



Q1 2009  
15 May 2009



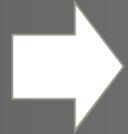
## Forward looking statements

- 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.



# Agenda

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1. Key highlights Q1 2009
2. Key financials
3. Project Status
4. Summary and outlook
5. Extract from Q109 financial Report



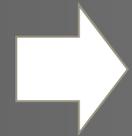
## Q1 highlights

- Revenues for the first quarter of 2009 (Q109) were 7,725 TUSD and EBITDA was 2,898 TUSD.
- The Company's financial position remains strong, with 39,636 TUSD in cash as of March 31, 2009, up from 39.396 TUSD at end of Q408.
- The positive indications on subscriber retention from January 2009 has been reinforced and strengthened in the following months for the *Age of Conan* game. This combined with an increase in new customers in Q1 2009 has led to a stable and solid subscriber base for the Game.
- The average customer acquisition cost through marketing for *Age of Conan* has been lower than the estimated customer value, and the Company will increase marketing spend in the next months to test if it can grow the game profitably.
- The strong potential for *The Secret World* was confirmed by the broad and very positive coverage and feedback from both world gaming press and gamer communities at GDC in April 2009.



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## Key financial summary, Q1 2009

TUSD	Q1,2009	Q1,2008
Revenue	7,725	963
EBITDA	2,898	- 2,553
EBIT	1,439	-2,953
EAT	1,468	919

### Revenue

- Revenues within previously guided range of 6,000 to 8,000 TUSD
- Increase in Funcom revenues compared to Q108 mainly due to subscription revenues and revenues from box sales from the *Age of Conan* game
- Slowly declining revenues from *Anarchy Online*
- Q1 2008 figures are not including Plutolife revenues

### Earnings

- EBIT affected positively by a revaluation of expected returns on box sales and a recalculation of royalty of 800 TUSD relating to sales in Q2 and Q3 2008 made by publisher.
- Expected lower future impact of changes in currency rates as functional currency in Funcom GMBH (Switzerland) has been changed from USD to NOK.

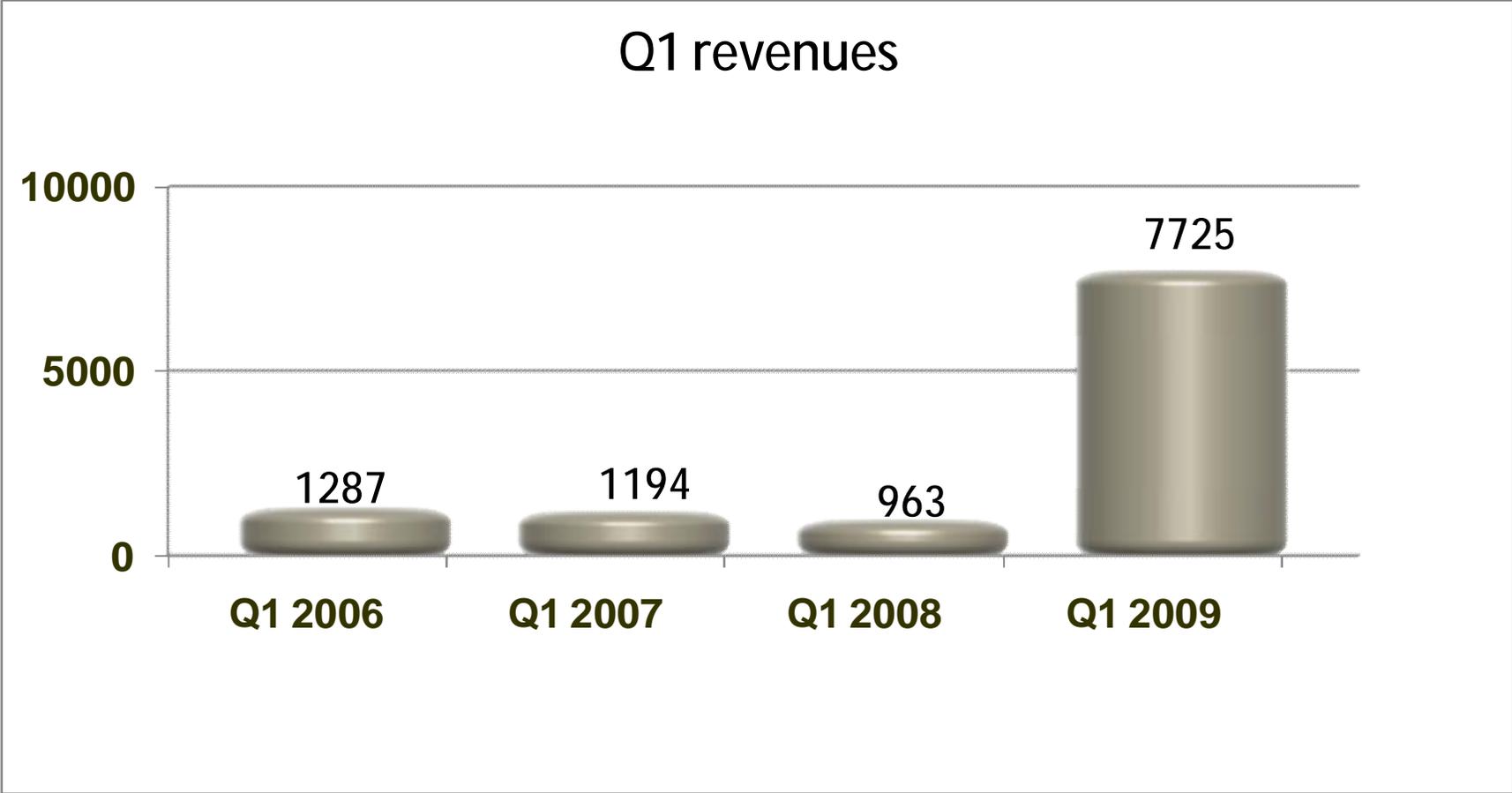
### Consolidated statement of financial position

