

2017 Fourth Quarter Financial Report

The Funcom® Group
Funcom N.V. and subsidiaries

1 Highlights

- 2017 is the most profitable year in the Company's history, with a profit before tax of USD 6,647 thousand illustrating the successful execution of the first phase of the strategic turnaround initiated in 2015
- Positive EBITDA in 4Q17 despite the quarter being dominated by preparations for 2018 launches and transaction costs related to the private placement and Heroic Signatures
- Conan Exiles is on track for full launch on 8 May 2018, in 12 languages, digital and retail stores, worldwide with several partners
- The Bearded Dragons partnership game will be revealed tomorrow, 28 February 2018, and is on track to be released this year
- Financial position strengthened further in 1Q18 with NOK 88.4 million private placement cash inflow from Robur on top of the 4Q17 cash balance of USD 8,079 thousand
- Since 1 February 2018 Funcom has owned 50% of the gaming rights for Conan the Barbarian and many other Intellectual Properties through Heroic Signatures and received IP royalties through the company. The transaction increases the equity of Funcom by approximately USD 7 million in 1Q18
- A new major internal project has been greenlit and starts pre-production in March 2018

2 Financials

- Revenues in 4Q17 amount to USD 3,142 thousand, up from USD 1,827 thousand in 4Q16. Conan Exiles and Secret World Legends dominated revenue in the quarter.
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for 4Q17 amount to USD 440 thousand compared to USD 282 thousand in 4Q16. The EBITDA margin was 14.0% in 4Q17 compared to 15.4% in 4Q16. The cost level in 4Q17 is lower than 3Q17 due to less launch related costs. Furthermore, following an in-depth assessment relating to the co-development and publishing strategy announced 18. December 2017, all investments for the third party developed Bearded Dragons game have been capitalized in line with industry practice. The cost is higher in 4Q17 than 4Q16 as the share of Conan Exiles cost that is capitalized is lower, as there is more external development cost due to porting of Conan Exiles to PlayStation4 and transaction cost related to the recently announced transactions.
- The EBITDA of 2017 was USD 9,878 thousand compared to USD 231 thousand in 2016.
- Profit before tax for 4Q17 was USD -725 thousand vs USD -873 thousand in 4Q16 in a quarter dominated by preparatory work for the full launch of Conan Exiles 8 May 2018, season 2 launch of Secret World Legends in 1Q18, 2018 launch of the

Bearded Dragons game and transaction related legal fees relating to due diligence, negotiations, structuring and prospectus.

- As of 31 December 2017, a tax cost of USD 1,656 thousand for 2017 has been calculated after the elimination of the tax asset that was on the balance sheet. Due to changes in deferred tax there will be no payable tax in Norway for 2017.
- The total equity increased from USD 3,773 thousand at the end of 4Q16 to USD 13,713 thousand at the end of 4Q17. This is slightly down from 3Q17 mainly due to the mentioned changes in deferred tax.
- The cash position increased from USD 3,709 thousand at the end of 4Q16 to USD 8,079 thousand at the end of 4Q17. The cash flow during 4Q17 was USD -401 thousand, excluding the Bearded Dragons investments the cash flow would have been positive. The face value of the convertible bond is USD 3,399 thousand, the same as at the end of 3Q17.

3 Game highlights

3.1 Secret World Legends:

- Several seasonal and weekend events were run by the team during the last three months to keep the activity levels and drive engagement
- Download size has been reduced and other actions have been taken to reduce acquisition cost of new players
- The team is focusing on creating the new content and features for the Agent System and new story content that will be released during Q1:
 - Agent System
 - Long-term retention system, keeping players engaged
 - Monetization platform (Agent Packs)
 - Narrative expansion targeted at user base
 - New Story Content
 - Expanding the story will bring back old players and bring it onto the radar of new players
 - First new content since launch of Secret World Legends
 - User acquisition push around new content
 - Exercise our refined monetization systems with new players
 - New Story Content Cache & Agent Pack
 - Increased Revenue from cache and pack sales.

3.2 Conan Exiles

Development update:

- The team has been focused on creating the content and features for full launch, as well as preparing the console versions and optimizing the game
- Certification process underway with both Xbox One and PS4 and on target to complete during Q1
- Full launch has been set to 8 May 2018 to enable us to deliver a higher quality and more polished game. The game will launch both digitally and in physical retail.
- The map has been expanded to double the original size of the Early Access launch with the addition of new areas and dungeons
- Full revision and tweaking of existing content as part of the content rebalance pass to improve the exploration and survival aspects of the game as well as overall fun factor

- Significant investment into development of new features and content like combat 2.0, the purge, the journey system, the Swamp biome, and more
- Launch pricing will be \$39.99 for PC, \$49.99 for Consoles, and \$79.99 for the Collector's Edition

The road to full launch:

- PR/Marketing initiatives and campaigns are being prepared and will be initiated closer to the launch date for maximum impact
- Retail distribution with Koch Media continues to go as planned
- Koch Media will do a marketing spend for the retail version of the game
- Local partnerships in China, Japan, and Korea have been or are in the process of being established to support the PR, marketing, community, and distribution efforts in those regions
- The game will be available in 12 languages worldwide, on PC, Xbox One and PlayStation 4, both digitally and on retail
- Retail presence worldwide to provide not just additional sales, but also to create additional visibility and awareness among gamers

3.3 Future internal games:

Two new projects are in early concept stages:

- In Funcom Oslo:
 - New game concept using the “Conan the Barbarian” IP
 - Pre-production pushed to after Conan Exiles full launch
- In Funcom North Carolina:
 - New major project has been greenlit and is entering pre-production phase in March 2018
 - Full production scheduled to start in late Q2 or Q3 2018 depending on staffing speed
 - The game will be a Cooperative online shooter game with a Premium business model
 - The company does not expect to reveal any information about the new project in 2018 (For the sake of avoiding any potential confusion, this is not the game that Funcom will reveal tomorrow)

3.4 Bearded Dragons cooperation:

- Development of the tactical turn-based strategy game has progressed according to project timelines and is scheduled to release in 2018
- Publishing activities are ongoing with Quality Assurance, PR/Marketing, and Project Management resources being integrated with development team
- Initial information about the game to be revealed tomorrow, 28 February, with more extensive details to be revealed later as part of the PR & Marketing plan

NOTE: For more information please see the 4Q17 Funcom presentation

4 Risk factors:

- For information regarding risk factors for the Company and its games, please refer to note 27 in the 2016 Annual Report.
- For evaluations of the risks related to Funcom games, Funcom encourages investors to seek information about the industry in general and Funcom in specific from analyst reports, industry reports, game reviews, etc.
- Several different financial scenarios should be evaluated when analysing the potential of any existing or future games. The financial performance of new games and refined business models is uncertain.

5 Outlook:

- The financial performance outlook of the Company is positive.
- With NOK 88.4 million of new funding in 1Q18 the Company's financial position is strong
- Key factors of the outlook are the full launch of Conan Exiles on PlayStation4, PC and Xbox on 8 May 2018 and the launch of the Bearded Dragons partnership game in 2018, both have the potential to generate significant revenues.
- Following the successful relaunch of Secret World Legends, the revenue from this game is starting to stabilize. The team is working on initiatives that aim to improve player acquisition, conversion, monetization and launching new content. After Season 2 the transition of the team to development of the new North Carolina game will accelerate.
- The other games are expected to slowly decline over time due to the ageing of the games, despite the potential of growth in periods.
- Funcom will receive IP royalties from Heroic Signatures from 1 February 2018
- In line with the communicated strategy Funcom plans to invest in co-development and publishing of additional games during 2018

Badhoevedorp, The Netherlands, 27 February 2018
The Management Board of Funcom N.V.

- This report is also available at <http://www.newsweb.no>
- This report contains forward-looking statements. These statements are based on current estimates and projections of Funcom's management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of Funcom to be materially different from those that may be expressed or implied by such statements. Such factors include inter alia those discussed in the Funcom's Annual Report 2016 note 27.
- For more information about Funcom, its games and its organization, please see www.funcom.com

* "Funcom", "*Secret World Legends*", "*Anarchy Online*", "*The Park*" and "*Dreamworld Technology*" are registered trademarks of Funcom Oslo AS.

