



2013

Fourth Quarter Presentation

The Funcom Group
Funcom N.V. and subsidiaries

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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.

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Agenda



1. Key highlights 4Q 2013
2. Charge by Økokrim
3. Funcom Strategy
4. Key financials
5. Project status
 1. Large scale MMO's
 2. MMO's in development
 3. Mobile and tablet work for hire
6. Summary and Outlook

4Q 2013 Highlights



- Revenues in 4Q13 were 4,270 TUSD compared to last year's post-launch quarter of *The Secret World* – 7,786 TUSD in 4Q12 and 5,336 in 3Q13. The decrease in 4Q13 was mainly due to a smaller amount recognized in revenue from previously recorded deferred billings of TSW as well as weaker sales following the increased competition as reported in 3Q13
- EBITDA of 233 TUSD in 4Q13 and has remained positive since the launch of *The Secret World*, even though it is lower compared to 1,729 TUSD in 3Q13 and 2,016 TUSD in 4Q12 mainly due to the decrease in revenue
- Earnings before Interest and Tax (EBIT) for 4Q13 were -4,779 TUSD compared to 826 TUSD in 3Q13 and to -5,947 TUSD in 4Q12. The decrease compared to 3Q13 is mainly due to 4,200 TUSD of impairment charges on both *The Secret World* game and the underlying technology
- Cash position at the end of 4Q13 amounts to 2,582 TUSD compared to 3,498 TUSD at end of 3Q13. The decrease in cash is explained mainly by the investment in the *LEGO® Minifigures Online* game as well as continuous investment in our proprietary *Dreamworld* platform to make it compatible across multiple platforms including tablets

4Q 2013 Highlights (continued)



- During 4Q13 the development team of *LEGO® Minifigures Online* conducted the first of several Closed Beta tests. The feedback from testers on gameplay and visuals were positive. Feedback on usability, including user interface and how you interact with it was mixed, and the team has acted to address these issues in 1Q14. A revised user interface will be available in the next Closed Beta phase
- *LEGO® Minifigures Online* is currently on schedule to reach its Open Beta phase summer 2014
- The *Dreamworld* technology platform development focused on tablets during 4Q13. An Android and an iOS/iPad version are scheduled for 2014
- The refinement of the business model in 1Q14, combined with continuous targeted marketing programs during 4Q13 and beyond has led to an increase in activity in *The Secret World*. The team is currently working on a major upgrade pack 'Issue 9' to be released Q214

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Charge by Økokrim



- In 1Q14 Funcom NV was charged by Økokrim (The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) on suspicion of infringement of the provisions of the Securities Trading Act with regards to information given to the market (market manipulation) and maintenance of the required list of persons who are given access to inside information
- No employees of the Company have been charged
- The period in question is from August 2011 to August 2012
- No indication has been given as to how long this process will take
- The Company is cooperating fully with Økokrim providing them with all the necessary documentation
- The company will update the market as soon as we have new information regarding the charge

Agenda



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5. Project status
 1. Large scale MMO's
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6. Summary and Outlook

Funcom Strategy



- During 4Q13 and 1Q14 the Company has been focusing on turning around the business and developing our new games. We have found out that some stakeholders in the gaming industry, financial communities and also amongst press didn't know enough about our new strategy
- The Company has decided to communicate more to the press and the analysts about this new strategy and position of the company, which will bring Funcom into the future
- As one of many actions, we have reached out to both national financial press; Dagens Næringsliv (Norwegian Business Daily), E24, Finansavisen and international gaming press, GamesIndustry.biz to give them a better understanding of where Funcom was, where we are today, and where we are taking the Company
- It is our view that this has been received positively
- The Company will on a continuous basis update the market on its strategy and be available for media

Funcom Strategy (continued)



- | The new company strategy announced in 2Q12 have the following main elements:
 - | Building mid-core focused online games
 - | Smaller initial budgets and shorter development time with initial cost of 3-6 MUSD
 - | Smaller, more agile development teams
 - | Make the proprietary *Dreamworld* technology platform compatible across multiple gaming platforms
 - | Build games around a known brand or other strong intellectual property
- | It is the Company's goal to align itself with the market, leverage its technology and know-how and adapt its portfolio of products to address the current needs as well as future changes
- | *LEGO® Minifigures Online* is the first game developed under this new strategy. The long term goal is to produce titles in parallel releasing more than one game a year
- | The technology will be Android and iOS compatible in 2014 enabling all future games the option to be tablet ready
- | With smaller teams and shorter development cycles the long term goal is to have more than one game in new development at any time, and to release more than one game a year

