

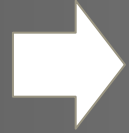


Q2 2006 Results  
July 27, 2006



# Agenda

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1. Highlights in Q2
2. Market update
3. Financials
4. Game demo



## Key financial summary

### Revenue growth from Dreamfall and Anarchy Online

- Revenues of TUSD 4,611 in Q2/06, up from TUSD 1,848 in Q1/06
- Initial sales of Dreamfall with TUSD 2,640 booked in Q2/06
- Increased revenues from Anarchy Online partly due to continued improvement in advertisement revenues
- Stable subscription revenues from Anarchy Online
- Stable revenues from Funcom's mobile subsidiary Plutolife

### High bottom-line profitability, mainly due to financial items

- EBIT in Q2/06 of TUSD -1,221 and Earnings After Tax of TUSD 732 compared to TUSD -630 and TUSD 612 in Q1/06, respectively
- Operating costs increased due to increased employee base and extra-ordinary E3 costs
- Depreciation of capitalized development costs on Dreamfall initiated
- Significant positive net financials due to unrealized currency gains from NOK exposure

### Solid balance sheet

- Cash balance of TUSD 42,424
- No interest bearing long-term liabilities
- Potential positive tax-loss carry forward not on balance sheet, but to be re-evaluated during 2006



# Conan status

## Positive press, industry and community momentum for Age of Conan

- Continuous broad press coverage
- Strong and expanding community
- Age of Conan a showcase game for Microsoft Vista

## Solid progress in development of game, Age of Conan

- Age of Conan entered Beta phase in end of June
- Major features completed
- Reduced technical risk
- Key focus in remaining development time: Content production, game play testing and technical optimization

## Strengthening of Conan license and Funcom-CPI relationship

- Official press release from WB regarding movie development
- Extension of Funcom's Age of Conan license term until end 2023

# E3 awards



"Fans of Conan should definitely be excited"

Runner up: Huxley



"Easily the most accessible and fun looking MMO of the show"

Runner up: None mentioned



"It's the best MMO in development today"

Runner up: World of Warcraft Expansion, Warhammer, Tabula Rasa, Huxley



"We've always had high hopes for Age of Conan, and this year's E3 demonstrated they're not misplaced"

Runner up: World of Warcraft Expansion, Huxley, Gods & Heroes



## Co-publishing agreement with Sci / Eidos

### Key deal points

- Sci/Eidos to publish PC version of game in physical boxed units
- Funcom retains online distribution rights
- Funcom retains subscription revenues. Sci/Eidos to receive a very small incentive from subscription revenues for revenues above a threshold
- 3-5 year term
- Commitment on minimum sales
- Parties to cooperate to get product to console platform

### Sci/Eidos strong points

- Share view on strength of Conan license
- Share ambition regarding sales of Age of Conan game
- Strong performance lately with their Tomb Raider and Hit Man games
- One of Europe's leading publishers and strong world wide PR, marketing and sales capabilities

# Dreamfall launched



## Example press Feedback:

- "Outstanding" (Game of the month) Gamespy, 100%
- "An incredibly fun game" (Editors choice award) Gamezone, 90%
- "One of the year's best" Yahoo Games, 90%
- "Amazing" Xbox Addict, 96%

## Key feedback points:

- Best in the world in storytelling
- Best in the world in art direction, graphics and immersion
- Best audio, music and sound, in the world

## Launch attention:

- Most popular game on all major US gaming sites for a full week after launch
- On best-selling lists in PC and Xbox segment on Amazon, Gamespot and EB-Games

## Sales:

- Solid sales, given the small genre and extensive pirating
- Ship-in in Q2 of approx. 300.000 units
- Sales on Xbox low due to console transition

## Other highlights



### Anarchy Online

- Continued stable subscriber and player numbers
- Continued innovation and world leader in in-game advertising. Increasing advertising revenues
- Lost Eden Expansion Pack in alpha stage of development. Launch target is fall 2006



### The World Online

- Team of 15 working on game
- Game in concept development phase
- Built on Funcom's proprietary DreamWorld technology

QuickTime™ and a  
TIFF (Uncompressed) decompressor  
are needed to see this picture.