FUNCOM N.V. - FOURTH QUARTER FINANCIALS OF 2017
PRELIMINARY, CONDENSED, NOT AUDITED, FIGURES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS					
(Figures in TUSD)	Fourth Quarter		Accumulated		Full Year
	2017	2016	2017	2016	2016
Revenue	3 142	1 827	23 162	7 322	7 322
Operating expenses	-2 702	-1 545	-13 284	-7 091	-7 091
Earnings Before Interest, Tax, Depreciation and Amortization (I	440	282	9 878	231	231
Depreciation, amortization and impairment charges	-952	-437	-3 298	-1 811	-1 811
Operating result ("EBIT") from continuing operations	-512	-155	6 581	-1 580	-1 580
Share of result from equity-accounted entities					
Net financial items	-213	-718	66	-1 181	-1 181
Profit (loss) before income taxes from continuing operations	-725	-873	6 647	-2 761	-2 761
Income taxes	-1 660	1 067	-1 656	1 066	1 066
Profit (loss) from continuing operations	-2 385	193	4 991	-1 695	-1 695
Profit from discontinued operation, net of tax		0		0	0
Profit (loss) for the period	-2 385	193	4 991	-1 695	-1 695
Attributable to non-controlling interests	0	0	0	0	0
Attributable to shareholders of Funcom N.V.	-2 385	193	4 991	-1 695	-1 695
Earnings per share basic (USD)	-0,01	0,00	0,02	-0,01	-0,01
Earnings per share fully diluted (USD)	-0,01	0,00	0,02	-0,01	-0,01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Profit (loss) for the period	-2 385	193	4 991	-1 695	-1 695
Foreign exchange translation difference	-362	-52	136	-357	-357
Total comprehensive income for the period	-2 747	141	5 127	-2 052	-2 052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
(Figures in TUSD)	31 December		31 Dec.	
	2017	2016	2016	2016
ASSETS				
<u>Non-current assets</u>				
Deferred tax assets		1 069		1 069
Intangible assets	10 190	6 617		6 617
Tangible fixed assets	37	4		4
Long term receivables	277	19		19
Total non-current assets	10 503	7 709		7 709
<u>Current assets</u>				
Trade receivables	1 559	628		628
Prepayments and other receivables	187	466		466
Cash and cash equivalents	8 079	3 709		3 709
Total current assets	9 826	4 803		4 803
Total assets	20 329	12 512		12 512
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	13 525	11 808		11 808
Reserves	168 224	165 128		165 128
Retained earnings	-168 036	-173 163		-173 163
Total equity	13 713	3 773		3 773
<u>Liabilities</u>				
Deferred tax liabilities	553	1		1
Long-term liabilities		7 019		7 019
Deferred income	478	605		605
Short-term loans and borrowings	3 502	48		48
Other short term liabilities	2 082	1 065		1 065
Total liabilities	6 615	8 739		8 739
Total equity and liabilities	20 329	12 512		12 512

CONSOLIDATED STATEMENT OF CASH FLOWS					
	Fourth Quarter		Period ended 31 December		Full Year
(Figures in TUSD)	2017	2016	2017	2016	2016
Cash flow from operating activities					
Profit (loss) before income tax	-738	-873	6 651	-2 761	-2 761
Adjustments for:					
Depreciation, amortization and impairment	952	437	3 298	1 811	1 811
Share-based payments	272	-79	750	146	146
Income taxes paid	-15		-11		
Effect of exchange rate fluctuations					
Changes in working capital	1 915	1 166	-3	2 125	2 125
Net cash from operating activities	2 385	650	10 684	1 320	1 320
Cash flow from investing activities					
Purchase of equipment and investment in intangible assets	-2 797	-1 394	-6 544	-4 304	-4 304
Investment in/loan to (from) equity-accounted entities					
Net cash from investing activities	-2 797	-1 394	-6 544	-4 304	-4 304
Cash flow from financing activities					
Net proceeds from issue of share capital			470	7 122	7 122
Proceeds / repayments from (of) borrowings and leases					
Net cash from financing activities			470	7 122	7 122
Change in cash and cash equivalents	-412	-744	4 611	4 138	4 138
Cash and cash equivalents, beginning of period	8 481	5 208	3 709	616	616
Cash and cash equivalents, end of period before exchange effect	8 069	4 465	8 319	4 755	4 755
Effect of exchange rate fluctuations	-740	-755	-991	-1 045	-1 045
Cash and cash equivalents, end of period after exchange effect	7 329	3 710	7 329	3 710	3 710

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	31 December		Full Year
(Figures in TUSD)	2017	2016	2016
Opening balance	3 773	-9 561	-9 561
Total comprehensive income for the period	5 127	-2 052	-2 052
Equity issues	3 906	14 609	14 609
Granting of warrants			
Exercise of warrants	157	157	157
Equity portion of the new convertible loan		394	394
Equity portion of the additional convertible bond		82	82
Share-based payments	750	146	146
Closing balance	13 713	3 773	3 773

NOTES TO THE INTERIM REPORT

1 Corporate information

Funcom N.V. is a limited company registered in The Netherlands, and the shares are publicly traded on the Oslo Stock exchange under the ticker “FUNCOM”. The principal activity of the Company is to develop, market and carry on business in computer and console games in the broadest sense. The unaudited interim condensed consolidated financial statements for the Company for the twelve months ended 31 December 2017 were approved for issue by the Supervisory Board on 27 February 2018.

2 Basis for preparation and selected significant accounting policies

Based on successful launches during 2017 and additional funding in 2018 the company's financial situation is strong. Based on this the going concern assumption is justified and consequently the unaudited interim condensed consolidated financial statements of the Company for the twelve months ended 31 December 2017 have been prepared on a going concern basis. Notwithstanding the above, the actual performance of the Company may deviate significantly from the projections.

The unaudited interim condensed consolidated financial statements of the Company for the twelve months ended 31 December 2017 have been prepared in accordance with IAS 34. The latter means that these interim financial statements do not include all information and disclosures required in annual financial statements but only selected significant information. The principles applied are consistent with those used in the 2016 Annual Report.

