

IP ACQUISITION THROUGH JOINT VENTURE, PUBLISHING STRATEGY EXPANSION, 88 MNOK INVESTMENT FROM SWEDBANK ROBUR

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Summary:

Funcom N.V. ("Funcom" or the "Company") is happy to announce that it has entered into an agreement to establish a joint venture (see below under "*IP acquisition through joint venture*") with Cabinet Group LLC ("Cabinet Group").

The joint venture company will hold interactive/video gaming Intellectual Property (IP) rights based on the works of Robert E. Howard and classic Swedish pen & paper and board game properties, including attractive IPs such as "Conan the Barbarian", "Solomon Kane", "Mutant Chronicles", "Mutant: Year Zero". This is a cashless transaction where Funcom receives a 50% ownership in the joint venture in exchange for issuing 22,300,000 new shares in the Company (the "Consideration Shares"), each at a subscription price of NOK 2.6, to Cabinet Group. The transaction is subject to customary terms and conditions, including the approval by the shareholders of Funcom, and is expected to be completed on or about 30 January 2018.

"Our Entertainment IP library is very large beyond Conan with characters and worlds that extend perfectly into the games business.", says Fredrik Malmberg, President and CEO of the Cabinet Group. "We found a strong industrial partner in Funcom with whom we have had a very good relationship for many years. They have demonstrated success in a competitive and complex industry. This deal opens many cross-media opportunities going forward."

Funcom will utilize these IPs, in addition to the Company's internal IPs, as part of an increased focus on co-development and publishing partnerships with 3rd party developers in order to secure more frequent product launches, increase the revenue baseline, reduce the risk profile of the Company and generate additional value creation both in the short, medium and long term.

In order to fund publishing partnerships with 3rd party game developers, and secondarily to have more flexibility when investing in production of new games internally, Funcom is also executing a private placement (the "Private Placement") directed towards SwedBank Robur Ny Teknik and SwedBank Robur Microcap funds, both funds managed by Swedbank Robur Fonder AB of 34,000,000 new shares (the "New Shares") at a subscription price of NOK 2.6 per share, corresponding to a premium of 18% compared to the closing price of the Company's shares on the Oslo Stock Exchange as of 15 December 2017. The total gross proceeds in the private placement will be approximately NOK 88.4 million for Funcom.

Finally, the Company intends to execute a 5:1 reverse stock split exchanging five existing shares for one new share. The reverse stock split will not affect the total market value of the Company or the respective ownership of each shareholder in Funcom. If the reverse share split is approved, the par value per Share will increase from EUR 0.04 to EUR 0.20 and if completed prior to issuance of the Consideration Shares and New Shares all amounts of shares and subscription prices will be amended in accordance with the reverse stock split (i.e. in a ratio of five to one). A separate notice with key information regarding the reverse stock split will be published in due time.

The Supervisory Board has approved the above transactions subject to approval of an Extraordinary General Meeting to be held on or around 30 January 2018. A separate stock notice is planned to be released later today with the agenda and other details regarding this General Meeting.

Swedbank Robur Fonder has followed Funcom over time. “We see this as a new giant leap in Funcom’s turnaround. Building on its impressive recent development, multiple new revenue sources from IP and strategic expansion into publishing will increase cash flow robustness and boost further growth. Combined with additional funding and a reverse split the company is now really well positioned as an attractive long term investment” fund manager Erik Sprinchorn commented.

A presentation will be held by Rui Casais (CEO) and Stian Drageset (CFO) on the subject of this stock notice today, 18 December, at 10:00 AM CET. The presentation will be held on the Funcom Twitch.TV channel -

<https://www.twitch.tv/funcom>

Ole Gladhaug, Chairman of the Supervisory Board of Funcom and Executive Vice President of the Kristian Gerhard Jebsen Group, comments: “We welcome Cabinet and Swedbank Robur as shareholders of Funcom. Both of the announced transactions will strengthen Funcom in its turnaround and enable future growth”. The Kristian Gerhard Jebsen Group is the largest shareholder in Funcom through KGJ Investments S.A. SICAV-SIF and KGJ Capital

IP acquisition through joint venture:

The Cabinet Group holds all the rights for a long list of intellectual properties based on the writings of Robert E Howard and based on the game creations originally from the Swedish company “Target Games”. The highlights from this IP portfolio are the well-known “Conan the Barbarian” IP, and “Solomon Kane” and “Mutant Chronicles”, both known from major movie productions in 2008 and 2009. In addition to these, there are many characters and worlds such as “Kull of Atlantis”, “Mutant: Year Zero”, “Doomtrooper”, “Kult”, among others.