- Cash balance of TUSD 39,636 as of 31 March, 2009
- High equity-to-assets ratio
- Low interest bearing debt
- Relatively small changes in the statement of financial position from 31 December 2008.

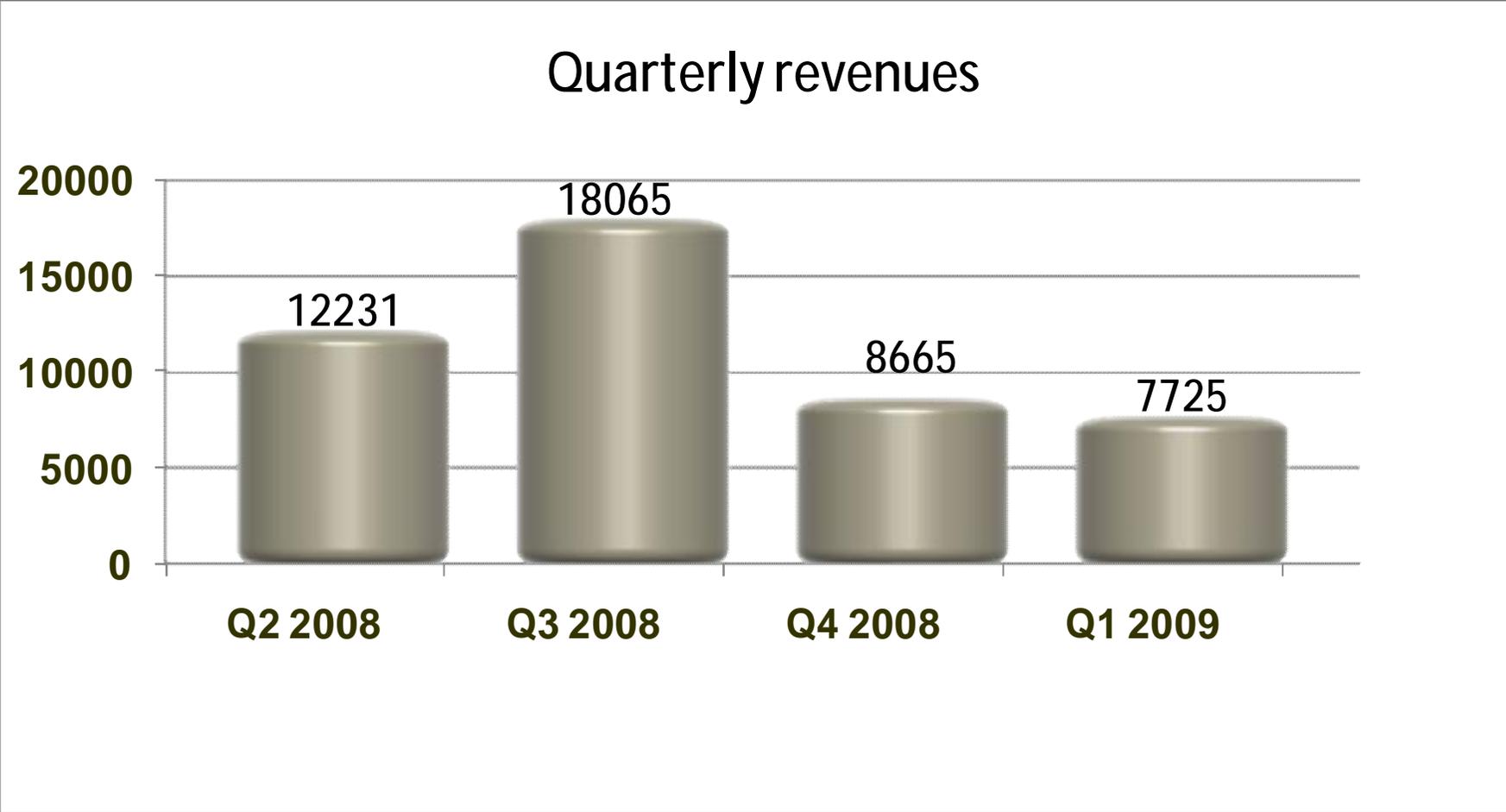
### Guidance, Q2 2009

- Revenues in Q2 2009 are expected to be between 5,000 and 7,000 TUSD
- Will depend on the key success factors; customer acquisition and retention rate on *Age of Conan*

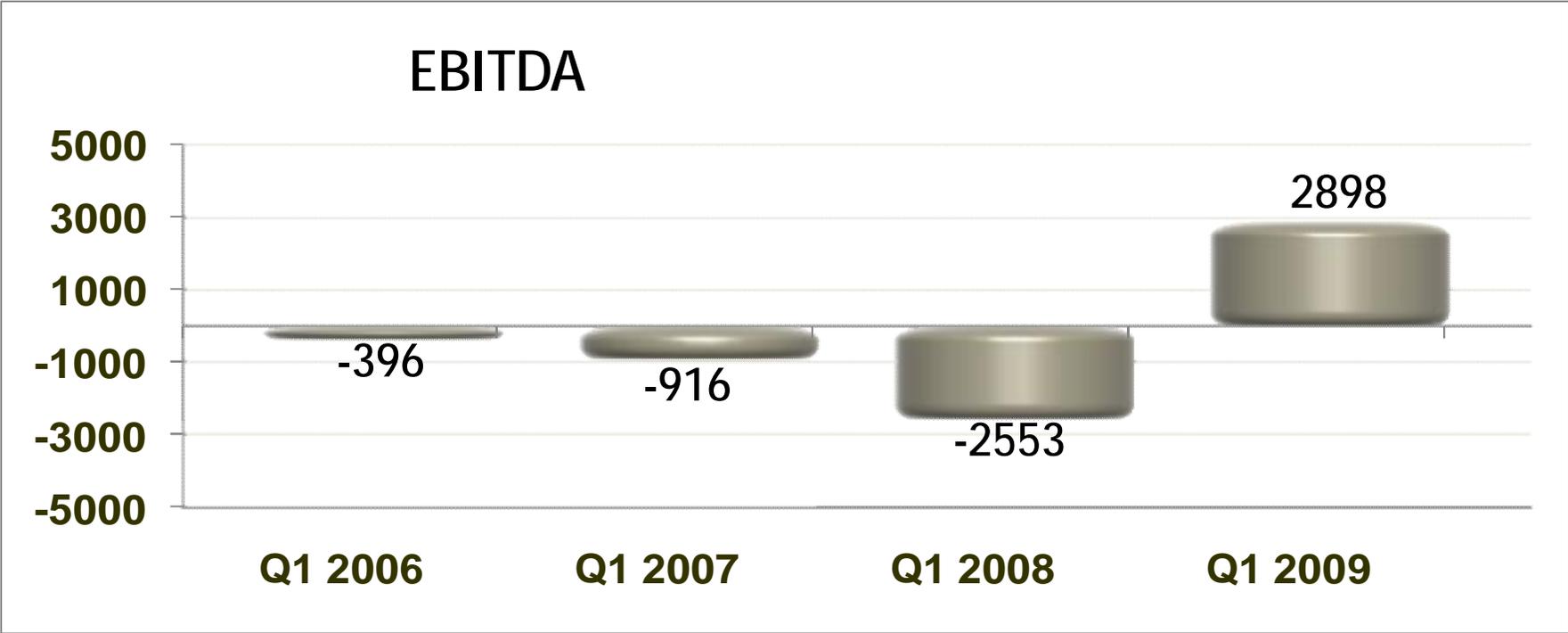
# Key financial summary, Q1 2009



# Key financial summary, Q1 2009



# Key financial summary, Q1 2009





## How does the financial crisis impact Funcom?

### Business effects

- The gaming industry is traditionally less affected by economic cycles in the macro economy than many other business segments.
- The retail based parts of the gaming industry is expected to be more affected than online gaming. Playing online games is still a "low budget" form of entertainment in a cost per hour perspective and should be less affected
- Less competitors will get funding in the short to medium term