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### Mobile

- Stable revenues
- Q2 saw significant increase in number of new contracts





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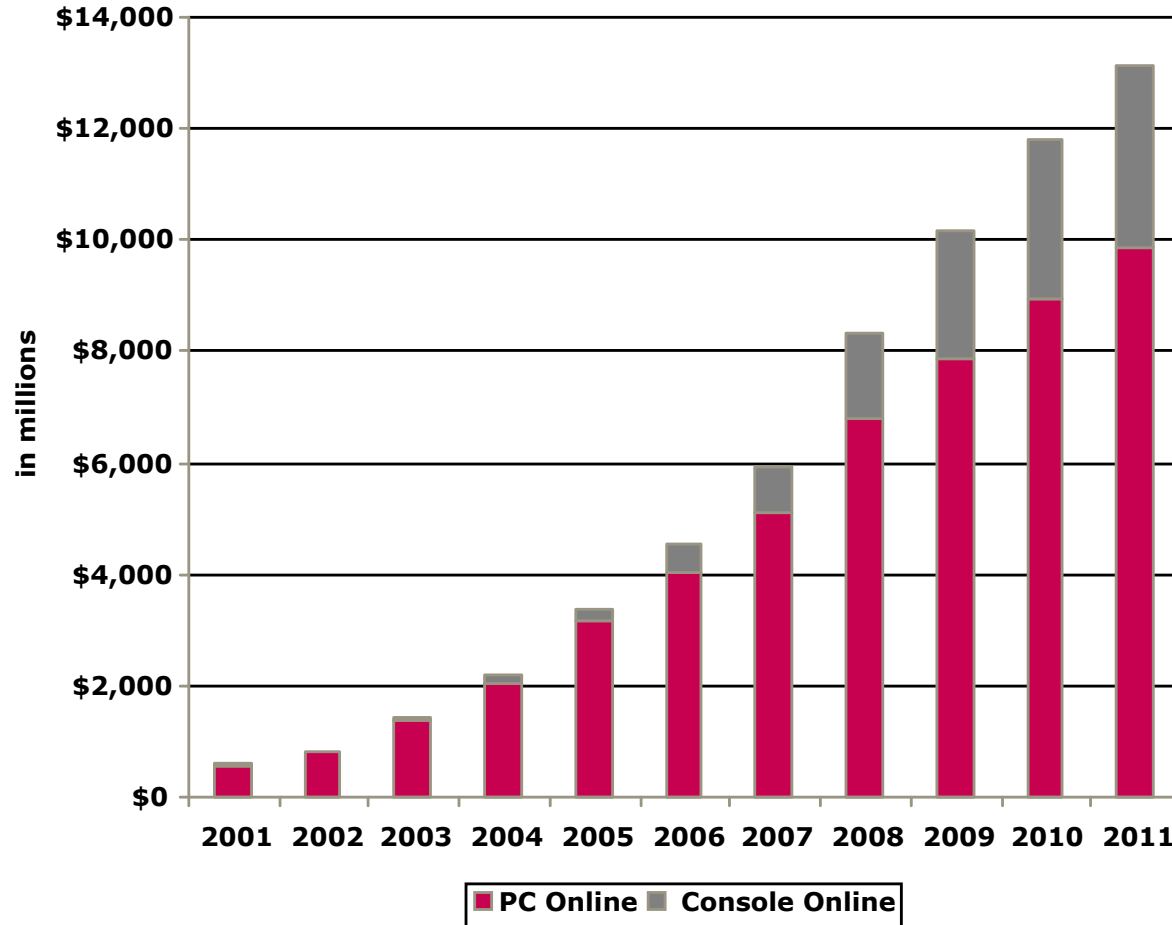
## Trends in MMO gaming

- Online gaming and MMO gaming continues strong growth trend
- World of Warcraft continues success with 6-7 million players
- Broadband penetration continues to stimulate growth in online gaming
- PC remains dominating platform for MMO gaming. Online gaming growth on Xbox360 illustrates potential for MMO success on console platforms
- Subscription model for MMO gaming remains dominant, but is complemented
  - In-game advertising
  - Smaller, more PVP-oriented play-for-free models (Guild Wars)
  - Sales of services
  - Sales of in-game advertising
- Going forward: Subscription model still dominant, but complemented by other revenues streams and business models

