



2014

Second Quarter Presentation

The Funcom Group
Funcom N.V. and subsidiaries

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.

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Agenda



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

Highlights



- ▮ The total Equity of the Company improved to 553 TUSD at the end of 2Q14
- ▮ Cash position at the end of 2Q14 amounts to 2,698 TUSD
- ▮ *LEGO Minifigures Online* is on schedule to release commercially in October
- ▮ Major co-promotion activities together with LEGO® to commence in October, including full product integration into all Series 12 Minifigure bags as well as cross-promotion on LEGO.com
- ▮ The proprietary Dreamworld technology is now cross platform compatible

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Key Financial Summary



TUSD	2Q 2014	2Q 2013
Revenues	3,190	5,465
EBITDA	-484	1,304
EBIT	-983	-253
EAT	-1,437	251

Revenues

- Main source: revenues from *The Secret World* and *Age of Conan* games
- Revenues lower than 2Q13 following gradual decrease of sales and the amount recognized in revenue from previously recorded deferred billings from *The Secret World* after its launch in July 2012. The revenue has stabilized in the first half of 2014.
- Revenues and billings remain stable and in line with previous quarter with a small decrease of revenues of 646 TUSD due to slightly weaker in-game sales.

Operating Costs

- After successful completion of the organizational restructuring in 2013 operating costs are 487 TUSD lower than 2Q13

Earnings

- EBITDA of -484 TUSD and EBIT of -983 USD decreased compared to 2Q13 since the reduction of revenues exceeds reduction of operating costs and amortization.

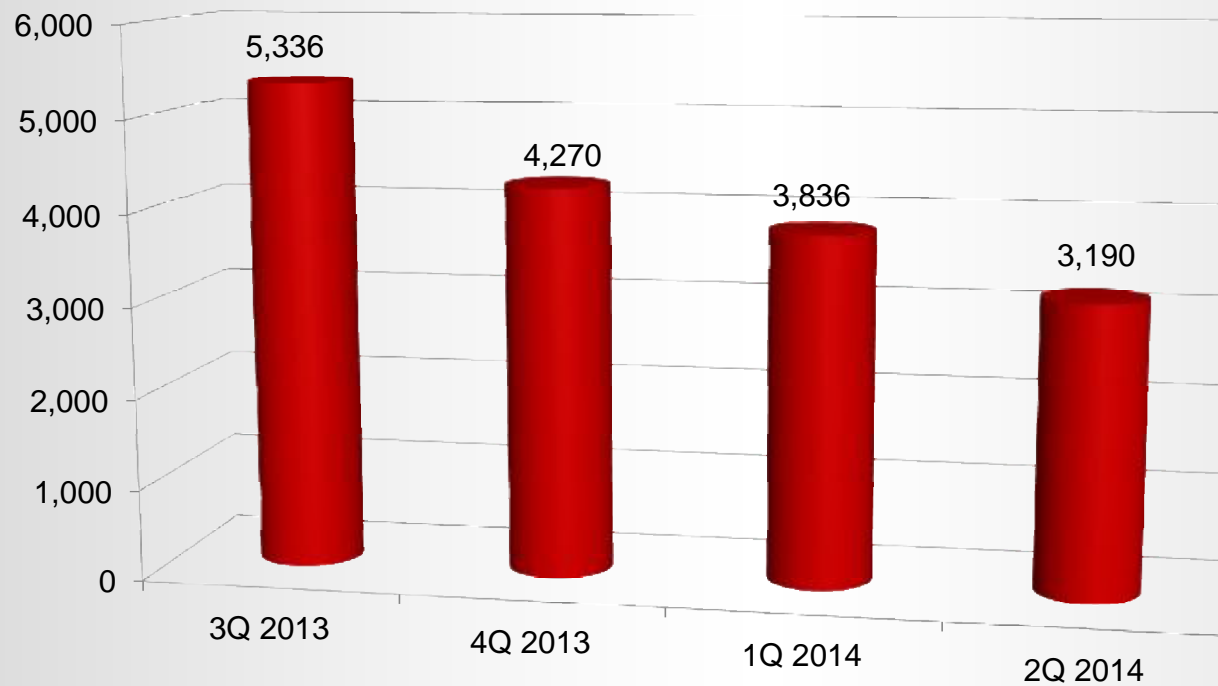
Debt

- Convertible bonds of 6,200 TUSD, senior loan of 2,450 TUSD, working capital loan of 4,250 TUSD and 1,505 TUSD bank loan secured by tax credits.

