



Please send  
your questions to  
[2Q15@funcom.com](mailto:2Q15@funcom.com)

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



# 2015

## Second Quarter Presentation

# 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 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.

# Agenda

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1. Key highlights 2Q 2015
2. Key financials
3. Live products status
4. New strategy and products
5. Summary and Outlook

# Highlights



- 2Q FY15 revenues were USD 2,654k, with a decrease of USD 118k compared to 1Q FY15
- The Live Games – *The Secret Word*, *Age of Conan*, and *Anarchy Online* – were the major contributors to the revenues and all three games exceeded internal forecast in 2Q FY15.
- LEGO Minifigures Online (LMO) was launched as a buy-to-play game by the end of 2Q FY15, and revenues are lower than expected
- In consequence, an impairment charge of USD 2,927k has been recorded on LEGO Minifigures Online and the related DreamWorld Technology. As a result thereof, the EBIT decreased from USD -269k in 1Q FY15 to USD -3,408k in 2Q FY15
- The cash position is USD 2,118k in 2Q FY15 compared to USD 2,452k in 1Q FY15
- The impact of the costs savings continued to materialize in 2Q FY15 and quarterly operating costs are down USD 1,281k compared to 2Q FY14
- The main creditors have confirmed that they are willing to defer the maturity of both the convertible bonds and the working capital loan until 15 December 2016
- Rui Casais was appointed CEO in 2Q FY15
- The Company has engaged ABG Sundal Collier to explore strategic options for the Company.



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## KEY FINANCIALS

# Key Financial Summary – 2Q FY15



	2Q FY15	2Q FY14
in K USD		
Revenues	2,654	3,190
EBITDA	261	(484)
EBIT	(3,408)	(983)
EAT	(4,169)	(1,437)

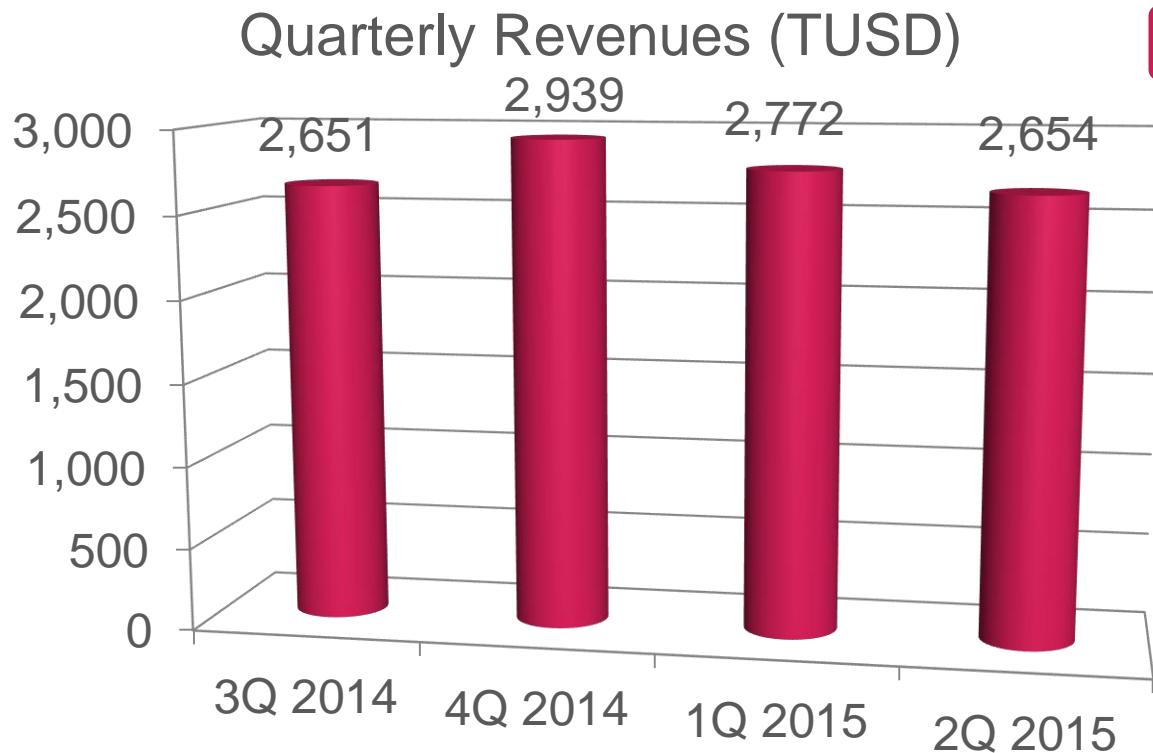
## Notes

< Main sources of revenues are *The Secret World*, *Age of Conan* and *Anarchy Online*

