



Q1-2006

FUNCOM N.V. – FIRST QUARTER FINANCIALS OF 2006

PRELIMINARY. NOT AUDITED. FIGURES

Highlights in Q1

- Increased revenues on Anarchy Online from Q4 2005, primarily due to increased in-game advertisement
- Successful secondary offering with gross proceeds of MNOK 131 (MUSD 19), giving the company additional room to pursue strategic opportunities
- Completion of Dreamfall, with the game reaching Gold version and approval from Microsoft on Xbox
- Continued development on Age of Conan and increasing expectations from the press and community
- Lower revenues in the mobile subsidiary Plutolife due to anticipated seasonality in addition to postponements from two US clients.

Financials

Funcom's financials in the first quarter have developed as anticipated. In the first quarter of 2006, Funcom had revenues of TUSD 1,848 compared to TUSD 1,100 in Q1 2005 (excluding Plutolife for Q1 2005, TUSD 1,687 with Plutolife included on a pro-forma basis). The company had an operating profit (EBIT) of TUSD -630 compared to TUSD -350 in Q1 2005 (excluding Plutolife for Q1 2005, TUSD -317 with Plutolife included on a pro-forma basis). The positive revenue development when compared to Q1 2005 is primarily due to increased advertisement revenues in Anarchy Online while the subscriber level in the game remained stable. The slightly lower EBIT in Q1 2006 compared to Q1 2005 is due to the increased overall size of the organization and increased operating costs. The financials for Q1 2006 are affected by a stronger Norwegian Kroner, and there are currency effects on the company's reported operating costs as well as the net financial items. The net financial items is an unrealized accounting profit due to the high amount of cash in NOK, which again gives a natural hedge as most costs are in NOK. Due to this, net financials is expected to fluctuate going forward.

The company's financial position is strong, and as of 31 March 2006, Funcom had TUSD 44,194 in cash and no interest bearing debt. During the first quarter, Funcom issued new shares first in respect of the green-shoe option from the Initial Public Offering with gross proceeds of MNOK 23 (MUSD 3.5), and also through a secondary offering with gross proceeds of MNOK 131 (MUSD 19). Funcom now not only has sufficient capital to complete Age of Conan, but also has surplus cash to pursue strategic opportunities.

The cash flow for the first quarter was TUSD -669 from operations and TUSD -2,912 from investments. This was as anticipated and lower than Q4 2005 due to slightly higher operating costs, but primarily due to

acquisition of additional Plutolife shares in Q4 2005, which were paid in Q1 2006.

Company & Market

Funcom has grown from 165 employees at the start of the year to 188 employees as of 31 March 2006. Key recruitments include staffing up of the Chinese office and some additions to the Age of Conan development team. As of 2 May Funcom has 192 employees.

During the first quarter the key projects have progressed as planned:

- Dreamfall reached its gold version and was approved by Microsoft for Xbox. The game has in the start of the second quarter been launched in the North American and Scandinavian markets, and has received a number of very favourable reviews, including top reviews from Gamespot and Gamespy, two of the world's largest gaming internet sites. Localization to various European languages adds some additional development time, and the launch in Europe is expected in May.
- *Anarchy Online* continues to be a profitable game, with a stable subscriber base and revenue development. Q1 2006 revenues was up from Q4 2005 due to increased in-game advertisement revenues, also boosting the profitability of the game.
- *Age of Conan* is developing according to plan and is targeted for launch in Q4 2006. The majority of the features are now complete, and the game is pre-beta with beta server infrastructure in place in Oslo and being established in the US. Recent focus has been on preparing for the E3 exhibition, where several demo stations will demonstrate a number of completed features in the game, including quests and adventuring, mounted combat and city building.
- The Mobile division, Plutolife, which is one of the world's leading service providers within mobile dating, saw a fall in revenues in the first quarter. The first quarter was expected to be lower than Q4 2005 due to seasonality; additionally the company was negatively affected by two key customers which experienced postponements. The effects are viewed as temporary.

Outlook

The company expects increased revenues in the second quarter due to the launch of Dreamfall and the revenues related to the upfront commitments from the company's publishing partners.

