



## 2013 First Quarter Presentation

**The Funcom Group**  
*Funcom N.V. and subsidiaries*

# Disclaimer – forward looking statements

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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 the 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.

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# Agenda

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1. Key highlights 1Q 2013
2. Key financials
3. Funcom – strategy and restructuring
4. Project status
  1. Large scale MMO's
  2. MMO's in development
  3. Mobile and tablet work for hire
5. Summary and Outlook



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# 1Q 2013 Highlights

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- Revenues in 1Q13 were 6,338 TUSD compared to 2,293 TUSD for 1Q12
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for 1Q13 were positive with 1,766 TUSD compared to -4,512 TUSD for 1Q12
- Earnings before Interest and Tax (EBIT) for 1Q13 were -673 TUSD compared to -5,830 TUSD for 1Q12
- Cash position at end of 1Q13 amounts to 3,693 TUSD
- The restructuring process initiated in early January 2013 was successfully completed in mid May 2013
- As per the above, the Company expects the positive effect from the restructuring to materialize in full in the second half of the year. However, significant cost savings were realized in 1Q13 and the operating costs decreased by 1,197 TUSD compared to the previous quarter and by 2,232 TUSD compared to 1Q12
- The licensed LEGO® online game developed in Oslo based on the LEGO® Minifigure line is currently on schedule
- The two work for hire LEGO® games developed in Montreal have reached all milestones in 1Q13
- The first major content upgrade to use the new business model in The Secret World, 'Issue 6 – The Last Train to Cairo', was released in 1Q13 with very good take-up rate amongst players



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# Key Financial Summary



TUSD	1Q 2013	1Q 2012
Revenues	6,338	2,293
EBITDA	1,766	-4,512
EBIT	-673	-5,830
EAT	-74	-6,143

## Revenues

- Main source: revenues from The Secret World and Age of Conan games
- Accrual of both client sales and subscription
- Revenues up in 1Q13 compared to same period in 2012 due to the launch of The Secret World on July 3, 2012

## Earnings

- Positively impacted by the revenues from The Secret World and cost savings

## Consolidated statement of financial position

- Cash balance of 3,693 TUSD as of 31 March 2013
- The carrying amount of total interest-bearing debt amounting to approximately 16,405 TUSD

## Restructuring of loans and convertible bond loan

- The Company finalized the restructuring of the two loans and all of the proposed new loan terms were adopted by the EGM and the bondholders' meeting, both held in April 2013



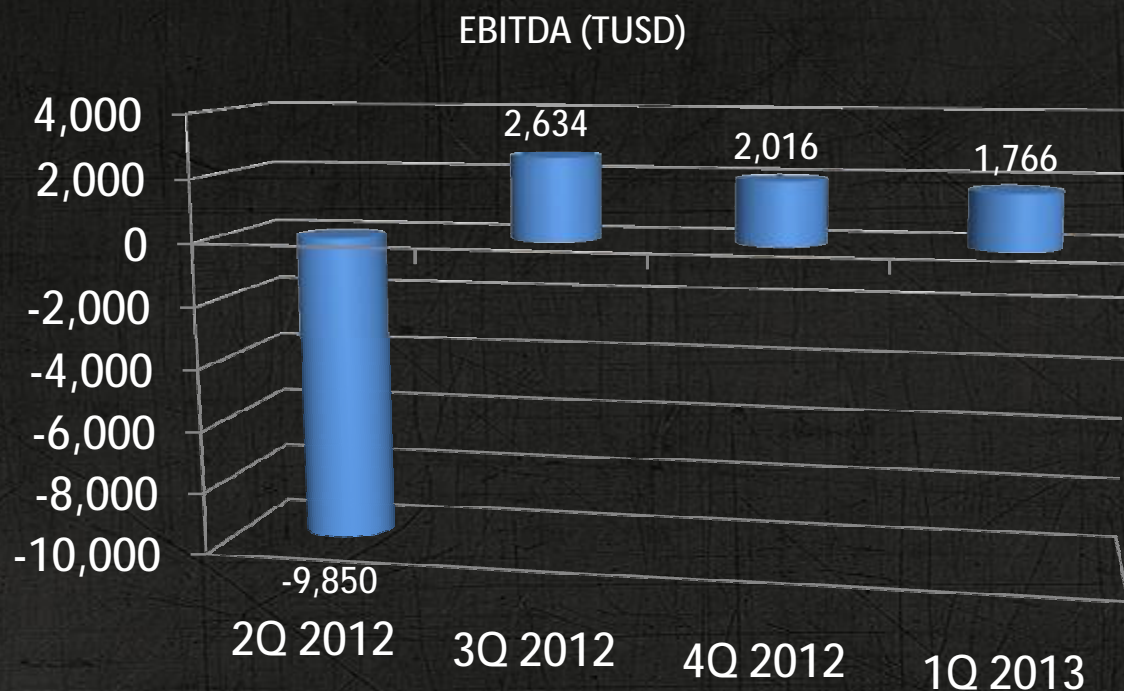
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# Key Financial Summary, 1Q 2013 - Revenue