# Updated online revenue projections for online gaming



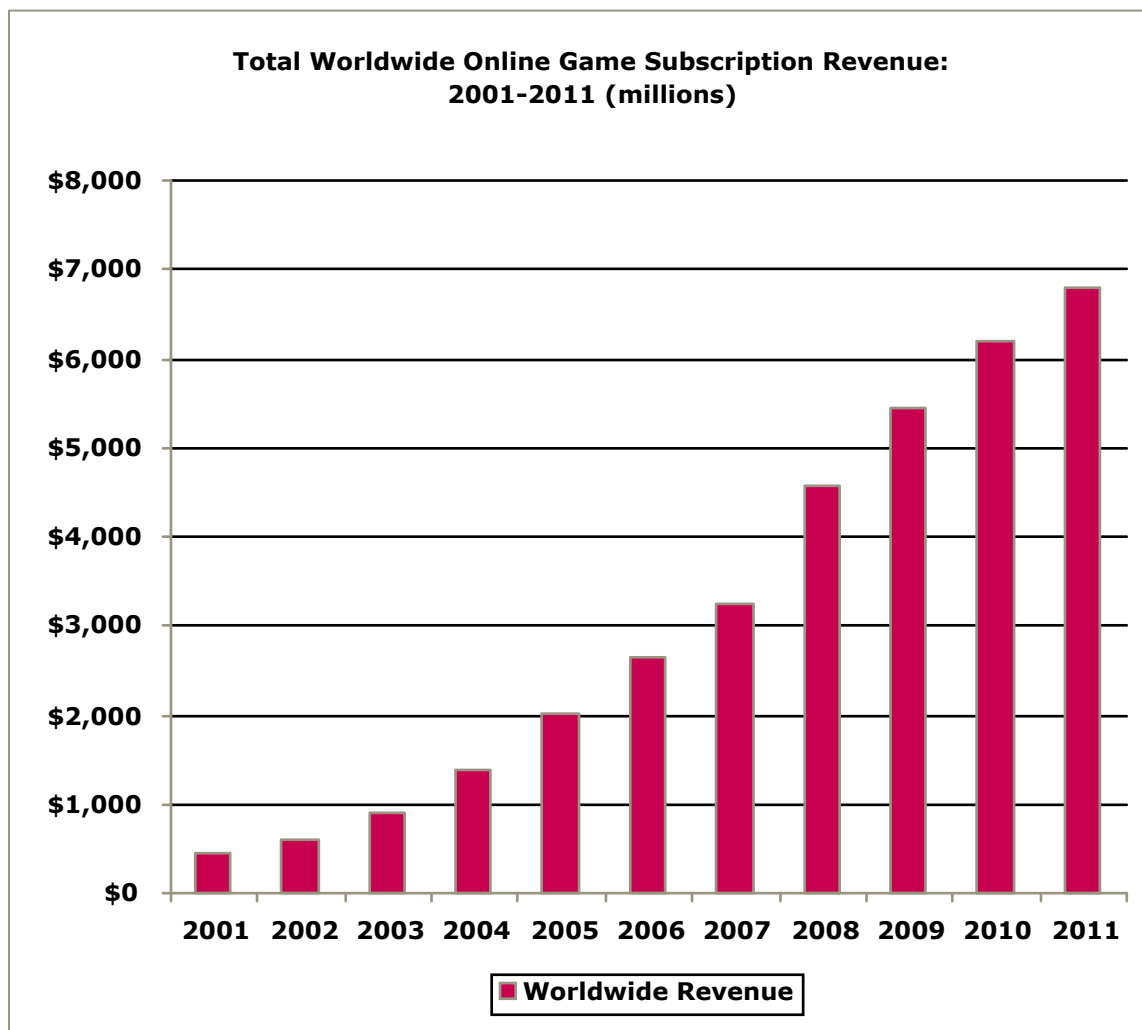
**Worldwide Online Game Revenue: 2001-2011**



Source: DFC



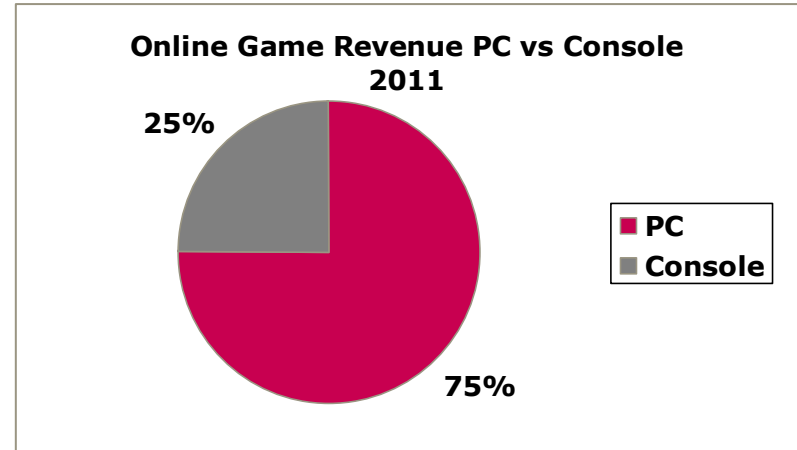
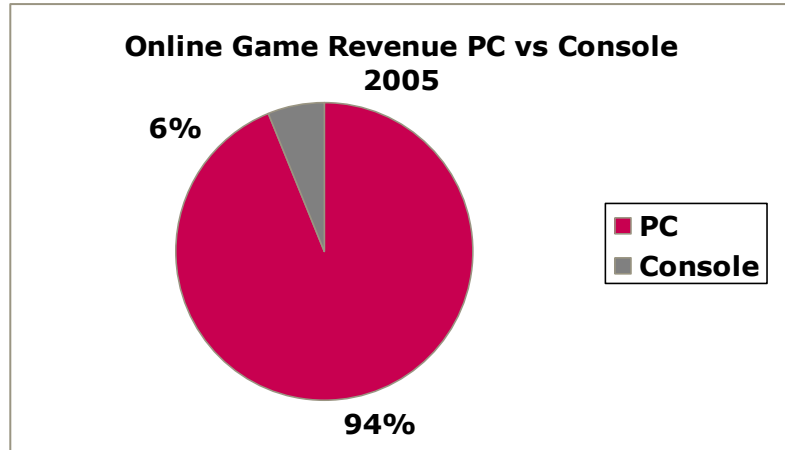
# Increased growth in MMO subscription revenues