Key Financial Summary, 2Q 2014 - Revenue



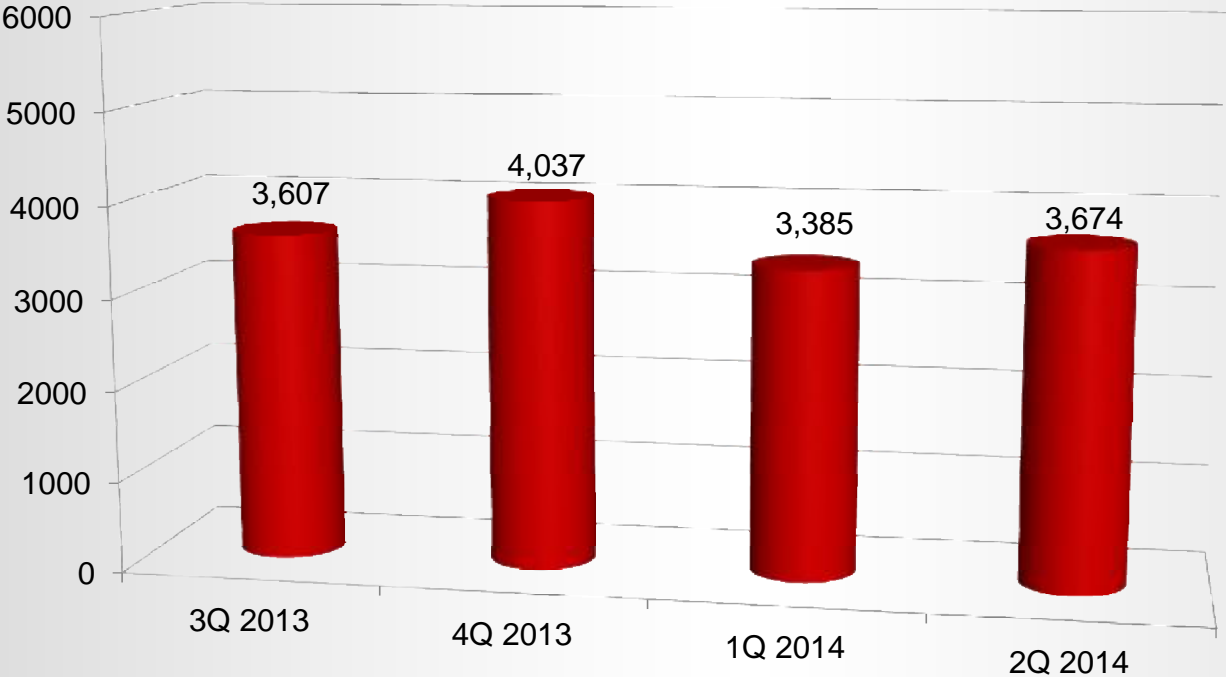
Quarterly Revenues (TUSD)



Key Financial Summary, 2Q 2014 – Operating costs



Quarterly Operating costs (TUSD)



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Large-scale MMO's



- *The Secret World* Issue 9: The Black Signal, was released in 2Q. It includes a brand new playfield based in Tokyo, continues the epic *The Secret World* story line, and introduces a brand new AEGIS combat system
- A bi-monthly release schedule starting with Issue 9 - Sidestories: *Love & Loathing*, commenced for *The Secret World*
- The Secret World second anniversary was celebrated with a massive Guardian's of Gaia world event
- A revamped Lottery system was released and a now "Social" Lottery system was introduced in *Age of Conan*
- A monthly PvP event was added to *Age of Conan* increasing activity amongst players
- A new player experience was added to the Anarchy Online test servers to go live later

Large-scale MMO's continues



- During 2Q14 the Company initiated several marketing and promotional campaigns and other activities to increase the activity level within the live games
- Player numbers and revenues from *Age of Conan* and *Anarchy Online* were relatively stable in 2Q14
- 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 product integration and increased promotional activities this fall
- The team working on the game met all major deliveries during 2Q14, the Open Beta release being the most important
- The game is now fully playable on the latest iOS tablets, where initial Closed Beta have begun
- The initial feedback from the Open Beta players is in line with the development team's findings from the latter part of the Closed Beta phase
- The core game mechanics and fun factor seems to resonate well amongst the gamers
- Focus in 3Q is on increasing amount of content and features, as well as updating game systems related to retention and collection
- Major co-promotion activities together with LEGO® to commence in October, including full product integration into all Series 12 Minifigure bags as well as cross-promotion on LEGO.com

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LEGO® Minifigures Online – Update continues



- During the summer holidays the development team has gathered feedback from Beta players and analyzed key data points. The most recent game update released this week address several of these:
 - Mythology World including 9 new playfields and 4 boss fights
 - All 16 LEGO Minifigures from Series 11
 - A new system for collecting minifigures via the collection of minifigure parts
 - Friend Code system that allows players to generate a code they can give to their friends so they can become friends in the game.
 - Code redemption feature that will allow players to enter promotional codes to unlock in game rewards
 - Member only reward chests – will drive membership uptake
 - A new system that allows players to pay in order to reduce the “cooldown” on replaying dungeons
- The launch update will continue to build on the collected data points and feedback and will include, as well as tweaks to the business model:
 - All 16 LEGO Minifigures from Series 12
 - Physical toy integration via redeemable codes that unlock minifigures in the game
 - Elemental affinity system – will increase the need for more minifigures in your collection
 - New repeatable challenges in a brand new game world
 - Achievement System – will drive repeat play and engagement
 - Improved map systems

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LEGO® Minifigures Online launch and beyond



- Launch in select markets initially with more territories and languages being added in later stages
- Initial business model assumptions implemented in 2Q, 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 October 2014 and six months succeeding that
- The Open Beta version will offer some initial content, with more content and features being added continuously throughout the launch phase and beyond
- Included in the game for the first phase of Open Beta was :
 - 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



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 and to update content and features continuously based on player feedback and metrics
- 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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Summary and Outlook



- | The technology is now cross platform compatible, and the Company will continue to invest to strengthen the technology
- | Equity strengthened, and financial restructuring progressing well
- | *LEGO Minifigures Online* will be released commercially on schedule in October
- | We expect revenues for *LEGO Minifigures Online* to increase steadily throughout 2014, with full impact to be expected in 2015
- | Operating cost will continue to be in line with or increase compared to last quarters
- | The trend of slowly declining revenue on the current game portfolio is expected to continue as in previous quarters

Thank you

2Q report, 27 August 2014

