious Clans are fighting the corporation Omni-Tek, *Anarchy Online* offers a huge and ever expanding game world. Through the years the game's world and game systems have been continuously made bigger and deeper with expansions such as *The Notum Wars*, *Shadowlands*, *Alien Invasion*, *Lost Eden* and *Legacy of the Xan*.

The keys behind the game's longevity are both a strong and tightly knit community and incredibly deep game systems, which allow the players to develop their characters to great extents. *Anarchy Online* shows that complexity isn't a vice.

In April 2015 the game received a massive new update as the New Player Experience was released. A brand new playfield was launched with the patch that offered a much smoother play experience for new players. In addition a huge balance revamp was released that changed each profession in the game and offered several quality of life improvements.

June 2015 saw the open beta release of the new render engine for *Anarchy Online*. Players experienced Rubi-ka in a brand new light with the launch of the new engine. New features include accurate shadows, improved ground textures, improved lighting, god rays, new mesh grass, anti-aliasing, anisotropic filtering, and a new rain system. In addition the game celebrated its fourteenth anniversary with a special in-game event, free gifts for the players, and new items for players to gain or purchase.

The Pyramid of Home was released in September and revealed one of the greatest threats to Rubi-Ka was not the Kyr'Ozch descending from above, but something forgotten and terrible lurking below, deep beneath the sands of Broken Shores. This single-team dungeon is one of the most unique and challenging encounters in the game's history, and greatly tests the skill of all who enter.

Anarchy Online will celebrate its 15th anniversary in June 2016, and we are proud to have one of the longest-living online games still in operation.

For more information, visit www.anarchyonline.com.

THE DREAMWORLD TECHNOLOGY

The trademarked *Dreamworld Technology®* platform is the technological foundation on which *The Park* and *Conan Exiles* are built. This proprietary technology platform provides Funcom with a unique competitive advantage by enabling more flexible, faster and more predictable development and deployment of upcoming games.

A key part of Funcom's strategy has been to develop a proprietary technology platform for both online and offline games. *Dreamworld* eases the development and deployment process of such products. This enables the Company to develop faster prototypes and early versions of new games using limited staff, to test new game concepts' feasibility before committing more resources to the projects. Having a proprietary technology base also enables the Company to specialize and develop unique features for its games.

Core components of the *Dreamworld* technology platform include a flexible and powerful build and versioning system, an extensive data handling backend allowing our teams to work on extremely large datasets, as well as custom feature support in 3rd party engine extensions.

Key developments in 2015 were focused on moving away from writing and maintaining a complete game engine and migrating towards developing a production framework compatible with 3rd party engines, such as Unreal Engine 4. This has enabled us to benefit from the extensive feature list of 3rd party engines while also retaining and developing further our unique technology feature set.

Report of the Management Board

This chapter of the annual report amongst other matters, contains certain statements that are made pursuant to Section 2a of the Dutch Governmental Decree setting further regulations concerning the contents of the report of the Board of Managing Directors (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag*) of December 23, 2004 (*Staatsblad* 2004, 747), as most recently amended on October 13, 2015 (*Staatsblad* 2015, 350).

Funcom's business activities
The operational objective of the Company, as stated in article 2 of the Articles of Association is to develop, market and carry on business in computer games, hereunder massively multiplayer online games, online role playing games and related games on electronic devices of different kinds. The objectives of the Company further include to take and grant licenses and other industrial property interests, assume commitments in the name of any enterprise 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 key criteria for the overall performance of the Company are: cost of development of new products, cost of maintenance and support of live games, overall reach and sales of products, lifetime retention and revenues per customers, lifetime of the products.

The financial objective of the Company is to maximize the return on investment to the shareholders.

Legal structure
For an overview of the legal structure of the Group – please refer to note 26

Review of Funcom's financial position and financial results for 2015.
Funcom's revenue for 2015 was USD 10,238 thousand compared to USD 12,593 thousand in 2014. The overall decrease of USD 2,355 thousand is due to the natural decline in revenues from its ageing Live Games *Anarchy Online*, *Age of Conan* and *The Secret World*.

The operating costs (excluding impairment) decreased by approximately 13% in comparison to 2014 as a result of the continued restructuring of the Company and other cost savings measures. Because of this, the corresponding operating result for 2015 was USD -6,179 thousand compared to USD -8,117 thousand in 2014. The impairment losses in 2015 resulted from the revised revenue estimates going forward which were caused by declining revenues from *The Secret World* and LEGO *Minifigures Online*. The lower contribution margin from *The Secret World* was caused primarily by a misalignment between declining revenues due to the ageing of the game and the costs of running it. Therefore the Company revised further its projections which caused the value in use of *The Secret World*, LEGO *Minifigures Online* and the underlying version of the *Dreamworld Technology* to be lower than their net book value and resulted in an impairment loss of USD 3,647 thousand recorded in 2015. The process of estimating future cash-flows is in accordance with the Company's internal quarterly review process. As such management will continue to monitor the value of Funcom's assets and inform the market of any material changes.

As a result of the above, the Company reported a net loss for 2015 of USD -6,789 thousand compared to USD -8,761 thousand for 2014. Thus the earnings per share (basic and fully diluted) inccreased from USD -0.11 at the end of 2014 to USD -0.07 at the end of 2015.

The Equity of the Company at year-end decreased to USD -9,561 thousand compared to USD -2,756 thousand in 2014 mainly as a result of operating losses of USD 6,179 as well as net foreign exchange losses of USD 1,415 thousand. There was also one drawdown on a standby equity facility with YA Global Masters amounting to 1,763 thousand shares, increasing equity by USD 411 thousand. The Company issued 3,130 warrants to Conan Properties International LLC to acquire the same number of shares of the Company, increasing the equity by USD 173 thousand.

The process of restructuring the Company and taking cost saving measures is still underway and a deeper look at the Company's structural costs is being undertaken, where all avenues for reducing costs without affecting the production capacity of the Company are being considered. As such, the Management Board expects the operating costs to further decrease during 2016.

In November 2013 the Company negotiated loan financing (working capital loan) with KGJI, Funcom's largest shareholder and creditor, in the amount of USD 5,500 thousand. The first installment of USD 3,000 thousand was received in December 2013, the second of USD 1,250 thousand in Q1 2014 and the last installment of USD 1,250 thousand was received in Q3 2014. The balance of the working capital loan stands at USD 3,950 thousand.

KGJ Investments has confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018. On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

The cash position of the Company at year-end is USD 616 thousand compared to USD 3,705 thousand at the end of 2014. In addition to the cash generated from its live games, the Company is planning to raise USD 5,000 thousand to 10,000 thousand capital through a share issue. The Company is working on the prospectus. The Company is also actively working on finding investors.

Going concern
The Management Board upon preparing and finalizing the 2015 financial statements, assessed the Company's ability to fund its operations for a period of at least one year after the date of the annual report.

Based on the above assessment, the Company has concluded that funding of its operations for the above mentioned period is realistic and achievable. In arriving at this conclusion KGJI's confirmation of loan extensions and the upcoming share issue have been taken into account. 2015 result was USD 1,972 thousand better than 2014.

Notwithstanding the above, the Management Board of the Company emphasizes that the actual performance of the Company is largely affected by its ability to generate sufficient cash inflows from both sales and new financing. Given the dependency on the positive outcome of these factors there is a material uncertainly which may cast significant doubt about the Company's ability to continue as a going concern.

Overall, based on the outcome of this assessment, management is of the opinion that the going concern assumption is justified and consequently the financial statements of the Company have been prepared on a going concern basis. Notwithstanding their belief and confidence that Funcom will be able to continue as a going concern, the Management Board emphasizes that the actual cash flows for various reasons may ultimately deviate from the projections in which case the going concern of the Company may be at risk.

Financial instruments
The Group has chosen not to use any financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Due to the international structure of the Group, the Company has significant positions in other currencies than US dollars, for example Norwegian Krone. The Group does not invest in equity or debt securities. Please refer to note 24 and 27 for further information on financial instruments and risk management.

Main Developments: product and technology update

Corporate restructuring

Following on the restructuring process that started in early 2013, the Company continued to assess regularly its business and to better align the Company's costs to its current and future revenues during 2015, focusing on the net contribution delivered by its live games and managing its investment in new games.

In parallel, Funcom is also analyzing and simplifying its internal structure and processes in order to reduce the high structural costs not related to the development, production, publishing and support of games. Funcom SARL in Luxembourg has been fully liquidated. Funcom GMBH and Funcom Sales GMBH will be fully liquidated soon.

The General Meeting of 30 January 2015 confirmed Mr Rui Manuel Monteiro Casais, CTO of the Company for the last 11 years, in his role of Managing Director of Funcom N.V. Mr Rui Manuel Monteiro Casais was also appointed CEO of Funcom N.V. as of 13 May 2015. Mr Michel Cassius resigned from his position of Managing Director and returned to the Supervisory Board on 26 June 2015.

Live Games

In 2015, like in 2014, the bulk of Funcom's revenues originated from the large-scale MMOs:

In 2015 *The Secret World* released three major content patches and a revamp with the Enhanced Player Experience. The game saw a thrilling conclusion to Season 1 with the release of Issue 11. *The Secret World* saw the first post-launch dungeon with the release of Issue 12. Several events were also celebrated including a three year anniversary celebration. As a result, the game remained the largest contributor to the revenues and bottom line of the Company's results.

The other two Live MMO's, *Age of Conan* and *Anarchy Online* were also updated regularly in 2015. The team is busy making new content and improved game systems for its loyal community.

The LEGO® *Minifigures Online* game launched on all platforms in June 2015 and was kept up to date with the release of several LEGO® *Minifigures* physical products during the year. Due to the low revenues originating from this product, the development team was moved to other projects.

Games in development

During 2015 a new game, *The Park*, was developed and release. *The Park* was released at the end of October 2015 and was the first game to be developed and released under the new Company strategy, in the *smaller* games category.
This project's main goals were not financial in nature and, instead, focused on building the Oslo team's capabilities with a new technology (Unreal Engine 4), transitioning from multi-year development cycles to half a year ones, experimenting with new market segments and pr/marketing activities and releasing a game for Consoles.
Release of the Console version of *The Park* was initially targeted for Q1 2016 but due to unexpected delays and technical requirements in the process of certification with Consoles is now targeted for release during Q2 2016. The experience from this release process with *The Park* is building Funcom's internal competence for Console game products and will greatly benefit all future Console releases on both technical and planning sides.

In January 2016, succeeding the announcement of the new license deal with Conan Properies Inc, and production of a game based on the popular Conan the Barbarian intellectual property in December 2015, the Company announced details about *Conan Exiles*, a new game of the larger type .
Conan Exiles is an open-world survival game that supports multi- and single-player modes on both

official and private servers. Players are cast into the Exiled lands where they must hunt for food, craft tools and weapons, and ultimately build entire settlements and fortifications to shield themselves from dangers such as the weather, monsters, and other players. The game will launch in Early Access on PC in the summer of 2016, with a full launch on PC and consoles to follow. During the Early Access phase, Funcom will continue to polish and improve the game based on feedback from players, and will also be adding new content, features, and gameplay mechanics.

In addition, the Company has started internal concept development and protyping for a *smaller* game based on *The Secret World* IP. This project is being developed in the North Carolina studio and aims to build that team's competence in Unreal Engine 4, have the team adapt to shorter development cycles and experiment with innovative gameplay mechanics and markets. There is no target release period yet as the project is still in a very early phase.

Technology Development

In 2015 Funcom took its *Dreamworld Technology*™ in a new direction, migrating it from being a complete game engine package towards being a production and runtime framework that integrates into 3rd party engines, such as Unreal Engine 4. This has allowed us to benefit from the wide feature list of 3rd party engines, while still retaining and improving upon our unique data handling system, build handling system, as well custom client feature set. This has allowed us to develop and release *The Park* in a very short time frame, and is the base for our current work on *Conan Exiles*.

Future outlook

The revenue and profit of Funcom depend on the performance of its existing live games and future games, in combination with the cost performance of the Company. The Company believes the largest potential value drivers of the Company to be the upcoming *Conan Exiles*, with its live games – *Anarchy Online*, *Age of Conan* and *The Secret World* continuing to bring solid revenues. For all our games the Company will continue to tweak and optimize the shop, membership offer and entry cost. In addition, the Company believes that the technology platform *Dreamworld Technology*™ will continue to provide a competitive edge going forward as it will enable the Company to be cost effective in developing mid-core focused high-quality, cross-platform online games. Predicting revenues from game concepts is inherently uncertain, but the Company believes that the new strategy of developing *smaller* and *larger* products, with shorter development cycles and heavier focus on innovation and experimentation with the smaller games, the fruits of which will be incorporated into the larger products, will lead to profitability already in 2016, with additional growth in future years. The gaming industry is extremely difficult to predict as new trends arise constantly and consumer behaviour can change in a dramatic fashion very quickly and as such any revenue forecasts carry a very high degree of uncertainty. We encourage our shareholders to take these and other inherent risks in this industry into careful consideration when evaluating the future outlook for the Company.

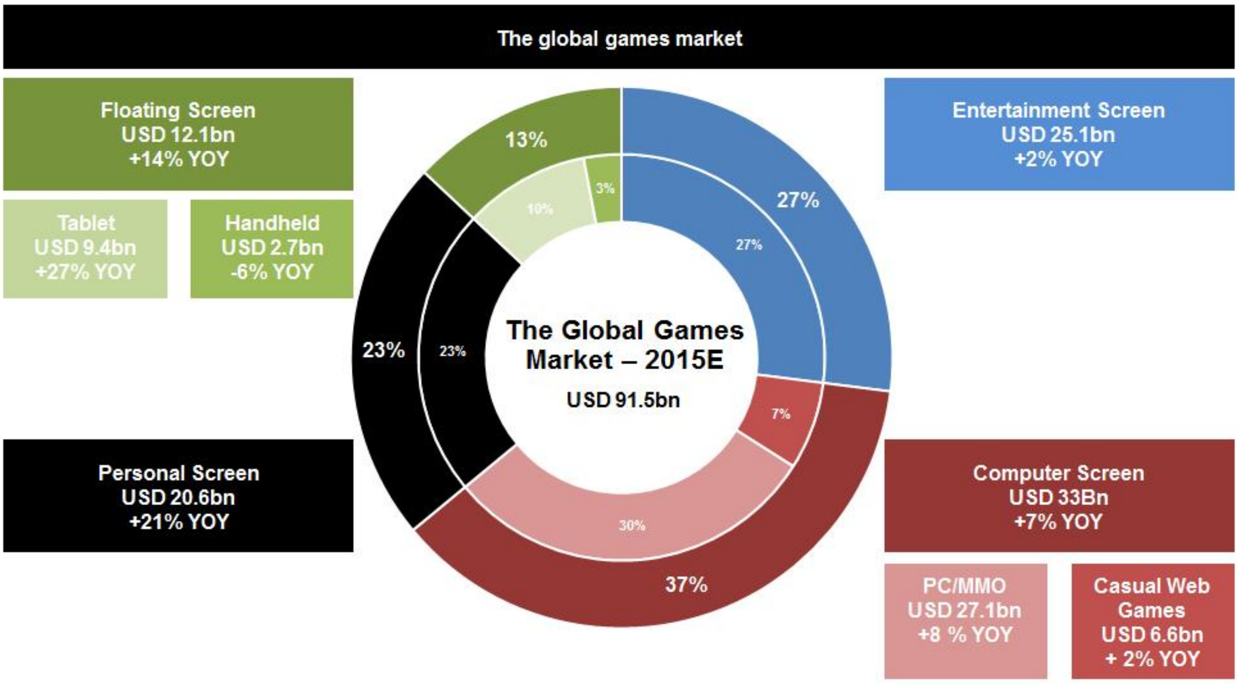
Funcom does not expect to make significant investments in fixed assets during the next couple of years. Significant investments will mainly relate to software development, game design and graphics investments.

Market development

Global games market

The global games market produces, publishes and distributes interactive content to its users worldwide. Just as the movie- and music industry, the games industry directs its focus towards production, publication and distribution of intellectual property rights. The games market can be divided into segments in many different ways, based on distribution platform, game genre or for instance level of connectivity. In this report, unless specified, the market segmentation is based on public information provided by the independent research company NewZoo. They divide the market into four different types of platforms that enable players to engage in gaming content: Computer Screen, Personal Screen, Floating Screen, and Entertainment Screen. "

The figure below presents the global games market, and estimated market shares per segment for 2015.



Funcom's main focus will be directed towards the Computer Screen and Entertainment Screen markets, while third-party developers will be able to license Funcom's intellectual properties and develop games for the Personal Screen segment. It is an important part of Funcom's strategy to distribute its upcoming games across multiple platforms.

Computer Screen segment

The Computer Screen market is the largest of the four segments, and is according to NewZoo expected to grow 7 % in 2015, to USD 33.7bn. The Computer Screen segment can be divided into two sub-segments, PC/MMO Games and Casual Webgames. The PC/MMO sub-segment accounts for USD 27.1bn, or 80% of revenues. Popular PC/MMO Games include titles such as League of Legends, CrossFire, Skyrim and GTA5.

Casual Webgames is the smaller sub-segment within Computer Screens, accounting for approximately 20 % of revenue volume, or USD 6.6bn. Casual Webgames are small online games which require a minimum of long-term commitment from the user, and are typically a plug-in application installed at a games website.'

Personal Screen segment

Personal Screen games are games which are played on either a smartphone or a smartwatch. Revenue volume is primarily driven by Smartphone Games as the Smartwatch Games market is still in its infancy. The Personal Screen segment is expected to grow 21 %, to USD 20.6 bn in 2015.

Floating Screen segment

The Floating Screen segment can be divided into two different sub-segments, Tablet Games and Handheld Games. The Handheld Games segment includes games made for devices such as Nintendo 3DS and other portable devices, while Tablet Games include games deployed for different tablet operating systems. The Floating Screen segment is expected to generate USD 12bn in 2015, increasing 13 % from 2014. The strong growth within Floating Screens is fully attributable to Tablet Games, expected to grow 27 % to USD 9.4 bn. Handheld Games however are experiencing a decline in popularity, mainly due to the strong growth in smartphones and tablets. Total revenue is expected to decrease by 16 % in 2015, to USD 2.7 bn.

Entertainment Screen segment

The Entertainment Screen segments consist of games developed for traditional consoles such as Xbox and PlayStation, but also of games developed for the new virtual reality (VR) consoles. Entertainment Screens are estimated to grow by 2% in 2015, to USD 25.1bn.

Future outlook of the global games market

The games market is expected to deliver consistent revenue growth the next three years, adapting to new consumer trends and digital devices. According to a global games market report by NewZoo, the games market is estimated to grow from USD 83.6bn in 2014 to USD 113.3bn in 2018[1], which implies a 7% increase in revenue.

The Computer Screen segment is expected to maintain its number one position within the gaming industry, growing by an annual rate of 6.9%, from USD 31.5bn in 2014, to USD 41.2bn in 2018. According to Superdata Research, PC gamers made a successful transition to online purchasing in 2015, securing the continued success of the PC segment.

Personal Screens are expected to be the fastest growing segment, surpassing Entertainment Screens as the second largest segment by 2018. In terms of market growth, the Personal Screen is expected to amount to USD 30.2bn by 2018.

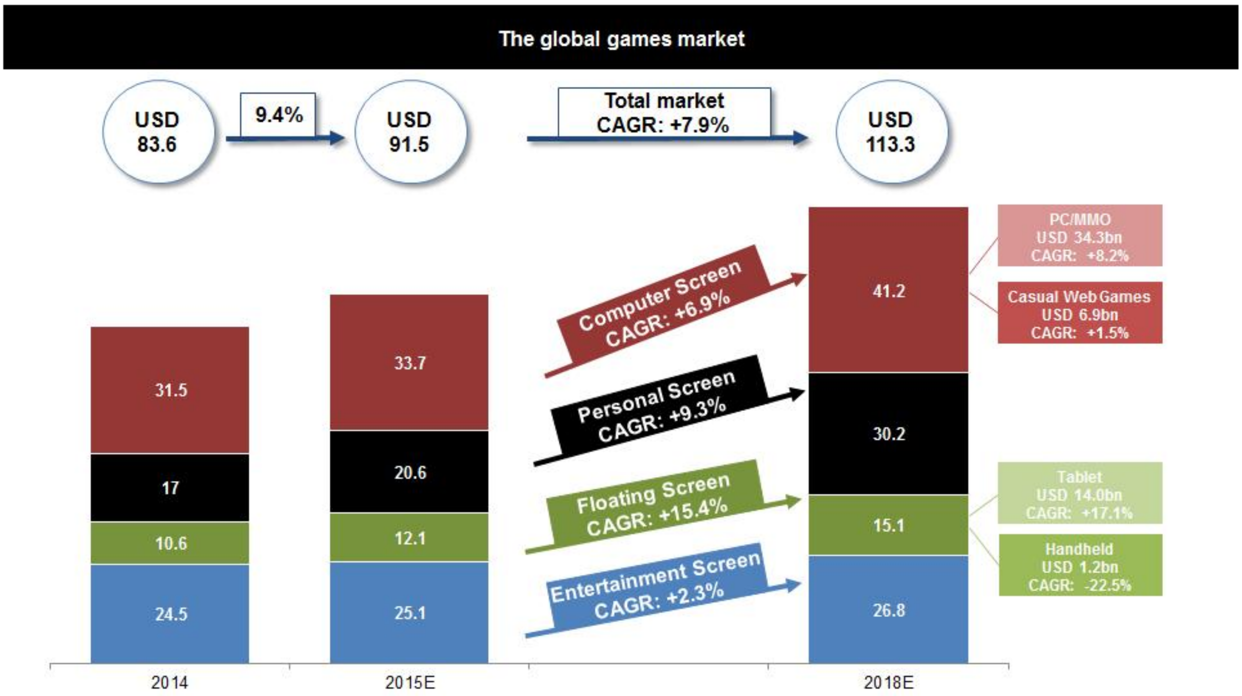
Entertainment Screens are expected to grow at an annual rate of 2.3%, from USD 24.2bn in 2014 to USD 26.8 bn in 2018.

Floating Screens accounted for USD 10.6bn in 2014, and are expected to grow at annual rate of 9.3% until 2018, to USD 15.1bn. Handheld Games are expected to continue to fall in popularity, decreasing at an annual rate of 22.5 % until 2018. Sales from tablet games are expected to increase, growing at an annual rate of 17.1% until 2018.

