

2Q 2017 PRESENTATION



FUNCOM

31 AUGUST 2017



2Q 2017 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.



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HIGHLIGHTS

- The profitable 2Q 2017 together with the very strong results of 1Q 2017 led to **1H 2017 being the most profitable half-year** period in the company's history
- During 2Q 2017 the company's debt was nearly halved and equity has been increased by nearly 40%
- Secret World Legends was launched at the end of 2Q 2017 and exceeded internal expectations
- Conan Exiles had no significant activity in 2Q but was released on Xbox One Game Preview together with The Frozen North update on 16 August 2017 as planned
- A partnership with Bearded Dragons was announced for a new game to be released in 2018
- A new corporate identity with a new logo, website and look was revealed today, as part of the "Funcom 2.0" repositioning of the Company



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BUT THERE IS ROOM FOR IMPROVEMENT

- We fully acknowledge that our recent releases, especially Conan Exiles on Xbox One Game Preview, have not been up to the standards our players and fans deserve
- We are transitioning out of a challenging period with limited capacity and are staffing up and improving our processes
- We *will* do better.
- Routines, habits and methodologies aren't easy to change overnight, so please bear with us a bit longer, help us on this journey and we'll make sure future releases will be up to the standard you deserve, starting with the full release of Conan Exiles



NEW LOOK



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NEW LOOK

- Funcom today unveiled its new company logo, along with a new website and a new visual brand identity
- The change is the first in 12 years, and reflects the journey the company has made in the past few years and the new identity we have created
- Funcom is a very different company than before; we're leaner, more agile, our ambitions have changed and so have we – we're hungry and determined
- **The flag stands for tradition:** our identity and our history. It is set ablaze, fueled by the passion for what we do. It is also weathered and torn; the result of battles fought and survived.
- **The face represents who we are today:** ambitious and determined, ready to fight for our creative vision, always moving forward – with fervor and a touch of battle-frenzy.



FUNCOM



2Q 2017 FINANCIALS



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KEY FINANCIALS

TUSD	2Q 17	2Q 16	1H 17	1H 16
Revenue	3 072	1 718	13 992	3 766
EBITDA	917	-412	7 624	-149
EBIT	154	-389	6 129	-1 049
EAT	199	-1 022	6 328	-1 783
Cash	7 818	5 100	7 818	5 100
Equity	14 123	2 389	14 123	2 389
Debt ¹	3 399	6 899	3 399	6 899

NOTES

- 2Q 17 revenues up 79% vs 2Q 16
- EBITDA +917 TUSD
- Two consecutive profitable quarters, most profitable half-year period ever
- Strong financial position, increased cash and equity, reduced debt

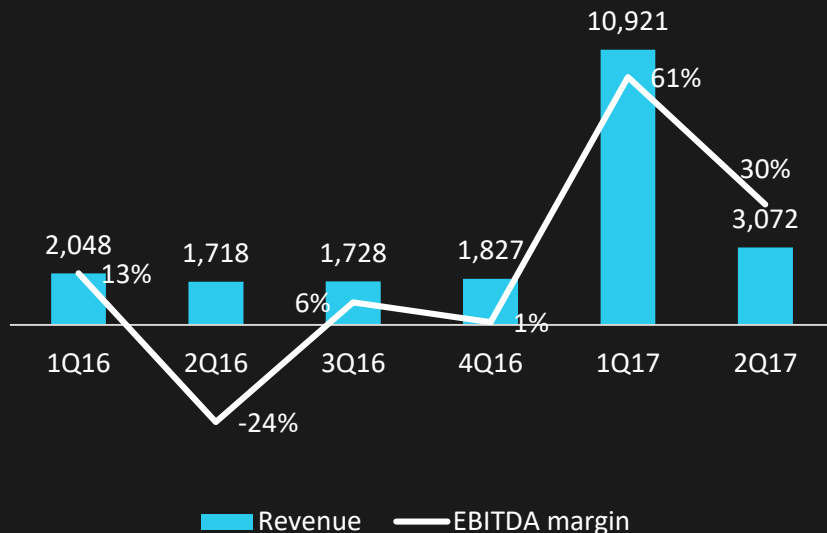
1) Interest bearing debt, face value of



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REVENUE AND EBITDA MARGIN DEVELOPMENT

Revenue (TUSD) and EBITDA margin (%)