As of 1 January 2017, the Group has adopted the mandatory revised standards, amendments to existing standards and interpretations as adopted by the EU, applicable for this quarter. Their adoption has not had any significant impact on the amounts reported in this interim report but may affect the accounting for future transactions or arrangements. The impact of the financial statements of standards issued, but with an adoption date on 1 January 2018 or later will be discussed in the annual report.

All amounts are in USD thousand unless stated otherwise. There may be some minor rounding differences or the total may deviate from the total of the individual amounts. This is due to the rounding to whole thousands of individual amounts.

2.1 Basis of consolidation

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

2.2 Intangible assets

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

2.3 Equity

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

2.4 Deferred revenues

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

3 Operating revenues

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

4 Operating expenses

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

5 Depreciation and amortization

The Company amortizes investment in the development of technology and game assets on a systematic basis over their useful life, which normally does not exceed five years. The company applies the diminishing balance amortization method that reflects the pattern of consumption of the future economic benefits. If that pattern cannot be determined reliably, the company uses the straight-line method. The increase of intangible assets in 4Q17 was USD 1,571 thousand. Of this USD -257 thousand is a translation effect, reflecting that the USD value of the intangible assets increases when the USD / NOK foreign exchange rate increases, as the intangible assets are held by Funcom Oslo in NOK. This means the underlying net addition of intangible assets in 4Q17 affecting the result is USD 1,828 thousand.

After an in-depth analysis of comparable games and gaming company industry standard for amortization of comparable games, the amortization period of Conan Exiles has been reduced from five to two years. As the previous amortization schedule was a declining balance approach with substantially higher amortization the first year, the effect is limited. The negative profit effect in 4Q17 from the reduction of the net book value as of 3Q17 will be equal to USD 132 thousand.

In connection with the strategy announced 18 December 2017 regarding co-developing and publishing 3rd party developed games, an in-depth analysis of the capitalization of such games have been made. Based on this and in line with gaming industry practice, the game co-developed together with Bearded Dragons, and other 3rd party co-developed games with a similar structure, will be capitalized. As the game was expensed in 2Q17 and 3Q17, USD 513 thousand has been capitalized from those quarters, giving a positive result effect in 4Q17.

6 Net financial items

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

7 Taxes

Funcom recognized the accumulated tax loss of Funcom Oslo AS as of 31 December 2016 as a deferred tax asset. As of 31 December 2017, this tax asset has been eliminated by changes in temporary tax difference primarily due to Conan Exiles. A tax cost of USD 1,656 thousand for 2017 has been calculated, but it is not payable due to the temporary differences, so there will be no payable tax in Norway in 2017. A tax liability of USD 553 thousand has been recorded.

8 Long term receivables

Long term receivables consist of deposits for real estate leases and prepaid operating expenses.

9 Cash

Cash and cash equivalents are USD 8,079 thousand. Of these USD 539 thousand are restricted.

10 Liabilities

Long-term liabilities are zero after the convertible bond has been reclassified to short-term debt as it is due on 31 December 2018. Short-term loans and borrowings is dominated by the USD 3,363 thousand convertible bond.

The convertible bond matures on 31 December 2018, with an interest rate of 3.5%, and a conversion price of USD 0.1036 per share. In April 2017 USD 3,500 thousand (plus accrued interest) was converted into new shares. As of 31 December 2017, the remaining bonds have a carrying amount of USD 3,363 thousand and a face value of USD 3,399 thousand. The convertible bond is the only outstanding interest-bearing debt.

11 Cash flows

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

12 Average number of shares

	Fourth quarter		Twelve months	
	2017	2016	2017	2016
Average number of shares (1'000)	289,653	249,282	279,217	180,291

13 Other comprehensive income

In accordance with IAS 21, the Company reported in 4Q17 under the 'Other comprehensive income' a foreign exchange loss amounting to USD 362 thousand mainly related to the reconciliation of intercompany balances in foreign currencies and to the translation of foreign operations into the reporting currency.

14 Equity

The equity of the Company decreased from USD 16,189 thousand at the end of 3Q17 to USD 13,713 thousand at the end of 4Q17. USD 1,660 thousand of this is due changes in deferred tax.

15 Segments

IFRS 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision makers to allocate resources to the segment and to assess its performance. The reportable operating segments of the group are defined as:

- Online games – such as *Conan Exiles*, *Anarchy Online*, *Secret World Legends* and *Age of Conan*
- Offline games – such as *The Park*, *Hide and Shriek*, *Dreamfall* and *The Longest Journey*

Segment information

	Revenue from external customers January - December		Segment profit (loss) *) January - December	
	2017	2016	2017	2016
Online games	22,181	5,953	17,679	2,486
Offline games	491	943	480	553
Other activities	490	426	33	-37
Total	23,162	7,322	18,192	3,002
General and administrative expenses			-8,314	-2,771
Depreciation, amortization and impairment charges			-3,298	-1,811
Net financial items			66	-1,181
Profit (loss) before tax (from continuing operations)			6,647	-2,761

	Revenue from external customers October - December		Segment profit (loss) *) October - December	
	2017	2016	2017	2016
Online games	2,875	1,338	2,365	540
Offline games	135	293	275	33
Other activities	132	196	8	-7
Total	3,142	1,827	2,648	566
General and administrative expenses			-2,208	-284
Depreciation, amortization and impairment charges			-952	-437
Net financial items			-213	-718
Profit (loss) before tax (from continuing operations)			-725	-873

*) 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.