Different factors contribute to the growth in each individual segment, but some factors apply for all. Some key drivers of growth in the global games market as a whole include, but are not limited to:

- rapidly increasing broadband penetration in developing markets;
- technological innovations;
- ageing / expanding demographics – continuing increase in the average age of computer gamers;
- more mass market games;
- time spent online is still increasing;
- continued improvement in hardware performance;
- connectivity of the console market; and
- increased consumer willingness to use online payments.

[1] 2015 Global games market report



Global online games market

An online game is a video game that is primarily or partially played online. The online game market has increased alongside the increased usage of internet. German research group Statista predicts that the global online game industry will generate revenues of USD 41.2bn by the end of 2015[2], growing 6.2% from 2014.

The use of digital distribution platforms has increased drastically since early 2000, also in the global games industry. Compared to traditional retail distribution of games, digital distribution platforms offer several additional advantages to both gamers and developers. Such advantages include, but are not limited to:

- the user can purchase the game instantly from his home. No need to travel to any retail location;
- the product is a digital file; there is no risk for the desired game to be sold out;
- the game is often cloud-based; no need for physical storage;
- digital distribution entails lower costs for the developers, which often would imply a lower price for the end-user;
- digital distribution cuts-off the retailer and its share of the profits. This should also imply a lower prices for the end-user;
- digital distribution offer unlimited deployment size for developers; and
- developers can easily deploy updates that are updated automatically across all of the users devices.

Steam game platform

The market leading online gaming distribution platform is Steam, which is developed by the gaming software company Valve. The Company considers itself to be materially dependent on the Steam online gaming distribution platform as Steam provides the Company with the widest distribution of

[2] Statista statistics, statista.com, 2016

its games compared to other distribution platforms. In addition to the advantages mentioned above, the Steam gaming platform provides users with features such as friend's lists, groups, cloud saving and in-game voice and chat-functionality. Steamworks, a Steam application programming interface (API), enables third-party developers to implement these Steam features directly into their games. In 2015, the amount of active Steam users surpassed 125 million[3], which highlights the platforms popularity. The picture below illustrates the Steam platform's user interface.

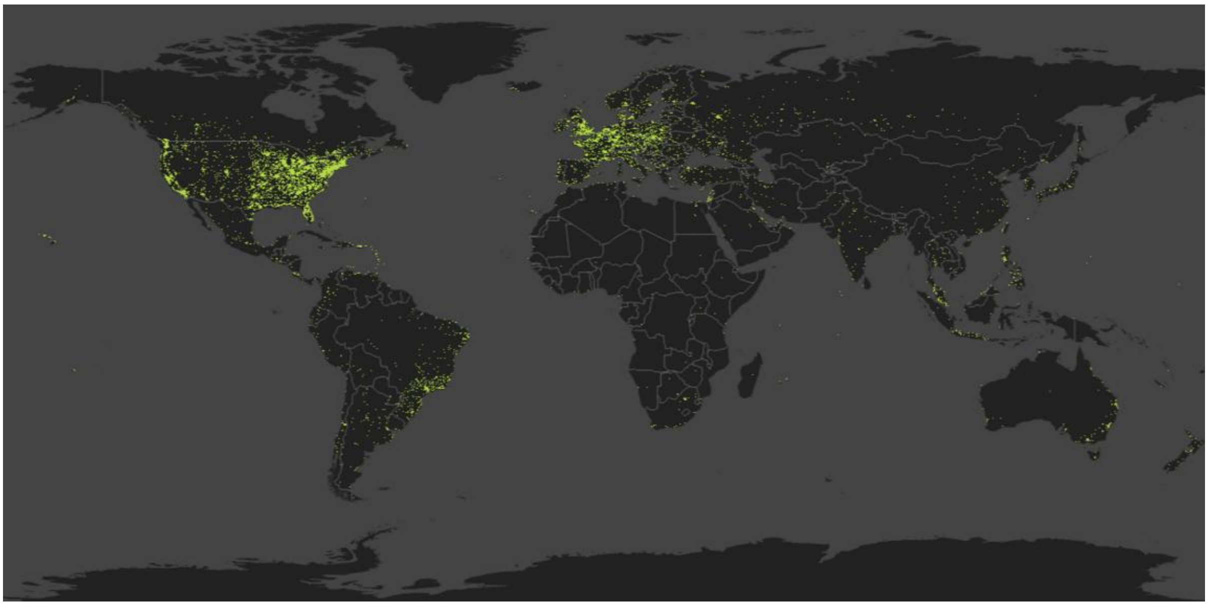
Screenshot of the Steam Client in March 2015

Valve does not share all of its market data with the public, and all partners have to sign non-disclosure agreements before entering into partnerships. However, Steam Spy, an independent Steam statistics website, estimates Steam to be responsible for 15% of the global PC game sales in 2015.

Steam's market share is however not the only reason for Steam's popularity. Its user base, combined with the platforms comprehensive third-party integration, makes the platform attractive for third-party developers.

[3] Valve – Steam user statistics

Steam's user base consists primarily of users from Europe and North America. Steam's popularity in other parts of the world, such as Asia and the Pacific is limited. This is highlighted in the figure below:



Steam user activity in 2014

Xbox Live

Xbox live is an online gaming and entertainment service platform developed by Microsoft, and is after the launch of Windows 8 accessible from any Windows-based device. This includes Xbox consoles, PCs and other handheld Windows devices running Windows 8, 10 or Windows mobile. The subscription based games platform has approximately 39 million active users as of 2015[4].

PlayStation (PS) Network

PlayStation Network is a games platform and entertainment service developed by Sony, and is accessible from PlayStation Consoles[5], both portable and stationary, and from Sony BRAVIA TVs and Xperia Handsets. PlayStation Network has 65 million active monthly users as of 2015[6].

Relevant segments

Funcom has in the past specialized in the deployment of MMO's. In conjunction with Funcom's future strategy for game deployment, this section highlights current and prospective genres.

Massive Multiplayer Online (MMO) and Massive Multiplayer Online Role-playing Games (MMORPG) segment

MMO games are games which support a large amount of players in the same world simultaneously. MMO's have traditionally attracted hard-core gamers due to the time and social commitment needed in order to develop a MMO game character. MMO games are typically developed in a way that enables the user to interact in real-time. Some MMO games employ instanced worlds where players are distributed across multiple game servers. Funcom's game, *The Secret World*, is an example of a game that deploys instanced world.

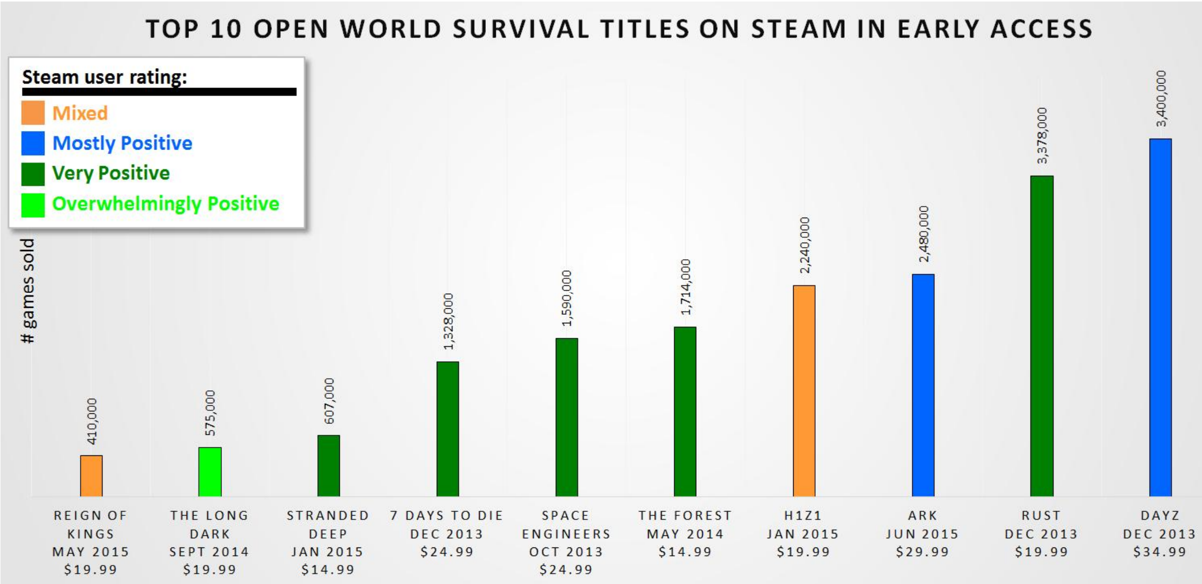
[4] Microsoft
[5] Includes PS3, PS4, PS Vita, PS Portable, PS Mobile
[6] Softpedia.com

The popularity of MMO games has only increased since the genre introduction in the early 1980's, and estimates indicate that there are 23.4 million active MMO subscribers worldwide[7]. The most popular sub-genre within the MMO segment is MMORPG. The genre is a role playing game (RPG) where the player assumes the role of a character and takes control over many of that character's actions. Examples of MMORPG games include World of Warcraft, *The Secret World, Age of Conan* and Final Fantasy XIV.

Open World Survival segment

Open World Survival games are a new segment inheriting different aspects of the MMO, RPG and Minecraft segments.

The games often start the player in a hostile and unknown environment, and the survival concept signifies that the player is constantly in jeopardy. In the life course of the game, the player must collect resources, weapons, craft tools, and find shelter and so forth. The experience is often open ended, and the main objective is usually to stay alive, and eventually come to master the environment. The Open World Survival Segment typically features multiplayer, supporting one or more players per game world. The genre is being characterized as up and coming, currently dominated by small and medium games, developed by small to medium-sized studios. The chart below shows the top ten selling open world survival games launched on the online gaming platform Steam.



The number of games sold varies from just over 400,000 units, to about 3,400,000 units amongst the top 10 games[8]. Four out of the ten list entries were launched last year, which exemplifies the genre's increasing popularity.

Økokrim charge

In 1Q14 Funcom was charged by Økokrim (The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) on suspicion of infringement of the provisions of the Securities Trading Act during the period of August 2011 until August 2012 with regards to information given to the market (market manipulation) and insufficient maintenance of the required list of persons who are given access to inside information. On 23 October 2015, Funcom NV accepted a fine of NOK 1.500.000 from ØKOKRIM. The Company has cooperated with ØKOKRIM in its investigation, and for the Company the case is now closed.

Internal & external environment

[7] Statista, July 2014
[8] Steam Database

Funcom recognizes that its key assets are its employees and is committed to maintain a stimulating working environment that offers the opportunity for both personal and professional development. This is also necessary to continue to attract and retain highly qualified employees within the gaming industry. As of December 31, 2015, the group employed 99 employees compared to 118 at the end of 2014. This reduction in force is due to natural churn with no replacement and also a small degree of restructuring in the Company.

Sick leave in the group is considered low and no serious work-related incidents or accidents have occurred or have been reported during the year. The working environment is considered good, and the Company does not carry out activities that significantly pollute the environment. When recruiting, the Funcom Group welcomes applications for employment from all sectors of the community and strives to promote equal opportunity of employment to all.

Shareholders and capital
The main principle of Funcom's shareholder policy is to maximize the return to shareholders over time. Funcom will continue to ensure that information is communicated to the market equally and that the information provides an accurate view of the status of the Company in all material respects on an ongoing basis. The share capital of Funcom N.V. comprises of one class of ordinary shares. Each share confers the right to cast one vote. At the end of 2015, Funcom N.V. had a share capital of USD 4,802 thousand (2014: USD 4,724 thousand) consisting of 92,208,134 shares with a nominal value of EUR 0.04 per share. There are no restrictions in relation to the transfer of shares in the capital of Funcom N.V. There are 8,458,073 outstanding share options granted to employees and directors in the Company at the end of 2015 (2014: 8,030,154).

General Meeting of Shareholders
It is a legal requirement that shares in Funcom N.V. that are to be admitted to listing on the Oslo Stock Exchange are registered with the VPS (*Verdipapirsentralen*).

In order to facilitate registration with the VPS, the shares that are listed on Oslo Stock Exchange are registered in the name of DnB Bank ASA (Funcom's VPS Registrar). The VPS Registrar registers interest in the shares in the VPS (in Norwegian: *depotbevis)*. Therefore, not the shares themselves, but the interests in the shares issued by the VPS Registrar are registered in the VPS and are listed on Oslo Stock Exchange. The VPS Registrar is registered as the legal owner of the shares in the shareholders' register that Funcom N.V. maintains pursuant to Dutch law. The VPS Registrar, or its designee, will hold the shares issued to investors as nominee on behalf of each investor. The VPS Registrar provides for the registration of each investor's depositary ownership in the shares in the VPS on the investor's individual VPS account.

The depositary ownership of the investors is registered in the VPS under the category of a "share" and the depositary ownership is listed and traded on Oslo Stock Exchange. Investors who purchase shares (although recorded as owners of the shares in the VPS) have no direct shareholder rights in Funcom N.V.. Each share registered with the VPS represents evidence of depositary ownership of one share. The shares registered with the VPS are freely transferable, with delivery and settlement through the VPS system. The VPS Registrar or its designee shall only vote the shares it holds, or issue a proxy to vote on such shares, in accordance with each investor's instructions. Funcom N.V. will pay dividends directly to the VPS Registrar, that has undertaken, in turn, to distribute the dividends to the investors in accordance with contractual arrangements on that point. On average less than 30% of the issued share capital of Funcom N.V. is represented at a general meeting, generally represented through proxy.

Corporate governance
The Management Board believe that Funcom N.V. adheres to good practices in the field of financial reporting, governance and control, equal treatment of shareholders and other areas in the governance area. The Supervisory Board plays an independent role in relation to the Management Board. All shares have equal rights and shareholders have equal access to all material information published by Funcom via the Oslo Stock Exchange and the Company's web-site www.funcom.com, including financial reports, presentations, share information and presentation of the Supervisory Board.

The internal risk management and control systems of the Company are regularly analyzed and the Management Board believes them to be adequate for the size and operations of the Company. Any important findings in this regard are discussed with the Supervisory Board.

The Company has also set up an internal control structure that includes plans and budgets, segregation of duties as well as authorization schemes. This has been discussed with the Supervisory Board. During the year the Company did not receive or discover indications that the controls were not effective considering the size of the Company. During the year it performed certain monitoring procedures such as high level reviews and comparisons to plans and budgets and this has confirmed the Company's view. Funcom's management will maintain focus on the internal control structure and processes and perform evaluations on regular intervals. Management believes that the internal control structures in place are adequate for Funcom's purposes.

There are no defense mechanisms against take-over bids in the Company's Articles of Association, nor have other measures been implemented to limit the opportunity to acquire shares in the Company.

The Management Board and Supervisory Board of Funcom currently consist of men. In the appointment of directors and auditors, job profiles are used in which there is no gender distinction. Although the current composition of the Board is not diverse, the Management and Supervisory Board seek a more diverse composition. In any future replacement of Directors or Supervisory Board members both men and women are invited to apply. In the final stage of the future selection of candidates, the quality of any candidate will prevail.

Dividends

Funcom is investing its capital in the development of existing as well as future games and also values the flexibility to be able to pursue strategic opportunities if they should arise. The Company will therefore retain its surplus cash in the Company. Future payments of dividends are not foreseen and will only be possible if the equity and liquidity position allow payment.

Application of profit/loss

The Management Board does not propose payment of a dividend. Management proposes to appropriate the loss to retained earnings. Total equity after appropriation of the results for 2015 is USD -9,561 thousand (2014: USD -2,756 thousand).

Events after the reporting period

After the reporting period there have been subsequent events that are detailed in note 28 in the Notes to the Consolidated Financial Statements in this Annual Report.

Management statement

The Management Board of Funcom hereby confirms that these financial statements give a true and fair view of the situation as per reporting date and of the course of the business during the year. The significant risks that the Company faces are described in note 24 and 27.

Badhoevedorp, The Netherlands, April 22, 2016

Rui Casais

Corporate governance

Funcom's corporate governance policy

Funcom aspires to generate value for its owners through profitable and sustainable business practices. Good corporate governance and management will ensure the greatest possible value creation at the same time as Group resources will be used in an efficient and sustainable manner. The added value will benefit shareholders, employees and the gaming community. Funcom is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations as well as Dutch legislation.

Funcom's key principles of corporate governance have been based upon the Dutch Corporate Governance Code (*De Nederlandse Corporate Governance Code*), that can be found on www.commissiecorporategovernance.nl and the Norwegian Code of Practice for Corporate Governance (*Eierstyring og Selskapsledelse*), that can be found on www.nues.no. The Oslo Stock Exchange requires listed companies to publish an annual statement listing all corporate governance recommendations and presenting compliance with the recommendations or explaining why the Company has chosen an alternative approach to the specific recommendation.

For the Dutch Corporate Governance Code, Funcom will present the best practice clauses where it does not comply and explain the rationale for this.

This form of corporate governance, which separates the powers of management from those of supervision, is considered to offer the most balanced framework governing the exercise of power.

The Supervisory Board oversees the efficient operation of the Company and reports to the shareholders. Appointment of the managing directors is done by the General Meeting further to a proposal from the Supervisory Board. The Supervisory Board appoints one of the managing directors as chairman of the Management Board.

Departures from the Norwegian Code of Practice for Corporate Governance

*The Company follows the Norwegian Code of Practice for Corporate Governance (the "**Norwegian Corporate Governance Code**"). The Company has the following departures from the Norwegian Corporate Governance Code.*

For further information on the Company's compliance with the Norwegian Corporate Governance Code, please refer to the annual reports of the Company.

- The Company has drawn up its own Corporate Code of Ethics[9] and Value Platform[10]. Compliance with and the follow up of the Code of Ethics have been subject to internal processes. The Company has not yet established separate guidelines for corporate social responsibility as implemented in the code of practice in October 2014, but considers the ethical guidelines to cover most of the relevant topics. The Company will consider developing separate guidelines for corporate social responsibility.
- The representatives of neither the Supervisory Board nor the auditor are generally present at AGM's as this is not customary for Dutch Companies. The auditor is always on standby to attend the AGM depending on shareholder attendance.
- According to the Articles of Association, annual General Meetings in Funcom are to be chaired by the Chairman of the Supervisory Board or the Vice-Chairman of the Supervisory Board. This is a departure from the recommendation for independent chairing of meetings and will be re-evaluated in the future.

[9] The Corporate Code of Ethics is available at http://www.funcom.com/corporate/ethics
[10] The Value Platform is an internal guidelines document.

- The Company does not have a Nomination Committee, as such a committee is not deemed to be relevant given the Company's current size. However, the Company will continue to re-evaluate this policy according to its development in the future. The Supervisory Board shall carry out the duties of proposing the candidates for election to the Supervisory Board and to the corporate assembly (to the extent this exists) and the fees to be paid to members of these bodies. The Supervisory Board shall justify such recommendations.
- The Company will from time to time consider granting share options to members of its Supervisory Board. The Company views share options as an important tool for remuneration of Supervisory Board Members, e.g., to be able to have a board composition that reflects the global nature of its business.
- The allocation of options to executive personnel is determined on a case by case basis and is not made specifically dependent on the realization of certain targets that are determined in advance. This practice promotes an extremely dynamic business, in terms of both products and management responsibilities, which is appropriate for the fast changing nature of the business environment.

Departures from the Dutch Corporate Governance Code:

Funcom's adopted code and practices are in compliance with the Dutch Corporate Governance code, with the exception of:

- Provision II.2.4: The options become exercisable before the lapse of the three year time period set out in the Dutch Corporate Governance Code. Funcom has an option program for the members of the Management Board where one third of the options vest each year during three years following the grant date. The options are in principle only vested if the member of the Management Board is still employed with Funcom on the date that the options vest. The allocation of options to members of the Management Board is not made specifically dependent on the realization of certain targets that are determined in advance. The allocation of options to the members of the Management Board – as part of their remuneration – is subject to the approval of the General Meeting.
- Provision II.2.6: The exercise price for all options is the average volume weighted price on the Oslo Stock Exchange on the five trading days preceding and the five trading days following the date when the options are granted.
- Provision II.2.10: The allocation of options to members of the Management Board is not made specifically dependent on the realization of certain targets that are determined in advance. The Supervisory Board in principle does not have the right to make adjustments to the value of the options granted to members of the Management Board.
- Provision II.2.11: The Supervisory Board in principle does not have the right to cancel the options, or other variable components of the remuneration of the members of the Management Board.
- Provision II.2.12, 2.13 and 2.15: A remuneration report is not made public on the website of Funcom. The Supervisory Board is of the opinion that the information suggested to be included can be obtained in general terms from the annual report.
- Provision II.2.14: Funcom has in the past not published details of the contracts concluded with the members of the Management Board. The Supervisory Board is of the opinion that most of the information contained in such contracts can be obtained in general terms from the annual report.
- Provision III.3.6: Funcom has not developed a retirement schedule and made it generally available, as this could be viewed as a signal of major shifts in ownership relating to key shareholders in Funcom.
- Provision III.5.14: Funcom has decided not to establish a Selection & Appointment Committee. The Supervisory Board has taken these tasks upon itself.

- Provision III.7.1: Funcom has reserved the right to grant options to members of the Supervisory Board. Funcom views share options as an important tool for remuneration of the members of the Supervisory Board, e.g., to enable a board composition, which reflects the global nature of its business.
- Provision IV.3.10: The voting results of the general meeting are communicated on the website of the Oslo Stock Exchange and on the website of Funcom on the day of the general meeting. The minutes of a general meeting are posted on the website of Funcom shortly thereafter. Votes at general meetings are in principle cast through proxy holders based on voting instructions from 'the VPS Registrar and the outcome of voting is limited to those clear voting instructions. As a result hereof shareholders are not provided a period for commenting on draft minutes.
- Provision IV.3.13: Funcom will continue to evaluate the need fora policy on bilateral contracts with the shareholders.
- Provision V.2.1: The auditor is always on standby to attend the Annual General Meeting depending on shareholder attendance.
- Provision V.3: Funcom has not assigned a specific internal auditor.

Responsibility Statement

In accordance with best practice II.1.5 of the Dutch corporate governance code of December 2008, the Managing Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company’s financial condition and the results of the Company’s operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.
With reference to section 5.25c, paragraph 2c of the Financial Markets Supervision Act, the Board of Management states that, to the best of its knowledge:

- The annual financial statements of 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies who’s financial information it consolidates; and
- The Report of the Management Board gives a true and fair view of the position as per December 31, 2015, the development during 2015 of the Company and its Group companies included in the annual financial statements, together with a description of principal risks the Company faces.