Agenda



1. Key highlights 4Q 2013
2. Charge by Økokrim
3. Funcom Strategy
4. **Key financials**
5. Project status
 1. Large scale MMO's
 2. MMO's in development
 3. Mobile and tablet work for hire
6. Summary and Outlook

Key Financial Summary



TUSD	4Q 2013	4Q 2012
Revenues	4,270	7,786
EBITDA	233	2,016
EBIT	-4,779	-5,947
EAT	-4,822	-6,433

Revenues

- Main source: revenues from *The Secret World* and *Age of Conan* games
- Accrual of both client sales, subscription and micro transaction
- Revenues lower than the previous quarter (decrease in amount recognized in revenue from previously recorded deferred billings of TSW as well as a drop in sales following the increased competition as reported in 3Q13) and in comparison with 4Q12, which was the post-launch quarter for *The Secret World* game

Operating Costs

- After successful completion of the organizational restructuring in 2013 more than 50% cost savings compared to 2012

Earnings

- EBITDA of 233 TUSD remains positive since the launch of *The Secret World* although lower than previous quarter and 4Q12 due to lower revenues from *The Secret World*
- 4,200 TUSD impairment on *The Secret World* and the underlying technology due to projected lower future revenue

Consolidated statement of financial position and cash flow

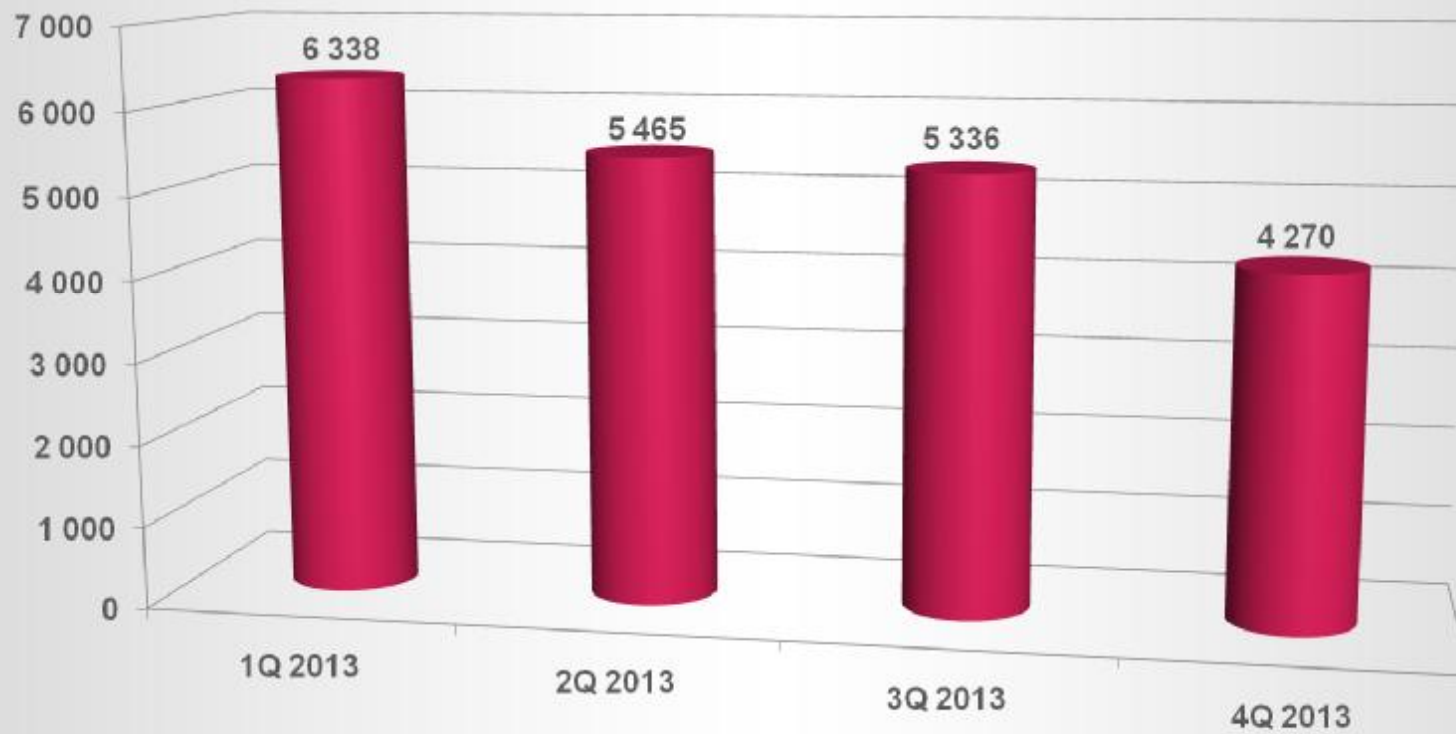


- Cash balance of 2,582 TUSD as of 31 December 2013. The decrease in comparison to 3Q13 (3,498 TUSD) is mainly due to the investment required for the development of the licensed LEGO® online game developed in Oslo based on the LEGO® Minifigures line, as well as the investment in the underlying technology