*) In 2016, other activities referred to Funcom Games Canada subleasing activities. Since January 2017, Funcom NV has taken over the subleasing activities. Segment profit (loss) is measured as revenue earned less original rental expenses.

	Online games	Offline games
Segment assets as at 31 December 2016	6,252	
Segment assets as at 31 December 2017	8,893	

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

16 Subsequent events

On 18 December 2017 it was announced that Funcom had signed an IP acquisition through joint venture and a private placement directed towards Robur Fonder AB, approved a reverse stock split and decided to establish co-development and publishing partnership business.

The joint venture company holds 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". The transaction was cashless where Funcom received 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 was completed on 8 February 2018.

Funcom acquired through a new wholly owned Norwegian subsidiary 50% of the participation interest in "Heroic Signatures DA" ("Heroic Signatures") from Tranicos 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 has been incorporated for this purpose. 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 was incorporated in 2018, 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. 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 later. Funcom also commits to develop 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.

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 has also executed 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 to Funcom in the private placement was NOK 88.4 million.

Both the Consideration Shares and The New Shares were listed on the Oslo Stock Exchange 23 February 2018 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 executed a 5:1 reverse stock split with ex date 1 February, 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. The reverse split increased the par value per Share from EUR 0.04 to EUR 0.20 and all the above-mentioned amounts of Consideration Shares, New Shares and subscription prices have been amended in accordance with the reverse stock split (i.e. in a ratio of five to one).

Including the Consideration shares and New Shares the company would have 345 952 610 shares before the reverse share split. After the reverse share split the Company had 69 190 522 shares.

4Q 2017 PRESENTATION



FUNCOM

27 FEBRUARY 2018



4Q 2017 PRESENTATION

DISCLAIMER – FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking. You should not place undue reliance on these forward-looking statements for many reasons.

These forward-looking statements reflect current views with respect to future events and are by their nature subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity or performance will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this presentation, either to conform them to actual results or to changes in our expectations.



4 Q 2017 PRESENTATION

HIGHLIGHTS

- 2017 is the most profitable year in the Company's history, with a profit before tax of USD 6,647 thousand. Positive EBITDA in 4Q17 despite the quarter being dominated by preparations for 2018 launches and transaction costs related to the private placement and Heroic Signatures
- Conan Exiles is on track for full launch on 8 May 2018, in 12 languages, digital and retail stores, worldwide with several partners
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- Since 1 February 2018 Funcom has owned 50% of the gaming rights for Conan the Barbarian and many other Intellectual Properties through Heroic Signatures and received IP royalties through the company. The transaction increases the equity of Funcom by approximately USD 7 million in 1Q18
- A new major internal project has been greenlit and starts pre-production in March 2018



4Q 2017 FINANCIALS



4Q17 PRESENTATION

MOST PROFITABLE YEAR IN FUNCOM HISTORY

TUSD	4Q 17	4Q 16	YTD 17	YTD 16
Revenue	3 142	1 827	23 162	7 322
EBITDA	440	282	9 878	231
EBIT	-512	-155	6 581	-1 580
Profit	-725	-873	6 647	-2 761
Cash	8 079	3 709	8 079	3 709
Equity	13 713	3 773	13 713	3 773
Debt ¹	3 399	6 899	3 399	6 899

COMMENTS

- Revenues significantly up from 16, both full year and 4Q17
- 2017 EBITDA USD 9.9m, USD 0.4m in 4Q17, 4Q dominated by preparations for 2018 launches and transaction cost
- Bearded Dragons capitalized in line with other games
- USD 1.7m tax calculated for 2017, not payable due to changes in deferred tax. The tax reduces equity, that is still USD 13.7m, 3.6 times the 2016 equity
- Strong financial position even before the NOK 88.4m Robur 1Q18 cash

