



2014

First 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.

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.

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1. Key highlights 1Q 2014
2. Key financials
3. Project status
 1. Large scale MMO's
 2. MMO's in development
 3. Mobile and tablet work for hire
4. Summary and Outlook

1Q 2014 Highlights



- Revenues in 1Q14 are 3,836 TUSD compared to 6,338 TUSD in 1Q13 following a gradual decrease of revenues from *The Secret World* after its launch in July 2012
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for 1Q14 are 451 TUSD and have remained positive since the launch of *The Secret World*, even though it is lower compared to 1,766 TUSD for 1Q13 due to the decrease in revenue.
- Earnings before Interest and Tax (EBIT) for 1Q14 are -72 TUSD and have increased compared to -4,779 TUSD in 4Q13 and -673 TUSD in 1Q13 due to lower depreciation and impairment charges
- Cash position at the end of 1Q14 amounts to 2,872 TUSD compared to 2,582 TUSD at end of 4Q13
- 15 mill. new shares were issued in 1Q14 and 2Q14 after Funcom's largest shareholder and creditor, KGJ Investments S.A., SICAV-SIF (KGJI), exercised the same number of warrants thus increasing equity by 5,550 TUSD. The proceeds of 5,550 TUSD were used to repay the related interest bearing debt. Total equity remains negative but has increased from - 5,561 TUSD at the end of 4Q13 to -2,241 TUSD in 1Q14. Equity increased further by 1,850 TUSD in 2Q14 due to the exercise of warrants.
- The Equity and cash position increased further by 1,600 TUSD in 2Q14 after the Company completed a drawdown on its equity facility with YA Global Master

1Q 2014 Highlights (continued)



- The development of the licensed *LEGO® Minifigures Online* game went according to plan and reached all major milestones.
- A revised user interface as well as several major features was delivered in 1Q14. The game is currently on schedule to reach its Open Beta phase in June 2014 and commercial launch fall 2014
- In the 4Q13 report and presentation as well as the Annual report Funcom provided information with regards to the Økokrim charge on the suspicion of possible infringement of the provisions of the Securities Trading Act during the period of August 2011 until August 2012. There is no new development since then. Please, refer to 4Q13 report and presentation for more information

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Key Financial Summary



TUSD	1Q 2014	1Q 2013
Revenues	3,836	6,338
EBITDA	451	1,766
EBIT	-72	-673
EAT	-659	-74

Revenues

- Main source: revenues from *The Secret World* and *Age of Conan* games
- Revenues lower than 1Q13 following a gradual decrease of revenues from *The Secret World* after its launch in July 2012. The revenue has stabilized with a slight decline leading up to 1Q14, and the trend continues in 2014.
- Revenues and billings remain stable and in line with previous quarter with a small decrease of revenues of 434 TUSD due to slightly weaker in-game sales.

Operating Costs

- After successful completion of the organizational restructuring in 2013 operating costs are 1,188 TUSD lower than 1Q13

Earnings

- EBITDA of 451 TUSD remains positive since the launch of *The Secret World* although lower than 1Q13 due to lower revenues from *The Secret World*. The EBITDA of 451 TUSD is also higher than 233 TUSD in 4Q13 as a result of 652 TUSD decrease in operating costs.
- EBIT of -72 TUSD have increased compared to previous quarter and 1Q13 due to lower depreciation and impairment charges (e.g. in the previous quarter impairment charges of 4,200 TUSD were recognized both on *The Secret World* game and the underlying technology).