### Financial effects

- Cash → Funcom does not need any external funding in 2009, and the Company considers the financial resources to be sufficient to develop, complete and launch the MMOs in development. Most of Funcom's cash and cash equivalents are in NOK
- Currency → NOK depreciation is positive for EBITDA, but negative for substantial portion of cash that is held in NOK

*Funcom does not expect to be significantly affected by the financial crisis*



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## Age of Conan - Status



- Customer loyalty in *Age of Conan* keeps on improving, with longer average subscription periods as the result
- The number of new customers per month has been significantly higher in 2009 than in late 2008 with early trial marketing as one contributor
- Solid, stable customer base in *Age of Conan* in Jan-May 2009
- Activity levels in-game are significantly higher than in previous periods
- The average customer acquisition cost at current marketing spend is lower than the average customer value, and the company will increase marketing spend in the next few months to test if it can grow *Age of Conan* profitably.
- The company invests heavily in the *Age of Conan* game and currently has 120 people, excluding customer service, working on the *Age of Conan* game, primarily in development.

## Age of Conan – Product focus next 6 months



The major updates and enhancements to Age of Conan since launched have significantly improved customer loyalty

### Next major updates:

- Change and improve item system – major change and improvement to RPG system. Expectations for this update seems very positive.
- Greatly expanded Guild and social features.
- Continue to expand content in game:
  - Tarantia Commons, outdoor playfield
  - 3 new dungeons
  - House of Crom etc.
- Rendering and graphical enhancements





## Sales focus– *Age of Conan*

- The average subscription period in *Age of Conan* has improved significantly, increasing the value of an average customer in the game
- Customer acquisition costs through both trial marketing and buy marketing has proven to be at attractive levels
- In the upcoming months, the Company will increase spending on marketing to test whether it can attract more customers at similarly attractive cost levels
- Key sales initiatives will include:
  - Improved trial distribution – broader distribution and smaller client
  - Improvements in customer acquisition funnel
  - Improvements in customer value proposition
  - Re-evaluation initiatives towards large prospect database



Funcom is committed to innovate core businesses and build new ones at the same time



# Funcom free-to-play MMO initiative



In game screen shots from Java based MMO

## Status Java based MMO:

- In focus testing and game play tweaking development phase
- Vertical slice mile-stone this summer
- Young target demographic
- 17 people on team

## Status browser based MMO:

- Core team in place
- Developing MMO technology
- Combat mile stone this summer
- Gamer target demographic
- 14 people on team

## Casual MMOs in Funcom

- Synergies on technology and competence
- Smaller budgets and faster development
- Business models with combination of micro-transactions, subscriptions and advertising

# The Secret World Reveal summary



- Reveal of The Secret World, Funcom's next large scale MMO, on April 7
- Broad, global coverage in all the world's most important online gaming media
- Positive feedback from journalists and gamers
- Reveal video viewed by est. 1.000.000 gamers
- Community established with high level of involvement and enthusiasm
- Game tracking positively against competitors
- Market interest and potential of game confirmed
- Higher interest in TSW than in AOC at same stage in development

# *The Secret World*

## Status and background



### Status:

- Game reached important mile-stone on May 7:
  - 1<sup>st</sup> iteration combat
  - Character creation
  - First cut-scenes
  - 1<sup>st</sup> iteration of mission system
  - First underground playfield
  - Content development tools
- 11 game areas close to complete or in development
- 100 people working on project

### Background:

- Funcom's proprietary DreamWorld game engine
- PC and Xbox 360 platforms



## Market update

- Facebook as a new gaming 'platform' with unique viral capabilities
- Growth of free-to-play database games like Travian, Gameforge etc.
- Growth of young demographic of MMO-gamers, driven by games like Club Penguin, Wizard101, FreeRealms etc.
- Continued growth in casual online games
- High-end MMO market performing well – World of Warcraft, Warhammer Online, EVE, Lotro, Age of Conan, Guild Wars etc.