Badhoevedorp, April 22, 2016

Rui Casais
Managing Director

Corporate Governance Declaration

This declaration is in accordance with article 2a of the decree on additional requirements for annual reports as amended on October 13, 2015 ("Vaststellingsbesluit nadere voorschriften inhoud jaarverslag" (hereinafter the 'Decree'). For the statements in this declaration as stipulated in articles 3, 3a and 3b of the Decree reference is made to the relevant pages in the Annual Report 2015. The following statements are deemed to be included and repeated herein:

- the statement relating to the compliance with the principles and best practices of the Dutch Corporate Governance Code (hereinafter the "Code"), including the motivated deviation of the compliance of the Code, to be found in the chapter 'Statement of compliance to the Dutch Corporate Governance Code and the Norwegian Code of Practice for Corporate Governance;
- the statement concerning the most important characteristics of the control and risk management systems in relation to the process of the financial accounting of the Company and the Group as included in the Annual Report in the Supervisory Board report.
- the statement about the functioning of the General Meeting of Shareholders and the most important powers thereof as well as the rights of shareholders and how these may be executed, as described in the chapter Statement of compliance to the Norwegian Code of practice for corporate governance and statement of compliance with the Dutch Corporate Governance and the investor relations policy
- the statement regarding the composition and functioning of the Board of Management
- the statement relating to the composition and functioning of the Supervisory Board and its Committees, as incorporated in the "Report of the Supervisory Board"
- The provisions of the Norwegian Code of Practice for Corporate Governance largely follow requirements as indicated in the EU take over directive.

Badhoevedorp, April 22, 2016

Rui Casais
Managing Director

Report of the Supervisory Board of Directors

Annual report

We, the Board of Supervisory Directors of Funcom N.V., hereby present you with the Annual Report for 2015, including the annual financial statements that were drawn up by the Management Board. The annual financial statements have been examined by the external auditors BDO Audit & Assurance B.V. who intend to issue an unqualified audit opinion with an emphasis on matter paragraph in respect of going concern. We have reviewed and discussed the Annual Report with the Management Board and the auditors prior to its publishing.

We submit the financial statements to the Annual General Meeting of Shareholders, and propose that the shareholders adopt them and discharge the Managing Directors from all liability in respect of their managerial activities and the Supervisory Directors from all liability in respect of their supervision of the Management Board. The appropriation of the result for the year as determined by the Supervisory Board, further to a proposal from the Management Board to that end, is presented in the section “Other Information” in this report.

The Board of Supervisory Directors, in general, supervises the Management Board in its duty to manage the Company. It performs its duties and activities in accordance with the Articles of Association of the Company, its regulations, which are posted on the Company’s website, the applicable law and the Dutch and Norwegian Corporate Governance Codes

The supervision of the Management Board by the Board of Supervisory Directors includes:

- the achievement of the Company’s objectives
- the corporate strategy and the risks inherent in the business activities
- the structure and operation of the internal risk management and control systems;
- the financial reporting process
- compliance with regulations and legislation
- the Company-shareholders relationship.

Activities

In 2015 the Supervisory Board of Directors held 10 (ten) in-person and conference call meetings. During the meetings / calls the Company's financial and operational targets, strategy and accompanying risks were discussed. The main focus during the year has been on the following topics:

- regular evaluation of the Live Games performance *(Anarchy Online, Age of Conan, The Secret World*, LEGO *Minifigures Online*), progress of the projects that were under development in 2015 (e.g. LEGO *Minifigures Online*, cross-platform functionality of the *Dreamworld* Technology, *The Park*) as well as planning of new projects such as *Conan Exiles*
- regular evaluation the cost structure of the Company and ways to improve net contribution and overall profitability
- regular assessment of the Company's cash position and financing strategy including loans restructuring, private and public placements, and other financial and strategic initiatives to have a positive impact on the Company's liquidity and equity
- corporate restructuring that started in the first half of 2013 and have continued in 2014/2015 with the objective to make the Company more efficient, profitable and flexible to respond to market trends
- overall strategy of the Company going forward within the new corporate structure and alignment with industry trends.

The Supervisory Board is responsible for supervising the policy pursued by the Management Board and the general course of affairs of the Company and the business enterprises that it operates. The Supervisory Board assists the Management Board with advice relating to the general policy aspects connected with the activities of the Company. In this context the Supervisory Board is *inter alia* responsible for monitoring and advising the Management Board, supervising the Company's strategy, and monitoring the functioning of internal risk management and control systems. The Supervisory Board supervises the objectives for financial structure and adopts the Company's plans and budgets. The Supervisory Board approves items of major strategic and/or financial importance for the Company. All this is in accordance with the Company's articles of association and applicable law.

During the 2015 financial year the Supervisory Board has discussed its own functioning, that of its individual members and that of the Remuneration Committee and the Audit Committee. It was concluded that that the performance of the Supervisory Board, its individual members, the Remuneration Committee and the Audit Committee, respectively, meet the standards set for that purpose as well as the objectives determined in the beginning of 2015. The Supervisory Board has furthermore discussed the overall composition of the Supervisory Board and competencies of its individual members. The Supervisory Board has in addition discussed the composition and functioning of the Management Board and its individual members.

In May 2015, Michel Cassius re-joined the Supervisory Board, after a 7 months interim Management Board position and the nomination of Rui Casais as CEO of Funcom, in replacement of Mr Ole Schreiner who had stepped down from his position in November 2014. Mr Michel Cassius was nominated Chairman of the Board on 26 June 2015, succeeding Mr Gehard Florin who left the Supervisory Board after two terms as Chairman. On 12 August 2015, Mr Ole Gladhaug and Mr Magnus Grøneng, both representing the KGJ group, stepped down from the Supervisory Board on the ground that the strategic options that the Company was going to pursue could lead to a potential conflict of interest. After these important changes, the Supervisory Board is now composed of two independent members, Mr Michel Cassius, Chairman, and Mr Alain Tascan, the minimum number required by the Article of Association and other regulations. Mr Rui Casais, CEO, is the only member of the Management Board. The Supervisory Board have full confidence in the capabilities of Mr Rui Casais.

In the course of the 2015 financial year the Supervisory Board has also discussed the risks associated with the operation of the business. To that end the Management Board has presented the Supervisory Board with its assessment of the functioning of the Company's internal risk management and control systems. The Supervisory Board is of the opinion that the current risk management and control systems are adequate and that the Management Board has furthermore not suggested any amendments thereto. During the year the Supervisory Board has regularly had discussions with the Management Board regarding its corporate strategy.

Required expertise and background of the Supervisory Board:

- Knowledge and experience in the financial, legal, economic, organizational and marketing fields
- Experience in managing or supervising the management of a listed company
- Knowledge of, experience in and affinity with the gaming industry
- Knowledge of and experience with working in an international environment
- The ability, also in terms of available time, to monitor and stimulate the general course of affairs within the Company in a prompt and effective manner and to provide the CEO and the Management Board with advice relating to the formulation and execution of the Company policy
- No conflicts of interests at the time of appointment.

With the changes in the Supervisory Board detailed above, the level of financial expertise in the Supervisory Board has diminished. It was therefore agreed that the Supervisory Board would ask the advice or help from independent professional advisors if and when needed. During the course of 2015, this had not been necessary apart from the appointment of the Independent Auditors.

Also, since the Supervisory Board Director now only consists of less than 4 members, the Supervisory Board has no need or obligation to install an Audit Committee as per the Dutch Corporate Governance Code (III.5). On 16 November 2015, it was decided not to have an Audit Committee nor a Remuneration Committee, bearing in mind the limited persons available to man these committees. Specific requirement regarding the financials, the audit, the remuneration of the management and the allocation of options are now handled directly by the Supervisory Board with the potential help of independent professional advisors.

The established remuneration policy has been followed during 2015. There are no planned changes to the remuneration policy. The total remuneration of the Management Board consists of the following elements:

- A fixed element: annual salary and vacation allowance.
- A variable element: options and bonus
- Pension and other benefits

The Company's complete remuneration policy can be found on www.funcom.com.

The Supervisory Board is of the opinion that it is presently constituted in compliance with best practice provision III.2.1 of the Dutch Corporate Governance Code, with the understanding that – as indicated below – only two of its members cannot be considered as independent.

The following professionals served on the Supervisory Board as at year-end 2015:

Michel Cassius, Chairman of the Supervisory Board
(born 1957, male, French, 4th term, member since November 30, 2006)
Mr Cassius presently works as an independent contractor. He was co-founder and Director of YoYo Games Ltd, a company that launched www.yoyogames.com in 2007, a user generated casual gaming site. YoYo Games was acquired by Playtech at the beginning of 2015. In the past, Mr. Cassius has served as the European Managing Director of Fun Technologies and as Senior Director of Microsoft's Xbox business in EMEA where he managed the publishing and Xbox Live businesses and launched the Xbox 360. He previously spent seven years at Electronic Arts, where he led EA.com, Electronic Art's online gaming business in Europe and launched Ultima Online, one of the first MMOG's in Europe. Mr. Cassius holds 49,034 shares and 900,000 share options in the Company. Mr Cassius who had stepped down from the Supervisory Board to take an interim Managing Director role in Funcom when Mr Ole Schreiner stepped down as CEO in October 2014, returned to the Supervisory Board in May 2015 after Mr Rui Casais was nominated CEO of the Company. On 26 June 2015, Mr Cassius became Chairman of the Supervisory Board, in replacement of Mr Gerhard Florin who had stepped down from his position after two terms on the Board.

Alain Tascan, Vice-Chairman of the Supervisory Board
(born 1967, male, Canadian, 1st term, member since June 27, 2012)
Mr. Tascan is presently CEO of Umi Mobile, Inc, a mobile gaming company based in Canada. Mr. Tascan was a co-founder of Ubisoft in Montreal and a founder of EA Montreal, which he managed for seven years. He also created Ubisoft's licensing group that partners with the major Hollywood studios. Previously, Mr. Tascan also held executive positions in the media industry in France at companies such as Radio France International and Telerama. Currently, Mr. Tascan works as an entrepreneur in the multimedia and gaming industry. Mr Tascan holds a Master degree in Economics from the University of Nice-Sophia Antipolis and a post-graduate degree in cultural management from the Institut Superieur de Management Culturel de Paris. Mr. Tascan holds 250,000 share options in the Company and 0 shares.

Gerhard Florin, ex - Chairman of the Supervisory Board
(born 1959, male, German, member from June 27, 2011 until June 26, 2015)
Dr. Florin presently works as an independent contractor. He served as Chairman of the Board for King.com based in Dublin. He is also a Board member for InnoGames based in Hamburg; and Kobojo based in Paris. From 1996 to 2010 Dr. Florin held various positions in Electronic Arts in Germany, UK and Switzerland. Prior to that he worked at BMG, the global music division of

Bertelsmann AG, and served as a Consultant of McKinsey. Dr. Florin holds Master's and Ph.D. degrees in Economics from the University of Augsburg, Germany. Dr. Florin holds 400,000 share options in the Company and 0 shares.

Ole Gladhaug,
(born 1954, male, Norwegian, member from April 24, 2013 until August 12, 2015)
Mr. Gladhaug has held senior executive positions within the shipping, oil services, banking and asset management industries. Prior to joining the Kristian Gerhard Jebsen Group (KGJG), Mr. Gladhaug served 7 years as CFO of Smedvig ASA (now part of Seadrill). Mr. Gladhaug joined KGJG in 2002 as CFO and member of the Group's executive team, and is now Executive Vice President in the Group and Chairman of its subsidiary Jebsen Asset Management. Mr. Gladhaug has served as a non-executive director on a number of boards within banking, insurance, asset management and other industries. He holds a business and administration degree from the Norwegian School of Economics and a political science degree from the University of Bergen. Mr. Gladhaug holds 250,000 share options and 0 shares in the Company. Gladhaug is not viewed as independent since he is employed by KGJG, a company controlled by Mr. H.P. Jebsen, the main shareholder of Funcom. N.V.

Magnus Grøneng,
(born 1981, male, Norwegian, 1-st term, member from April 24, 2013 until August 12, 2015)
Mr. Grøneng has background as management consultant in McKinsey & Company. Prior to joining Jebsen Asset Management (subsidiary of the Kristian Gerhard Jebsen Group), he served as Business Development Manager in Kebony ASA, a Norwegian growth company. Mr. Grøneng holds a MSc degree from the Norwegian University of Science and Technology and the University of Karlsruhe in Germany. Mr Grøneng holds 400 shares in the Company and 250,000 share options. Mr. Grøneng is not viewed as independent since he is employed by a subsidiary of KGJG, a company controlled by Mr. H.P. Jebsen, the main shareholder of Funcom. N.V.

The Management Board and Supervisory Board of Funcom currently consist of men. In the appointment of directors and auditors, job profiles are used in which there is no gender distinction. Although the current composition of the Board is not diverse, Management and Supervisory Board actively see a more diverse composition. In a future replacement of directors or supervisory board candidates, the quality of any candidate will prevail.

Badhoevedorp, The Netherlands, April 22, 2016

The Supervisory Board of Directors in Funcom N.V.

Michel Cassius, Chairman

Alain Tascan

Funcom N.V.
Consolidated Statement of Comprehensive Income
for the year ended December 31

In thousands of US dollars	**Note**	**2015**	**2014**
Continuing operations			
Revenue	4,5	10,238	12,593
Personnel expenses	6,17	-5,253	-7,253
General and administrative expenses	7	-3,741	-4,663
Depreciation, amortization and impairment losses	11,12	-6,571	-7,445
Other operating expenses	8	-852	-1,349
Operating expenses		-16,417	-20,710
Operating result		-6,179	-8,117
Share of result from equity-accounted entities	20	-173	-72
Finance income	9	1,433	1,396
Finance expenses	9	-1,911	-1,977
Result before income tax		-6,829	-8,770
Income tax (expense) / income	10	40	9
Result from continuing operations		-6,789	-8,761
Result for the period		**-6,789**	**-8,761**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,256	6,738
Exchange differences on intercompany loans part of net investment in a foreign entity		-4,671	-8,070
Other comprehensive income for the year, net of tax		-1,415	-1,332
Total comprehensive income for the year		**-8,204**	**-10,093**

Funcom N.V.
Consolidated Statement of Comprehensive Income
for the year ended December 31

In thousands of US dollars	**Note**	**2015**	**2014**
Result for the period attributable to:			
Equity holders of Funcom N.V.		-6,789	-8,761
		-6,789	**-8,761**
Total comprehensive income attributable to:			
Equity holders of Funcom N.V.		-8,204	-10,093
		-8,204	**-10,093**
Earnings per share *			
From continuing operations			
Basic earnings per share (US dollars)	22	(0.07)	(0.11)
Diluted earnings per share (US dollars)		(0.07)	(0.11)

* Based on result for the period

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

Funcom N.V.
Consolidated Statement of Financial Position
As at December 31

In thousands of US dollars	**Note**	**2015**	**2014**
ASSETS			
Non-current assets			
Intangible assets	4,11	4,394	7,380
Equipment	12	100	253
Investments in equity-accounted entities	20		195
Long term receivables	24	65	20
Total non-current assets		4,559	7,848
Current assets			
Trade receivables	13,24	1,443	1,225
Prepayments and other receivables	14,24	506	1,160
Income tax receivable	10		
Cash and cash equivalents	15	616	3,705
Total current assets		2,565	6,090
Total assets		**7,124**	**13,938**

Funcom N.V.
Consolidated Statement of Financial Position

As at December 31

In thousands of US dollars	**Note**	**2015**	**2014**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	4,802	4,724
Reserves	16	157,105	157,199
Retained earnings (Accumulated deficit)	16	-171,468	-164,679
Total equity		-9,561	-2,756
Non-current liabilities			
Loans and borrowings	24,25	3,434	7,081
Deferred tax liabilities	10	25	20
Total non-current liabilities		3,459	7,101
Current liabilities			
Trade payables	24	263	440
Deferred income	18	1,037	1,756
Income tax liability	10	8	34
Loans and borrowings	24	10,150	5,777
Other short term liabilities	19	1,769	1,586
Total current liabilities		13,226	9,593
Total liabilities		16,685	16,694
Total equity and liabilities		**7,124**	**13,938**

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

Funcom N.V.
Consolidated Statement of Cash Flows
for the year ended December 31

In thousands of US dollars	**Note**	**2015**	**2014**
Cash flows from operating activities			
Profit (loss) before income tax		-6.829	-8.770
Adjustments for:			
Depreciation, amortization and impairment losses	11,12	6.571	7.445
Share-based payments	6,16,17	814	1.228
Share of result from equity-accounted entities	20	173	72
Interest income/expense		1.207	698
Effect of exchange rate fluctuations		442	-97
Change in provision	19	111	101
Change in trade and other receivables		74	3.272
Change in trade payables		-412	-20
Change in other current assets and liabilities		-273	-3.018
Cash generated from operations		1.878	911
Interest received		10	35
Interest paid		-291	-620
Income tax and other taxes paid		40	-45
Net cash from operating activities		1.637	281
Cash flows from investing activities			
Purchase of equipment	12	21	263
Investment in intangible assets	11	-3.433	-5.423
Loan from a joint-venture		11	764
Net cash used in investing activities		-3.401	-4.397
Cash flows from financing activities			
Net proceeds from issue of share capital	16	411	11.199
Proceeds from borrowings	24		2.500
Repayment of borrowings	24	-23	-7.167
Net cash from financing activities		388	6.532
Net increase in cash and cash equivalents		-1.376	2.417
Effect of exchange rate fluctuations		-1.714	-1.294
Cash and cash equivalents at beginning of period	24	3.705	2.582
Cash and cash equivalents at end of period	24	**616**	**3.705**

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

Funcom N.V.
Consolidated Statement of Changes in Equity
for the year ended December 31

In thousands of US dollars	Share capital	Share premium	Equity-settled employee benefits reserve	Trans-lation reserve	Warrants and conversion rights reserve	Retained earnings	Attributable to owners of the parent
Equity as at January 1, 2014:	**3,424**	**142,016**	**4,941**	**-2,635**	**2,610**	**-155,918**	**-5,561**
Profit or loss for the year						-8,761	-8,761
Exchange differences on translating foreign operations				6,738			6,738
Exchange differences on intercompany loans part of net investment in a foreign entity				-8,070			-8,070
Other comprehensive income for the year				-1,332			-1,332
Total comprehensive income for the year				**-1,332**		**-8,761**	**-10,093**
Share-based payments expense			1,228				1,228
Drawdowns on standby equity facility	388	4,091					4,479
Exercise of warrants	823	4,727					5,550
Exercise of employee options	88	497					585
Equity portion of new convertible loan			1,056				1,056
Reclassification of warrants and convertible bonds equity element		1,850			-1,850		
Equity as at December 31, 2014	**4,723**	**153,181**	**7,225**	**-3,968**	**760**	**-164,679**	**-2,756**
Equity as at January 1, 2015:	**4,723**	**153,181**	**7,225**	**-3,968**	**760**	**-164,679**	**-2,756**
Profit or loss for the year						-6,789	-6,789
Other comprehensive income (Note 34)				-1,415			-1,415
Total comprehensive income for the year				**-1,415**		**-6,789**	**-8,204**
Share-based payments expense			814				814
Drawdowns on standby equity facility	79	332					411
Exercise of warrants							
Granting of warrants		173					173
Exercise of employee options							
Equity portion of new convertible loan							
Reclassification of warrants and convertible bonds equity element							
Equity as at December 31, 2015	**4,802**	**153,686**	**8,040**	**-5,383**	**760**	**-171,468**	**-9,562**

1. Corporate Information

Funcom N.V. (or the "Company") is a limited liability company registered in The Netherlands. The Company is incorporated in Katwijk, The Netherlands. The Group's head office is in Keplerstraat 34, Badhoevedorp
1171 CD The Netherlands. The Company is listed on the Oslo Stock Exchange under the ticker "FUNCOM"

The consolidated financial statements of the Company as at and for the year ended December 31, 2015, 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 massively 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.

An abridged Company Income statement is presented in accordance with section 402 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Supervisory Board on April 22, 2016.

2. Summary of significant accounting policies

2.1 Going concern assessment

The Management Board upon preparing and finalizing the 2015 financial statements, assessed the Company's ability to fund its operations for a period of at least one year after the date of the annual report.

Based on the above assessment, the Company has concluded that funding of its operations for the above mentioned period is realistic and achievable. In arriving at this conclusion the following main items and assumptions have been taken into account:

- KGJ Investments has confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018.
- On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.
- The financial result of the Company in 2015 reports slightly declining revenues from existing games and decreased operating costs due to internal reorganization. 2015 result was USD 1,972 thousand better than 2014.

Notwithstanding the above, the Management Board of the Company emphasizes that the actual performance of the Company is largely affected by its ability to generate sufficient cash inflows from both sales and new financing. Given the dependency on the positive outcome of these factors there is a material uncertainly which may cast significant doubt about the Company's ability to continue as a going concern.

Overall, based on the outcome of this assessment, management is of the opinion that the going concern assumption is justified and consequently the financial statements of the Company have been prepared on a going concern basis. Notwithstanding their belief and confidence that Funcom will be able to continue as a going concern, the Management Board emphasizes that the actual cash flows for various reasons may ultimately deviate from the projections in which case the going concern of the Company may be at risk.

2.2 Basis of preparation

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.

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 Company’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.

Basis of measurement
The consolidated financial statements have been prepared on an historical cost basis unless otherwise stated in these accounting policies.

Estimates and judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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.

Judgments 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 3.

Accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Standards and Interpretations affecting amounts reported in the current period

The following new and revised IFRSs and IFRIC interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
IFRIC Interpretation 21	*Levies*	May 2013	17 June 2014
Annual improvements	*Annual improvements to IFRSs 2011-2013 cycle*	December 2013	1 January 2015

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations had been issued by the IASB but were not effective for the financial year ended 31 December 2015.

The directors anticipate that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2016 or later. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases may deviate from the effective dates as issued by the IASB. The directors have not yet considered the extent of the potential impact of the adoption of these new and revised/amended Standards and Interpretations.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
Annual improvements	*Annual improvements to IFRSs 2012-2014 cycle*	September 2014	1 January 2016
IFRS 14[11]	*Regulatory Deferral Accounts*	January 2014	1 January 2016
IFRS 9[12]	*Financial Instruments*	July 2014	1 January 2018
IFRS 15[12]	*Revenue from Contracts with Customers*	May 2014	1 January 2018
Amendments to IFRS 10 and IAS 28[12]	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	September 2014	Deferred indefinitely
IFRS 16[12]	*Leases*	January 2016	1 January 2019
Amendments to IFRS 10, IFRS 12 and IAS 28[12]	*Investment entities: Applying the Consolidation Exemption*	Dec 2014	1 January 2016
Amendments to IAS 12[12]	*Recognition of Deferred Tax Assets for Unrealised Losses*	January 2016	1 January 2017
Amendments to IAS 7[12]	*Disclosure Initiative*	January 2016	1 January 2017
Amendments to IAS 27	*Equity Method in Separate Financial Statements*	August 2014	1 January 2016

[11] The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard

[12]The standard/revised standard/amendment has as at the date of issue of these financial statements not yet been adopted by the EU

Amendments to IAS 16 and IAS 41	*Bearer Plants*	June 2014	1 January 2016
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*	May 2014	1 January 2016
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*	May 2014	1 January 2016
Amendments to IAS 1	*Disclosure initiative*	Dec 2014	1 January 2016

2.3 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 purchase 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.