- New loan of 5,500 TUSD was negotiated with the Company's main shareholder KGJ Investments S.A., SICAV-SIF, and the first installment of 3,000 TUSD was received in December 2013. The other two installments of 1,250 TUSD each will become available in 1Q14 and 2Q14 respectively.
- The Company finalized the restructuring of two loans and all of the proposed new loan terms were adopted by an EGM and a bondholders' meeting, both held in April 2013.
- Repayment of 2,000 TUSD of interest bearing loan in December 2013. The carrying amount of total interest-bearing debt amounting to approximately 17,387 TUSD at year end, where 4,902 TUSD are convertible bonds with due date December 2015 and a nominal amount of 6,200 TUSD. The convertible bonds are convertible to shares with a strike price of 0,37 USD/share
- Equity is negative -5,561 TUSD at the end of 4Q13 mainly as a result of an impairment charge of 4,300 TUSD and a foreign exchange translation difference of 2,770 TUSD for the full 2013 reported in "Other comprehensive income"
- Equity increase of 1,850 TUSD in January 2014 as a result of conversion of 5,000,000 warrants held by Funcom's main shareholder and issuance of same number of shares of Funcom N.V. The proceeds of 1,850 TUSD were used for a partial repayment of the related interest bearing loan as agreed in the revised loan agreement following the loan restructuring in April 2013. The main shareholder still holds 10,000,000 warrants with expiry date December 2015 and with a strike price of 0,37 USD/share
- Other opportunities for improving the equity of the Company include: Increase in profitability as a result of the revenue potential of the current and future games as well as the cost saving measures undertaken since 4Q12 and, continuous evaluation of sources of financing e.g. existing equity facility and raising capital via financial arrangements including equity issuance