- Continued strong growth in online gaming market
- Expanding demographic of gamers – children, female, strategy, casual, hard-core etc.
- Numerous and very diverse set of successful online community games



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## Summary and outlook

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### Summary Financials:

- Positive EBITDA and EBIT
- Stable and solid financial situation with close to 40 MUSD in cash

### Summary Operations:

- Improved customer retention for the *Age of Conan* game in 2009
- Positive development for customer acquisition
- Continued investments in *Age of Conan* and new MMOs in development
- Broad and very positive coverage and feedback for *The Secret World* at GDC 2009

### Financial outlook:

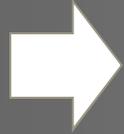
- Guidance of 5-7 MUSD for Q209



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# Statement of financial position



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Figures in TUSD)

### ASSETS

#### Non-current assets

Deferred tax asset

Intangible assets

Tangible fixed assets

Long term receivables

#### Current assets

Trade receivables

Prepayments and other receivables

Cash and cash equivalents

### Total assets

	31-Mar. 2009	2008	31-Dec. 2008
	300	5 627	300
	30 072	41 273	27 123
	1 879	4 595	2 222
	440	494	372
	1 827	1 230	3 028
	1 231	2 015	1 404
	39 636	46 991	39 396
	<b>75 386</b>	<b>102 225</b>	<b>73 845</b>

### EQUITY AND LIABILITIES

#### Equity

Paid in capital

Reserves

Retained earnings

Non-controlling interests

#### Liabilities

Deferred tax liabilities

Long-term liabilities

Short-term liabilities

### Total equity and liabilities

	125 396	124 664	125 246
	133	932	-131
	-64 539	-32 028	-66 761
	0	33	0
	50	0	50
	270	1 627	1 037
	14 076	6 997	14 404
	<b>75 386</b>	<b>102 225</b>	<b>73 845</b>



# Profit and loss account

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Figures in TUSD)

	First quarter		Accumulated		Full Year
	2009	2008	2009	2008	2008
Revenue	7 725	963	7 725	963	39 925
Operating expenses	-4 827	-3 516	-4 827	-3 516	-37 197
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>	<b>2 898</b>	<b>-2 553</b>	<b>2 898</b>	<b>-2 553</b>	<b>2 728</b>
Depreciation, amortization and impairment charges	-1 459	-400	-1 459	-400	-29 436
<b>Operating result ("EBIT") from continuing operations</b>	<b>1 439</b>	<b>-2 953</b>	<b>1 439</b>	<b>-2 953</b>	<b>-26 707</b>
Net financial items	145	2 917	145	2 917	-3 260
Profit (loss) before income taxes from continuing operations	1 584	-36	1 584	-36	-29 967
Income taxes	-117	1 038	-117	1 038	-4 152
<b>Profit (loss) from continuing operations</b>	<b>1 468</b>	<b>1 002</b>	<b>1 468</b>	<b>1 002</b>	<b>-34 119</b>
Profit from discontinued operation, net of tax	0	-83	0	-83	264
<b>Profit (loss) for the period</b>	<b>1 468</b>	<b>919</b>	<b>1 468</b>	<b>919</b>	<b>-33 855</b>
Attributable to non-controlling interests	0	-33	0	-33	-57
Attributable to shareholders of Funcom N.V.	1 468	952	1 468	952	-33 798
Earnings per share basic (USD)	0,03	0,02	0,03	0,02	-0,64
Earnings per share fully diluted (USD)	0,03	0,02	0,03	0,02	-0,64

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the period	1 468	919	1 468	919	-33 855
Foreign exchange translation difference	1 019	241	1 019	241	-926
<b>Total comprehensive income for the period</b>	<b>2 487</b>	<b>1 160</b>	<b>2 487</b>	<b>1 160</b>	<b>-34 781</b>
Attributable to non-controlling interests	0	-41	0	-41	-57
Attributable to shareholders of Funcom N.V.	2 487	1 202	2 487	1 202	-34 724



## Interim segment results

### Segment information

	Revenue from external customers		Segment profit *)	
	Period ended		Period ended	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Full-fledged MMO's	7 636	943	4 470	-856
Free-to-play MMO games				
Unallocated	89	20	89	20
<b>Total</b>	<b>7 725</b>	<b>963</b>	<b>4 559</b>	<b>-836</b>
General and administrative expenses			-1 661	-1 716
Depreciation, amortization and impairment charges			-1 459	-400
Net financial items			145	2 917
<b>Profit (loss) before tax (from continuing operations)</b>			<b>1 584</b>	<b>-36</b>

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

	Full-fledged MMO's	Free-to-play MMO games
Segment assets as at 31 March 2009	28 623	1 089
Segment assets as at 31 December 2008	25 733	685
Segment assets as at 31 March 2008	39 623	0

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