NOTES

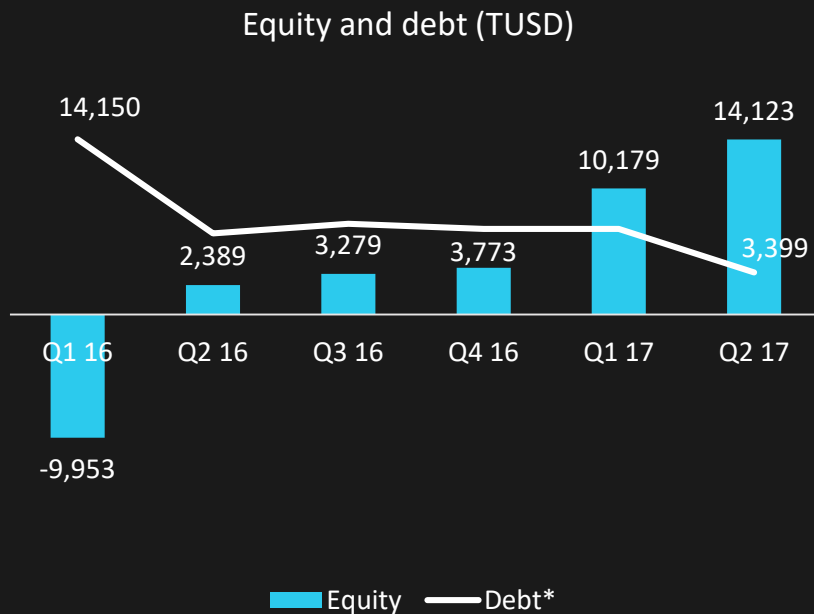
- Conan Exiles focused on investments in future launches in 2Q
- Secret World Legends launch successful, but low 2Q impact¹
- The other games grew slightly during 2Q17
- High margins in 2017 illustrate scalability and high profit potential with increasing revenue

1) Secret World Legends relaunched 26 June, with five days counting towards 2Q (Funcom channels only, Steam launch was in Q3, 31 July), lower Secret World revenue in months before launch. Conan Exiles Xbox One Game Preview launched in Q3 on 16 August



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EQUITY AND DEBT DEVELOPMENT



NOTES

- Financial position significantly strengthened
- Equity increased due to profits and reduced debt
- Debt almost halved in 2Q17 by conversion of USD 3.5 million (plus accrued interest) of the convertible bond

*) Face value of interest bearing debt



2 Q 2017

FINANCIAL SUMMARY

- 1H17 is the most profitable half year in Funcom's history
- 30% EBITDA margin in 2Q17, a quarter with low launch impact
- The equity has increased for five consecutive quarters due to profits and reduction of debt
- Funcom debt was almost halved during 2Q17



SECRET WORLD LEGENDS



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SECRET WORLD LEGENDS RELEASE

- The Secret World was successfully relaunched as Secret World Legends, having exceeded internal expectations
- Initial launch through our own channels on 26 June 2017, with launch on Steam on 31 July 2017
- Good coverage from press and reception from players has helped spreading the word to new and old players alike
- Tokyo was the first of the planned updates to be released since launch, increasing the amount of content and expanding the storyline
- It was revealed that Johnny Depp's Infinitum Nihil and G4C Innovation's Gudrun Giddings have partnered to produce a TV series based on the Secret World universe
 - This activity is part of the Company's long term plan to develop and grow its IP portfolio and is not expected to contribute directly to the company's financials for the next couple of years.

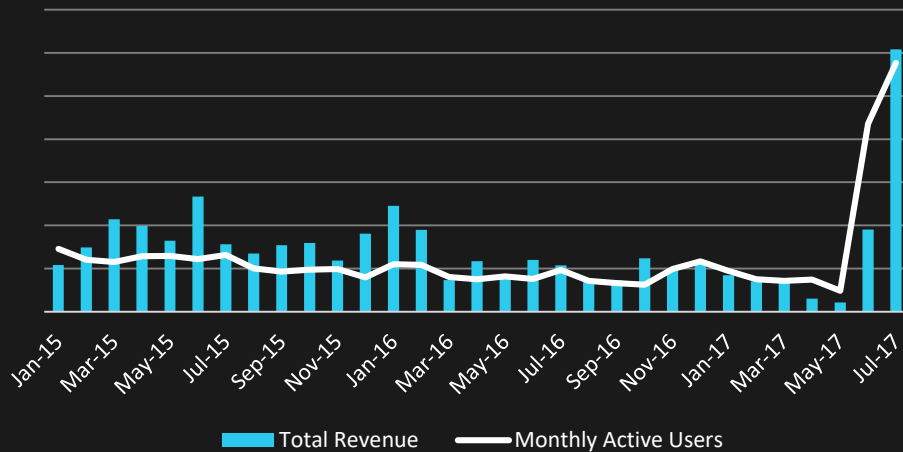




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SECRET WORLD LEGENDS – ACTIVITY LEVELS