Key Financial Summary, 4Q 2013 - Revenue



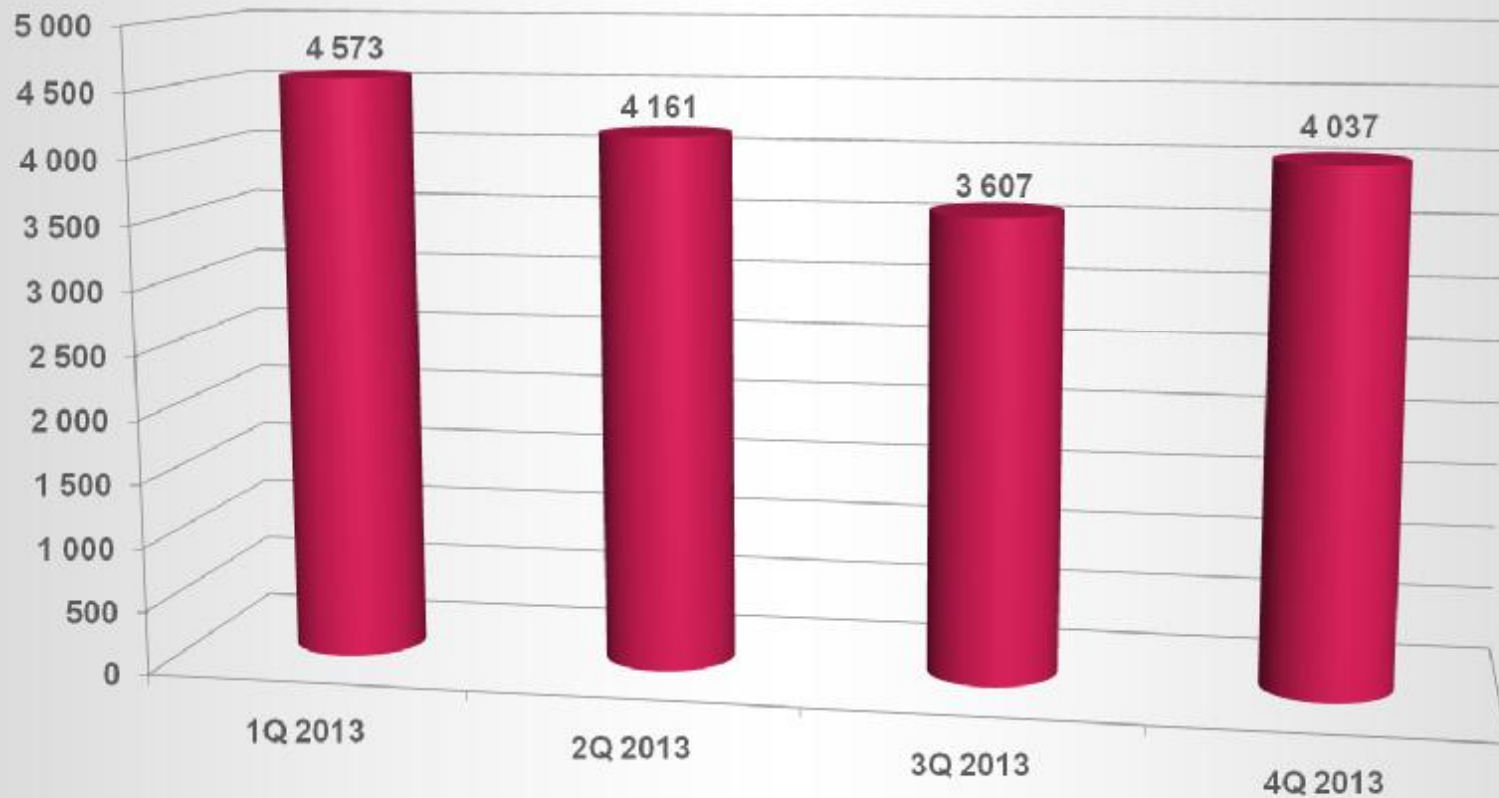
Quarterly Revenues (TUSD)



Key Financial Summary, 4Q 2013 – Operating Costs



Quarterly Operating costs (TUSD)



Key Financial Summary, 4Q 2013 – EBITDA



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3. Funcom Strategy
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 1. **Large scale MMO's**
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6. Summary and Outlook

Large-scale MMO's



- The increased competitive trend we experienced in 3Q13 continued in 4Q13. The activity level decreased leading up to the November and December sale, resulting in lower revenue as expected
- The Company has in 4Q13 and 1Q14 initiated several marketing campaigns and other activities to increase activity level
- The marketing activities, as well as a refinement to the business model, has lead to higher activity and higher revenue early 1Q14

Large-scale MMO's



- Player numbers and revenues from *Age of Conan* and *Anarchy Online* were relatively stable in 4Q13 considering the competitive pressure
- The continuous focus of the development of these games are to add new features and content for the player base to extend player engagement time
- Work on the new engine and further updates to *Anarchy Online* continues
- All games in the large-scale MMO segment are cash flow positive and will remain so in the foreseeable future.
- We are pursuing further initiatives across all games in the future



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Agenda



1. Key highlights 4Q 2013
2. Charge by Økokrim
3. Funcom Strategy
4. Key financials
5. **Project status**
 1. Large scale MMO's
 2. **MMO's in development**
 3. Mobile and tablet work for hire
6. Summary and Outlook

LEGO® Minifigures Online - Update



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LEGO® Minifigures Online - Update

