



2014

Third Quarter Presentation



**Please send questions to
3Q14@funcom.com**

**We will aim to answer as many questions as
possible at the end of this presentation.**

Disclaimer – 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.

- 1. Key highlights 3Q 2014**
2. Key financials
3. Project status
 1. Large scale MMO's
 2. Games in development
4. Summary and Outlook

- Revenues decreased from 3,190 TUSD in 2Q14 to 2,651 TUSD in 3Q14
- Total Equity of the Company decreased to -3,307 TUSD at the end of 3Q14 compared to 553 TUSD at the end of 2Q 14
- Cash position increased from 2,698 TUSD at the end of 2Q14 to 3,306 TUSD at the end of 3Q14
- The Company recorded in 3Q14 an impairment on intangible assets in the amount of 5,760 TUSD

- *LEGO Minifigures Online* started its six month roll-out on October 1st, launching on time on Windows PC in English, French, German and Spanish speaking markets
- The initial numbers coming from the first weeks of live data coming from *LEGO Minifigures Online* currently indicate that it will take longer than planned to achieve the initial internal player and revenue number targets for 2014 and 2015
- The current Live Games – *Anarchy Online*, *Age of Conan* and *The Secret World* – continue to contribute positively to the Company's results despite a slow natural decline in players and revenues due to their age

- The proprietary *DreamWorld™* technology is cross-platform compatible, running on Windows, Mac, iOS and Android devices
- The company announced partnerships with both Intel and Amazon for the development of the LEGO Minifigures games on selected devices

- Ole Schreiner stepped down as a CEO and Managing Board member of Funcom N.V.
- Michel Cassius has temporarily joined as Managing Board member to strengthen the overall management whilst the Company is looking for a new CEO

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Key Financial Summary



TUSD	3Q 2014	3Q 2013
Revenues	2,651	5,336
EBITDA	-468	1,729
EBIT	-6,599	826
EAT	-7,018	108

Revenues

- Main source: revenues from *The Secret World* and *Age of Conan* games
- Revenues lower than 3Q13 following gradual decrease of sales.
- Revenues and billings have decreased by 539 TUSD compared to 2Q14 due to slightly weaker in-game sales.

EBITDA

- After successful completion of the organizational restructuring in 2013 operating costs are 1,020 TUSD lower than 3Q13
- EBITDA of -468 TUSD is lower than in 3Q13 since the reduction of revenues exceeds reduction of operating costs.