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# Key Financial Summary, 1Q 2013 - EBITDA



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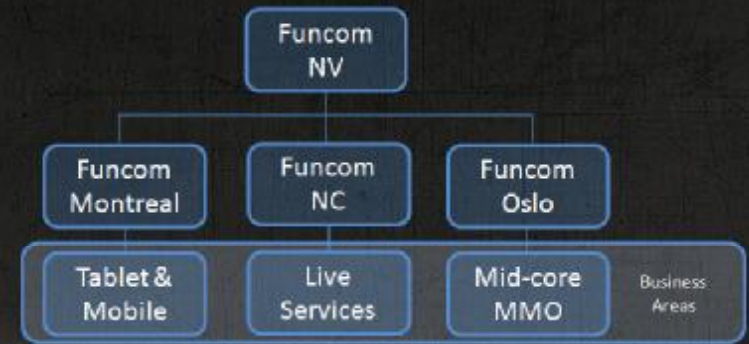
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# Funcom Games Canada

- The Montreal studio's strategy is building high-quality games and technology for mobile and tablet platforms
- Currently the studio is working on two projects based on the LEGO brand and the live game Fashion Week Live
- The Company is continuously seeking similar opportunities for the Montreal studio going forward as well as for the two other studios



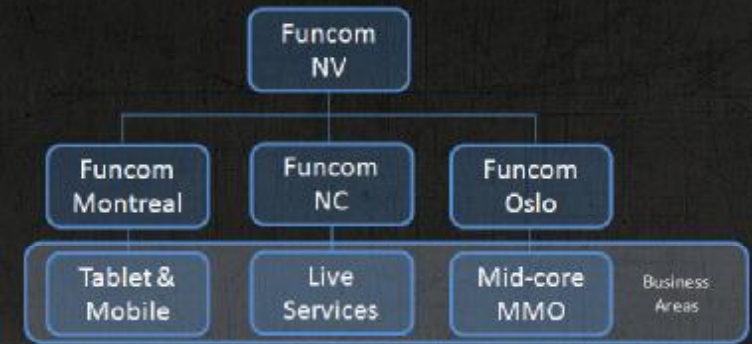
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# Funcom Inc



- The Company consolidated the live teams to its Operational hub in Durham North Carolina
- Going forward the focus of the studio will be to develop and run the existing games in the game portfolio
- The studio will be ready to operate more games and services both from Funcom's own production line and from others as well
- Having both development, support and operation of the live games in one location is providing immediate efficiency gains and cost savings for the Company.

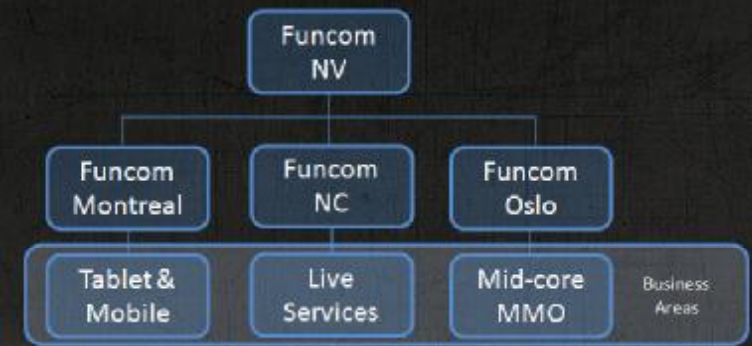


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# Funcom Oslo AS



- Funcom Oslo's business area will be building more focused MMO's in the mid-core segment
- The studio will continue to put all focus on the licensed online LEGO® game based on the LEGO® Minifigure line
- Funcom Oslo will, together with the Montreal studio, continue to invest in the project to make the proprietary Dreamworld technology platform fully compatible for tablet and mobile development



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# Large Scale MMO's

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- The first full quarter with the new buy-to-play business model for The Secret World resulted in higher sales and increased game activity than the previous quarter
- Issue #6 – The Last Train to Cairo - released in March was well received and strengthens our player retention as we continue to release updates
- Issue #7 – A Dream to Kill - releasing this summer will expand the story, features and offers in the game further
- Successful “Golden Weekend” in The Secret World which increased player activity in the game.