2.4 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. 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.

If a loan is made to a foreign operation and the loan in substance forms part of the Group's investment in the foreign operation, foreign exchange differences arising on the loan are also recognized in Other Comprehensive Income. On disposal of a foreign operation, exchange differences recognized in equity are recognized in profit or loss as part of the gain or loss on disposal.

2.5 Income recognition

Revenue from operations

Revenues from online games are currently the Group's significant source of revenue.

Revenue is recognized when it is probable that the economic benefits of a transaction will flow to the entity, the revenue can be measured reliably and the associated costs are identified and can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of value added tax and discounts.

Subscription income is generated when customers purchase upfront access time for the Group's products *'The Secret World', 'Age of Conan'* and *'Anarchy Online'*. Subscription income is mainly collected from credit cards and is recognized gross of credit card charges. Revenue from subscriptions is recognized over the subscription period which is from the date of subscription purchase until subscription end, normally 1 – 12 months. At the reporting date, revenue not recognized in the Statement of Comprehensive Income is recognized as deferred revenue and presented in the statement of financial position as a liability.

Per copy sales of new games, whether delivered via packaged goods (boxes) or via the Internet (game download) are recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated customer life. Revenues from sales of in-game items / micro-transactions and points are recognized at the time of sale. A provision for expected returns and price arrangements/discounts is charged against revenue to the extent Funcom has a legal or constructive obligation for such arrangements.

The company enters into multiple-element revenue arrangements where it provides combinations of game software and subscription or subscription and in-game items. The Company accounts for revenues from each item separately following the revenue recognition policies above.

Per copy royalties on sales are recognized as the licensees report unit sales. Revenue from license and royalty agreements with a minimum non-refundable guaranteed advance is also recognized as the royalty accrues. Should the Company's estimated total royalties to be generated under the agreement fall below the non-refundable guaranteed amount, the difference will be recognized as revenue immediately. If publishers cancel software license agreements during the product's development stage, non-refundable advances or minimum guaranteed royalty fees are recognized as revenue.

Revenue from work-for hire contracts is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of a transaction can be estimated reliably (e.g. the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably). When the outcome of the transaction involving the rendering of services cannot be estimated reliably, the revenue is recognized only to the extent of the expenses recognized that are recoverable.

Government grants

Subsidies from the authorities are not recognized until there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. 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 in the Statement of Comprehensive Income on a systematic basis in the same periods in which the expenses are recognized.

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.

2.6 Expenses

Expenses include both expenses and losses. 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

Operating lease payments

Leases where substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments are recognized in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognized in the Statement of Comprehensive Income as an integral part of the total lease expense.

Finance expenses

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

2.7 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.

2.8 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.

The Group does not have any intangible assets with indefinite useful lives. 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 labour 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, normally over 5 years. Subsequent improvements and/or additions are amortized separately over the expected useful lives, normally over 5 years, from the time these improvements and/or additions are completed and available for use.

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 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.

2.9 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
Office equipment	5 years

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

Financial leases
Leases agreements through which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Financial lease payments are recognized in the Statement of Financial Position as a reduction in the liability and in the Statement of Comprehensive Income as interest expense on the related liability.

2.10 Financial instruments

The Group has chosen not to use any financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Due to the international structure of the Group, the Company has significant positions in other currencies than US dollars, for example Canadian dollar and the Norwegian kroner. The Group evaluates its currency risk on an ongoing basis, see note 25.The Group does not invest in equity or debt securities.

All non-derivative financial assets in the Statement of Financial Position are classified as loans and receivables at amortized cost. All non-derivative financial liabilities are classified as other financial liabilities at amortized cost.

Derivative financial assets and derivative financial liabilities are classified as at fair value through profit or loss. Warrants, where the holder is entitled to acquire shares in the Company and which do not meet the requirements for being classified as equity, are classified as derivative financial liabilities in the Statement of Financial Position. Changes in fair value are taken through profit or loss.

2.11 Investments in equity-accounted entities

Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities 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.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the entity.

2.12 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.

2.13 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.

2.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Statement of Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited the Statement of Comprehensive Income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized through profit or loss in the Statement of Comprehensive Income.

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. If any such indication exists, then the asset's recoverable amount is estimated. 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 respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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.

2.15 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.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Dividends

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

2.16 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. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period). 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.

2.17 Loans and borrowings

Loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method.
Borrowing costs directly attributable to qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Generally, this relates to the development of games. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Convertible bonds that may be converted into common shares of Funcom N.V. at a fixed price in the functional currency of the Company are recognized as follows: On initial recognition the principal amount is split into two components, the loan component and the conversion option component, each recognized at fair value. The conversion option is presented as equity, and is not subsequently re-measured. The loan component is measured subsequently at amortized cost and classified as a liability.

2.18 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.

2.19 Trade and other payables

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.

2.20 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, with the exception of 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.

2.21 Segments

The Group determines and presents operating segments based on the information that internally is provided to the Group’s chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment profit is measured as revenue earned less personnel costs and other operating costs. General and administrative costs, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.

In the segment reporting, intra-group balances and transactions between group entities within a single segment are eliminated in determining reportable amounts for each segment.

3. Accounting estimates, judgments and estimation uncertainty

Accounting estimates and judgments
In the application of the Group's accounting policies, which are described in note 2, 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 and 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.

Intangible assets should be tested for impairment when there is an indicator that the asset may be impaired. 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. See note 11 for more information.

Useful life of intangible fixed assets
The useful life of the company's games is subject to reassessment at each year end. The estimated useful life is subject to uncertainty and judgment and the actual outcome may differ significantly from the initial estimate.

Revenue recognition and provisions for sales returns
The Group recognizes, as explained in note 2.5, revenue from sale of goods and revenue from license and royalty agreements generally on delivery of the product. The amount is reduced by a provision for subsequent expected returns and price arrangements/discounts. The provision for sales returns is based on expected returns of the game at year-end for which the Company may be required to reimburse the distributor. The determination of the amount is based on estimates of the outflow of economic benefits required to settle the obligation and will in addition to uncertainties related to the level of returns also depend on timing of the returns. Actual rates of return and price may vary from the estimate.

Classification of MMORPG Technologies Inc. as a joint venture
During and before 2014, the shares of MMORPG Technologies Inc. were owned on a 50/50 basis between Funcom and another party and all shareholder decisions required unanimous consent. The Board consisted of 4 directors of which each venturer had nominated two individuals. Moreover, there were restrictions on the transfer of shares and the issue of new shares. There was no contractual agreement or any other facts and circumstances that indicated that the parties to the joint arrangement had rights to the assets and obligations for the liabilities of the joint arrangements.

Accordingly, MMORPG Technologies Inc. was classified as a joint venture of the Group, see note 20 for details.

By the end of 2015, MMORPG Technologies Inc. was fully liquidated.

Impairment of trade receivables
When determining the recoverability of trade receivables management's judgment may be based on factors involving uncertainty such as interpretations of complex agreements.

Deferred tax
The Group's tax losses have arisen primarily in the Swiss subsidiaries besides the parent company.

The Group's temporary differences between the carrying value and the tax base of assets are primarily located in the Norwegian subsidiary.

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. These assumptions require significant judgment and the final outcome may differ significantly from the estimate, consequently impacting income tax expense in future periods.

4. Segment information

The Group reports segment information in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The reportable operating segments of the group are defined as:

- large-scale MMO games – like *The Secret World* and *Age of Conan*
- other games – like *The Park* and *The Longest Journey*

The two segments differ in several and important ways:

1) PR and Marketing. Large-scale MMOs are typically marketed for years before their launch. PR is conducted through media channels that appeal to the traditional gamers - online gaming sites, gaming magazines and gaming TV-channels. A large community/following for the game is usually created long before the launch of the game. The launch phase of the game is sometimes accompanied by large-scale, global marketing campaigns in traditional gamer media channels and sometime in general press. In the case where the large-scale MMO uses a mixed business model the approach to marketing and launch of the game will be more staged and continuous.

Free to play MMOs typically follow a very different marketing process. The games typically progress through an extended launch period, where online beta-phases are gradually extended. The publisher may make adjustments to the game during these phases and only starts marketing once the game is proven to appeal to customers. PR is less important in the process, and rarely is a large community developed before the launch of the game.

2) Distribution. Most game distribution will be online only, with a possibility of retail distribution in certain markets for the large-scale MMO's. There can be various ways of packaging and presenting the digital clients, with models ranging from pure client sales to premium packages containing a lot of the different elements and benefits available in a free-to-play games, to a pure free-to-play client download.

3) Technology. Funcom use its Dreamworld technology platform for most of the games it's developing and operating, with various focus being put on graphics, features and performance depending on the game.

4) End-users. Large-scale MMOs typically target the traditional gamer segment. Free-to-play MMOs can also address this market, but often focus on other segments, like children, young boys or girls, non-gamers etc.

5) Payment model. Large-scale MMOs sometimes charge a significant price for the initial game client; at launch, typically around USD 50. Thereafter they typically use free or monthly memberships in addition to an in-game store as revenue models. Free-to-play MMOs are always free-to-play, i.e. no fee for the initial game client. These free-to-play gamers are then up-sold in-game to become customers. Free-to-play games typically use sales of virtual items and content, memberships and possibly advertising as revenue models.

6) Ownership of Digital Intellectual Property (DIP). Funcom is the owner of the DIP for the games operated / developed in the three segments which means that the Company fully assumes the investment and development risk as well as the risk to successfully market and operate the game. As a result, the Company keeps all or most of the revenues in return (depending on whether the game is based on own, internally developed brand or is a licensed game). In contrast, Funcom does not own the DIP for the two work-for-hire games that were developed in 2014 out of the Montreal studio. As is typical for WFH deals, the Company does not bear the investment, marketing and operating risks for such games and as a result the revenue potential is based on a cost plus preliminary determined mark-up basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Subscription income and revenues from sale of clients are the main sources of revenues for the large-scale MMO segment. Segment profit is measured as revenue earned less personnel costs and other operating costs. General and administrative cost, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.

Impairment charges of USD 3,647 thousand made in 2015 relate to the Large-scale MMOs segment. In 2014 impairment charges of USD 5,760 thousand related to the Large-scale MMOs segment.

Segment information

	Revenue from external customers January - December		Segment profit (loss) *) January - December	
	2015	**2014**	**2015**	**2014**
Large-scale MMO's	8,980	11,321	3,315	3,690
Free-to-play MMO games	796	333	397	283
Mobile and tablet games and other WFH		536		-385
Other activities	462	403	-52	-157
Total	10,238	12,593	3,660	3,430
General and administrative expenses			-3,227	-4,103
Depreciation, amortization and impairment charges			-6,571	-7,445
Share of result from equity-accounted entities			-173	-72
Net financial items			-478	-581
Profit (loss) before tax (from continuing operations)			**-6,789**	**-8,770**

*) Generally, segment profit (loss) is measured as revenue earned less personnel costs and other operating costs. General and administrative costs, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.
*) Other activities refer to Funcom Games Canada subleasing activities. Segment profit (loss) is measured as revenue earned less original rental expenses.

	Large-scale MMO's	Free-to-play MMO's	Mobile, tablet and WFH
Segment assets as at 31 December 2014	7,257	-	-
Segment assets as at 31 December 2015	4,306	-	-

Funcom does not have work-for-hire team since 1 January 2015.

Geographical information
The Group operates in a number of geographical areas. Presented below is a table that divides the Group's revenue and non-current assets into these main geographical areas.

	2015		2014	
In thousands of US dollars	Revenue	Non-current assets **)	Revenue	Non-current assets **)
The Netherlands *)	90		49	
Switzerland	4,842		7,572	7,341
Luxembourg	15		3,722	
Norway	4,834	4,386	380	26
Canada	457	81	852	204
USA		28	6	62
Other			12	
Total	**10,238**	**4,494**	**12,593**	**7,633**

*) country of domicile
**) non-current assets not including financial items and deferred tax asset

Revenue is attributed to a country based on the location of the selling entity. In 2015 the royalties from distributors recognized in revenue amounted to USD 2,461 thousand and represent 24 per cent of total revenue. In 2014 the royalties from a distributor recognized in revenue amounted to USD 2,224 thousand and represented 18 per cent of total revenue.

Non-current assets are attributed to a country based on the geographical location of the assets.

5. Revenue

Revenue				
In thousands of US dollars	**2015**	**%**	**2014**	**%**
Revenues online games	8,719	85.2 %	11,423	90.7 %
Revenues offline games	796	7.8 %	231	1.8 %
Work for hire		0.0 %	536	4.3 %
Other	723	7.1 %	403	3.2 %
Total revenue	**10,238**		**12,593**	

Revenue				
In thousands of US dollars	**2015**	**%**	**2014**	**%**
Rendering of services	7,054	68.9 %	9,448	75.0 %
Royalties	2,461	24.0 %	2,206	17.5 %
Work for hire		0.0 %	536	4.3 %
Other	723	7.1 %	403	3.2 %
Total revenue	**10,238**		**12,593**	

6. Personnel expenses

In thousands of US dollars	**2015**	**2014**
Salaries	3,697	5,848
Social Security Contributions	316	393
Contributions to defined contribution plans	59	62
Expenses for share option program	820	381
Other Personnel expenses	362	569
Total Personnel Expenses	**5,253**	**7,253**

Average Number of employees:	**2015**	**2014**
Europe	47	50
North America	54	77
Asia	1	1
Total	**102**	**128**

7. General and administrative expenses

In thousands of US dollars	**2015**	**2014**
Travel & marketing	528	943
Consultants	1,302	1,435
Rent of premises and other office costs	909	1,179
Royalties	100	183
Investor relations	121	211
IT, hardware and software	328	431
Other	453	281
Total general and administrative expenses	**3,741**	**4,663**

8. Other operating expenses

In thousands of US dollars	**2015**	**2014**
Commissions	272	381
Hosting and bandwidth costs for online services	579	968
Total other operating expenses	**851**	**1,349**

9. Finance income and expenses

In thousands of US dollars	**2015**	**2014**
Interest income	8	35
Net foreign exchange gain	1,410	1,086
Other financial income	15	275
Finance income	**1,433**	**1,396**
Interest expense	-2,828	-2,799
Net foreign exchange loss	934	846
Other finance expenses	-17	-24
Finance expenses	**-1,911**	**-1,977**

The above financial items all relate to assets and liabilities carried at amortized cost.

10. Income tax expense

In thousands of US dollars	**2015**	**2014**
Result before income tax	-6,829	-8,770
Tax according to the average tax rate in Switzerland, Luxembourg, Canada, USA, Norway and China	8,487	866
Tax effect of non-deductible expenses	-136	-233
Tax effect of non-taxable income		
Utilisation of losses carried forward	5,392	4
Deferred tax asset related to carry forward tax losses not recognised	-13,703	-628
Income tax (expense) / income	**40**	**9**

In thousands of US dollars	**2015**	**2014**
Current period	37	-42
Adjustments for prior periods		
	37	-42
Deferred tax expense		
Origination and reversal of temporary differences	4	51
Income tax expense from continuing operations	40	9
Total income tax income (expense)	**40**	**9**

The Group has not recognized any income tax directly in equity. The income tax rate in Norway changed from 28% to 27% with effect from January 1, 2014, and changed from 27% to 25% with effect from January 1, 2016. Deferred tax has been calculated using the tax rate enacted at the reporting date, i.e. 25% for both periods. 2014 Current tax for the Norwegian subsidiaries was calculated based on the applicable rate for 2014, i.e. 27%. Current tax for the Norwegian subsidiaries was calculated based on the rate applicable for 2015 i.e. 27%.

Deferred tax liability/tax asset	2015	2014 corr	2014
Deferred tax liability	-25	-20	-20
Deferred tax asset			
Deferred tax asset, net	**-25**	**-20**	**-20**
Deferred tax effect of tax increasing temporary differences:			
Equipment and intangible assets	-25	180	180
Provisions		62	62
Tax losses carried forward		-101	-101
Total deferred tax effect of tax increasing temporary differences	**-25**	**140**	**140**
Deferred tax effect of tax reducing temporary differences:			
Tax losses carried forward	21,473	21,923	21,462
Equipment and intangible assets	1,108	-252	-429
Provisions/receivables	19		
Total deferred tax effect of tax reducing temporary differences	**22,600**	**21,671**	**21,033**
Deferred tax asset (net) not recognized in the balance sheet:	22,600	21,832	21,194
Recognized deferred tax asset, net	**-25**	**-20**	**-20**
Reconciliation of deferred tax asset, net:			
Opening balance	-20	-67	-67
Change according to statement of income	-5	44	44
Exchange differences etc.		3	3
Deferred tax liability, net, at year-end	**-25**	**-20**	**-20**

The Group has unrecognized tax losses of USD 137,668 thousand as of December 31, 2015 (2014: USD 212,884 thousand) which expire as follows:

In thousands of US dollars

Expire year	2015	2014
2014	-	230
2015	-	100,418
2016	2,559	3,051
2017	4,298	5,123
2018	13,027	15,521
2019	42,676	50,863
2020	11,159	10,492
2021	22,308	21,116
2022		
2023	9,601	
2024	25,213	
2031		
2032	426	508
Indefinite	6,400	5,562
Total tax losses	**137,668**	**212,884**

The tax losses carried forward related to Funcom NV are generated from holding and financing activities and may only be offset against future profits from similar activities. Future trading profits may consequently not be utilised against such tax losses. Tax losses for Funcom NV expire after 9 years.

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 primarily located in the Swiss subsidiaries. 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.

It is considered that the revenue potential of the current and future games as well as the cost saving measures undertaken since early 2013 will help revert the Company to profitability. However, it is also acknowledged that predicting the performance of the Company's live games and games under development is inherently uncertain and often subject to unexpected shifts in consumers' tastes and interest in entertainment products. Thus the company's performance expectations, even though based on all currently available facts and information cannot be considered convincing evidence that sufficient future tax profit may be available. Since the criteria under IAS 12.35 have not been met, the Company did not recognized deferred tax asset for the available tax losses carried forward.

11. Intangible assets

In thousands of US dollars	Development costs	Software	Trademarks & licenses	Total
Cost				
Balance at January 1, 2014	125,851	1,359		**127,210**
Acquisitions, internally developed	5,987			**5,987**
Other acqusitions		39		**39**
Disposals				
Government grant	-61			**-61**
Translation difference		-229		**-229**
Balance at December 31, 2014	**131,777**	**1,169**		**132,946**
Cost				
Balance at January 1, 2015	131,777	1,169		**132,946**
Acquisitions, internally developed	3,309			**3,309**
Other acqusitions		20	173	**193**
Disposals				
Government grant				
Translation difference		-173		**-173**
Balance at December 31, 2015	**135,086**	**1,016**	**173**	**136,275**
Accumulated amortization and impairment losses				
Balance at January 1, 2014	116,728	1,177		**117,905**
Amortization for the year	2,031	68		**2,100**
Impairment losses (reversal of losses)	5,760			**5,760**
Disposals		7		**7**
Translation difference		-205		**-205**
Balance at December 31, 2014	**124,519**	**1,048**		**125,567**
Accumulated amortization and impairment losses				
Balance at January 1, 2015	124,519	1,048		**125,567**
Amortization for the year	2,786	43		**2,829**
Impairment losses (reversal of losses)	3,647			**3,647**
Disposals				
Translation difference		-162		**-162**
Balance at December 31, 2015	**130,952**	**929**		**131,881**
Carrying amount at Jan. 1, 2014	**9,123**	**182**		**9,305**
Carrying amount at Dec. 31, 2014	**7,258**	**122**		**7,380**
Carrying amount at Jan. 1, 2015	**7,258**	**122**		**7,380**
Carrying amount at Dec. 31, 2015	**4,134**	**88**	**173**	**4,395**

The received government grant mainly relates to multimedia tax credits accrued in Funcom Games Canada Inc and government grant received from Verdikt (a program under the Norwegian Research Council) and support from The Norwegian Film Fund.

On December 17, 2015, the Company granted Conan Properties International LLC three million one hundred and thirty thousand (3,130,000) warrants to purchase shares of the Company. The purchase price is USD 0.10, and the exercise period is from June 17, 2016 to December 17, 2020. In exchange, the Company can have free use of Conan licensed property to develop licensed products. Since a valuation of the license fee is relatively unreliable, a valuation of the warrants is used. As a result, an amount of USD 173 thousand has been added to the cost of intangible assets under the category of trademarks and licenses.

The following values of intangible assets are under development and in use.
In thousands of US dollars

	2015			2014		
Class	**Under development**	**In use**	**Total**	**Under development**	**In use**	**Total**
Development costs		4,133	**4,133**		7,258	**7,258**
Software		88	**88**		122	**122**
Trademarks and licenses		173	**173**			
TOTAL		4,394	**4,394**		7,380	**7,380**

Capitalization of amortization and depreciation
The Group capitalized borrowing costs and amortization and depreciation on assets used in development of games as an integral part of the book value of the games. Borrowing costs included in capitalized development costs for 2015 were USD 61 thousand (2014: USD 89 thousand). Amortization and depreciation included in capitalized development costs for 2015 were USD 2,693 thousand (2014: USD 1,293 thousand).

Calculation of recoverable amounts
When calculating the recoverable amount (value in use) from cash generating units the Group uses a discounted 3 years pre-tax cash flow projection, based on the most recent budgets reflecting the latest information that influences the expected performance of the assets. Cash flow projections until the end of an asset's useful life are estimated by extrapolating the cash flow projections using a negative growth rate for subsequent years. For assets that are under development and not yet available for use, the cash flow projections include an estimate of further cash outflows that are expected to be incurred before the asset is ready for use.

The cash flows are discounted using a pre-tax rate of 15.5 per cent for *Age of Conan* (2014: 13.9 per cent), 15.5 per cent for *The Secret World* (2014: 13.9 per cent) and 15.5 per cent for LEGO® *Minifigures* (2014: 13.9 per cent). The Dreamworld Technology was allocated to *The Secret World*, LEGO® *Minifigures Online*, and investment in future games based on a 10/85/5 ratio (2014: *The Secret World*, LEGO® *Minifigures Online*, and investment in future games based on a 15/20/65 ratio) respectively when performing the year end impairment test, reflecting the use of the technology in generating cash flows from the games.

The revenue of the Company is driven by the revenues generated by the games the Company operates. Some key drivers of these revenues are the number of players in each game and the revenues generated from these players through game client sales, subscription revenues, sales of virtual goods and in-game advertising. Different revenue-generating mechanisms are used to varying degrees in different games.
Main cost components for the company include the cost of developing new games and updates to games, marketing costs and operational costs of live games like hosting and bandwidth, operations and customer service.

Predicting with high certainty the cash flows from games is difficult. Both the reach of the games and the revenues generated from the games depend to a high degree on the appeal and quality of the games - since they are entertainment products and need to resonate with consumer preferences in addition to being well executed. Management determined budgeted numbers of players based on the actual customer base for the games in operation, market information obtained as well as 3rd party sales estimates, and its own expectations of customer development. This estimate represents management's best estimate, but is subject to a relatively high degree of uncertainty; especially for games not launched and for games to be launched in the free-to-play segment where Funcom has limited experience.

Sensitivity analysis

One percent **change of the discount rate** would have the following effect on the recoverable amounts of the cash generating units:

In thousands of US dollars	Increase (decrease) of recoverable amount	
Cash generating unit	1 percent increase	1 percent decrease
Age of Conan: Hyborian Adventures	-18	18
The Secret World	-36	37

Five percent **change in the estimated net cash flows** expected to be realized by the cash generating units would have the following effect on their recoverable amounts:

In thousands of US dollars	Increase (decrease) of recoverable amount	
Cash generating unit	5 percent increase	5 percent decrease
Age of Conan: Hyborian Adventures	54	-54
The Secret World	110	-110

This analysis assumes that all other variables remain constant.

Research and development
In 2015 the Group did not expense in research and development after the sale of the Montreal studio in December 2014 (2014: USD 407 thousand).

Further information on intangible assets that are material to the financial statements

Large Scale MMO Age of Conan: Hyborian Adventures

The massively multiplayer online game *Age of Conan: Hyborian Adventures* takes place in a world based on author Robert E. Howard's classic fantasy hero Conan — a strong brand name on the basis of being one of the most read comic books in the Western World as well as the subject of several books and movies. Funcom acquired as from June 6, 2003 a 10 year exclusive right for the use of the Conan brand for MMO games on all current and future platforms. Later Funcom extended this right until 2023. Since launch Funcom has introduced a new hybrid business model for the game and has released three major content expansions and several content patches. Most of the game's income comes from its premium Members, but a steady flow of new products to the in-game Item Store contributes significantly *to Age of Conan's* positive cash flow.

The performance of the game remained stable in 2015 and the impairment test performed at the end of the year demonstrated that the recoverable amount of the cash-generating unit *Age of Conan* exceeds its carrying amount by USD 496 thousand. Due to the high uncertainty in predicting cash flows from games (as explained above) management concluded that the excess of the recoverable amount over the carrying amount might be of a temporary nature rather than a result of an increased asset service potential. This view was supported by the fact that no external or internal favourable effects have taken place (or are expected to take place in the near future) regarding the gaming industry and market or the way the game is used that could indicate that the performance of the assets is or will be better than expected. Therefore, there is no satisfactory indication that the impairment loss recognized in prior periods has decreased and no reversal of impairment loss was recorded in 2015.

The carrying amount of *Age of Conan* is USD 577 thousand on December 31, 2015 (2014: USD 344 thousand). As at December 31, 2015 the accumulated impairment charge for the cash generating unit *Age of Conan,* is USD 24,700 thousand (2014: 24,700 USD thousand). The initial cost at launch of the game was amortized in 2013. Subsequent improvements and/or additions are amortized separately over the expected useful lives, normally over 5 years, from the time these improvements and/or additions are completed and available for use. *Age of Conan* has been amortized since its launch on May 20, 2008.

Large Scale MMO The Secret World

The Secret World is a massively multiplayer online game. The game is built around an original intellectual property developed by Funcom, and features exciting online game play in our own modern-day world. Building on legends, conspiracies and urban myths of the real world, *The Secret World* features a universe of unprecedented depth. By utilizing a modern-day setting, Funcom strives to make the game appeal to several different gaming audiences – including non-MMO gamers.

The game was launched on July 3, 2012. Despite the positive press and gamers' response and feedback prior to launch the sales from the game were much lower than the initial estimates and the scenarios communicated in 2011. As a result, Funcom initiated cost cutting measures in August 2012 and switched to a new, buy-to-play business model for *The Secret World*, which led to a steady influx of new players. In 2015 *The Secret World* released three big content updates (Issue 11, 12, and 13), several special in-game events and continuous supply of in-game shop items, which helped maintaining a healthy player base throughout the year.

The performance of the game remained stable in 2015 and the impairment test performed at the end of the year demonstrated that the recoverable amount of the cash-generating unit *The Secret World* exceeds its carrying amount by USD 325 thousand. Due to the high uncertainty in predicting cash flows from games (as explained above) management concluded that the excess of the recoverable amount over the carrying amount might be of a temporary nature rather than a result of an increased asset service potential. This view was supported by the fact that no external or internal favourable effects have taken place (or are expected to take place in the near future) regarding the gaming industry and market or the way the game is used that could indicate that the performance of the assets is or will be better than expected. Therefore, there is no satisfactory indication that the impairment loss recognized in prior periods has decreased and no reversal of impairment loss was recorded in 2015.

The carrying amount of *The Secret World* is USD 1,882 thousand on December 31, 2015 (2014: USD 1,974 thousand). As at December 31, 2015 the accumulated impairment charge for the cash generating unit *The Secret World*, is USD 36,276 thousand (2014: USD 36,276 thousand). The initial cost at launch of the game will be fully amortized in 2017. Subsequent improvements and/or additions are amortized separately over the expected useful lives, normally over 5 years, from the time these improvements and/or additions are completed and available for use. *The Secret World* has been amortized since its launch on July 3, 2013.

Large scale MMO LEGO® *Minifigures Online*
In June 2012 Funcom signed a license agreement with the LEGO Group to develop a massively multiplayer online game based on the hugely popular LEGO® *Minifigures line* of collectible play materials for the PC and tablet platforms. In October 2014, Funcom released LEGO® *Minifigures Online*. LEGO® *Minifigures Online* began amortizing in Q4 2014.

The game sets players off on a grand adventure through themed worlds that are built -- brick by brick, piece by piece -- using LEGO® materials. Players visit locations such as Medieval world, Space world, Pirate world and Mythology world, where they battle enemies, collect bricks and develop their characters. Funcom and the LEGO Group work together to make the game available to consumers in their online channels. The game will be a prominent part of the LEGO® *Minifigures Online* experience which already has millions of unique visitors every month.

The revenues generated by LEGO® *Minifigures Online* did not meet the internal forecasts. The company has therefore fully written off the underlying assets and recorded in 2015 an impairment charge of USD 3,157 thousand. The carrying amount of LEGO® *Minifigures Online* is USD nil thousand on December 31, 2015 (2014: USD 2,489 thousand).

Dreamworld Technology
The Dreamworld Technology is Funcom's proprietary game development technology.

The *Dreamworld Technology®* platform is the technological foundation on which *The Park, Conan:Exiles* amongst other projects, are built. This proprietary platform provides Funcom with a unique competitive advantage by enabling more flexible, faster and more predictable development and deployment of upcoming games. The technology is being developed to integrate with 3rd party engines, allowing our development teams to have access to the broad feature list of existing world class engines while also benefitting from our unique technology feature set. Use of the *Dreamworld Technology* will ensure synergies between the development projects of Funcom, significantly reduce the technology risks and development costs of the new projects, as well as provide unique differentiating features to our products.

Core components of the *Dreamworld Technology* platform include a flexible and powerful build and versioning system, an extensive data handling backend allowing our teams to work on extremely large datasets, as well as custom feature support in 3rd party engine extensions, ranging from advanced visual effects to database and user account systems.

The carrying amount of the *Dreamworld Technology* is USD 1,847 thousand on December 31, 2015 (2014: USD 2,451 thousand). 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 these elements of the asset, normally five years. The *DreamWorld Technology* has been amortized since the launch of *Age of Conan* in May 2008. Part of the amortization has been capitalized as development cost for *The Secret World and* LEGO® *Minifigures Online*. In 2015 USD 341 thousand had been capitalized (2014: USD 298 thousand).

Parts of the impairment losses made to *Age of Conan*, *The Secret World* and LEGO® *Minifigures Online* – included in the amounts mentioned above for these games - are allocated to The *Dreamworld Technology*. As of December 31, 2015 the accumulated amount of the impairment losses is USD 10,540 thousand (2014: USD 10,050 thousand).

12. Equipment

In thousands of US dollars	Computers	Furniture	Total:
Cost			
Balance at January 1, 2014	10,566	2,347	**12,914**
Acquisitions	17	12	**29**
Disposals	-7	-13	**-20**
Translation difference	-510	-217	**-728**
Balance at December 31, 2014	**10,066**	**2,129**	**12,195**
Balance at January 1, 2015	10,066	2,129	**12,195**
Acquisitions			
Disposals			
Translation difference	-412	-335	**-747**
Balance at December 31, 2015	**9,654**	**1,794**	**11,448**
Accumulated depreciation and impairment losses			
Balance at January 1, 2014	10,387	1,982	**12,373**
Disposals			
Impairment charges			
Depreciation for the year	147	112	**260**
Translation difference	-499	-189	**-688**
Balance at December 31, 2014	**10,035**	**1,905**	**11,944**
Balance at January 1, 2015	10,035	1,905	**11,944**
Disposals			
Impairment charges			
Depreciation for the year	22	97	**119**
Translation difference	-409	-303	**-712**
Balance at December 31, 2015	**9,648**	**1,699**	**11,351**
Carrying amount at Jan. 1, 2014	**179**	**365**	**544**
Carrying amount at Dec. 31, 2014	**31**	**224**	**254**
Carrying amount at Jan. 1, 2015	**31**	**224**	**254**
Carrying amount at Dec. 31, 2015	**6**	**95**	**100**
Method of depreciation	Straight line	Straight line	
Estimated useful lives	3 years	5 years	

13. Trade receivables

In thousands of US dollars	**2015**	**2014**
Trade receivables	1,443	1,225
Allowances for doubtful debt		0
Trade receivables, net	**1,443**	**1,225**

Refer to note 24 (currency risk) for further details.

14. Prepayments and other receivables

In thousands of US dollars	**2015**	**2014**
Accrued multi-media tax credits and other government grants	180	883
Other prepayments	326	277
Total	**506**	**1,160**

Tax credits receivable represent approximately 90% of the actual amount claimed (USD 200 thousand). USD 204 thousand was received in February 2016. The amount is for 2014 qualified activities, and there was no such activity in 2015. The amount of multimedia tax credits recognized in revenue is nil (2014: USD 782 thousand after capitalizing USD 61 thousand in reduction of intangible assets development costs).

15. Cash and cash equivalents

In thousands of US dollars	**2015**	**2014**
Cash at bank and in hand	616	3,705
Cash and cash equivalents in the statement of financial position	**616**	**3,705**
Restricted cash included in Cash at bank and in hand	107	140

In 2015 USD 107 thousand restricted cash (2014: USD 140 thousand) relates to cash at a separate account for tax deducted from salaries.

16. Equity

Share Capital and Share Premium

In thousands of US dollars	**2015**	**2014**
Outstanding at January 1	**90,444,823**	**66,496,918**
Issues against payment in cash	1,763,311	23,947,905
Outstanding at December 31 - Fully Paid	**92,208,134**	**90,444,823**
Nominal value of the share-capital at December 31 (EUR)	3,688,325	3,617,793

At December 31, 2015, the authorized share capital comprised of 250 million ordinary shares (2014: 250 million). The nominal value of the shares is Euro 0.04. 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.

Events in 2015

Shares:
On May 25, 2012 Funcom announced that the Company had entered into a standby equity agreement with YA Global Master. The agreement is an equity financing mechanism where Funcom at its discretion can draw down funds in tranches in exchange for issuing new shares to YA Global Master. During 2014 one drawdown took place under this agreement and accordingly in April 2015 1,763,311 shares were issued.

Options:
On January 30, 2015 the company issued 300,000 options to a Managing Officer as part of the Group's options program. On June 18, 2015 the company issued 250,000 options to a Managing Officer as part of the Group's options program.

On June 26, 2015 Funcom held its Annual General Meeting where the company authorized 30,000,000 options for issue. The Annual General Meeting also authorized some grants to members of the Supervisory Board, further to which on June 26, 2015 the company issued in total 500,000 options to members of the Supervisory Board.

Warrants:
On December 17, 2015, the Company granted to Conan Properties International LLC three million one hundred and thirty thousand (3,130,000) warrants to purchase shares of the Company. The purchase price is USD 0.10, and the exercise period is from June 17, 2016 to December 17, 2020. In exchange, the Company can have free use of Conan licensed property to develop licensed products. Since a valuation of the license fee is relatively unreliable, a valuation of the warrants is used instead. As a result, an amount of USD 173 thousand has been added to the equity under the share premium account.

Translation reserve:
The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends:
The Group did not pay any dividends in 2015.

Events in 2014:

Shares:
In January 2014, Funcom issued 316,028 shares in relation to exercise of options. Beginning of May 2014, Funcom issued 378,591 shares in relation to exercise of options. End of May 2014, Funcom issued 908,394 in relation to exercise of options.

In February 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. . In March 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share.

In May 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share.

On May 25, 2012 Funcom announced that the Company had entered into a standby equity agreement with YA Global Master. The agreement is an equity financing mechanism where Funcom at its discretion can draw down funds in tranches in exchange for issuing new shares to YA Global Master. During 2014 three drawdowns took place under this agreement and accordingly in April 2014 2,203,846 shares were issued, in July 2,545,454 shares were issued and in December 2,595,592 shares were issued.

Options:
On June 26, 2014 pursuant to the mandate granted by Funcom General Meeting of Shareholders on 27 June 2013, the Supervisory Board granted 2,530,000 options to employees of the Company to acquire shares in Funcom N.V.

On June 27, 2014 Funcom held its Annual General Meeting where the company authorized 33,000,000 options for issue. The Annual General Meeting also authorized some grants to members of the Supervisory Board, further to which on June 27, 2014 the company issued 100,000 options to members of the Supervisory Board.

On October 30, 2014 the company issued 250,000 options to a Managing Officer further to his appointment as part of the Group's options program.

Other:
In November 2013 the Company negotiated new loan financing (working capital loan) with KGJI, Funcom's largest shareholder and creditor, in the amount of USD 5,500 Thousand. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand - in 1Q14. The last installment of USD 1,250 thousand was received in 3Q14. USD 1,550 thousand was restructured into the new convertible loan in 3Q14. The balance of the working capital loan stands at USD 3,950 thousand.

On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2014 the loan has a carrying amount of USD 3,049 thousand and an actual balance due of USD 4,000 thousand. USD 1,056 thousand of this loan is considered equity and has been treated accordingly.

Translation reserve:
The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends:
The Group did not pay any dividends in 2014.

17. 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 2015 was USD 59 thousand (2014: USD 62 thousand).

Share based payments
The Group has three option programs that entitle 1) management and key personnel, 2) members of the Management Board and 3) members of the Supervisory Board to purchase shares in Funcom N.V., the parent company of the Group.

Option program in Funcom N.V.
The following options have been authorized by the shareholders meeting:

Time of authorization	**Number of options authorized**	**Expiry of authorization**
May 10, 2005	**1 250 000**	May 10, 2008
November 30, 2006	**1 000 000**	November 30, 2008
December 19, 2008	**3 000 000**	December 19, 2010
May 18, 2010	**3 000 000**	May 18, 2011
June 27, 2011	**8,000,000**	AGM 2012
June 27, 2012	**10,000,000**	AGM 2013
June 27, 2013	**15,000,000**	AGM 2014
June 27, 2014	**33,000,000**	AGM 2015
June 26, 2015	**30,000,000**	AGM 2016
Total number of options authorized	**104 250 000**	

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. 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.

The below table shows the vesting period for each grant: (for outstanding options see separate table below)

Grant date mm/dd/yyyy	Total grants	Vested in 2008	Vested in 2009	Vested in 2010	Vested in 2011	Vested in 2012	Vested in 2013	Vested in 2014	Vested in 2015	Vested in 2016	Vested in 2017	Vested in 2018
01/03/2007	585,200	195,066	195,067	195,067								
14/06/2007	260,000	86,666	86,667	86,667								
27/02/2008	433,500		264,917	144,500	24,083							
19/12/2008	850,000		333,333	333,333	183,333							
12/03/2009	2,088,300			1,218,175	696,100	174,025						
10/02/2010	78,500				47,972	26,167	4,361					
18/05/2010	321,500				161,347	157,167	2,986					
01/08/2010	1,428,000				634,667	476,000	317,333					
29/12/2010	150,000				50,000	83,333	16,667					
27/06/2011	450,000					241,667	141,667	66,667				
12/08/2011	1,768,000					785,778	589,333	392,889				
12/01/2012	200,000						81,944	66,667	51,389			
27/06/2012	100,000						50,000	50,000				
24/08/2012	200,000						88,889	66,667	44,444			
20/09/2012	1,934,000						805,833	644,667	483,500			
24/04/2013	100,000							50,000	50,000			
24/06/2013	3,666,000							1,833,000	1,222,000	611,000		
27/06/2013	400,000							200,000	158,333	41,667		
26/06/2014	2,092,000								1,045,910	697,328	348,762	
27/06/2014	1,100,000								849,996	166,667	83,337	
30/10/2014	250,000								250,000			
30/01/2015	300,000									191,663	100,003	8,334
18/06/2015	250,000									250,000		
26/06/2015	500,000									500,000		
Sum	**19,505,000**	**281,732**	**879,984**	**1,977,742**	**1,797,503**	**1,944,136**	**2,099,014**	**3,370,556**	**4,155,573**	**2,458,325**	**532,102**	**8,334**

List of outstanding options:	**Number of options**	**Weighted average exercise price (USD)**	**Number of options**	**Weighted average exercise price (USD)**
	2015	**2015**	**2014**	**2014**
Outstanding options on January 1	8,030,154	0.60	6,724,417	0.46
Outstanding options on January 1 Adjusted *(1)*	8,098,211	0.60	6,962,413	0.46
Options granted	1,050,000	0.26	3,880,000	0.67
Options exercised			-1,603,012	0.34
Options terminated	-309,170	0.50	-957,858	0.34
Options expired	-380,968	0.41	-251,389	0.45
Outstanding options on Dec 31	**8,458,073**	**0.57**	**8,030,154**	**0.60**

List of outstanding options:

	2015	**2015**	**2014**	**2014**
Vested (exercisable) options	**5,810,522**	**0.84**	**2,642,391**	**0.24**
Weighted Average Fair Value of Options Granted during the period	**1,050,000**	**0.26**	**3,880,000**	**0.51**

(1) the opening balance of options outstanding has been adjusted to reflect revised figures. The adjustment has no material impact on the financial statements.

Out of the 8,458,073 (2014: 8,030,154) outstanding options on December 31, 2015, 5,810,522 (2014: 2,642,391) options were vested/exercisable. No options were exercised in 2015 (2014: 1,603,012).

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

				Options	
Expiry day		**Exercise price**		**2015**	**2014**
	29/12/2015	USD	0.77		33,334
	20/03/2016	USD	0.36	109,448	587,460
	27/06/2016	USD	1.12	150,000	150,000
	12/08/2016	USD	1.10	722,666	821,000
	24/12/2016	USD	0.31	25,000	
	12/01/2017	USD	2.41	100,000	50,000
	31/05/2017	USD	2.54	18,057	
	27/06/2017	USD	2.65	50,000	50,000
	24/08/2017	USD	0.45	200,000	200,000
	20/09/2017	USD	0.36	494,568	
	24/04/2018	USD	0.25	100,000	100,000
	24/06/2018	USD	0.31	1,900,670	2,196,360
	27/06/2018	USD	0.30	400,000	400,000
	26/06/2019	USD	0.81	1,787,664	2,092,000
	27/06/2019	USD	0.80	1,100,000	1,100,000
	30/10/2019	USD	0.71	250,000	250,000
	30/01/2020	USD	0.25	300,000	
	18/06/2020	USD	0.28	250,000	
	26/06/2020	USD	0.25	500,000	
Sum				**8,458,073**	**8,030,154**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was USD 0.16 per option (2014: USD 0.51). The significant inputs into the model were a weighted average share price of USD 0.23-0.24 (2014: 0.70-0.75) at the grant date, the exercise prices shown above, volatility of 95.61%-108.75% (2014: 93,17% - 106,50%), dividend yield 0% (2014: 0%), an expected option life of 3.249-5.0 years (2014: 3.249 – 5.0 years), an expected annual turnover rate of 7% (2014: 7%) and an annual risk free rate of 0.67%-0.96 (2014: 1.46% - 1.74%). The volatility measured is based on the variation in daily share prices for Funcom.

The following managers/directors possess options and/or own shares (directly or indirectly):

At the end of 2015

Name	Number of shares	Number of options	Comments
Supervisory board			
Michel Cassius	15,034	900,000	Chairman
Alain Tascan	-	250,000	
Management Board			
Rui Cassais	38,731	771,664	CEO of Funcom NV; 471,664 options are from before 2015 as employee

At the end of 2014

Name	Number of shares	Number of options	Comments
Supervisory board			
Gerhard Florin	-	400,000	Mr. Florin - Chairman of the Supervisory Board controls G. Florin Consulting GMBH, which holds 200,000 options to subscribe for shares in the Company.
Alain Tascan	-	150,000	
Ole Gladhaug		150,000	
Magnus Grøneng	400	150,000	
Management Board			
Michel Cassius	15,034	450,000	

18. Deferred income

The amount consists mainly of subscription prepayments from subscribers.

19. Other short term liabilities

In thousands of US dollars	2015	2014
Taxes and social security payable	437	263
Accrued expenses	1,333	1,323
Total	**1,770**	**1,586**

20. Investments in equity-accounted entities

During 2015 Funcom disposed its investment in the associated company Stunlock Studios AB, Sweden, whose principal activity is the development of online computer games. At the end of 2014, Funcom owned a 33% interest in the shares of Stunlock Studios AB. Funcom realized a loss of USD 173 thousand through the disposal.