< The impact of the costs savings continued to materialize in 2Q FY15

< Impairment charge of USD 2,927k recorded on LMO and the related DreamWorld Technology

# Key Financial Summary, 2Q 2015 - Revenue



## Notes

< Year on Year decrease in revenues due to ageing of the Live Games

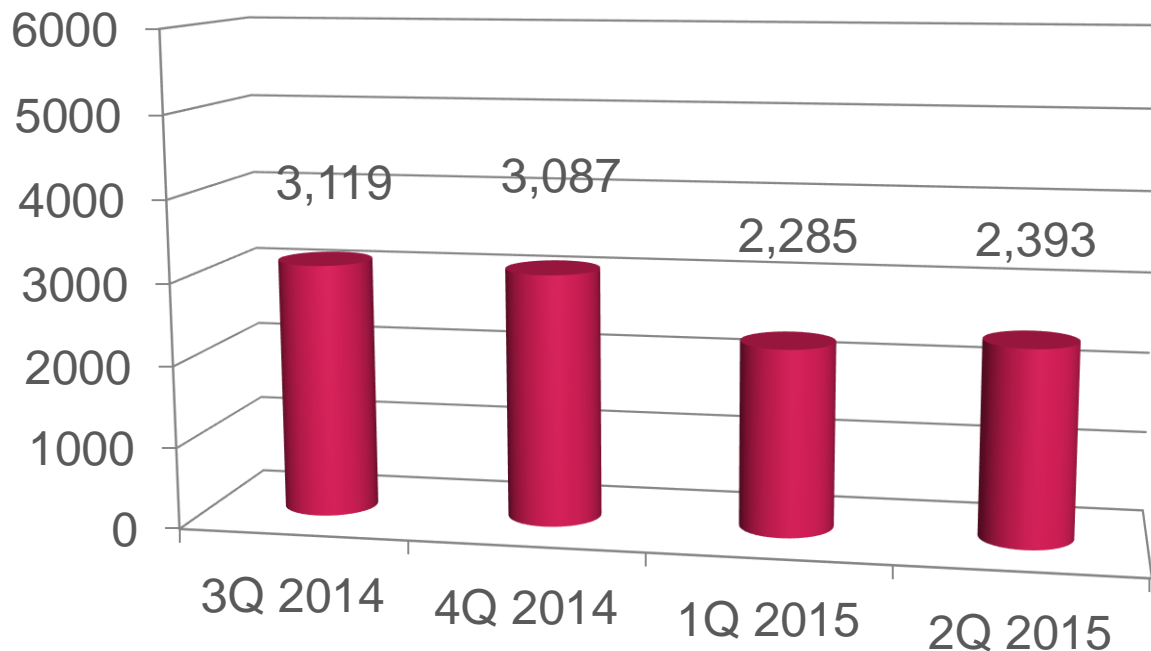
< Revenues from LEGO Minifigures Online are lower than expected



# Key Financial Summary, 2Q 2015 – Operating costs



## Quarterly Operating costs (TUSD)



### Notes

< Alignment of the operating costs with the declining revenues

< Favorable foreign currency exchanges on the costs of European operations in 2015 compared to FY14



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## LIVE PRODUCTS STATUS



- Four main activities were done in 2Q
  1. Launched [Issue 11](#) which concludes the Tokyo / Season 1 storyline for TSW
  2. Started "the Streaming Ones" twitch stream. A biweekly stream that gives players an inside look into the development of TSW
  3. Franken Chopper / Mounts launched
  4. Ultimate Edition released, replacing the Massive Edition
- These activities proved to be successful leading to results exceeding internal forecasts

# Age of Conan



- Three main activities were done for Age of Conan in 2Q
  1. The team released the second part of the previously released achievement system.
  2. Celebrated the 7 year anniversary of the launch of AoC
  3. Shadow of Vanaheim content pack released
- Revenue results for the quarter were in line with internal forecasts



- Three main activities were done for Anarchy Online in 2Q
- Game Update 18.7 was released which contained
  - The "Arete Landing" New Player Experience
  - A new ICC Headquarters
  - Updates to the Profession, and Battlestation systems, as well as core Game Systems.
- Celebrated the 14 year anniversary
- Launched the open beta for the new game engine
- These activities proved to be successful leading to results exceeding internal forecasts



- Launched on iOS and a limited number of Android devices with buy to play business model
- Relunched on Windows and Mac platforms with buy to play business model
- Metacritic composite review score was lower than anticipated on PC but within expectations on iOS
- Interest from game media has been lower than expected due to the game having been available on PC/Mac for almost a year
- Sales on PC, Mac, and Linux were below expectations, but sales exceeded expectations on iOS during the early launch phase. Android sales were inline with low expectations due to the limited number of supported devices
- Created new minifigures and content to coincide with LEGO Minifigures Series 14 launch.

# LEGO® Minifigures Online upcoming events



- September will mark LEGO's release of the Series 14 minifigures, and they will also be available in-game for purchase and play.
- These new minifigures will feature the same unlockable code based integration as previous physical products.
- In addition to the new minifigures the team will also be releasing new gameplay content and a new area called "Monster Trials".
- As part of the release of series 14 we will run a free promotion for the initial install (Pirate World) on iOS. There will also be a discount campaign on Steam and PlayMinifigures.com for PC, Mac and Linux.
- Funcom and Intel are working on a series of short, funny and shareable videos built around LEGO Minifigures Online and the Intel hardware, and these are planned to go live in September.



# LEGO Minifigures Online – Select Marketing Clippings



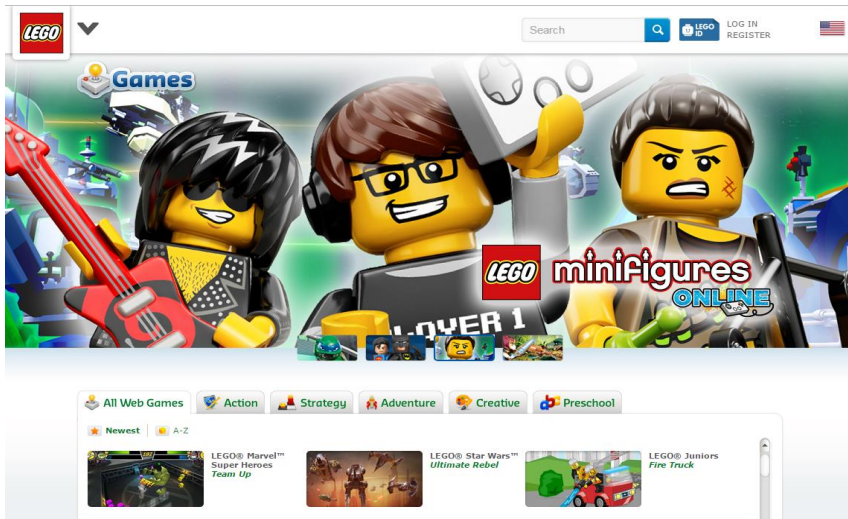
## Notes

< Funcom executed a targeted test campaign which included the use of static ads, video ads, pre-rolls on popular YouTube channels, ads inside iOS games and more.

< Immersive and engaging content has also been utilized, including a campaign within the Bin Weevils online world for kids, as well as videos by YouTube personalities.