Source: DFC

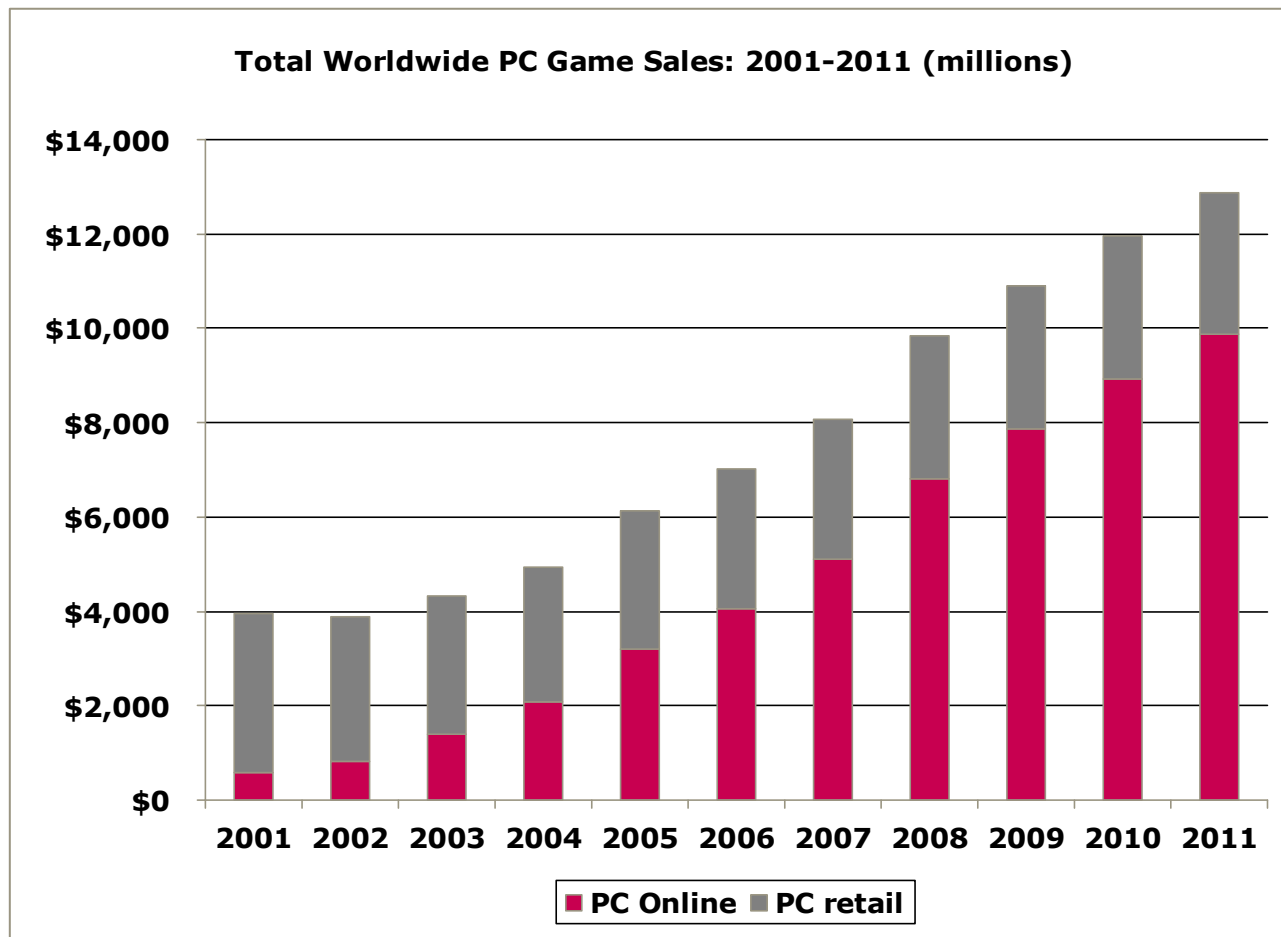


# PC likely to remain dominant online platform



Source: DFC

# Digital distribution growing in importance for PC platform



Source: DFC



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# Profit and loss account

<b>PROFIT AND LOSS ACCOUNT</b> <i>(Figures in TUSD)</i>	<b>Second Quarter</b>		<b>Accumulated</b>		<b>Full Year</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Revenues, PC/Desktop	4,050	1,055	5,337	2,155	4,432
Revenues, Mobile	561		1,122		859
<b>Total Operating Revenues</b>	<b>4,611</b>	<b>1,055</b>	<b>6,459</b>	<b>2,155</b>	<b>5,291</b>
Cost of sales	-344	-173	-603	-354	-805
Operating expenses	-2,644	-999	-4,701	-2,040	-4,994
Depreciation and amortization	-2,844	-217	-3,004	-445	-813
Total operating expenses	-5,832	-1,389	-8,308	-2,839	-6,612
<b>Earnings Before Interest and Tax ("EBIT")</b>	<b>-1,221</b>	<b>-334</b>	<b>-1,849</b>	<b>-684</b>	<b>-1,321</b>
Net financial items	2,016	36	3,244	23	-161
Earnings Before Tax ("EBT")	795	-298	1,394	-661	-1,482
Taxes	-73	-10	-79	-18	6
<b>Earnings before minority interest</b>	<b>722</b>	<b>-308</b>	<b>1,315</b>	<b>-679</b>	<b>-1,476</b>
Minority interest	10		31		-82
<b>Earnings After Tax ("EAT")</b>	<b>732</b>	<b>-308</b>	<b>1,346</b>	<b>-679</b>	<b>-1,558</b>
Earnings per share (USD)	0.02	-0.01	0.03	-0.03	-0.05
Earnings per share fully diluted (USD)	0.01	-0.01	0.03	-0.03	-0.05
Average number of shares (1000)	47,745	25,705	46,175	25,705	28,972
Average number of shares fully diluted (1000)	48,995	25,705	47,425	25,914	29,597