Funcom owned a 50% share in the Canadian company MMORPG Technologies INC, whose principal activity was the development of online computer games. Another party owned the remaining 50%. This company was considered a joint venture for Funcom. As indicated in the 2014 annual report, the company was in the process of being liquidated and there was no active activity in 2015. At the end of 2015, the company was fully liquidated.

The Company’s share of loss in its equity-accounted entities for 2014 was USD 72 thousand.

Summary of financial information for equity-accounted entities, not adjusted for the percentage ownership held by the Company:

In thousands of US dollars	Stunlock Studios AB	MMORPG Technologies INC	Total
Country	Sweden	Canada	
Ownership in %	33	50	
Reporting date	December 31, 2014	December 31, 2014	December 31, 2014
Current assets	845	35	880
Non-current assets	74		74
Total assets	919	35	954
Current liabilities	172	21	193
Non-current liabilities		17	17
Total liabilities	172	38	210
Income	1,870	67	1,937
Expenses	-1,366	-239	-1605
Profit/loss	504	-172	332
Funcom's share:	166	-86	80
less amortization of fair value adjustment	-119	-33	-152
Share of result 2014:	**47**	**-119**	**-72**

Country	Sweden	Canada	
Ownership in %	Not applicable	Not applicable	Not applicable
Reporting date	December 31, 2015	December 31, 2015	December 31, 2015

21. Leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of US dollars	**2015**	**2014**
Less than one year	476	466
Between one and five years	1,624	1,389
More than five years	288	
Total	**2,388**	**1,855**

The Group leases office premises in Canada, Norway, USA, and China. These leases typically run for a maximum of 5 to 10 years with an option to renew when they expire. Lease payments are normally index regulated every year according to the consumption price index.

During the year ended December 31, 2015, USD 416 thousand was recognized as an expense in the Statement of Comprehensive Income in respect of operating leases (2014: USD 522 thousand). As of year-end the Company has no outstanding obligations under finance leases.

22. 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 N.V. of USD -6,789 thousand (2014: USD -8,761 thousand) divided by the weighted average number of ordinary shares outstanding 91,662,232 (2014: 82 183 500).

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 and the conversion feature of the warrants and the convertible bonds. As the Company made losses in 2015, the dilutive effect of share options and the conversion feature of convertible bonds are anti-dilutive, i.e. would reduce losses per share. This effect is thus not included in the calculation of diluted earnings (losses) per share.

In thousands of USD

	2015	**2014**
Profit / (loss) for the period attributable to the equity holders of Funcom (USD thousands)	-6,789	-8,761
Profit / (loss) for the period attributable to the equity holders of Funcom (USD thousands) - continuing operations	-6,789	-8,761
Issued ordinary shares as of January 1	90,445	90,445
Effect of new shares issued and options exercised		
Weighted average number of shares at December 31	91,662	82,184
Basic earnings per share	**(0.07)**	**(0.11)**
Basic earnings per share - continuing operations	**(0.07)**	**(0.11)**
Weighted average number of shares at December 31, basic	91,662	82,184
Effect of share options on issue		
Weighted average number of shares at December 31, diluted	91,662	82,184
Diluted earnings per share	**(0.07)**	**(0.11)**
Diluted earnings per share - continuing operations	**(0.07)**	**(0.11)**

23. Contingent liabilities

As of December 31, 2015 the group had no contingent liability.

As of December 31, 2014 the group has a contingent liability related to the ØKOKRIM charge. In 1Q14 Funcom was charged by Økokrim (The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) on suspicion of infringement of the provisions of the Securities Trading Act during the period of August 2011 until August 2012 with regards to information given to the market (market manipulation) and insufficient maintenance of the required list of persons who are given access to inside information. On 23 October 2015, Funcom NV accepted a fine of NOK 1.500.000 from ØKOKRIM. The company has cooperated with ØKOKRIM in its investigation, and for the Company the case is now closed.

24. Financial instruments

The Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents denominated in other currency than the US dollar. The currencies giving rise to risk in respect of the Group's presentation currency are primarily Euro, Swiss franc, Norwegian Kroner and the Canadian dollar. Management has determined that US dollar is the appropriate presentation currency. The Group invoices all non-EU customers in US dollar and Russian ruble, while EU customers are invoiced in Euro, British pound and Polish zloty.

<u>Exposure to credit risk</u>
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of US dollars

	Carrying amount **2015**	Carrying amount **2014**
Loans and receivables*	2,014	3,393
Cash and Cash equivalents	616	3,705
	2,630	**7,098**

* Includes trade receivables of USD 1,443 thousand (2014: USD 1,249 thousand), long-term receivables of USD 65 thousand (2014: USD 19 thousand) which relates to a long term deposit on operational leases, multimedia tax credits of USD 180 thousand (2014: USD 883 thousand), and other accruals, deposits and advances for a total of USD 326 thousand (2014: 1,242 thousand). Tax credits receivable represent approximately 90% of the actual amount claimed (USD 200 thousand). USD 204 thousand was received in February 2016. The amount is for 2014 qualified activities, and there was no such activity in 2015. The amount of multimedia tax credits recognized in revenue is nil (2014: USD 782 thousand after capitalizing USD 61 thousand). 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.

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 maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

In thousands of US dollars

	Carrying amount 2015	Carrying amount 2014
North America		28
Europe	1,443	1,197
	1,443	1,225

Receivables on credit card service providers amount to USD 1,227 thousand of the trade receivables carrying amount at December 31, 2015 (2014: USD 1,706 thousand).

Impairment losses

The aging of trade receivables at the reporting date was:

In thousands of US dollars

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	1,442		1,073	
Past due 0-30 days			12	
Past due 31-120 days	1		43	
More than 120 days			97	
	1,443		1,225	

The group recorded no impairment losses for receivables in 2015 (the group recorded no impairment losses for receivables in 2014).

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 following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The Group has no derivative financial liabilities that give rise to contractual cash outflows.

In thousands of US dollars

As at December 31, 2015

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	Year 2	Year 3	Thereafter
Trade payables and current loans and borrowings	-10,413	-10,413	-263	-10,150			
Other short-term liabilities	-1,770	-1,770	-722	-22	-4	-849	-173
Non-current loans and borrowings	-3,434	-4,048			-4,000		-48
	-15,616	**-16,231**	**-985**	**-10,172**	**-4,004**	**-849**	**-222**

As at December 31, 2014

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	Year 2	Year 3	Thereafter
Trade paybles and current loans and borrowings	-6,216	-6,216	-701	-5,728			
Other short-term liabilities	-1,587	-1,587	-1,587				
Non-current loans and borrowings	-7,081				-3,950	-3,049	-82
	-14,883	**-7,802**	**-2,287**	**-5,728**	**-3,950**	**-3,049**	**-82**

Trade Payables and Current Loans and Borrowings:
Trade Payables and Current Loans and Borrowings consist of Trade payables equal USD 263 thousand (2014: USD 440 thousand). Current loans and borrowings consist of USD 6,200 thousand convertible bond (2014: USD 5,478 thousand) from KGJI which was due to expire on December 15, 2016 at balance sheet date, and USD 3,950 thousand (2014: USD 3,950 thousand) working capital loan due to KGJI on December 15, 2016 at balance sheet date.

Other short-term liabilities:
Other short-term liabilities consist of USD 437 thousand sales tax and social security payable (2014: USD 234 thousand) and operational accrued expenses of USD 1,333 thousand (2014: USD 1,323 thousand).

Non-current loans and borrowings:
Non-current loans and borrowings consist of USD 3,385 thousand convertible loan due to KGJI (2014: 3,049 thousand) on June 27, 2017, and a rental deposit of USD 48 thousand (2014: 82 thousand).

Convertible bonds - carrying amount USD 6,200,000 thousand (2014: USD 5,478 *thousand)*
On December 22, 2011 Funcom issued 150 convertible bonds with a face value of USD 100 thousand (total USD 15,000 thousand) and 10 % coupon due on December 22, 2014 and convertible into common shares of Funcom N.V. at a price of 1.37 USD per share. As of December 31, 2015 sixty two bonds issued on December 22, 2011 are still outstanding. These bonds have a face value of USD 100 thousand (total USD 6,200 thousand), 5% coupon rate and are due on December 15, 2016. They are convertible into common shares of Funcom N.V. at a price of 0.24 USD per share. The interest is payable at maturity or conversion in either cash or Funcom shares at the discretion of the bondholder. As of December 31, 2015 the bonds have a carrying amount of USD 6,200 thousand (2014: USD 5,478 thousand) and an actual balance due of USD 6,200 thousand (2014: USD 6,200 thousand).

KGJ Investments has confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018.

Working capital loan - carrying amount USD 3,950 thousand (2014: 3,950 thousand)
In November 2013 the Company negotiated a working capital loan with KGJI, Funcom's largest shareholder and creditor with 8 percent annual interest rate and initial maturity in January 2015. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand in 1Q14. The last installment of USD 1,250 thousand was drawn by the Company in September 2014. USD 1,550 thousand was restructured into the new convertible loan in August 2014. As of December 31, 2015 the working capital loan has a balance of USD 3,950 thousand (2014: USD 3,950 thousand).

On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

Convertible loan- carrying amount of debt USD 3,385 thousand (2014: USD 3,049 thousand)
On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27, 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two

existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2015 the loan has a carrying amount of USD 3,385 thousand (2014: USD 3,049 thousand) and an actual balance due of USD 4,000 thousand (2014: USD 4,000 thousand).

On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

The management analyzed the debt repayment schedules and the impact on the Company's liquidity. The analysis included the current cash position and the cash generation potential of the Company's live games and games expected to launch in 2016. Funcom's management also acknowledges the possibility of raising capital by means of market transactions such as equity issuance or non-dilutive (debt) financing or a combination thereof as well as the possibility of obtaining additional proceeds from exercise of warrants or conversion of bonds. As a result, the management concluded that the solvency and liquidity of the Company indicate that Funcom is able to meet its current and long-term obligations. However, this position is based on various assumptions including cost structure, revenue projections, credit opportunities, timeline on the game developments amongst other factors. The management will continue to evaluate the assumptions on a continuous basis and will inform the market of any future pervasive and material changes.

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, Canadian dollar 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. The majority of the operational expenses are currently denominated in US dollar and Norwegian kroner. The significant cash positions in Norwegian kroner are perceived by the management as a natural hedge against the operational expenses in these currencies.

The Group’s exposure to foreign currency risk was as follows based on carrying amounts:

In thousands of US dollars

As at December 31, 2015	**USD**	**EURO**	**NOK**	**CAD**	**OTHER**	**Total:**
Trade and other receivables	730	635	1		77	1,443
Cash and cash equivalents	103	19	159	81	253	616
Trade payables and current loans and borrowings	-10,320	-35	-30		-28	-10,413
Net balance sheet exposure	-9,486	618	130	82	302	-8,354

As at December 31, 2014	**USD**	**EURO**	**NOK**	**CAD**	**OTHER**	**Total:**
Trade and other receivables	826	302	30	34	33	1,225
Cash and cash equivalents	1,408	1,433	582	121	160	3,705
Trade payables and current loans and borrowings	-5,986	-42	-66	-84	-37	-6,216
Net balance sheet exposure	-3,752	1,693	546	71	156	-1,286

The following exchange rates applied during the year:

	Reporting rate			
	Average rate		Spot rate at December 3	
	2015	2014	2015	2014
EUR	1.115	1.336	1.091	1.216
NOK	0.123	0.157	0.114	0.134
CAD	0.796	0.906	0.721	0.860
CNY	0.161		0.154	

Sensitivity analysis

A 10 percent weakening of the US dollars compared to EUR, NOK, CAD and CNY would have increased (decreased) equity and profit and loss by the amounts shown below. The analysis includes only outstanding foreign currency (non-US dollar) denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. This analysis assumes that all other variables, e.g. interest rates, remain constant. Due to changes in Funcom structure, equity part is no longer applicable for 2015.

In thousands of US dollars

	Equity	Profit or Loss
December 31, 2015		
EUR		-62
NOK		-13
CAD		-8
CNY		-3
December 31, 2014		
EUR		-169
NOK	-3,599	-55
CAD		-7

A 10 percent strengthening of the US dollars against the above currencies at December 31, would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The equity effect is attributable to inter-company loans that are net investments. The sensitivity is based on the assumption of a 10% strengthening of the US dollar against local currency on the reporting date.

Interest rate risk

At the reporting date the Group's fixed rate financial instruments comprise convertible bonds issued in 2011, a working capital loan received in 2013, and a convertible loan from KGJI issued in 2014. The interest rate is fixed over the loan term.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In thousands of US dollars

	2015	2014
Loans and borrowings		
Cash and cash equivalents	616	3,705
Net exposed to interest risk	616	3,705
100 bp increase in interest rate	6	37
100 bp decrease in interest rate	-6	-37

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

Fair values
For trade and other payables, bank overdrafts, trade receivables and other financial current assets and liabilities, the discount factor is not significant due to the short-term nature of the items. The carrying amount is therefore found to reflect their fair value.
The fair value of the non-current borrowings at variable interest rates do not differ materially from the valuation at amortized cost.

In thousands of US dollars

	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
Trade and other Receivables	1,443	1,443	1,225	1,225
Cash and cash equivalents	616	616	3,705	3,705
Trade paybles and current loans and borrowings	-10,413	-10,413	-6,216	-6,216
Other short term liabilities	-1,770	-1,770	-1,586	-1,586
Non-current loans and borrowings	-3,434	-3,434	-7,081	-7,081

The fair values of the financial assets and financial liabilities included in the table above are within level 3 in the fair value hierarchy. This means that most inputs are based on unobservable data. The fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Convertible bonds - carrying amount USD 6,200 thousand (2014: USD 5,478 *thousand)*
On December 22, 2011 Funcom issued 150 convertible bonds with a face value of USD 100 thousand (total USD 15,000 thousand) and 10 % coupon due on December 22, 2014 and convertible into common shares of Funcom N.V. at a price of 1.37 USD per share. As of December 31, 2014 sixty two bonds issued on December 22, 2011 are still outstanding. These bonds have a face value of USD 100 thousand (total USD 6,200 thousand), 5% coupon rate and are due on December 15, 2016. They are convertible into common shares of Funcom N.V. at a price of 0.24 USD per share. The interest is payable at maturity or conversion in either cash or Funcom shares at the discretion of the bondholder. As of December 31, 2015 the bonds have a carrying amount of USD 6,200 thousand (2014: USD 5,478 thousand) and an actual balance due of USD 6,200 thousand (2014: USD 6200 thousand).

KGJ Investments has confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018.

Working capital loan - carrying amount USD 3,950 thousand (2014: 3,950 thousand)
In November 2013 the Company negotiated a working capital loan with KGJI, Funcom's largest shareholder and creditor with 8 percent annual interest rate and initial maturity in January 2015. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand in 1Q14. The last installment of USD 1,250 thousand was drawn by the Company in September 2014. USD 1,550 thousand was restructured into the new convertible loan in August 2014. As of December 31, 2015 the working capital loan has a balance of USD 3,950 thousand (2014: USD 3,950 thousand).

Convertible loan- carrying amount of debt USD 3,385 thousand (2014: USD 3,049 thousand)
On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27, 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2015 the loan has a carrying amount of USD 3,385 thousand (2014: USD 3,049 thousand) and an actual balance due of USD 4,000 thousand (2014: USD 4,000 thousand).

On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

25. Transactions with related parties

Identification of related parties
The Group has a related party relationship with its subsidiaries (see note 26), equity-accounted entities (see note 20), members of the Supervisory and Management Boards, its executive officers and shareholders.

Transactions with subsidiaries and equity-accounted entities
There have been transactions between Group companies and between the Group and equity-accounted entities.

Transactions with equity-accounted entities:

In thousands of US dollars

	2015	**2014**
Purchase of services	Not applicable	
Revenue from services	Not applicable	
Receivables as at Dec, 31	Not applicable	4
Liabilities as at Dec, 31	Not applicable	34

As indicated in Note 20, the Group disposed its interest in Stunlock Studios AS, Sweden, in 2015, and MMORPG Technologies, Inc., Canada, had been fully liquidated by December 31, 2015.

Remuneration to the Supervisory Board
On June 26, 2015, the General Meeting approved annual remuneration to the Chairman of the Supervisory Board of EUR 27,000 (2014 EUR 27,000) and EUR 18,000 (2014: EUR 18,000) for all other members of the supervisory board.

Supervisory Board member	Total remuneration USD	Total remuneration is composed of: Board fee USD	Share based USD
2015			
Michel Cassius (2)	83	16	67
Alain Tascan	48	20	28
Gerhard Florin (3)	59	15	44
Ole Gladhaug (4)	41	12	29
Magnus Grøneng (4)	41	12	29
Total:	**271**	**75**	**196**
2014			
Gerhard Florin (chairman)	63	36	27
Alain Tascan (vice-chairman)	36	24	12
Michel Cassius (1)	53	20	34
Ole Gladhaug	37	24	13
Magnus Grøneng	37	24	13
Total:	**227**	**128**	**99**

Supervisory Board member	Number of options granted during the year	Number of options exercised durng the year	Total number of options held / controlled at year end	Number of shares held / controlled at year end (incl. related
2015				
Michel Cassius	450,000		900,000	49,034
Alain Tascan	100,000		250,000	
Ole Gladhaug	100,000		250,000	
Magnus Grøneng	100,000		250,000	400
Total:	**750,000**	**-**	**1,650,000**	**49,434**
2014				
Gerhard Florin (chairman)	300,000		400,000	
Alain Tascan (vice-chairman)	100,000		150,000	
Michel Cassius	350,000		450,000	49,034
Ole Gladhaug	100,000		150,000	
Magnus Grøneng	100,000		150,000	400
Total:	**950,000**	**-**	**1,300,000**	**49,434**

(1) Michel Cassius was a Supervisory Board Member until October 29, 2014

(2) Michel Cassius became the Chairman of the Supervisory Board on June 26, 2015.

(3) Gerhard Florin is no longer a Supervisory Board Member as of June 26, 2015.

(4) Ole Gladhaug and Magnus Grøneng are no longer Supervisory Board Member as of August 11, 2015.

Remuneration to the Management Group (includes members of the Supervisory Board, Management Board and executive management:

In thousands of US dollars	**2015**	**2014**
Salaries and benefits in kind (short-term employee benefits)	375	604
Share-based payments	343	188
Pension plan contributions	2	8
Total remuneration	**720**	**800**

Remuneration to the Management Board

Management Board member	Total remune-ration	Remune-ration	Bonus	Severance	Pension cost	Share based
2015						
Michel Cassius (3)	191	119				73
Rui Casais (4)	257	181			2	74
Total:	**449**	**300**			**2**	**147**
2014						
Michel Cassius	111	77				34
Ole Schreiner	276	233			3	40
Pieter van Tol	68	58				10
Total:	**454**	**368**			**3**	**83**

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
2015				
Michel Cassius	450,000		900,000	34,000
Rui Casais	300,000		771,664	38,731
Total:	**750,000**	**0**	**1,671,664**	**72,731**
2014				
Ole Schreiner - CEO	400,000	-45,000	900,000	70,017
Pieter van Tol (2)	100,000	-	233,333	33,334
Michel Cassius (1)	350,000		450,000	15,034
Total:	**850,000**	**-45,000**	**1,583,333**	**118,385**

(1) Michel Cassius was appointed to the Management Board on October 30, 2014. Ole Scheiner departed from the Management Board on October 30, 2014. Pieter van Tol departed from the Management Board on November 14, 2014.

(2) Management Board member Pieter van Tol had an interest in Weidema van Tol and Temmes Management Services B.V.: until March 2014.
An expense of USD 86 thousand for legal advice was recorded for Weidema van Tol in 2014. An expense of 73 thousand was recorded for Temmes Management Services B.V. for 2014. As at year end 2014 the outstanding amount payable to Weidema van Tol amounted to USD 17 thousand and to Temmes Management Services B.V. the outstanding amount payable was USD 13 thousand. The services rendered from both these companies were on market terms.

(3) Michel Cassius departed from the Management Board on May 12, 2015.

(4) Rui Casais' appointment to the Management Board was confirmed on January 30, 2015 after being temporarily mandated to join the Management Board by the Supervisory Board in 2014.

Transactions with shareholders

Mr. Hans Peter Jebsen, the largest shareholder of Funcom N.V. controls the company Kristian Gerhard Jebsen Group Ltd. that in turn controls KGJ Investments S.A.,SICAV-SIF (KGJI). Mr. Hans Peter Jebsen also controls the company Tom Dahl AS. The actual, indirect holdings in Funcom N.V. of Mr. Jebsen through the companies KGJI, KGJ Capital (formerly Nexus Capital) and Tom Dahl were 26.77% as of December 31, 2015 (2014: 27.29%). The following transactions took place in 2015 between Funcom Group and companies controlled by Mr. Jebsen:

On December 22, 2011 Funcom issued 150 convertible bonds with a face value of USD 100 thousand (total USD 15,000 thousand) and 10 % coupon due on December 22, 2014 and convertible into common shares of Funcom N.V. at a price of 1.37 USD per share. As of December 31, 2015 sixty two bonds issued on December 22, 2011 are still outstanding. These bonds have a face value of USD 100 thousand (total USD 6,200 thousand), 5% coupon rate and are due on December 15, 2016. They are convertible into common shares of Funcom N.V. at a price of 0.24 USD per share. The interest is payable at maturity or conversion in either cash or Funcom shares at the discretion of the bondholder. As of December 31, 2015 the bonds have a carrying amount of USD 6,200 thousand (2014: USD 5,478 thousand) and an actual balance of USD 6,200 thousand (2014: USD 6,200 thousand). KGJI is the majority holder of these convertible bonds with a principal amount held of USD 6,000 thousand (2014: USD 6,000 thousand).

In November 2013 the Company negotiated a working capital loan with KGJI, Funcom's largest shareholder and creditor with 8 percent annual interest rate and initial maturity in January 2015. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand in 1Q14. The last installment of USD 1,250 thousand was drawn by the Company in September 2014. USD 1,550 thousand was restructured into the new convertible loan in August 2014. As of December 31, 2015 the working capital loan has a balance of USD 3,950 thousand (2014: USD 3,950 thousand) and is due on December 15, 2016.

On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27, 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2015 the loan has a carrying amount of USD 3,385 thousand (2014: USD 3,049 thousand) and an actual balance due of USD 4,000 thousand (2014: USD 4,000 thousand).