Revenue and User activity since 2015



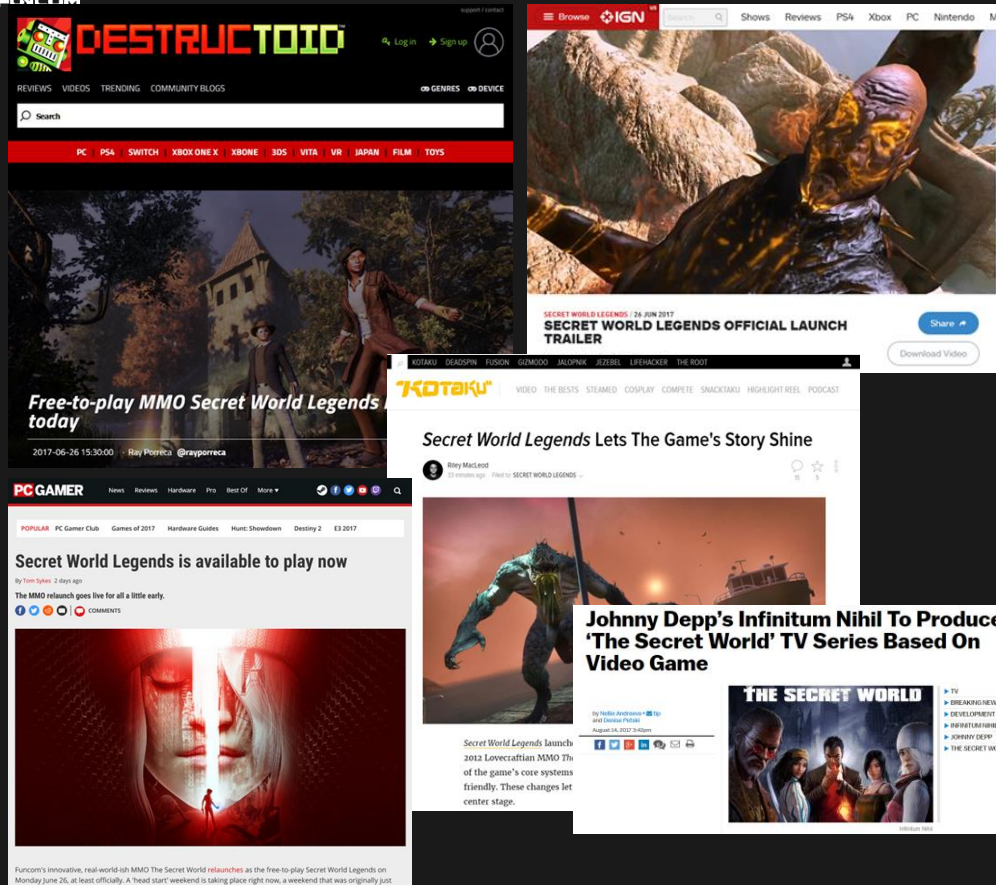
NOTES

- Monthly revenue in June and July is the highest since 2013
- This is expected to drop to a new baseline level after the initial launch.



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SECRET WORLD LEGENDS – PR/MARKETING UPDATE



- Leading up to the official launch on June 26th, Funcom executed a series of publicity initiatives using videos, news announcements, pre-launch access and more which generated significant coverage in the press including **Kotaku**, **PC Gamer**, **MMORPG.com**, **Destructoid** and more
- An ARG was executed aimed at engaging previous and then current players of The Secret World, and players from 139 countries spent more than 25,000 hours participating in the pre-launch event
- Funcom is currently experimenting with various marketing budgets, formats, and creatives to find the best possible avenue for user acquisition – as this is perfected the company aims to increase the spend to generate more users
- In August it was announced that Johnny Depps production company will be producing a TV series based on the Secret World universe, and the announcement generated large amounts of attention in both gaming and mainstream media



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SECRET WORLD LEGENDS – FUTURE UPDATES

A comprehensive list of updates is planned for and publicly available on the game's website:

<https://secretworldlegends.com/update-roadmap/>

Some highlights:

- Throughout the remainder of 2017
 - Lair Bosses and New York Raid
 - Tokyo Part 2 and 3
 - Halloween and Winter Events
- Late 2017 – Early 2018
 - Dark Agartha
 - Agent System: Get yourself a team of rookie agents and send them on adventures of their own.
 - Continuation to the main story: A whole new chapter for Secret World with brand new content

In addition the team will continue to monitor and improve the core KPIs of the game





CONAN EXILES



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DEVELOPMENT UPDATE

- Between Early Access launch and The Frozen North:
 - New dungeon - The Dregs
 - Siege weapon - The trebuchet
 - