



# 2013 Second 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.

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.



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# Agenda

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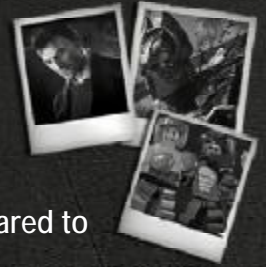
1. Key highlights 2Q 2013
2. Key financials
3. Funcom – strategy and restructuring
4. Project status
  1. Large scale MMO's
  2. MMO's in development
  3. Mobile and tablet work for hire
5. Summary and Outlook





# 2Q 2013 Highlights

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- Revenues in 2Q13 were 5,465 TUSD compared to 2,557 TUSD for 2Q12
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for 2Q13 were positive with 1,304 TUSD compared to -9,850 TUSD for 2Q12
- Earnings before Interest and Tax (EBIT) for 2Q13 were -253 TUSD compared to -47,523 TUSD for 2Q12
- Close to cash flow neutral in 2Q13 with a cash burn of only 42 TUSD compared to 4,351 TUSD in 1Q13.
- The restructuring process initiated in early January 2013 was 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, the company continues to realize significant cost savings and the operating costs decreased by 412 TUSD compared to the previous quarter and by 8,246 TUSD compared to 2Q12
- The licensed LEGO® online game developed in Oslo based on the LEGO® Minifigure line reached it's friends & family Beta milestone in 2Q and was revealed for the first time at Gamescom in Cologne in August. Initial feedback is very positive
- The two work for hire LEGO® games developed in Montreal have reached all milestones scheduled for the first half of 2013
- The second major content upgrade to use the new business model in The Secret World, 'Issue 7 – A Dream to Kill', was released in 2Q13 with equally good take-up rate as last issue



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# Key Financial Summary



TUSD	2Q 2013	2Q 2012
Revenues	5,465	2,557
EBITDA	1,304	-9,850
EBIT	-253	-47,523
EAT	251	-49,190

## Revenues

- Main source: revenues from The Secret World and Age of Conan games
- Accrual of both client sales and subscription
- Revenues up in 2Q13 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 and cash flow

- Close to cash flow neutral in 2Q13 with a cash burn of only 42 TUSD compared to 4,351 TUSD in 1Q13.
- Cash flow from operating activities in 2Q13 is positive with 808 TUSD compared to -2,503 TUSD in 1Q13.
- Cash balance of 2,126 TUSD as of 30 June 2013
- The carrying amount of total interest-bearing debt amounting to approximately 16,925 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



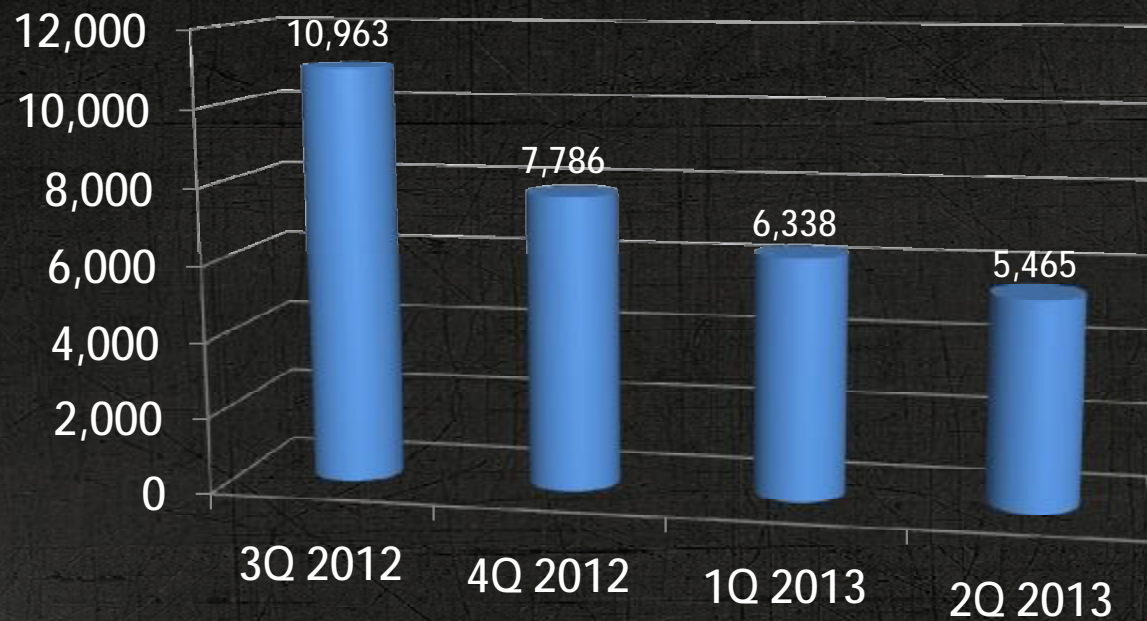
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# Key Financial Summary, 2Q 2013 - Revenue

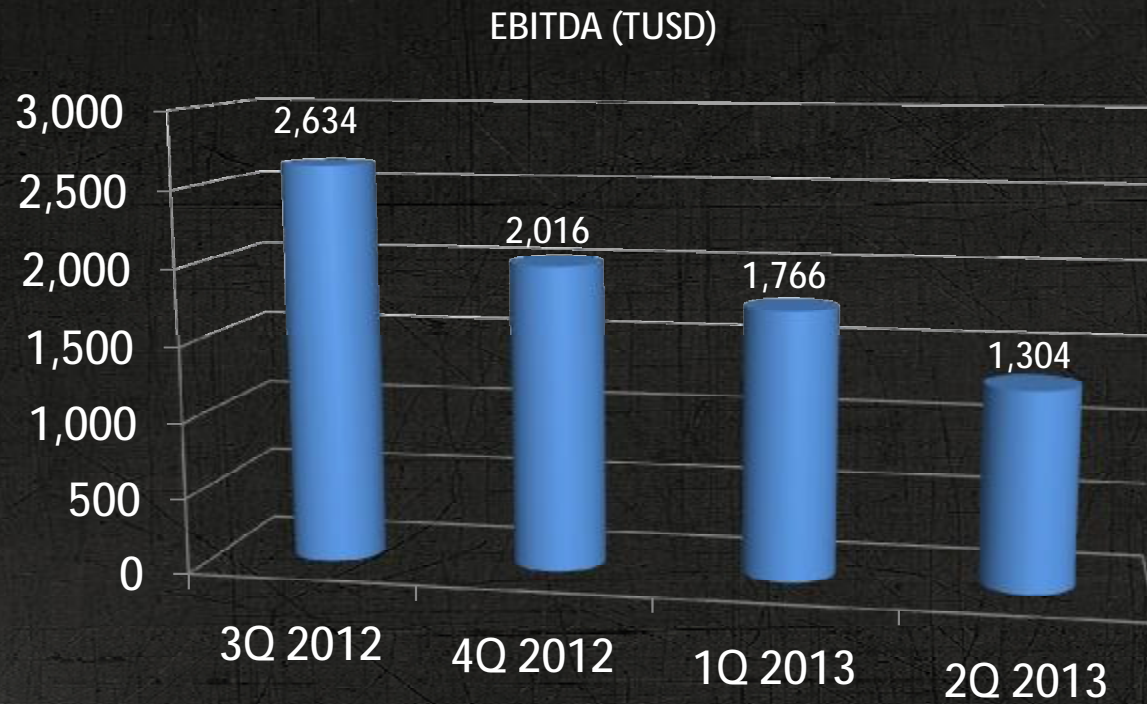


Quarterly Revenues (TUSD)



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# Key Financial Summary, 2Q 2013 - EBITDA



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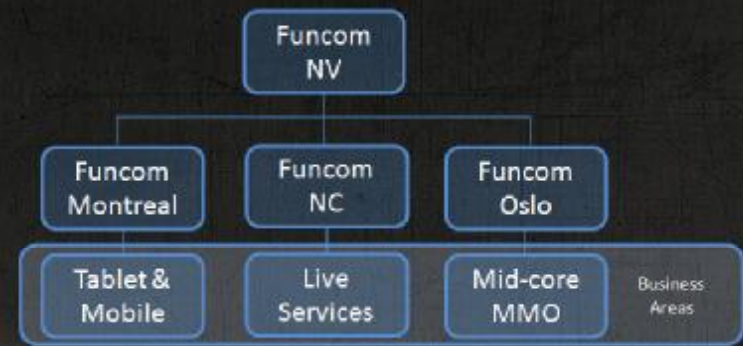
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# Funcom Games Canada



- The Montreal studio's strategy is building high-quality games and technology for mobile and tablet platforms
- During 2Q the studio has been 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