Funcom N.V.
3 May, 2006

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PRELIMINARY, NOT AUDITED, FIGURES

PROFIT AND LOSS ACCOUNT <i>(Figures in TUSD)</i>	First quarter		Full Year		
	2006	2005	2005		
Revenues, PC/Desktop	1,287	1,100	4,432		
Revenues, Mobile	561		859		
Total Operating Revenues ¹	1,848	1,100	5,291		
Cost of sales	-259	-181	-805		
Operating expenses	-2,059	-1,041	-4,994		
Depreciation and amortization	-160	-228	-813		
Total operating expenses	-2,478	-1,450	-6,612		
Earnings Before Interest and Tax ("EBIT")	-630	-350	-1,321		
Net financial items	1,227	-13	-161		
Earnings Before Tax ("EBT")	597	-363	-1,482		
Taxes	-6	-8	6		
Earnings before minority interest	591	-371	-1,476		
Minority interest	21		82		
Earnings After Tax ("EAT")	612	-371	-1,558		
Earnings per share (USD)	0.01	(0.01)	(0.05)		
Earnings per share fully diluted (USD)	0.01	(0.01)	(0.05)		
Average number of shares (1000) ³	44,606	25,705	28,972		
Average number of shares fully diluted (1000) ³	45,856	25,705	29,597		
BALANCE SHEET <i>(Figures in TUSD)</i>					
	2006	31-Mar 2005	Full Year 2005		
ASSETS					
Intangible assets	14,718	5,868	12,235		
Tangible fixed assets	618	438	538		
Investment in associate		437			
Trade debtors	862	143	644		
Prepays and other receivables	890	570	513		
Cash and cash equivalents	44,194	2,775	26,380		
Total assets	61,282	10,231	40,310		
EQUITY & LIABILITIES					
Paid in capital	94,124	44,173	72,116		
Retained earnings	-38,149	-37,509	-38,744		
Equity attributable to minority interest	271		285		
Short-term liabilities	5,036	3,567	6,653		
Total equity & liabilities	61,282	10,231	40,310		
CASH FLOW STATEMENT <i>(Figures in TUSD)</i>					
	2006	31-Mar 2005	Full year 2005		
Cash flow from operating activities	-669	1	-15		
Cash flow from investment activities	-2,912	-1,616	-7,994		
Cash flow from financing activities	20,307	1,500	31,744		
Change in cash and cash equivalents	16,726	-115	23,735		
Cash and cash equivalent, beginning of period	26,380	2,920	2,920		
Effect of exchange rate fluctuations on cash held	1,088	-30	-275		
Cash and cash equivalent, end of period	44,194	2,775	26,380		
EQUITY <i>(Figures in TUSD)</i>					
	2006	31-Mar 2005	Full year 2005		
Opening balance	33,657	7,087	7,087		
Net profit/loss attributable to the parent company	612	-371	-1,558		
Equity issues	21,958		28,026		
Changes in minority interest	-14		285		
Other	33	-52	-183		
Closing balance	56,246	6,664	33,657		
INTERIM SEGMENT RESULTS <i>(Figures in TUSD)</i>					
	Q1 2005	Q2 2005	Q3 ² 2005	Q4 2005	Q1 2006
Revenues, PC/Desktop	1,100	1,055	1,111	1,167	1,287
Revenues, Mobile	587	637	612	859	561
Total operating revenues	1,687	1,692	1,723	2,026	1,848
Sales growth quarter by quarter (%)	-7.2 %	0.3 %	1.8 %	17.6 %	-8.8 %
EBIT PC/Desktop	-350	-334	-373	-346	-566
EBIT Mobile	33	81	193	82	-64
EBIT Total	-317	-253	-180	-264	-630
Pre-tax earnings per share (USD)	(0.01)	(0.01)	(0.01)	(0.02)	0.01
Pre-tax earnings per share (USD) fully diluted	(0.01)	(0.01)	(0.01)	(0.02)	0.01

- The group's interim report is presented in accordance with IFRS / IAS 34

- The accounting principles applied are similar to the ones used in the 2005 annual report

¹ Mobile portfolio (through Plutolife) was consolidated from Oct 05

² Proforma figures before Q4 2005; Plutolife is presented as fully consolidated

³ Historic number of shares applied in the earnings per share calculation have been adjusted to reflect the 1:25 split, which took place in 2005

⁴ Compared to Q1 2005, we have prolonged the amortization time of Anarchy Online expansion packs. The effect on Profit&Loss is TUSD 60.