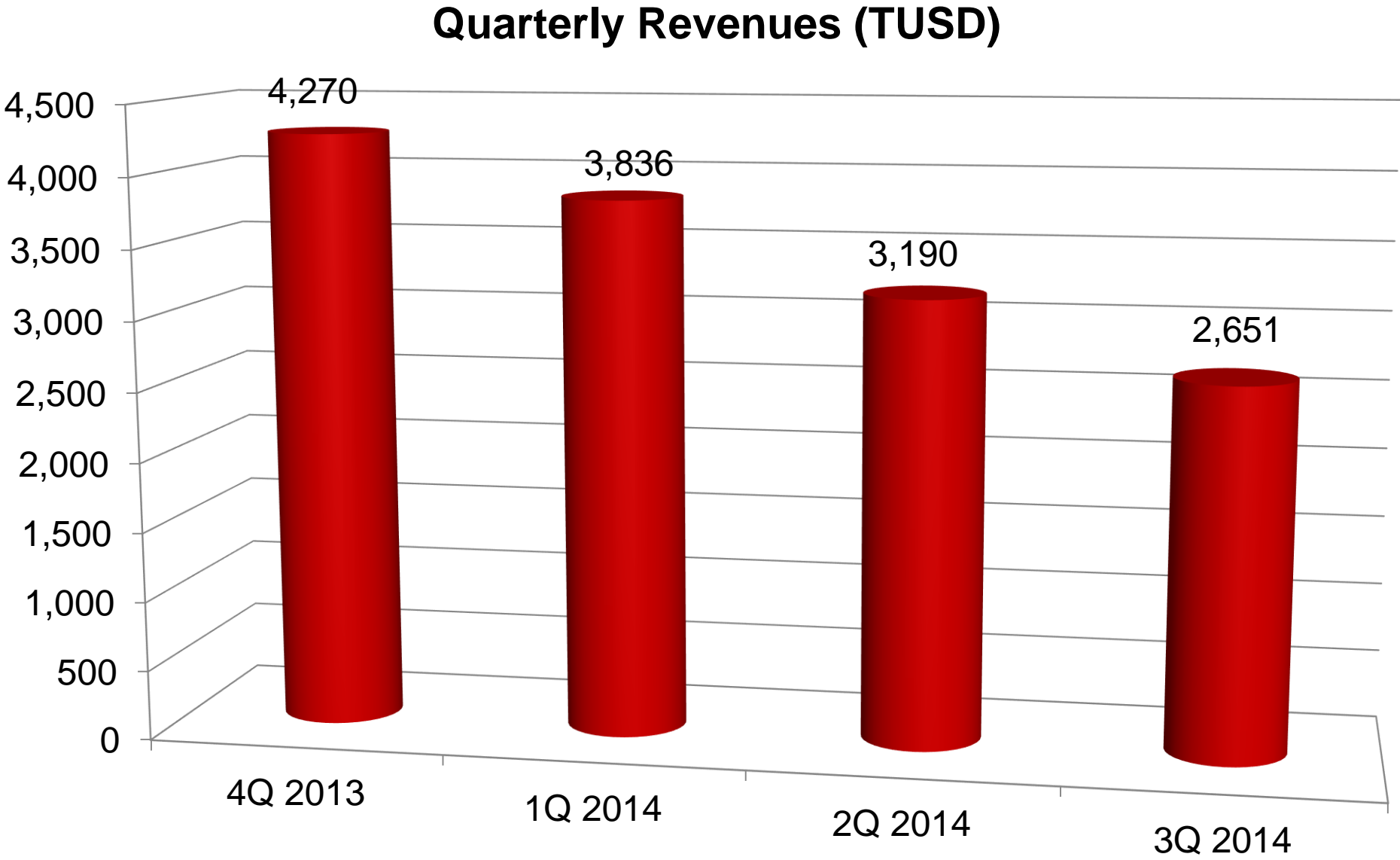
EBIT

- The company recorded in 3Q14 an impairment on intangible assets in the amount of 5,760 TUSD, with a significant impact on the EBIT

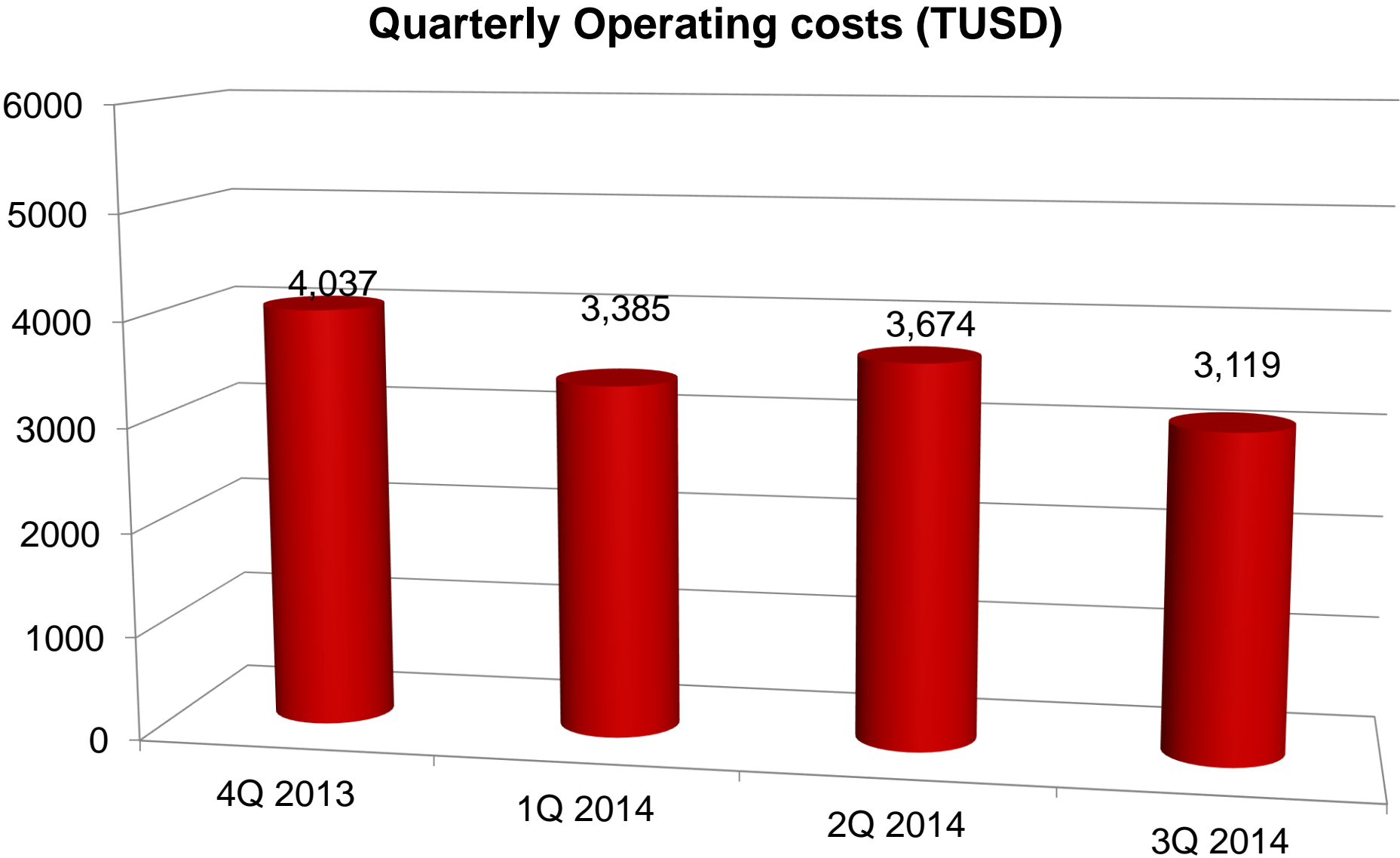
Debt

- Convertible bonds of 6,200 TUSD, convertible loan of 4,000 TUSD, working capital loan of 3,950 TUSD and 1,439 TUSD bank loan secured by tax credits.
- The 1,439 TUSD bank loan was completely repaid in early November after the receipt of 2,365 TUSD tax credits.
- The repayment due date of the 3,950 TUSD working capital loan was postponed from 31 January 2015 to 31 January 2016