Consolidated statement of financial position and cash flow

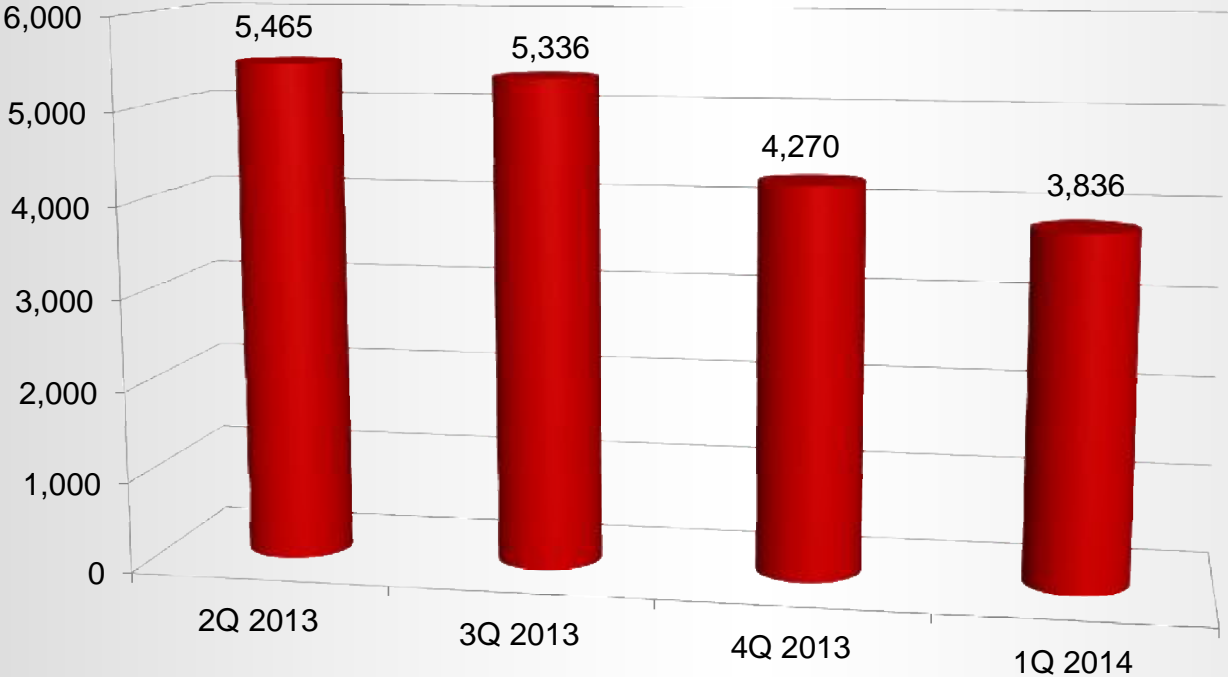


- Cash position at the end of 1Q14 amounts to 2,872 TUSD compared to 2,582 TUSD at the end of 4Q13
- In 1Q14 Funcom received the second installment of 1,250 TUSD of the working capital loan negotiated with the Company's largest shareholder KGJI in December 2013. The last installment of 1,250 TUSD can be drawn in 2Q14 by the Company at its discretion based on liquidity needs.
- 15 mill. new shares were issued in 1Q14 and 2Q14 after KGJI exercised the same number of warrants thus increasing equity by 5,550 TUSD. The proceeds of 5,550 TUSD were used to repay the related interest bearing debt. Total equity remains negative but has increased from - 5,561 TUSD at the end of 4Q13 to - 2,241 TUSD in 1Q14. Equity increased further by 1,850 TUSD in 2Q14 due to the exercise of warrants.
- The Equity and cash position increased further by 1,600 TUSD in 2Q14 after the Company completed a drawdown on its equity facility with YA Global Master
- Other opportunities for improving the equity of the Company going forward 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
- As of the date of this quarterly report the interest bearing debt has decreased by 4,300 TUSD compared to 4Q13 (considering the second installment on the working capital loan but also the reimbursement of 5,550 TUSD of senior debt following the exercise of warrants). The interest bearing debt includes loans with the following face values: convertible bonds of 6,200 TUSD, senior loan of 2,450 TUSD, working capital loan of 4,250 TUSD and 1,452 TUSD bank loan secured by tax credits.
- In 2Q14 Funcom received an offer from KGJI to restructure 2,450 TUSD of the existing senior loan and 1,550 TUSD of the existing working capital loan into a new convertible loan with 5% annual interest rate and maturity on June 27, 2017. The conversion price will be determined using the daily volume weighted average price of Funcom shares 10 trading days prior to the date of the Annual General Meeting in June 2014. The new convertible loan has an extended maturity in comparison to the two existing loans and 3 per cent lower annual interest rate. The new loan will provide cash relief to the Company and the freed funds can be used in operations and for the launch of LEGO Minifigures Online. The offer is made conditional on the approval of the new convertible loan by Funcom's 2014 Annual General Meeting.