YTD - year to date

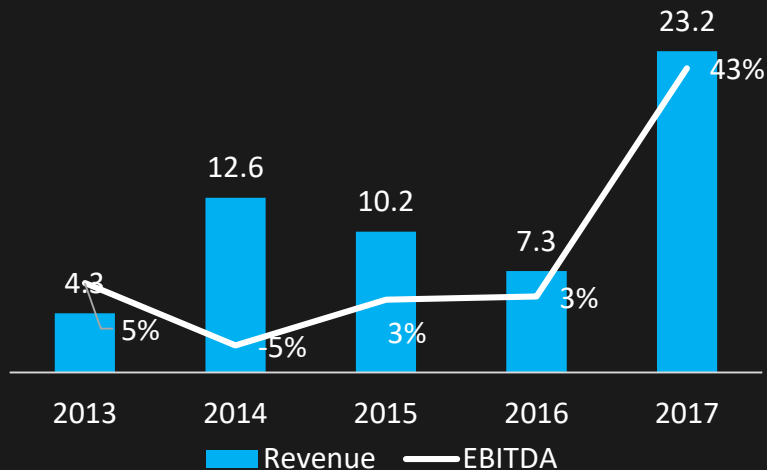
1) Face value of interest bearing debt



4Q FY17 UPDATE

REVENUE AND EBITDA MARGIN DEVELOPMENT

Revenue (MUSD) and EBITDA margin



COMMENTS

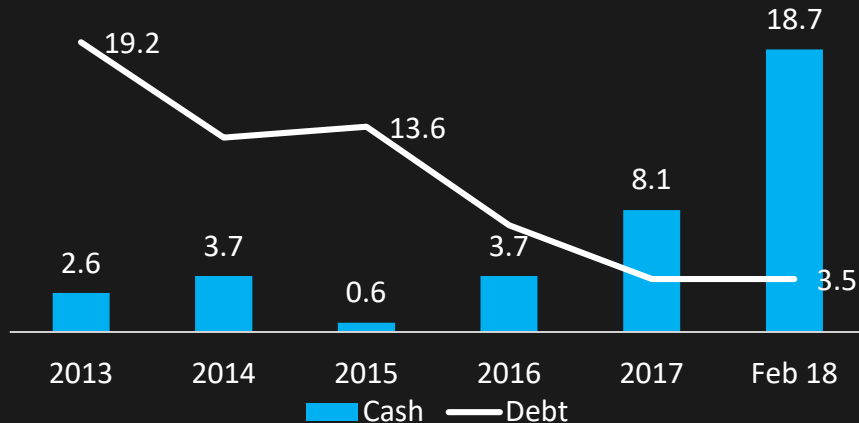
- Strong 2017, 43% EBITDA margin
- Increased profitability 2014-16 due to intense cost cutting despite falling revenue
- High profitability in 2017 with strong revenue growth from low cost level and continued cost conscious attitude



4 Q FY17 UPDATE

FINANCIAL POSITION SIGNIFICANTLY STRENGTHENED

Cash and debt (MUSD)



COMMENTS

- Financial position significantly strengthened over the last five years
- Debt has gone down from USD 19.2m to USD 3.5m
- Cash has gone up from USD 2.6m to USD 18.7m¹

1) In early February 2018 just after Robur private placement



PRIVATE PLACEMENT



4 Q 2017 PRESENTATION

PRIVATE PLACEMENT TO SWEDBANK ROBUR

- Swedbank Robur invested NOK 88.4 million
 - 6,800,000 shares post reverse split at NOK 13 per share
 - 18% premium over market price 15 December
 - Cash received 1 February 2018, not included in 4Q17 financials
- Swedbank Robur is the largest gaming investor in the Nordics
 - “Ny Teknik” and “Microcap” funds
 - Long investment horizon
 - Current shareholding: 9.8%
- Current 6.9% Avanza ownership indicates increased interest from Swedish investors
- Proceeds mainly for investing in expanded co-development and publishing strategy



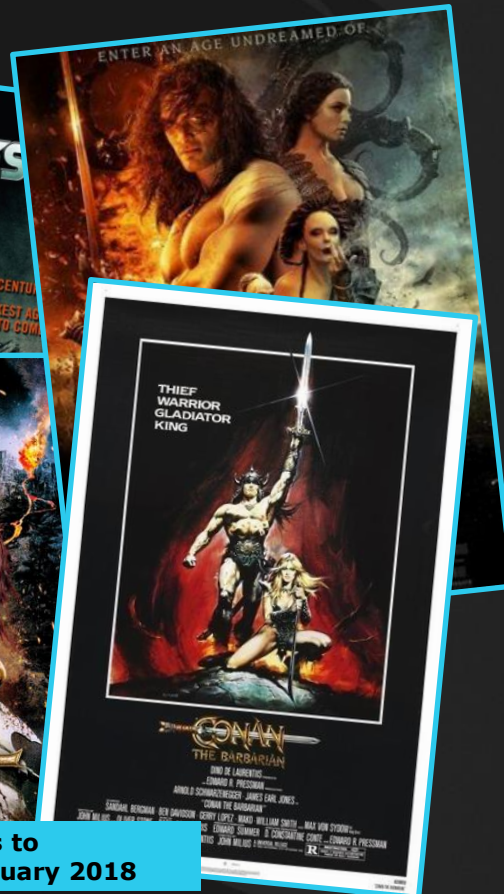
HEROIC SIGNATURES





4Q 2017 PRESENTATION

HEROIC SIGNATURES



Funcom owns 50% of Heroic Signatures which has the rights to monetize these IPs for interactive games. Transaction closed 8 February 2018