On February 7, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. On March 3, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. On May 2, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share.

26. Group entities

Group entities
The Company is the ultimate parent company to 7 wholly owned subsidiaries.

Significant subsidiaries	**Country of incorporation**	Principal Activity	Ownership	**interest in %**
Funcom GmbH	Switzerland	The development and operation of games and technology (in liquidation)	100	100
Funcom Sales GmbH	Switzerland	The operation of licenses (in liquidation)	100	100
Funcom Games Canada Inc	Canada	The development of computer games	100	100
Funcom S.a.r.l.	Luxembourg	The facilitation of sales and customer relations (in liquidation)	100	100
Funcom Inc	United States	The development of computer games	100	100
Funcom Oslo AS	Norway	The development and operation of games and technology	100	100
Funcom Games Beijing Ltd	China	The development of computer games	100	100

27. Capital Management and Risk Factors

Capital management
The Supervisory Board policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Supervisory 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, equity and (convertible) debt.

In addition, the Supervisory Board is of the opinion that options to subscribe for shares in the Company are an effective incentive for the Funcom Group's employees and board members. The Company has therefore established a share incentive program in order to stimulate continued growth and further development of the Group's business.

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.

Risk factors
Management has discussed the various risks in Funcom and the implications of these risks. The risks described below do not constitute a full list of the risks the Company is exposed to. Additional risk factors may also impair the Company's operations.

Revenue risks
Dependence on performance of individual games
Funcom's future income may be highly influenced by the performance of individual MMOs. If some of these MMOs attain low revenue numbers there may be a negative impact on future cash flows and the valuation of Funcom. Furthermore, the games in development are intended to be funding sources for the development of new titles, and lower cash inflows than expected could also have an

indirect effect in terms of reduced revenues, earnings and cash flows from other games and the future funding requirements of the Company.

Dependence on the attractiveness of the licensed brands
The success of the new games is dependent on the attractiveness of the brands used for the games. The developments of these brands are often influenced by factors outside of Funcom's control and this may positively or negatively affect the performance of Funcom's games.

Dependence on consumer satisfaction
The commercial success of Funcom’s games is to a high degree dependent on consumer satisfaction. Consumer satisfaction is dependent on the perceived fun factor, quality of service of the support and error correction services. Even though the Company strives to ensure high consumer satisfaction there is a risk that the consumers will be unsatisfied with Funcom products, the support and the number of bugs and errors in the products. Consumer satisfaction may also be affected by the gaming community related to the game.

Rating risks
Funcom is, as a developer of mature games, exposed to the risk that rating agencies in the various markets will set the allowed age level to play the Funcom games too high or too low and thereby potentially limiting the addressable market. Rating agencies may also change their rating policies, or fine Funcom for rating breaches, although Funcom always strives to adhere to rating regulations. Funcom may also receive the attention of special interest organizations focusing on the gaming industry, both through PR campaigns and through legal procedures. Actions of disloyal employees or outside parties by introducing unknown and controversial material into the games of the Company may constitute a risk for penalties or other actions from rating agencies.

Reviews
The commercial success of Funcom's MMOs may be, to a high degree, dependent on favorable reviews by the major gaming publications and sites. Should Funcom fail to meet the expectations this may have a negative effect in the review scores of its game and thereby potentially on the sales potential of the games.

Development risks

Launch risks:
Funcom is well aware of both the launch risks of MMOGs as the games ramp up from having no players to hundreds of thousands of players in weeks, and the challenge in creating game experiences and game worlds that appeal for year after year.

Delay of product releases
For the current development projects, Funcom has a strong focus on making plans, analyzing risks, estimating time needed in each project phase and measuring progress. There is, however, an inherent development timeline risk in all software development, including in MMO game software development, and there is no assurance that development schedules will be held. If Funcom does not manage to release games at the planned dates, the development budgets of the games may increase. There is also a risk that competitors will gain a foothold in the market at the expense of Funcom or that the games will be less competitive when launched due to advances of competitors, making users less willing to spend additional time and money on new games from Funcom.

Unsuccessful projects under development
Currently, there is a number of MMOs in development and operation worldwide. Hence, consumers have and will have a number of options to choose between. Through the history of MMOs, the market has never accommodated many top-selling products at any one time. Even though the number of serious competitors to Funcom in the large-scale MMO-space, developers with the necessary skills, experience, and technological and financial resources in place, is limited, there is a risk that one or more of Funcom’s games could be unsuccessful.

Difficulties in recruiting and loss of key employees

Funcom is dependent on the ability to recruit, motivate and retain highly skilled technical, managerial and marketing personnel. Funcom may experience difficulties in recruiting, motivating and retaining the necessary expertise and key employees, or may need to pay higher compensation, which could adversely affect operating results. Further, it should be taken into consideration that work permits can be difficult to obtain. Also there is a risk of losing vital information if key employees, for various reasons, leave Funcom.

External parties
Funcom's success depends also partly on the ability of the Company's partners to effectively fulfill their commitments. Funcom has partners in the areas of hosting and server administration, billing, publishing, sales and distribution, hardware as well as development of technology and games.

Difficulties in enforcing the Company's intellectual property and proprietary rights
Funcom's success depends on its proprietary game technology. Funcom relies on a combination of trade secret, copyright and trademark laws, non-disclosure agreements and contractual provisions to protect its proprietary rights. International copyright and trademark laws protect Funcom's technology. Existing trade secrets and copyright laws afford only limited protection, and unauthorized parties may attempt to copy aspects of Funcom's proprietary rights or to obtain and use information and technology that Funcom regards as proprietary. In addition, the laws of some foreign jurisdictions do not protect Funcom's proprietary rights in the same manner and to the same extent as the laws of the US, Switzerland and Norway do. There can be no assurance that the steps taken by Funcom to protect its proprietary rights will be adequate.

Intellectual Property Rights of others
Funcom operates in a competitive industry. Technology is evolving at a fast pace and innovating companies develop solutions in relatively close technological proximity.
This poses the risk that the Company could inadvertently encroach upon the protected rights of others, including rights protected by patents. This is the nature of the industry in which Funcom operates. Funcom is aware of the fact that there may be patents potentially forming basis of infringement claims. US patents and/or litigation in the US are particularly worrisome because there are a large number of US software patents in existence. There is also to a greater extent a culture for opportunistic patent litigation in the US. Infringement on copyrights, design rights and trademark law could surface as well. There is always an inherent risk of substantial claims related to infringement of intellectual property rights. Such claims could also have a negative impact on the various contracts of the company because infringement of intellectual property rights is likely to be construed as a material breach of contract.

Technical risks
Technological risks
The successful operation of an MMO depends on a large number of complicated hardware and software components that need to work successfully together. Any errors, bugs or viruses in any software may harm the operation of the MMOs and thus have an adverse effect on Funcom's ability to gain revenues. Similarly any errors, power failures, shortcuts etc. in any hardware component may harm the operation of the MMOs and thus have an adverse effect on Funcom's ability to gain revenues. Further, the games Funcom develop may not perform equally well on all PC configurations – impacting sales negatively. Although Funcom endeavors to reduce the technological risks before a game launch and during the operations of a game, these risks will always be present to some degree at launch.

Hacking
Funcom's MMOs may be subject to hacking activities. Any hacking activity may affect Funcom's ability to operate its MMOs, which will affect Funcom's ability to gain revenues.

Risks related to the Internet
Funcom's MMOs are operated on the Internet. Funcom's revenues are therefore dependent on the continued and uninterrupted operation of the Internet. Any adverse incident, hereunder but not limited to bugs, viruses, worms, etc. affecting the Internet may affect Funcom's ability to gain revenues.

Theft or loss of source code
Funcom's source code is stored in a fireproof safe, but is also available to employees working on the Company's games. Should all or parts of the source code be stolen or lost, this may affect Funcom's ability to gain revenues or reduce its technological edge in the market.

Economic risks
Macroeconomic fluctuations
Funcom is exposed to the economic cycle, since changes in the general economic situation could affect demand for Funcom's products. Computer games are used for entertainment and therefore the demand may decline during recession when disposable income decreases.

Variability of operating results etc.
Funcom's operating results may vary from month to month. Funcom's operating result may be hard to forecast due to unpredictable demand for its products, the competitive environment, other general economic and market conditions and unanticipated difficulties in pursuing Funcom's business strategy.

Changes in the gaming industry in general
The market for Funcom's products and services is competitive and trend oriented. Failure of Funcom to maintain competitive products and services offering could have a material adverse effect on Funcom. If the generally expected market growth fails to materialize, the profitability of MMOs is likely to suffer.

Contracts
Non-Swiss and non-Norwegian law governs several of Funcom's agreements. In addition, dispute resolution is set to venues in different places in Europe and the US. This may increase the legal risk and increase the costs in connection with the enforcement of any specific agreement.

International operations
Operations in international markets are subject to risks inherent in international business activities, including in particular general economic conditions in each such country, overlapping differing tax structures, managing an organization spread over various jurisdictions, currency fluctuations, and unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations.

Currency fluctuations
Because a considerable share of Funcom's business is conducted in currencies other than its functional currency, Funcom will be exposed to volatility associated with foreign currency exchange rates. Funcom invoices all non-EU customers in US dollar and Russian ruble, while EU customers are invoiced in Euro, British pound and Polish zloty. Normally, the Group's cash position in Norwegian kroner and Canadian dollar is significant compared to its total assets. The majority of the operational expenses is denominated in Norwegian kroner and Canadian dollar and is perceived by the management as a natural hedge against the large position in Norwegian kroner and Canadian dollar. See note 24 for further information.

Tax exposure
The Company is incorporated in the Netherlands with subsidiaries in Canada, Norway, Switzerland, China, Luxembourg and the USA. The overall tax charge will depend on where profits are accumulated and taxed since these countries have different tax systems and tax rates. The Funcom Group is today taxed under a number of different legal systems with different laws for tax residency, tax credits and tax exemption rules. Consequently, the Funcom Group is exposed to changes of tax policies and changes of tax legislations, proactively and/or retroactively. The Company is of the view that it reports profits and losses in accordance with tax rules applicable to the Funcom Group. The tax authorities in the jurisdictions where the Funcom Group operates are not bound by the judgment of the Company, and there can be no assurance that they will agree to it. If one or more of the relevant tax authorities challenges the Company's view, this may result in an increased overall tax charge.

Sales tax exposure

The Group generates sales transactions from potentially all over the world. Because of this, the Group is exposed to different sales tax, including VAT issues. Per January 1, 2015 a new EU VAT regulation became effective where electronic services will be taxed in the country where the customer is established rather than where the service provider is located. This change in regulation created VAT exposure in different EU states and will also increase the overall amount of VAT to be remitted given the difference in VAT rates in each state. Should the group fail to comply with the different regulations it might lead to real cash costs, including irrecoverable VAT, penalties, and interest.

Deferred tax asset

The Group's tax losses are primarily located in the Swiss companies.

The management has discussed to which extent the Group will be able to utilize the deferred tax asset, and has adjusted the amount in the statement of financial position accordingly.

In evaluating the Group's ability to utilize the deferred tax assets, all available positive and negative evidence has 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. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates Funcom management are using to run the underlying businesses. See note 10.

Tax credits

The Company receives significant amounts in tax credit – the largest element being Multimedia Tax Credit (MTC) for its subsidiary in Canada. The Company's calculation of MTC to be received may deviate from what is actually obtained. The regulations for tax credits are complex and involve professional judgment in assessing the amount estimated to be received. Tax credits receivable included in the Consolidated Statement of Financial Position represent approximately 90% of the actual amount claimed.

With changes to Funcom structure, the Comapny no longer applies for Multimedia Tax Credit in Canada as of Januayr 2015. All previous credits have been received.

Financial risk

Funcom has a history of operating losses mainly as a result of the significant investments made in the Company's games and proprietary game engine *Dreamworld* technology. As a result, the Company has also accumulated a material amount of debt with maturities in 2015 and 2016. The Company's strategy going forward is to focus on mid-core MMO games with smaller initial, development budgets and shorter production time. The long-term goal is to produce titles in parallel releasing more than one game a year. The strategy is expected to restore the profitability and the liquidity of the Company. However, until these goals are achieved the performance of the Company will be affected by its ability to raise external financing in the form of equity issuance or non-dilutive debt instruments. The timing and amount of such financing will depend on market conditions as well as the Company's overall performance, which could affect the investors' confidence and willingness to invest in the Company (refer to Going concern assessment in the Report of the Management Board)

Compliance risk

Funcom is a public company with shares traded on Oslo Stock exchange. Therefore the Company has the obligation to comply with strict securities trading rules and regulations applicable in Norway and The Netherlands. Failure to comply could lead to penalties and other sanctions (refer to ØKOKRIM charge in the report of the management board).

28. Events after the reporting period

On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

KGJ Investments has also confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018.

On April 19, 2016, KGJ Investments transferred USD 500 thousand to the Company as a bridge loan with 5% interest payable at maturity. The maturity date is the earlier of July 1, 2016 and two business days after Funcom receives proceeds from the planned equity issue.

The Company is planning to raise USD 5,000 thousand to 10,000 thousand capital through a share issue. The Company is working on the prospectus. The company is also actively working on finding investors.

Funcom N.V.

Company Profit and Loss

For the year ended December 31

In thousands of US dollars	Note	2015	2014
Results from participating interest after tax	2.3	58,150	-9,120
Other income and expenses after tax		-64,939	358
Net result from ordinary activities after taxation		**-6,789**	**-8,761**

Statement of Financial Position

after appropriation of result

In thousands of US dollars	Note	31. Dec. 2015	31. Dec. 2014
Investments in and receivables from group companies	1.2	4,981	8,336
Investments in and receivable from equity-accounted entities	3		195
Financial fixed assets		**4,981**	**8,531**
Prepayments and other receivables		15	15
Cash and cash equivalents		23	1,999
Total current assets		**38**	**2,014**
Total assets		**5,019**	**10,545**
Issued capital	5	4,022	4,856
Share premium	6	161,554	160,408
Legal reserves	7	4,133	7,257
Other reserves	8	-179,271	-175,276
Total equity		**-9,561**	**-2,756**
Loans and borrowings		3,385	6,999
Total non-current liabilities		**3,385**	**6,999**
Accrued expenses		874	594
Other current liabilities	4	10,321	5,709
Total current liabilities		**11,195**	**6,303**
Total equity and liabilities		**5,019**	**10,545**

Notes to the Company Financial Statements

Principles of valuations for the financial statements

The company financial statements for Funcom N.V. have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. The valuation of assets and liabilities and the calculation of the net result conform with the accounting principles applied in the consolidated annual accounts, except for investments in subsidiaries and equity-accounted entities which are valued at net asset value rather than at cost or fair value. This means that Funcom N.V.'s shareholders' equity and net result are the same as in the consolidated accounts.

An abridged Company Income statement is presented in accordance with section 402 of Book 2 of the Netherlands Civil Code.

1. Investments in and Receivables from Group Companies

In thousands of US dollars	**2015**	**2014**
Receivables non-current	1,132	65,878
Less: Provision		-57,542
Equity investments	3,849	
	4,981	8,336

2. Investments in subsidiary companies

The Company holds the following investments in subsidiary companies at December 31, 2015:

Significant subsidiaries	**Country of incorporation**	**Ownership interest in %** 2015	2014
Funcom GmbH*	Switzerland	100.00	100.00
Funcom Sales GmbH*	Switzerland	100.00	100.00
Sweet Robot GmbH**	Switzerland	Not applicable	95.00
Funcom Games Canada Inc	Canada	100.00	100.00
Funcom S.à r.l.***	Luxembourg	100.00	100.00
Funcom Inc	United States	100.00	100.00
Funcom Oslo AS	Norway	100.00	100.00
Funcom Games Beijing Ltd	China	100.00	100.00

* Funcom GmbH and Funcom Sales GmbH have both been put into voluntary liquidation.
** Funcom GmbH held 1 share equal to the remaining 5 % of the outstanding shares in 2014. By the end of 2015, Sweet Robot GmbH has been fully liquidated.
*** Funcom S.à r.l. was voluntary liquidated on December 29,2015.

The movement in investments in subsidiary companies can be summarized as follows:

In thousands of US dollars

	2015	**2014**
Balance at 01.01	8,336	9,477
Translation results	3,268	-1,331
Result of the year	58,150	-9,120
Intercompany loans	-64,746	8,322
Other movements	-27	988
Balance 31.12	**4,981**	**8,336**

3. Investments in and receivables from equity-accounted entities

In thousands of US dollars	2015	2014
Shares	Not applicable	195
		195

	2015	2014
Balance at 01.01	195	306
Change in participation	-195	-52
Exchange difference		-40
Result of the year		156
Other Movements		-175
Balance 31.12	**0**	**195**

The Company held a participation of 50 % in MMORPG Technologies INC, Canada, and 33% in Stunlock Studios AB, Sweden, as of December 31, 2014. As of December 31, 2015, MMORPG Technologies INC has been fully liquidated and the Company has disposed its investment in Stunlock Studios AB.

4. Other current liabilities

Other current liabilities in 2015 includes USD 6,200 thousand due to KGJI on a convertible bond due December 15, 2016, USD 3,950 thousand due to KGJI on a working capital loan due December 15,2016 and USD 171 thousand of trade creditors (other current liabilities in 2014 included USD 5,478 thousand due to KGJI on a convertible bond due December 22, 2015 and USD 230 thousand of trade creditors).

5. Issued capital

In thousands of US dollars

	2015	2014
Balance at 01.01	4.856	3.662
Addition share-capital	79	1.299
Translation result opening share capital	-888	-106
Exchange difference on new share issue	-24	
Balance 31.12	**4.022**	**4.856**

The share-capital was translated into US dollars at the December 31, 2015 exchange rate of EUR/USD 1.0906 (2014: 1.3361). The issued capital for these standalone accounts is not equal to that of the group accounts, due to differences in the translation of foreign currency under the respective accounting frameworks, Dutch corporate law demands that share capital is converted into presentation currency on the last day of the reporting period, whereas the group balance is translated at the historical rate in line with IFRS requirements.

The number of outstanding ordinary shares with a nominal value of Euro 0.04 was on

- January 1: 90,444,823
- December 31: 92,208,134

At December 31, 2015, the authorized share capital comprised of 250 million ordinary shares (2014: 250 million). The nominal value of the shares is Euro 0.04. 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.

Share-capital and share premium

	Number of ordinary shares	
	2015	2014
Outstanding at January 1	90,444,823	66,496,918
Issued against payment in cash	1,763,311	23,947,905
Issued as a result of conversion of bonds (Note 25)		
Outstanding at December 31 - fully paid	**92,208,134**	**90,444,823**
Nominal value of the share-capital at December 31 (EUR)	3,688,325	3,617,793

Events in 2015:

Shares:

On May 25, 2012 Funcom announced that the Company had entered into a standby equity agreement with YA Global Master. The agreement is an equity financing mechanism where Funcom at its discretion can draw down funds in tranches in exchange for issuing new shares to YA Global Master. During 2015 the last drawdown took place under this agreement and accordingly in April 2015 1,763,311 shares were issued.

Options:

On January 30, 2015 the company issued 300,000 options to a Managing Officer further to his appointment as part of the Group's options program.

On June 18, 2015 the company issued 250,000 options to a Managing Officer further to his appointment as part of the Group's options program.

On June 26, 2015 Funcom held its Annual General Meeting where the company authorized 30,000,000 options for issue. Annual General Meeting also authorized some grants to members of the Supervisory Board, further to which the company issued in total 500,000 options to members of the Supervisory Board.

Other:

In November 2013 the Company negotiated new loan financing (working capital loan) with KGJI, Funcom's largest shareholder and creditor, in the amount of USD 5,500 Thousand. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand - in 1Q14. The last installment of USD 1,250 thousand was received in 3Q14. USD 1,550 thousand was restructured into the new convertible loan in 3Q14. The balance of the working capital loan stands at USD 3,950 thousand.

On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on 27June 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2015 the loan has a carrying amount of USD 3,385 (2014: USD 3,049) thousand and an actual balance due of USD 4,000 thousand. USD 1,056 thousand of this loan is considered equity and has been treated accordingly.

Translation reserve:

The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends:

The Group did not pay any dividends in 2015.

Events in 2014:

Shares:
In January 2014, Funcom issued 316,028 shares in relation to exercise of options. Beginning of May 2014, Funcom issued 378,591 shares in relation to exercise of options. End of May 2014, Funcom issued 908,394 in relation to exercise of options.

In February 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. . In March 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share.

In May 2014 KGJ Investments S.A., SICAV-SIF exercised 5,000,000 warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share

On May 25, 2012 Funcom announced that the Company had entered into a standby equity agreement with YA Global Master. The agreement is an equity financing mechanism where Funcom at its discretion can draw down funds in tranches in exchange for issuing new shares to YA Global Master. During 2014 three drawdowns took place under this agreement and accordingly in April 2014 2,203,846 shares were issued, in July 2,545,454 shares were issued and in December 2,595,592 shares were issued.

Options:
On June 26, 2014 pursuant to the mandate granted by Funcom General Meeting of Shareholders on 27 June 2013, the Supervisory Board granted 2,530,000 options to employees of the Company to acquire shares in Funcom N.V.

On June 27, 2014 Funcom held its Annual General Meeting where the company authorized 33,000,000 options for issue. Annual General Meeting also authorized and some grants to members of the Supervisory Board, further to which t the company – on June 27, 2014 – issued 100,000 options to members of the Supervisory Board.

On October 30, 2014 the company issued 250,000 options to a Managing Officer further to his appointment as part of the Group’s options program.

Other:
In November 2013 the Company negotiated new loan financing (working capital loan) with KGJI, Funcom's largest shareholder and creditor, in the amount of USD 5,500 Thousand. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand - in 1Q14. The last installment of USD 1,250 thousand was received in 3Q14. USD 1,550 thousand was restructured into the new convertible loan in 3Q14. The balance of the working capital loan stands at USD 3,950 thousand.

On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27, 2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on 27June 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in

August 2014. As of December 31, 2014 the loan has a carrying amount of USD 3,049 thousand and an actual balance due of USD 4,000 thousand. USD 1,056 thousand of this loan is considered equity and has been treated accordingly.

Translation reserve:
The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends:
The Group did not pay any dividends in 2014.

6. Share premium

In thousands of US dollars

	2015	2014
Balance at 01.01	160,408	146,959
Share based payments	814	1,228
Addition to share premium	332	11,164
Other		1,056
Balance 31.12	**161,554**	**160,408**

7. Legal reserves

Legal reserves are not distributable to shareholders. The legal reserves relate to capitalized development costs (USD 4,133 thousand; 2014: USD 7,257 thousand) and the translation reserve (USD -5,381 thousand; 2014: USD -3,967 thousand).