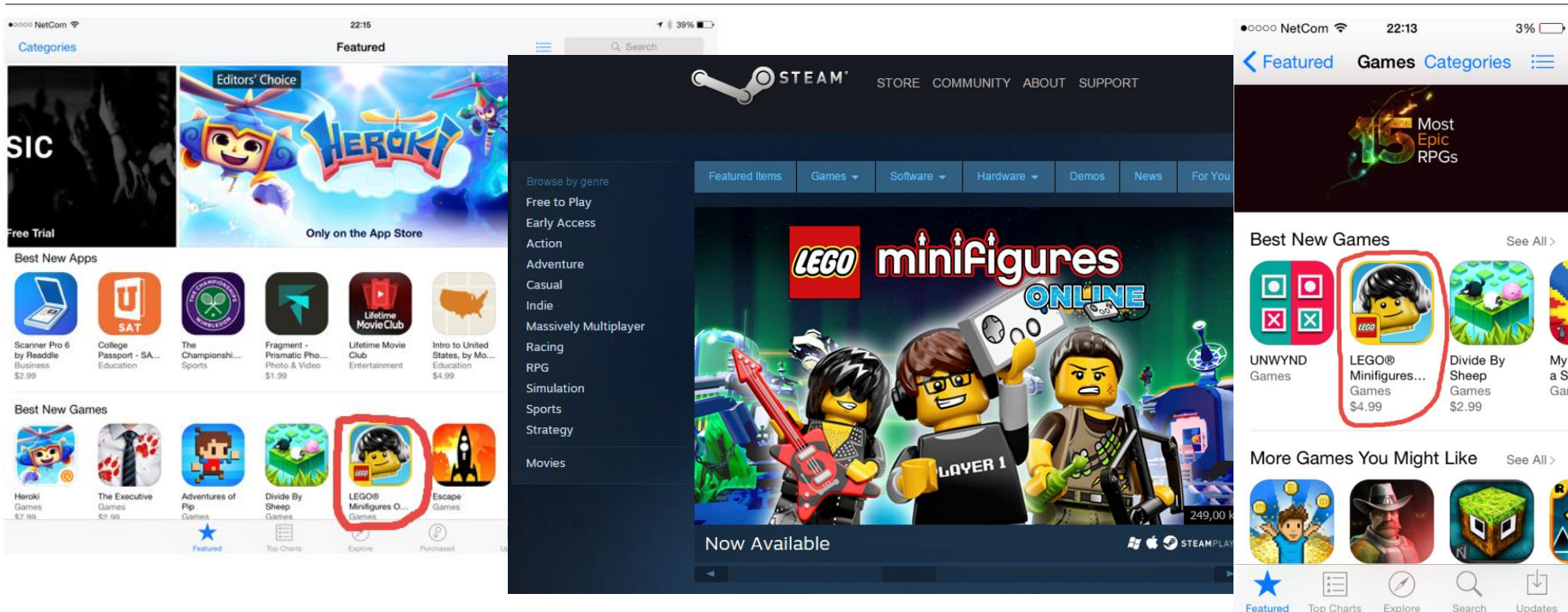


# LEGO Minifigures Online – LEGO Promotions



The game has been promoted in several LEGO channels, including Facebook, YouTube, LEGO TV (iOS app), LEGO.com/Minifigures, LEGO.com/games and more.

# LEGO Minifigures Online – Steam and App Store Featuring



The game received initial featuring on both Steam and the iOS App Store right after launch.  
The App Store featuring contributed significantly to the overall sales on iOS.

# LEGO Minifigures Online – US Media Tour



- Funcom executed a media tour in the US the week prior to launch, meeting with several gaming media outlets, including GameSpot, IGN, Kotaku, Polygon, Game Informer, and more, as well as LEGO enthusiast website and communities.
- At the media tour, press got to meet up with members of Funcom's team, play the game and conduct interviews. Cross-platform as also showcased, as well as all major aspects of gameplay and content.
- Members of LEGO fan sites and other enthusiast sites attended, including BrickFanatics, Toys N Bricks and more.
- Outside of major gaming press, other relevant press attended, including high-profile outlets such as Parents Magazine, The Verge, Social Times, Mental Floss, PC World and more. Bloggers from popular parents blogs also attended.



# LEGO Minifigures Online – Press Reviews


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- Funcom has seen at least 30 reviews in the press, 24 of which have number scores. Among these, the average is 69,8.
  - The average on PC is 69. The score on MetaCritic for PC is 65.
  - The average on mobile is 70. The score on MetaCritic for mobile is 77.
- Funcom worked with experienced PR agencies and agents in the US, UK, Germany and France in order to pursue coverage opportunities and reviews for the game in those territories. Unfortunately, interest in reviewing the game has been low, and among the reasons provided for that is the fact that the game has been available since last year in a free-to-play form.
- Among the high profile reviews are PC Gamer, The Sun (UK newspaper), 4Players.de and Touch Arcade.
- Outside of reviews, the game have received previews and feature stories in several outlets such as GameSpot, IGN, Kotaku, The Guardian, The Verge, Cnet, GamesIndustry.biz and more.




# LEGO Minifigures Online – Upcoming LEGO Promotions



Help Deep Sea divers surface safely and you'll receive a Diving Captain Badge for your profile in this LEGO® Club mission!

**DIVE IN!**

A minifigure in a red diving suit with a red helmet and a yellow face, holding a red oxygen tank. The background is blue with white bubbles.

If you own the LEGO® Minifigures Online game, we've got an exclusive in-game code just for Club members!

**JOIN THE FUN!**

A minifigure in a black and silver suit with a black helmet and a yellow face, holding a large black shield with a red hand symbol. The background is a cityscape with a large building.

LEGO Minifigures Online will be featured with an EVIL KNIGHT code giveaway in the August edition of the CLUB e-mail going out to LEGO fans. The game will also be featured on LEGO.com pages when Series 14 launches in September.