4Q 2017 PRESENTATION

AMAZON TO LAUNCH CONAN TV SERIES

Conan the Barbarian TV Series In Works At Amazon From Ryan Condal, Miguel Sapochnik & Warren Littlefield

Conan the Barbarian TV Series in Development at Amazon



Amazon is in the process of developing Conan the Barbarian into a television series. While the name is no doubt familiar to comics fans, the series will be an adaptation of the Conan the Barbarian source stories by Robert E. Howard.

The TV series is being helmed by Ryan Condal (*Colony*), Miguel Sapochnik (*Game of Thrones*) and Warren Littlefield (*Fargo*, *The Handmaid's Tale*). According to *Deadline*, the show will follow the eponymous hero as he travels in search of purpose in a world that considers him a savage.

RELATED: Marvel Comics Regains Conan License

Most fans likely know Conan from his Marvel Comics run back in the '70s. Edited by Stan Lee and Roy Thomas, the Conan the Barbarian comics started in October 1970 and ran for 275 issues, until 1993. Dark Horse Comics secured the Conan publishing rights in 2003 up until very recently when Marvel reacquired them.



WME/Rex/Shutterstock

EXCLUSIVE: Amazon is developing drama series *Conan*, based on the Robert E. Howard, *Deadline* has learned. The project hails from *Colony* co-creator Ryan Condal, *Game of Thrones* director Miguel Sapochnik, *Fargo* and *The Handmaid's Tale* executive producer Warren Littlefield, Pathfinder Media and avor Content.

The Guardian

Amazon announces Conan the Barbarian TV adaptation

The streaming site is adapting Robert E Howard's pulpy hero, as it tries to find an answer to *Game of Thrones*



▲ Arnold Schwarzenegger as Conan the Barbarian in the 1982 film. Photograph: Allstar/Cinetext/Universal

Amazon is continuing its quest to find a hit fantasy show in the mould of *Game of Thrones*, having announced plans to adapt Robert E Howard's Conan the Barbarian.

as made famous by the Arnold Schwarzenegger-led film in development, and follows news that the streaming site is developing a Conan the Barbarian TV series. *Game of Thrones* director Miguel Sapochnik is involved in the project, as is *Handmaid's Tale* and *Fargo* executive producer Warren Littlefield.

Amazon TV series could increase value of Conan IP, Heroic Signatures aims to monetize the effect with related interactive games



STRONG STRATEGIC RATIONALE FOR IP ACQUISITION

Cash flow benefit

- Immediate cash flow from CE and Age of Conan. Other games in development
- No cash payment for the IP rights

Increased robustness

- Potentially a high number of revenue streams, diversifying risk
- No game development cost, low downside for IP owner

Publishing support

- Competitive strength to grow publishing business
- Publishing is key part of other listed Nordic and International gaming companies

Security of key IP

- Ability to protect interest of Conan Exiles, Age of Conan and future games
- Right to develop two Conan games and one other IP game to specified terms

Asset value

- Relevance, reach and value of IP growing with global digital distribution
- Significant upside for the successful IPs



SECRET WORLD LEGENDS



4Q 2017 PRESENTATION

SECRET WORLD LEGENDS UPDATE



- Several seasonal and weekend events were run by the team during the last three months to keep the activity levels and drive engagement
- Client size has been reduced and other actions have been taken to reduce acquisition cost of new players
- The team is focusing on creating the new content and features for the Agent System and new story content that will be released during Q1:
 - Agent System
 - Long-term retention system, keeping players engaged
 - Monetization platform (Agent Packs)
 - Narrative expansion targeted at user base
 - New Story Content
 - Expanding the story will bring back old players and also bring it onto the radar of new players
 - First new content since launch of Secret World Legends
 - User acquisition push around new content
 - Exercise our refined monetization systems with new players
 - New Story Content Cache & Agent Pack
 - Increased Revenue from cache and pack sales.