8. Other reserves

In thousands of US dollars

	2015	2014
Balance at 01.01	-175,276	-165,306
Exchange effect on share-capital	912	107
Exchange effect on subsidiaries	-1,415	-1,331
Movement to legal reserves	3,124	1,866
This year's result	-6,789	-8,761
Warrants	173	-1,850
Balance at 31.12	-179,271	-175,276

The Company issued 3,130 warrants to Conan Properties International LLC to acquire the same number of shares of the Company, increasing the equity by USD 173 thousand.

9. Share based payments

The options allocated are expensed as share based payment in the subsidiary where the option holders are employed.

10. Employees

The average number of employees in Funcom N.V. for 2015 was 0 (2014: 1).

11. Remuneration of the members of the Management Board

Management Board member	Total remune-ration	Remune-ration	Bonus	Severance	Pension cost	Share based
	Total remuneration is composed of:					
2015						
Michel Cassius (3)	191	119				73
Rui Casais (4)	257	181			2	74
Total:	**448**	**300**			**2**	**147**
2014						
Michel Cassius	111	77				34
Ole Schreiner	276	233			3	40
Pieter van Tol	68	58				10
Total:	**454**	**368**			**3**	**83**

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
2015				
Michel Cassius	450,000		900,000	15,034
Rui Casais	300,000		771,664	38,731
Total:	**750,000**	**0**	**1,671,664**	**53,765**
2014				
Ole Schreiner - CEO	400,000	(45,000)	900,000	70,017
Pieter van Tol (2)	100,000	-	233,333	33,334
Michel Cassius (1)	350,000		450,000	15,034
Total:	**850,000**	**-45,000**	**1,583,333**	**118,385**

(1) Michel Cassius was appointed to the Management Board on October 30, 2014. Ole Scheiner departed from the Management Board on October 30, 2014. Pieter van Tol departed from the Management Board on November 14, 2014.
(2) Management Board member Pieter van Tol had an interest in Weidema van Tol and Temmes Management Services B.V.: until March 2014.
An expense of USD 86 thousand for legal advice was recorded for Weidema van Tol in 2014. An expense of 73 thousand was recorded for Temmes Management Services B.V. for 2014. As at year end 2014 the outstanding amount payable to Weidema van Tol amounted to USD 17 thousand and to Temmes Management Services B.V. the outstanding amount payable was USD 13 thousand. The services rendered from both these companies were on market terms.
(3) Michel Cassius departed from the Management Board on May 12, 2015.
(4) Rui Casais' appointment to the Management Board was confirmed on January 30, 2015 after being temporarily mandated to join the Management Board by the Supervisory Board in 2014.

The following table shows the details of the stock incentives of the individual member of the Management Board:

	Year Issued	Outstanding Dec 31,2014	Granted	Extended	Exercised	Outstanding Dec 31 2015	Exercise Price USD	Expiry Date	Vesting Date
Rui Casais	2011	75,000				75,000	0.76	12/08/2016	Various
	2012	66,664				66,664	0.25	20/09/2017	Various
	2013	130,000				130,000	0.21	24/06/2018	Various
	2014	200,000				200,000	0.56	26/06/2019	Various
	2015		300,000			300,000	0.22	30/01/2020	Various
	Total	**471,664**			**Total**	**771,664**			
	Vested	**172,777**			**Vested**	**353,603**			

Loans

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

12. Remuneration of the members of the Supervisory Board

The General Meeting stipulates the Supervisory Board's remuneration each year. The proposal for remuneration will be made by the Supervisory Board. In 2015, the total remuneration to the Supervisory Board was EUR 66,370 (USD 78,547) (2014: EUR 92,198 (USD 101,730)). The annual remuneration of each Supervisory Board member was EUR 18,000 (USD 21,302) (2014: EUR 18,000 (USD 24,050)) prorated in accordance with the months of service. EUR 34,810 (2014: EUR 68,893.15) of the fees for 2015 are outstanding at year end.

Supervisory Board member	Total remune-ration USD	Total remuneration is composed of: Board fee USD	Share based USD
2015			
Michel Cassius (2)	83	16	67
Alain Tascan	48	20	28
Gerhard Florin (3)	59	15	44
Ole Gladhaug (4)	41	12	29
Magnus Grøneng (4)	41	12	29
Total:	**272**	**75**	**197**
2014			
Gerhard Florin (chairman)	63	36	27
Alain Tascan (vice-chairman)	36	24	12
Michel Cassius (1)	53	20	34
Ole Gladhaug	37	24	13
Magnus Grøneng	37	24	13
Total:	**227**	**128**	**99**

Supervisory Board member	Number of options granted during the year	Number of options exercised durng the year	Total number of options held / controlled at year end	Number of shares held / controlled at year end (incl. related
2015				
Michel Cassius	450,000		900,000	49,034
Alain Tascan	100,000		250,000	
Ole Gladhaug	100,000		250,000	
Magnus Grøneng	100,000		250,000	400
Total:	**750,000**		**1,650,000**	**49,434**
2014				
Gerhard Florin (chairman)	300,000		400,000	
Alain Tascan (vice-chairman)	100,000		150,000	
Michel Cassius (1)	350,000		450,000	49,034
Ole Gladhaug	100,000		150,000	
Magnus Grøneng	100,000		150,000	400
Total:	**950,000**	**-**	**1,300,000**	**49,434**

(1) Michel Cassius was a Supervisory Board Member until October 29 2014

(2) Michel Cassius became the Chairman of the Supervisory Board on June 26, 2015.

(3) Gerhard Florin is no longer a Supervisory Board Member as of June 26, 2015.

(4) Ole Gladhaug and Magnus Grøneng are no longer Supervisory Board Member as of August 11, 2015.

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

	Year of issuance	Outstand Dec 31, 2014	In 2015 Granted	Extended	Exercised	Forfeited/ Expired	Outstand Dec 31, 2015	Exercise price USD	Expiry date	Vesting
Alain Tascan	2012	25,000	-	-	-	-	25,000	2.65	27/12/2017	27/06/2013
	2012	25,000	-	-	-	-	25,000	2.65	27/12/2017	27/06/2014
	2014	100,000	-	-	-	-	100,000	0.66	27/06/2019	27/06/2015
	2015		100,000	-	-	-	100,000	0.24	26/06/2020	26/06/2016
	Total	**150,000**					**250,000**			
	Vested	**50,000**					**150,000**			

	Year of issuance	Outstand Dec 31, 2014	In 2015 Granted	Extended	Exercised	Forfeited/ Expired	Outstand Dec 31, 2015	Exercise price USD	Expiry date	Vesting
Michel Cassius	2011	25,000	-	-	-	-	25,000	0.78	27/06/2016	27/06/2012
	2011	25,000	-	-	-	-	25,000	0.78	27/06/2016	27/06/2013
	2013	25,000	-	-	-	-	25,000	0.25	27/06/2018	27/06/2014
	2013	25,000	-	-	-	-	25,000	0.25	27/06/2018	27/06/2015
	2014	100,000	-	-	-	-	100,000	0.66	27/06/2019	27/06/2015
	2014	250,000	-	-	-	-	250,000	0.62	30/10/2019	30/10/2015
	2015	-	250,000	-	-	-	250,000	0.24	18/06/2020	18/06/2016
	2015	-	200,000	-	-	-	200,000	0.24	26/06/2020	26/06/2016
	Total	**450,000**					**900,000**			
	Vested	**75,000**					**450,000**			

13. Audit fees

The Group's auditors received a total fee of USD 93,320 (2014: USD 49,119). The fee is distributed within these services and is not including VAT:

- Group Audit USD 93,320

The group also paid audit fees for assurance services to BDO in Oslo, Norway of USD 22,122 (2014: USD 97,289).

14. Transactions with Related parties

Identification of related parties
The Company has a related party relationship with its subsidiaries (see note 2), equity-accounted entities (see note 3) members of the Supervisory and Management Boards (see notes 12 and 13 for remuneration) and shareholders.

Transactions with subsidiaries and equity-accounted entities:
There have been transactions between Group companies and between the Group and equity-accounted entities.

Transactions with equity-accounted entities:

In thousands of US dollars

	2015	2014
Purchase of services		
Revenue from services		
Receivables as at Dec, 31		4
Liabilities as at Dec, 31	Not applicable	34

As indicated in Note 20, the Group disposed its interest in one equity-accounted entity in 2015, and the other equity-accounted entity had been fully liquidated by December 31, 2015

Transactions with Supervisory and Management Board members:
No Supervisory Board member was paid fees for consulting services in 2015.

Transactions with shareholders:
Mr. Hans Peter Jebsen, the largest shareholder of Funcom N.V. controls the company Kristian Gerhard Jebsen Group Ltd. that in turn controls KGJ Investments S.A.,SICAV-SIF (KGJI). Mr. Hans Peter Jebsen also controls the company Tom Dahl AS. The actual, indirect holdings in Funcom N.V. of Mr. Jebsen through the companies KGJI, KGJ Capital (formerly Nexus Capital) and Tom Dahl were 26.77% as of December 31, 2015 (2014: 27.29%).

Convertible bonds - carrying amount USD 6,200 thousand (2014: USD 5,478 *thousand)*
On December 22, 2011 Funcom issued 150 convertible bonds with a face value of USD 100 thousand (total USD 15,000 thousand) and 10 % coupon due on December 22, 2014 and convertible into common shares of Funcom N.V. at a price of 1.37 USD per share. As of December 31, 2015 sixty two bonds issued on December 22, 2011 are still outstanding. These bonds have a face value of USD 100 thousand (total USD 6,200 thousand), 5% coupon rate and are due on December 15, 2016. They are convertible into common shares of Funcom N.V. at a price of 0.24 USD per share. The interest is payable at maturity or conversion in either cash or Funcom shares at the discretion of the bondholder. As of December 31, 2015 the bonds have a carrying amount of USD 6,200 thousand and an actual balance of USD 6,200 thousand. KGJI is the majority holder of these convertible bonds with a principal amount held of USD 6,000 thousand.

Working capital loan - carrying amount USD 3,950 thousand (2014: 3,950 *thousand)*
In November 2013 the Company negotiated a working capital loan with KGJI, Funcom's largest shareholder and creditor with 8 percent annual interest rate and initial maturity in January 2015. The first installment of USD 3,000 thousand was received in December 2013 and the second one of USD 1,250 thousand in 1Q14. The last installment of USD 1,250 thousand was drawn by the Company in September 2014. USD 1,550 thousand was restructured into the new convertible loan in August 2014. As of December 31, 2015 the working capital loan has a balance of USD 3,950 thousand.

Convertible loan- carrying amount of debt USD 3,385 thousand (2014: 3,049 thousand)
On August 26, 2014, Funcom entered into an interest bearing convertible loan agreement with KGJI. The Annual General Meeting of the Company's shareholders held on June 27,2014 approved an offer from KGJI to restructure USD 2,450 thousand of the existing interest bearing loan and USD 1,550 thousand of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27, 2017. The conversion price is 0.86 USD per share. The new convertible loan is due on June 27, 2017 which is an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan was executed successfully in August 2014. As of December 31, 2015 the loan has a carrying amount of USD 3,385 thousand and

an actual balance due of USD 4,000 thousand (2014: carrying amount of USD 3,049 thousand and an actual balance due of USD 4,000 thousand).

On February 7, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. On March 3, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share. On May 2, 2014 KGJ Investments S.A., SICAV-SIF exercised 5 million warrants giving rights to subscribe for 5,000,000 new shares in Funcom N.V. at a price of USD 0.37 per share.

Badhoevedorp, April 22, 2016

The Supervisory Board of Directors in Funcom N.V.

Michel Cassius, Chairman

Alain Tascan

The Managing Director of Funcom N.V.

Rui Casais

Other information

Statutory arrangement in respect of the appropriation of the result for the year

Subject to the provisions of Article 33 of the Company's articles of association, any part of the profit for the year that is not retained by way of reserve is at the disposal of the shareholders in general meeting.

Proposed appropriation of the result for the year

The Supervisory Board proposes to allocate the result for the year to uncovered losses.

Events after the reporting date

On April 13, 2016, KGJ Investments and the Company signed an agreement to combine the USD 3,950 thousand working capital loan (maturity date December 15, 2016 and 8% interest rate) and the USD 4,000 thousand convertible loan (maturity date June 27, 2017, 5% interest rate and USD 0.86 conversion price) into a new convertible loan of USD 7,950 thousand with maturity date of June 30, 2019, interest rate of 6%, and conversion price of USD 0.18 per share. The financial effect of the changes in the new convertible loan has not yet been assessed as of the date of the Annual Report due to the recent signature of the related agreement.

KGJ Investments has also confirmed that it is willing to continue to support the Company by deferring the maturity of the USD 6,200 thousand convertible bond from December 15, 2016 to December 31, 2018.

On April 19, 2016, KGJ Investments transferred USD 500 thousand to the Company as a bridge loan with 5% interest payable at maturity. The maturity date is the earlier of July 1, 2016 and two business days after Funcom receives proceeds from the planned equity issue.

The Company is planning to raise USD 5,000 thousand to 10,000 thousand capital through a share issue. The Company is working on the prospectus. The company is also actively working on finding investors.

Independent auditor's report

To: the shareholders and Supervisory Board of Funcom N.V.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of Funcom N.V., based in Katwijk, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
The consolidated financial statements which comprise: 1. the consolidated statement of financial position as at 31 December 2015; 2. the following consolidated statements for 2015: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed consolidated financial statements give a true and fair view of the financial position of Funcom N.V. as at 31 December 2015 and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
The company financial statements which comprise: 1. the company balance sheet as at 31 December 2015; 2. the company profit and loss account for 2015; and 3. the notes comprising a summary of the applicable accounting policies and other explanatory information.	In our opinion the enclosed company financial statements give a true and fair view of the financial position of Funcom N.V. as at 31 December 2015 and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Funcom N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the going concern paragraph in the notes on page 36 of the financial statements which indicates that the performance of the Company is largely affected by its ability to generate sufficient cash inflows from both sales and new financing. The Company is depending on the positive outcome of these factors. These conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at USD 152,000. The materiality has been calculated with reference to a benchmark of revenues (representing 1.5% of reported revenues) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of USD 7,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Funcom N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Funcom N.V.

Our group audit mainly focused on significant group entities. We consider a component significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extend we:

- performed audit procedures ourselves at group entities Funcom N.V., Funcom Inc. and Funcom Oslo AS;
- performed specific audit procedures at other group entities.

We ensured that audit teams both at group and at component levels have the appropriate skills and competences which are needed to perform the audit of a company developing, marketing and carrying on business in games. We thereto included specialists in the areas of tax, IT-audit and corporate finance in our team.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOING CONCERN	OUR AUDIT APPROACH
We refer to the 'Material uncertainty related to going concern' paragraph above. The going concern assessment is based on estimates of future performance, and is fundamental to assessing the suitability of the basis adopted for the preparation of the financial statements. The calculations supporting the assessment require the Management Board to make highly subjective judgements and has therefore been identified as a key audit matter.	The calculations supporting the assessment require the Board of Directors to make highly subjective judgements. We have therefore spent significant audit effort, including the time of senior members of our audit team, in assessing the appropriateness of this assumption. Our audit of the going concern assessment has focused on: • review of compliance with loan covenants and agreed ratios with lenders during the year and as at the year end and review of forecasted ratios based on the 2016 forecasts; • review of (any modifications to) the group's financing facilities, being the arrangements with KGJ Investments and YA Global Masters; • review of the willingness of the major shareholder to support the Company; • review of the group's cash flow forecasts, including forecast covenant compliance, for a period of not less than 12 months from the date of signing the auditor's report; • evaluate and challenge the Company's judgements in respect of estimates of future risk exposures, success of new games, finance- and cash flow developments; • review of the effects of the internal reorganization and intentions of the Board of Directors for the future strategy and focus of the business; and • review of post-balance sheet events.

INTANGIBLE ASSETS	OUR AUDIT APPROACH
At 31 December 2015, the group held intangibles of USD 4.4m in the form of capitalized development costs of USD 4.3m and software of USD 0.1m. The amount of these balances together with the inherent judgements required to be made when performing an impairment review have resulted in us considering this a key audit matter.	We challenged the Board of Directors' assumptions used in the impairment model for goodwill and other intangibles, described in note 11 to the consolidated financial statements, including specifically the cash flow projections, discount rate, perpetuity growth rates and sensitivities used. We used our BDO valuation specialists to assist us in analyzing the impairment model. Furthermore, we tested the mathematical accuracy of the impairment model and assessed the adequacy of the related disclosures in the financial statements.

REVENUE RECOGNITION	OUR AUDIT APPROACH
The following revenue streams are recognized in the consolidated financial statements of Funcom N.V.: - Sale of games and in- game items, - Sale of Funcom points, - Subscription, - Royalties, - Rental income and - Rendering of services.	We reviewed the group's revenue recognition policy to ensure it was in accordance with IAS 18. Given the complexity of this audit matter we increased the involvement of senior audit staff, with particular focus on procedures designed to assess whether revenues have been recognized in the correct accounting period and to verify accurate disclosure (including the segmental analysis).
The Company's disclosures about revenue recognition are included in note 2.5 and 5 to the consolidated financial statements.	Our audit procedures included, amongst others, evaluating controls relating to management's process for revenue recognition, including the timing of revenue recognition, the recognition of revenue on a gross or net basis, calculations of deferred revenue, the treatment of discounts, incentives and commissions.
Due to the fact that risk of fraud in revenue recognition is a presumed risk in our audit based on audit requirements, combined with the fact that revenue is the key business driver for this company, we consider revenue to be an important topic for our audit.	We have checked the mathematical accuracy of the (deferred) revenue for each game and considered the implications of identified errors and changes in estimates. We performed testing on a sample of contracts, confirming that amounts recognized in revenue are consistent with the contract or external confirmations, invoices raised and cash received. In addition we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculations. These procedures included challenging the appropriateness of management's assumptions and estimates and agreeing input data, including accrued royalties and deferred revenue with reference to post year end royalty statements, where available.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Other information

This report includes, next to the financial statements and our opinion thereon, other information. This other information consists of:
- introduction to the Company on page 3;
- report of the Management Board on page 10;
- corporate governance report on page 22 and corporate governance declaration on page 26;
- responsibility statement on page 25;
- report of the Supervisory Board of Directors on page 27;
- the other information on page 99.

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code and the auditing standards we report that:
- we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the other information on page 99 as required by Part 9 of Book 2 of the Dutch Civil Code have been annexed;
- the management board report, to the extent we can assess, is consistent with the financial statements;
- we have nothing to report regarding the other information other than the management board report and the other information on page 99.

Our opinion on the financial statements does not include the other information and we do not express an opinion or other assurance conclusion on the other information. As part of our audit on the financial statements and based on the auditing standards, it is our responsibility to read the other information. We have to assess whether there are any material inconsistencies between the other information and the financial statements. In order to do so, we use the obtained audit evidence of audit of the financial statements and the conclusions drawn in our audit. We also determine whether the other information in other ways seems to include material deficiencies. If we conclude, based on the procedures performed, that the other information includes a material deficiency, we are required to report this matter.

Management is responsible for the preparation of the other information including the preparation of the management board report and the other information on page 99 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Engagement

We were engaged by the Supervisory Board as auditor of Funcom N.V. on 18 November 2014 as of the audit for year 2014 and have operated as statutory auditor ever since that date. We have been reappointed in the annual meeting of shareholders held on 26 June 2015.

Amstelveen, 22 April 2016

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
J.A. de Rooij RA

Annex I: Investor Relations Policy for Funcom N.V.

Funcom is committed to providing the financial markets with precise, relevant, timely and consistent information on matters that are of material significance for the valuation of securities issued by the Company whenever Funcom is the appropriate source for such information. Funcom strives to ensure that the information it provides to the financial markets gives market players the best possible basis to establish a precise picture of the Company's financial condition and factors that may affect its future value creation.

This IR policy was approved by the Funcom Supervisory Board on March 21, 2007. The policy has since been revisited and approved by the Supervisory Board. The most recent evaluation took place in April 2014.

Equal treatment
Funcom uses the Oslo Stock Exchange company message system to ensure the simultaneous release of price sensitive information to the financial markets. The Company's web site is the principal source of other information on Funcom for the financial markets. In addition financial and Company information can be found at the Dutch Chamber of Commerce in the Netherlands. The website: www.kvk.nl

Funcom applies a consistent policy to the release of information regardless of whether the contents are of a positive or negative character.

Spokespeople for the Company
The Management Board and the Chief Financial Officer are the Company's spokesmen for contact with the financial markets.

Publication of price sensitive information
Funcom routinely and promptly publishes information in respect of material contracts and investment spending and any other material changes or events that might have an effect on the Company's share price once the decision in question has been taken at the appropriate level in the group and, where relevant, agreement has been reached with the appropriate third party. It is the Company's policy not to comment on rumors or speculation about such matters.

Guidance
Funcom does not provide guidance on quantitative targets for the Company's future turnover, earnings, return on equity or cash flow. Following the close of each quarter, the Company publishes the Company's view on general market conditions in the industry in which it operates.

Relationship with investment analysts, earnings forecasts and market expectations
Funcom routinely monitors the research reports and forecasts published about the Company. If Funcom becomes aware of a significant positive or negative discrepancy between the development of the Company's turnover or earnings and the level of expectations in the financial markets for the current financial year, as expressed by earnings forecasts, it will advise the market of the discrepancy by issuing a stock exchange announcement.

The Company may agree to review research reports prior to their publication, but its comments will be limited to correcting errors of fact and any errors in the presentation of information that the Company has itself released to the market through stock exchange announcements or by publication on its web site. Funcom will not make any comment on earnings forecasts or any other form of evaluation produced by investment analysts or investors.

Funcom does not distribute research or reports on the Company produced by third parties, and will only inform potential investors of all of the investment banks that routinely follow the Company.

Silent Period

For a period of four weeks prior to the publication of each interim quarterly report, Funcom will minimize its contact with investment analysts, investors and journalists. This policy has been adopted to minimize the risk of any unequal treatment of different parties in the market.

Annex II: Financial Calendar for Funcom 2015

Funcom N.V. will publish its financial statements on the following dates in 2016:

- January 29 - Q4 2015
- May 19 - Q1 2016
- August 26 - Q2 2016
- November 18 - Q3 2016

Annual general meeting: June 24, 2016.

The dates are subject to change.

Annex III: Contact details

Funcom N.V.
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1171 CD The Netherlands

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