Funcom will in the end, through a new wholly owned Norwegian subsidiary acquire 50% of the participation interest in “Heroic Signatures DA” (under incorporation) (“Heroic Signatures”) from Trancos LLC, a US company controlled by Cabinet Group. Cabinet Interactive LLC, a company controlled by Cabinet Group LLC, will own the remaining 50% of the participation interest in Heroic Signatures. Heroic Signatures will not have employees and currently has no operations, assets or liabilities as it is under incorporation. However, as of closing of the transaction, Heroic Signatures will license all interactive video game rights in Cabinet’s IP portfolio through a contribution in kind from Cabinet Group. As part of this partnership, Cabinet Group provides the IP knowledge and protection and Funcom provides the gaming industry contacts and know how. As Heroic Signatures is under incorporation, the company has not been subject to any financial reporting so far. The value of Funcom’s share of the assets in Heroic Signatures will be approximately USD 7 million compared to the total assets of Funcom NV of USD 22.4 million as of 3Q17. Heroic Signatures will be jointly managed by Funcom and Cabinet Group, and will focus on establishing and executing a roadmap of games on the IPs, across all platforms and regions, where some of the games will be developed by Funcom and others will be developed by third party licensees.

Funcom will benefit from its share of the IP royalties including those for Conan Exiles and Age of Conan, effectively seeing a 50% reduction in IP royalty cost for those titles. In addition, this greatly expanded IP portfolio is a strong asset for the Company and for its co-development and publishing activities.

Finally, as part of this transaction, Funcom secures the right to develop three games based on these IPs to specified terms, two utilizing Conan the Barbarian and one utilizing a different IP which shall be determined at a later date. Funcom also commits to developing two of these games in the next four years. Cabinet Group has agreed to a customary lock up restriction on the Consideration Shares for a period of six months after the consummation of the transaction.

Cabinet Group is controlled by Mr. Fredrik Malmberg, who is a member of Funcom's Supervisory Board. Mr. Malmberg has recused himself from the Supervisory Board when this transaction has been discussed. Apart from this, no

agreements have been or are expected to be entered into in connection with the transaction for the benefit of the Company's executive management or members of either the management or supervisory boards.

Increased focus on Co-development and Publishing Partnerships:

In order to diversify the Company's product portfolio, provide more frequent launches and reduce the reliance on individual titles, the Company wishes to invest in additional co-development and publishing partnerships similar to the one established earlier this year with Bearded Dragons International.

These partnerships are intended to leverage the core strengths and markets of Funcom, with focus on quality - rather than quantity - of projects. The Company hopes to secure two such product launches per year starting from 2019.

The Private Placement:

The Private Placement is directed towards SwedBank Robur Ny Teknik and Microcap funds, both funds managed by Swedbank Robur Fonder AB, and consists of an issue of 34,000,000 New Shares, each at a subscription price of NOK 2.6 per share. The New Shares are expected to be issued on or about 1 February 2018. The Private Placement is made in order to raise capital for further growth.

The main objective with the net proceeds of approximately NOK 88.4 million from the Private Placement is to fund additional game partnership and publishing opportunities. The proceeds will also increase the flexibility to make investment decisions for maximum value creation in new internal game development initiatives.

The Private Placement implies that the pre-emptive rights of the Company's existing shareholders are deviated from. The Supervisory Board considers that this deviation is justifiable as the Private Placement is directed towards an external investor, that the subscription price is above the prevailing market price of the VPS as of the last date prior to the Private Placement was announced, and that the expeditious placement reduces the risk of trading based on assumptions regarding the share price development. The Supervisory Board also recognizes the value of a reputable long-term investor for the Company and all shareholders.

The issuance of Consideration Shares and the Private Placement:

Both the Private Placement and The New Shares may only be listed on the Oslo Stock Exchange following approval of a listing prospectus by the Netherlands Authority for the Financial Markets, the passporting of the listing prospectus to Norway, and the publication of the same. The Company intends to publish such prospectus prior to the issuance of the New Shares, and will thus become listed and tradable on the Oslo Stock Exchange immediately after the Consideration Shares have been registered in the Norwegian Central Securities Depository.

If the prospectus has not been approved prior to the issuance of the New Shares, the New Shares will be issued on a separate ISIN initially and later converted to the same ISIN as the Company's existing ISIN. In such case, the New Shares will become listed and tradable on the Oslo Stock Exchange after conversion to the ordinary ISIN of the Company's shares.

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<http://heroicsignatures.com>

<http://cabinetentertainment.com/>

<http://www.swedbankrobur.com/funds/ny-teknik/>

<http://www.swedbankrobur.com/funds/microcap>

Any enquiries may be addressed to: investor@funcom.com

Badhoevedorp, 18 December 2017
Funcom N.V.

This stock exchange notice is published pursuant to the disclosure requirements set out in section 5-12 of the Norwegian Securities Trading Act and section 3.4 of the Continuing Obligations.