Key Financial Summary, 1Q 2014 - Revenue



Quarterly Revenues (TUSD)

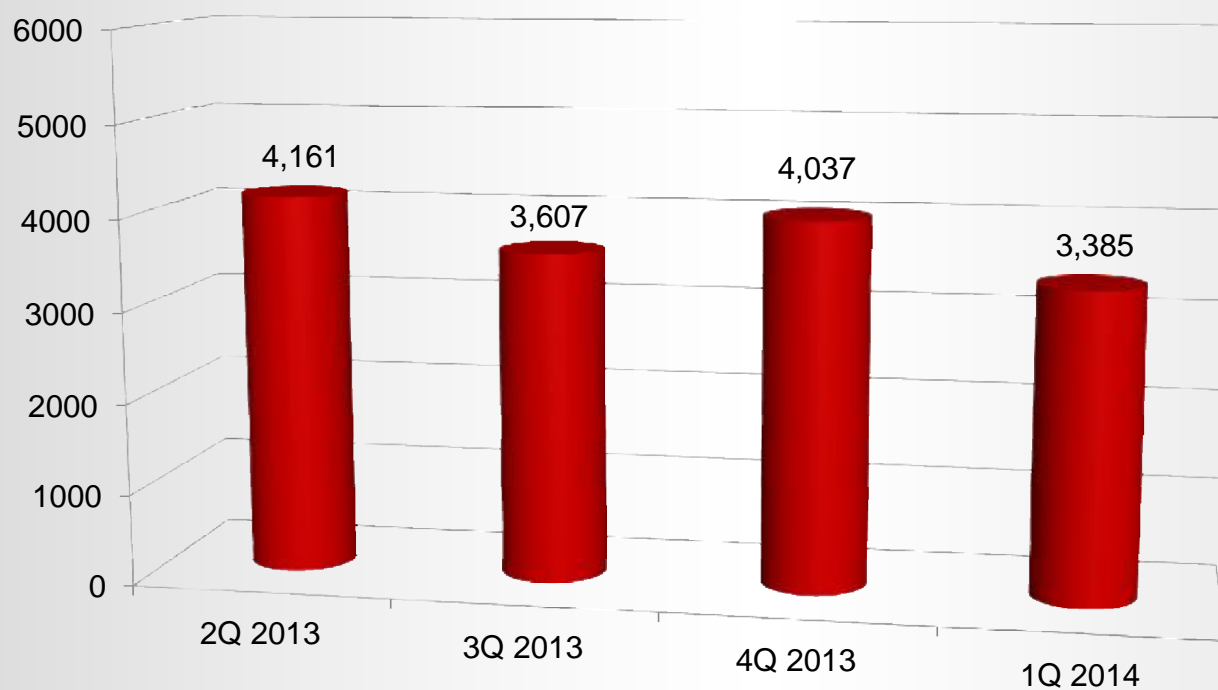


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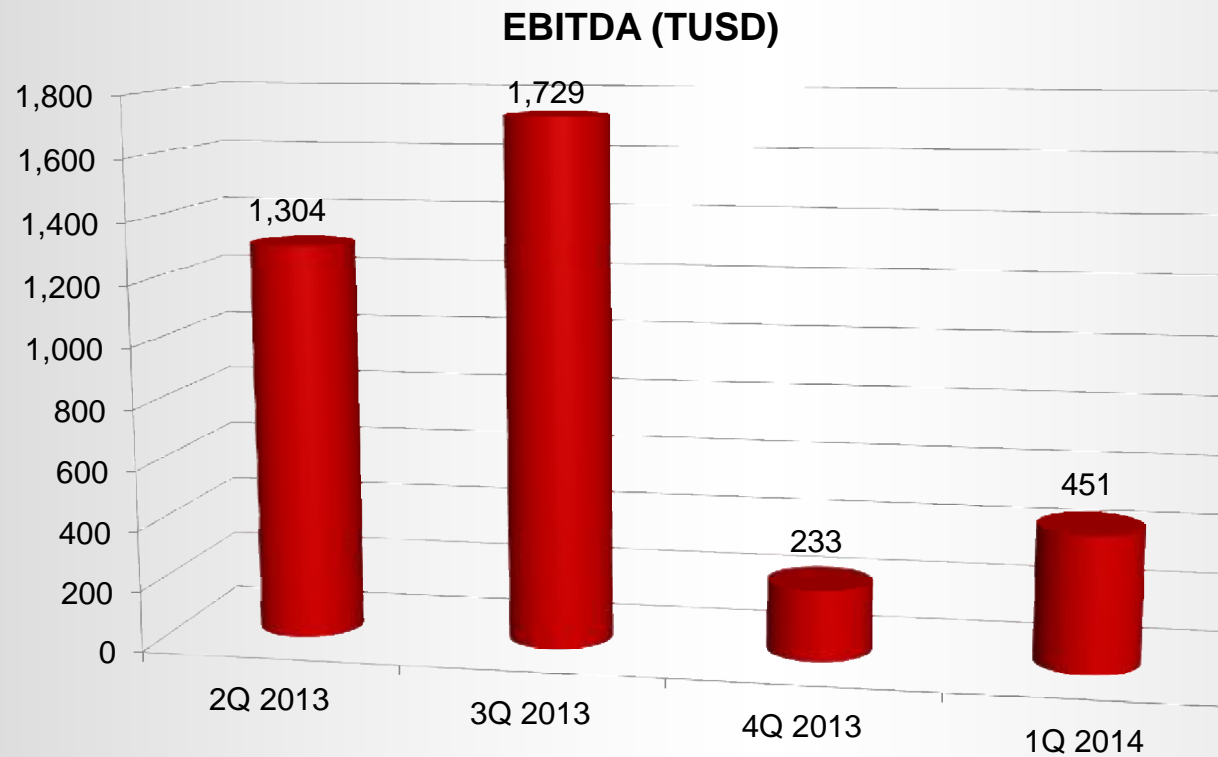
Key Financial Summary, 1Q 2014 – Operating costs