CONAN EXILES





4 Q 2017 PRESENTATION

CONAN EXILES - THE ROAD TO FULL LAUNCH

- Certification process underway with both Xbox One and PS4 and on target to complete during Q1
- Full launch has been set to 8 May 2018 to enable us to deliver a higher quality and more polished game
- The map has been expanded to 200% of original size with the addition of new areas and dungeons
- Full revision and tweaking of existing content as part of the content rebalance pass to improve the exploration & survival aspects of the game as well as overall fun factor
- Significant investment into development of new features like combat 2.0, the purge, the journey system
- Launch pricing will be \$39.99 for PC, \$49.99 for Consoles, and \$79.99 for the Collector's Edition





CONAN EXILES - THE ROAD TO FULL LAUNCH

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OTHER





4 Q 2017 PRESENTATION

FUTURE INTERNAL GAMES

- In Funcom Oslo:
 - New game concept using the “Conan the Barbarian” IP
 - Pre-production pushed to after Conan Exiles full launch
- In Funcom North Carolina:
 - New major project has been greenlit and is entering pre-production phase in March 2018
 - Full production scheduled to start in late Q2 or Q3 2018 depending on staffing speed
 - The game will be a Cooperative online shooter game with a Premium business model using an IP from Heroic Signatures
 - The company does not expect to reveal any information about the new project in 2018
 - For the sake of avoiding any potential confusion, this is not the game that Funcom will reveal tomorrow
- As part of the Heroic Signatures transaction, the Company secured the rights to three new games, two using the Conan IP and one using one of the other IPs. The two games mentioned above are thus covered by these rights, with the rights for a third game to be utilized in future years.



4Q 2017 PRESENTATION

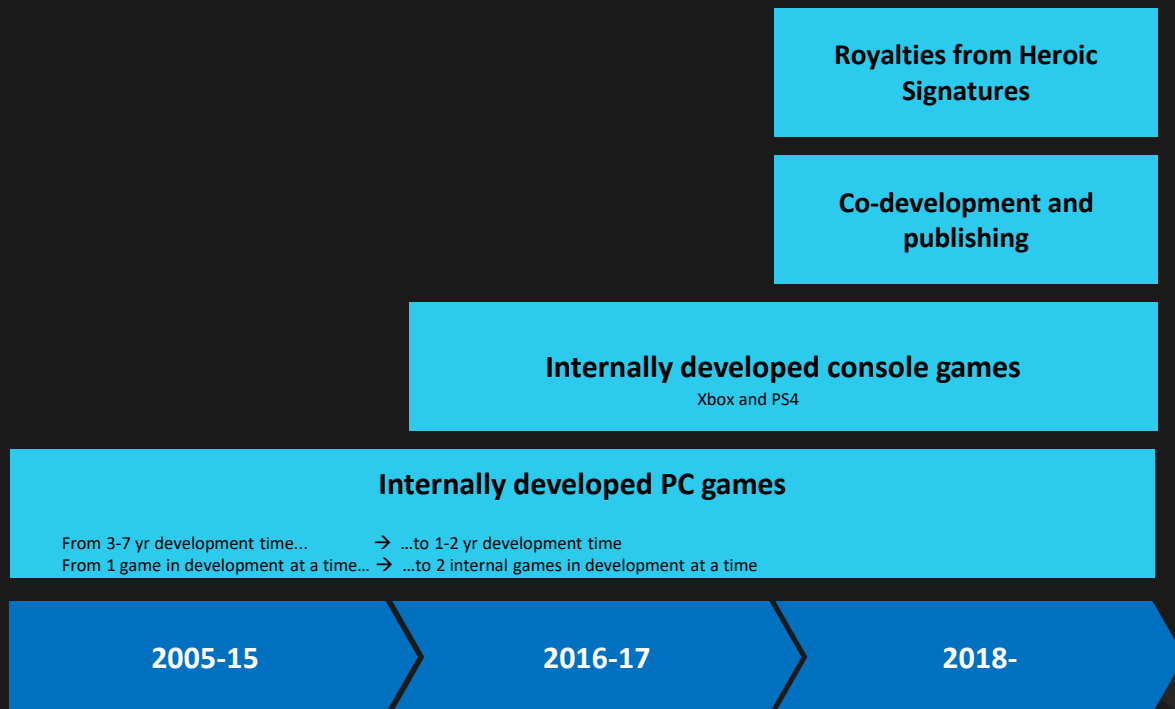
BEARDED DRAGONS COOPERATION



- Development of the tactical turn-based strategy game has progressed according to project timelines and is scheduled to release in 2018
- Publishing activities are ongoing with Quality Assurance, PR/Marketing, and Project Management resources being integrated with development team
- Initial information about the game to be revealed tomorrow, 28 February, with more extensive details to be revealed at a later date as part of the PR & Marketing plan



THE PATH TO STABLE BASELINE REVENUES AND GROWTH





4 Q 2017 PRESENTATION

SUMMARY

- Funcom's most profitable year with USD 6.8 m profit, turnaround on track
- Compelling launches in 2018
 - Conan Exiles (8 May)
 - Bearded Dragons game (revealed tomorrow, 28 February)
- Heroic Signatures established, royalty revenues from 1 February 2018
- Co-development and publishing strategy to diversify revenues
- Strong financial position with MNOK 88.4 cash inflow received in 1Q18
- New major internal game entering into Pre-Production in March 2018

QUESTIONS?



FUNCOM