# Balance sheet

<b>BALANCE SHEET</b> <i>(Figures in TUSD)</i>	<b>2006</b>	<b>30-June</b> <b>2005</b>	<b>Full Year</b> <b>2005</b>
<b>ASSETS</b>			
Intangible assets	14,554	7,098	12,235
Tangible fixed assets	809	402	538
Investment in associate		425	
Trade debtors	2,554	78	644
Prepays and other receivables	1,232	568	513
Cash and cash equivalents	42,424	839	26,380
<b>Total assets</b>	<b>61,573</b>	<b>9,410</b>	<b>40,310</b>
<b>EQUITY &amp; LIABILITIES</b>			
Paid in capital	94,214	44,109	72,116
Retained earnings	-37,313	-37,775	-38,744
Equity attributable to minority interest	273		285
Long-term liabilities	154		
Short-term liabilities	4,245	3,076	6,653
<b>Total equity &amp; liabilities</b>	<b>61,573</b>	<b>9,410</b>	<b>40,310</b>



## Interim segment results

<b>INTERIM SEGMENT RESULTS</b>	<b>Q2<sup>9</sup></b>	<b>Q3<sup>9</sup></b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>
<i>(Figures in TUSD)</i>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2006</b>	<b>2006</b>
Revenues, PC/Desktop	1,055	1,111	1,167	1,287	4,050
Revenues, Mobile	637	612	859	561	561
Total operating revenues	1,692	1,723	2,026	1,848	4,611
Sales growth quarter by quarter (%)	0.3 %	1.8 %	17.6 %	-8.8 %	149.6 %
EBIT PC/Desktop	-334	-373	-346	-566	-1,110
EBIT Mobile	81	193	82	-64	-88
EBIT Total	-253	-180	-264	-630	-1,221
Pre-tax earnings per share (USD)	-0.01	-0.01	-0.02	0.01	0.02
Pre-tax earnings per share (USD) fully diluted	-0.01	-0.01	-0.02	0.01	0.01



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