Please send questions to [2Q15@funcom.com](mailto:2Q15@funcom.com)

# LEGO Minifigures Online – Performance Factors



- Despite significant traffic coming in to the various sales channels, conversion from visit to purchase has been low. The return-of-investment on the test marketing activities has not proven viable.
- As the company reported in the stock notice on 23.07.15, the game has performed below internal forecasts on Desktop and the company believes there may be several factors for that, including but not limited to:
  - Competition with other LEGO games tied to stronger and more popular IPs such as Star Wars, The Hobbit, Marvel, Jurassic Park and others.
  - Challenges related to the purchasing ability among the target audience (age 7-12) and the fact that LEGO Minifigures Online launched without a physical retail presence.
  - The fact that the game has already been free-to-play since last year, and many of the potential customers may already have played the game.
  - Negative press reviews as well as a poor user reviews on Steam and other websites.

# The Longest Journey



- The Longest Journey iOS: Localized versions were not released in 2Q due to a technical issue with the app conversion. The team is working to resolve this issue.





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## NEW STRATEGY AND PRODUCTS



- It is clear from recent game launches that the product strategy needs to be changed:
  - The MMORPG type of game is expensive to develop and carries a high risk factor due to competition from established developers, changing business models, emerging platforms and gaming trends that shift more quickly than a game can be brought to market
  - Developing one large product at a time also carries a high risk factor and prevents the company from reacting to technology and market trends
- The new strategy builds on Funcom's core strengths:
  - Experienced development teams in Norway and the US
  - Strong and proven knowledge of online multiplayer games, both in terms of technology and game design
  - Technology platform for developing and operating online games
  - Intellectual Properties covering Science Fiction (Anarchy Online), Modern day (Secret World) and Fantastical (The Longest Journey) genres

# New company strategy

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- Develop two types of products:
  - Small, experimental and innovative games, focused on trying new concepts, experimenting with new technology and platforms (such as VR or AR, for example) and utilizing our IPs, while keeping the investment level low
  - Larger games, focused on genres or game types where we can create products of higher production value than the competition, using our own or 3rd party IPs and drawing from the innovation and experimentation of the smaller products to lower the overall risk
- Upgrade the DreamWorld technology to integrate with 3rd parties:
  - Take advantage of the strengths of 3rd party engines (Initial integration with Unreal Engine and later with Unity3D or other engines)
  - Leverage the modules of the DreamWorld technology that other engines do not have, such as very strong multiplayer/online capabilities, comprehensive set of operational tools and advanced data management and workflow tools
  - Will give a competitive advantage to both small and larger games
- Leverage and grow the internal IPs, as releasing more games using our IPs will allow cross promotion between the games and attract new gamers to both new and existing products
- Keep developing and supporting the existing MMORPGs as they are an important source of revenue and drive the internal IPs

- Product development plan:

- Minimum of one small game released per year per development studio (Funcom Oslo AS and Funcom Inc)
  - 4-6 developers, 4-6 months development time
- One larger game to be in development at all times per development studio
  - 10-30 developers, 12-24 months development time

- Initial rollout of new plan:

- Funcom Oslo AS: One small project in development, larger project to start in Q1 16
- Funcom Inc: One small project starting in Q4 15, larger project to start in Q2 16

# The Park – a single-player horror experience

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# THE PARK

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*Please send questions to [2Q15@funcom.com](mailto:2Q15@funcom.com)*

# The Park – a single-player horror experience

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- The Park is a short and intense new single-player horror experience developed by Funcom's Oslo studio, which will be released on the PC in October 2015.
- The Park is set in an amusement park where a dark and sinister secret is waiting to be uncovered; the player assumes the role of Lorraine whose son Callum goes missing at the park.
- The project is a result of internal experimentation with game genres and technologies; the project was recently greenlit for external release and additional resources have been allocated into bringing it to market
- Funcom has built The Park around The Secret World IP, utilizing a location as well as characters and story elements from the MMO. Funcom's ambition is to further explore how the Company's established universes can be drawn upon in other projects outside the MMO space.
- The Park is an experimental project meant to gauge the market and to develop the team's ability to create different types of games, and as such the Company does not expect this game to generate significant revenues

# The Park – a single-player horror experience

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See the teaser trailer for *The Park* on [Funcom's YouTube channel](#)

# Summary and Outlook

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- LEGO Minifigures Online (LMO) was launched as a buy-to-play game at the end of 2Q FY15, and revenues are lower than expected
- At the end of 2Q FY15, the Company expects to have the capacity to fund its operation for the following 12 months
- The Company expects revenues from games in 3Q FY15 to be in line with 2Q FY15
- A new product strategy is being established that will lead to more products being launched, faster, and leveraging internal IPs, Technology and Competencies
- The Company has engaged ABG Sundal Collier to explore strategic options for the Company.



Thank You