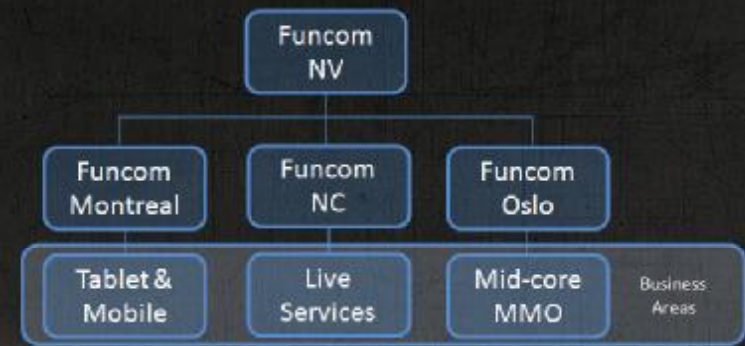




# Funcom Inc



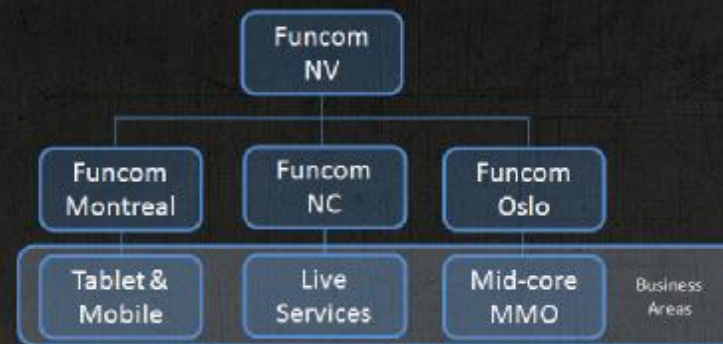
- The Company consolidated the live teams to its Operational hub in Durham North Carolina
- Going forward the focus of the studio will be to develop and run the existing games in the game portfolio
- The studio will be ready to operate more games and services both from Funcom's own production line and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



# 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



- The second full quarter with the new buy-to-play business model for The Secret World continued to keep higher sales and increased game activity than in 4Q12
- Issue #7 – A Dream to Kill - released this summer expanded the story, features and offers in the game further
- The team is currently working on Issue #8
- 1 Year Anniversary Event was very successful and we saw a big increase in user numbers and sales
- The team will continue to focus on content and events that are proven to increase player activity



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# Large Scale MMO's

- The 5th Anniversary event of Age of Conan was launched with great result
- The anniversary had several in-game activities and other initiatives to mark the occasion
- Work on the new engine and further updates to Anarchy Online continues
- We are pursuing further initiatives across all games in the future



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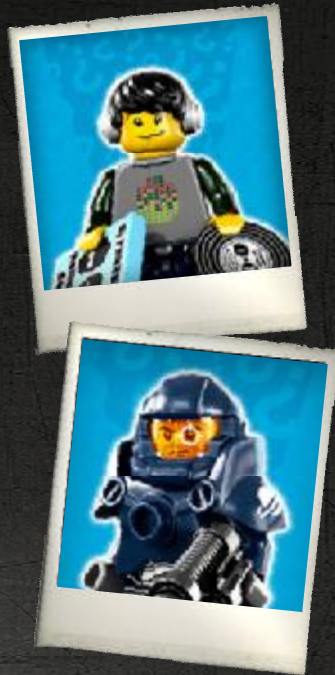
# LEGO® Minifigures - update



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# LEGO® Minifigures - update

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- The licensed LEGO® online game is on schedule with several significant deliveries during 2Q13
- In July the team successfully launched the friends and family beta which ran throughout the summer
- Work on the tablet version has been accelerated by the allocation of more resources
- In August Funcom had the first public reveal of the game at Gamescom in Cologne, Germany. Initial feedback has been very positive
- Amongst the many that got the presentation were GameInformer, IGN, GameSpot, Eurogamer, PC Gamer, JeuxVideo, GameStar
- Norwegian press: Dagbladet, DN, NRK, Gamer.no and IT avisen



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# LEGO® Minifigures - reveal update



"Det virker det som om de virkelig har troen på sitt eget spill, og etter det vi fikk se har vi i Filmpolitiet fått troen også."

*NRK Filmpolitiet*

"It's a brash, sort of isometric LEGO smash 'em up built for kids and those who occasionally like to pretend to be kids. It looks kind of brilliant."

*PC Games N*

"What I saw during Gamescom was already beginning to look solid, varied, and definitely LEGO, and I'm looking forward to seeing Funcom welcome an entire new generation of MMO gamers. With the LEGO Minifigures launching as a fun, action-focused free-to-play title, there's certainly no reason why that can't happen."

*ZAM*

"Fargerikt, sjarmerende, inkluderende og humoristisk.... Det er fortsatt mye tid igjen, men det hele ser allerede veldig polert ut. Vi ser frem til å se enda mer av den søte verdenen."

*PlayDay*



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# Other 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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# Montreal studio – mobile and tablet

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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
- Projects in development in 2Q:
  - 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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- The two work for hire LEGO® games developed in Montreal have reached all milestones scheduled for the first half of 2013
- In 3Q13 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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