Key Financial Summary, 3Q 2014 - Revenue



Key Financial Summary, 3Q 2014 – Operating costs



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Large-scale MMO's



- Two new mission packs for *The Secret World* were released in the period - *Love & Loathing* and *The Last Pagan*
- The team is working on Issue # 10 for *The Secret World*, to be released this Holiday season
- Fully updated version of the high-end raids in *Age of Conan* were launched in October
- Halloween events were held in all three games, with increased spending and player numbers throughout the period
- Player numbers and revenue are decreasing for the three older games, with increased competition both within the genre as well as from competing platforms
- Investment levels for all current games are constantly being aligned with expected revenue to ensure all live games have a positive net contribution to the company

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LEGO® Minifigures Online - Update



LEGO® Minifigures Online – Free-to-Play



- LEGO *Minifigures Online* is a cross-platform free-to-play game targeted at kids aged 7-12 as well as LEGO fans of any age
- 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* continuously evaluate different business mechanics in the "Free to play" segment and change and adapt 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 advises investors to seek more information about the game industry in general and the "Free to play" space in terms of revenue expectations in particular

LEGO® Minifigures Online - Update



- LEGO *Minifigures Online* left Open Beta on October 1st as planned, and released fully localized for German, French and Spanish. A revised website went live, fully localized and with a simple one-click access to the LEGO *Minifigures Online* installer
- The launch phase for the game spans the period from October 1st 2014 until April 2015. In that period new platforms and markets will be launched, and all game features and metrics will be optimized and tweaked
- New set of 16 Minifigures to be released in retail stores by LEGO in January 2015, with code integration to the LEGO *Minifigures Online* game
- The initial numbers coming from the first weeks of live data coming from LEGO *Minifigures Online* currently indicate that it will take longer than planned to achieve the initial internal target for player and revenue in 2014 and 2015

LEGO® Minifigures Online – Update continues



- In October, Funcom signed a co-development and co-marketing agreement with Intel Corporation. The agreements include significant development support that will see the game optimized for Intel powered platforms
- In October, Funcom also signed a co-development and co-marketing agreement with Amazon Inc. The agreement will see the game optimized for Amazon Fire TV and HDX tablets.
- Funcom will also work closely with both Amazon and Intel to promote the game in various online and retail channels as well as industry exhibitions and events
- The Macintosh version of the game is currently tested before its release. Both the iOS and Android tablet versions are currently in Closed Beta

LEGO® Minifigures Online – Update continues



- The game is constantly tweaked and updated based on player feedback and metrics.
- Recent updates currently include:
 - All 16 LEGO Minifigures from Series 12
 - Physical toy integration via redeemable codes that unlock minifigures in the game
 - Elemental affinity system – increasing the need for more minifigures in your collection
 - New repeatable challenges in a brand new game world
 - Achievement System – drives repeat play and engagement
 - Improved map systems
 - Improvement on the overall data capturing tools
- In the weeks and months ahead updates will include
 - Focus on improving the funnel, new user engagement, retention and conversion
 - All 16 LEGO Minifigures from Series 13 – to be released in January 2015
 - New game modes to be added from the start of the game
 - Continued adjustments of the monetization and offers
 - Support for new platforms, including iOS and select Android tablets

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4. **Summary and Outlook**

- **Revenues have decreased from 3,190 TUSD in 2Q14 to 2,651 TUSD in 3Q14 due to the age of our Live Games.** The trend of slowly declining revenue on the current Live game portfolio is expected to continue in 4Q 14. The Company will continue to support the current Live Games as long as they continue to contribute positively to the Company's results.
- **LEGO Minifigures Online has entered its 6 months launch phase on October 1.** The initial numbers coming from the first weeks of live data coming from *LEGO Minifigures Online* currently indicate that it will take longer than planned to achieve the initial internal player and revenue number targets for 2014 and 2015. The company will continue to review and improve the game and its key metrics. The game will be launched on Mac, iPad and selected Android devices in the coming months.
- **The company has recorded impairments for 5,760 TUSD in 3Q14 based on the forecasted future profitability of the Games.** The cash position has improved from 2,698 TUSD at the end of 2Q14 to 3,306 TUSD at the end of 3Q14
- **The company will continue to align costs to current and future revenues.** This is the continuation of a process that started two years ago.
- At the end of 3Q14, the Company has the ability to fund its operation in the next twelve months, continue to support its games as well as start working on the development of a new game in 2015.

Thank you

3Q 14 report, 19 November 2014