Quarterly Operating costs (TUSD)



Key Financial Summary, 1Q 2014 – EBITDA



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Large-scale MMO's



- During 1Q14 the Company initiated several marketing campaigns and other activities to increase the activity level within the live games
- A major new content update for *The Secret World*, «*The Black Signal*», is in final production, featuring new content and new game systems. This new update will launch in early June .
- Player numbers and revenues from *Age of Conan* and *Anarchy Online* were relatively stable in 1Q14
- The focus for the development of these games is to continue adding new features and new content that extend player engagement time
- All games in the large-scale MMO segment are cash flow positive and will remain so in the foreseeable future

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LEGO® Minifigures Online - Update



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LEGO® Minifigures Online - Update



- The development of the game is on schedule for Open Beta in June 2014
- The team working on the game met all major deliveries during 1Q14, the hands on presentation at GDC and in the Oslo office being the most important ones
- The presentations have been covered by a wide selection of international and national press in the period following the presentations. It is the Company's view that the feedback from press was very positive
- A brand new tablet friendly user interface was delivered during 1Q and is currently being iterated and made ready for open beta
- In May the Company invited children from the target group to Funcom Oslo's office to perform several focus tests on the game
- In general the kids in the focus tests have given positive feedback on their first impressions of the game, and confirmed several of the key elements of the game, including collection aspects, variety of mini-figures and the action-oriented combat
- The *Dreamworld* technology platform development focused on tablets during 1Q14 with primary focus on the iOS/iPad version, for launch in 2014

LEGO® Minifigures Online – Open Beta expectations



- Launch in select markets initially with more territories and languages being added in later stages of Open Beta
- Initial business model assumptions implemented, to be iterated and optimized throughout Open Beta and launch phase
- Launch phase for LEGO Minifigures Online covers the period from Open Beta launch to Commercial launch in fall 2014 and six months succeeding that
- The Open Beta version will offer a lot of content, with more content and features being added continuously throughout the launch phase and beyond
- Included in the game for Open Beta are :
 - Three rich and fully populated LEGO worlds to explore
 - More than 30 various minifigures to collect, each one with unique abilities to unlock and develop
 - Full integration with LEGO ID log-in and account system
 - A brand new render engine, optimized for cross-platform play
 - Parent and safety features in full COPPA compliance



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LEGO® Minifigures Online – Free-to-Play



- The current strategy is to launch this game as a “free to play” game in Open beta in June 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* continuously evaluate different business mechanics in the “free to play” segment 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 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

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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
- ▮ Second project with LEGO® delivered on time and on budget in 1Q14
- ▮ Tablet version of Fashion Week Live completed in 1Q14 and released in Apple store during 2Q14
- ▮ Projects currently in development:
 - ▮ Fashion Week Live
 - ▮ Several prototypes have been delivered
 - ▮ Initial work on a new tablet/PC game to be delivered in 2015
- ▮ 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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- In 2Q14 the Company expects operating costs to increase and revenue to be lower than 1Q14. The increased operational cost are 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.

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