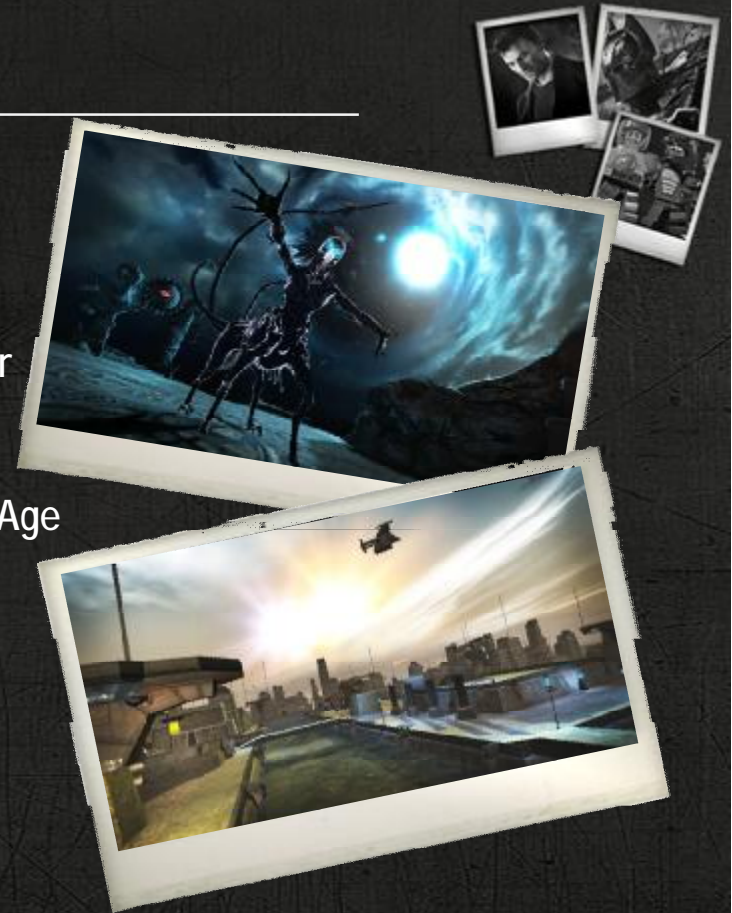
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# Large Scale MMO's

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- The 5th Anniversary event of Age of Conan coming up in the next few weeks
- The anniversary will have several in-game activities and other initiatives to mark the occasion
- The Secret of the Dragon's Spine was launched in January in Age of Conan
- Successfully merged servers on Anarchy Online, leading to increased activity and player numbers in that game. Work continues on the engine
- We are pursuing further initiatives across all games in the future.



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# LEGO® Minifigures - update

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# LEGO® Minifigures - update



- The licensed LEGO® online game is on schedule with several significant deliveries during 1Q13 including two new worlds, series 9 Minifigures, projectiles, and both destructible and buildable objects added to the game.
- Work on the browser client during 1Q13 went as planned and parts of the game engine now run in the browser. Remaining parts will be operational during Q2. The browser client comes in addition to the standard PC Direct X 11 client.
- During 1Q13 Funcom and the LEGO group agreed to establish closer integration between the physical product and the game. Details will be given in a future update.
- Production on the tablet version of the LEGO® Minifigures is progressing according to plan.



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## Other games

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- Fashion week live was in 1Q13 sold to 505 Games
- Funcom previously developed Fashion Week Live in a three way partnership with 505 Games and IMG and will continue to develop the game further on a work for hire basis for 505 Games
- Pets vs Monsters is cash-flow positive and investment levels are aligned with revenue. The Company will continue to operate the game and is in the process of looking at several options for the future of the game
- We will continue to work actively to secure other opportunities fitting the company strategy of building high quality, focused MMO's in the mid-core segment



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- The projects range from 1-2 months projects to longer cycles of 12-24 months, with the initial focus being on 6-12 months projects
- Current projects in development:
  - Project LEGO 1
  - Project LEGO 2
  - Fashion Week Live
- The Montreal studio is also contributing to bring full tablet compatibility to our proprietary *Dreamworld* technology platform, which will open up many new opportunities
- The team consists mostly of seniors with long experience in both web, online, tablet and mobile development



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# Summary and Outlook

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- The two work for hire LEGO® games developed in Montreal have reached all milestones in 1Q13
- The first major content upgrade to use the new business model in The Secret World was released 1Q13
- In 2Q13 the Company expects further reduction in operating costs and lower revenues - please, refer to the 2012 annual report for the principles related to revenue recognition.



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