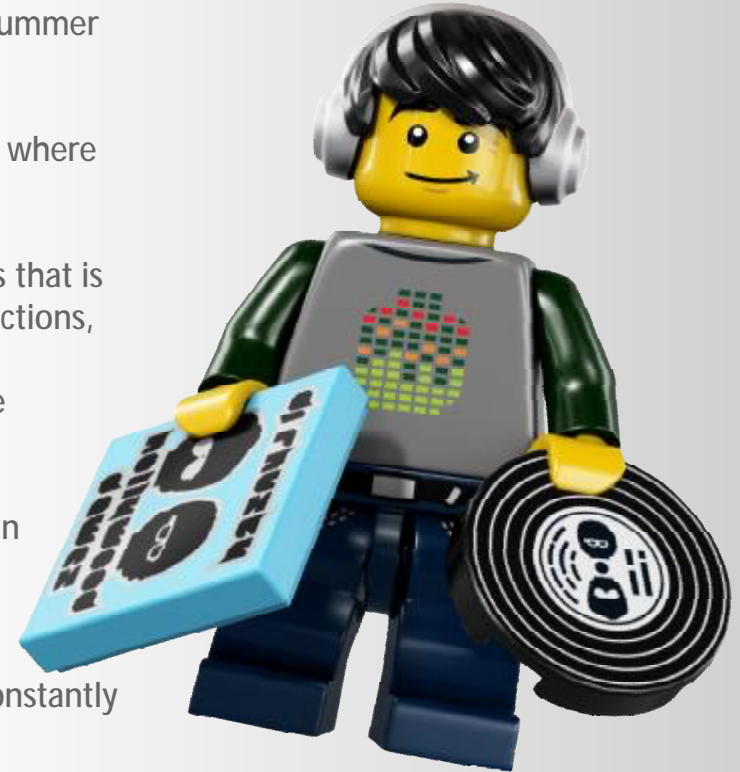


- | The development of the game is on schedule for Open Beta in summer 2014
- | The team working on the game met all major deliveries during 4Q12, the first closed beta being the most important
- | The Feedback from testers was good on game play, fun factor and visuals
- | Feedback on usability, including user interface and how you interact with it was mixed, and the team has acted to address these issues in 1Q14. A revised user interface will be available in the next Closed Beta phase
- | Focus for 1Q14 is to address the issues reported in the first closed beta phase and initiate a new round of closed beta inviting a few more to participate in testing the game
- | In addition the team continued to deliver a significant amount of features and content during 4Q13
- | Tablet version of the game will be available in 2014

LEGO® Minifigures Online – Free-to-Play



- The current strategy is to launch this game as a “free to play” game in open beta summer 2014
- What defines a game in the “Free to play” space is the free entrance to the game where you can play the whole game, or parts of it, for free
- The Company will for *LEGO® Minifigures Online* utilize a mix of business mechanics that is known for the “Free to play” space. This can include different kinds of microtransactions, membership benefits, up-sale packs or a mix of this. The Company will for *LEGO® Minifigures Online* continuously evaluate different business mechanics and change according to market needs
- Typically a game in the “Free to play” space will start soft with focused marketing in limited markets while constantly tweaking and even changing game and business mechanics for months and years after commercial launch
- Revenues will typically follow the same trend, starting soft for then to be grown constantly as the game evolves over months and years
- The Company strongly advise investors to seek more information about the game industry in general and the “Free to play” space in terms of revenue expectations in particular



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Montreal Studio – Mobile and Tablet



- ▮ 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
- ▮ First project with LEGO® delivered on time and on budget in 3Q13
- ▮ Projects currently in development:
 - ▮ Project LEGO® 2
 - ▮ Fashion Week Live
 - ▮ Several prototypes have been delivered
- ▮ The team consists mostly of seniors with long experience in both web, online, tablet and mobile development
- ▮ The team is actively pursuing other opportunities and by strengthening the business development department increasing the likelihood of securing future growth



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3. Funcom Strategy
4. Key financials
5. Project status
 1. Large scale MMO's
 2. MMO's in development
 3. Mobile and tablet work for hire
6. **Summary and Outlook**

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- In 1Q14 the Company expects operating costs to increase and revenue to be comparable or slightly lower than 4Q13 (please, refer to the 2012 annual report for the principles related to revenue recognition). The increased operational cost is mainly due to expenses related to the ramp up of marketing and development activities leading up to Open Beta for *LEGO® Minifigures Online*, as well as to the costs related to the ØKOKRIM charge

Last slide

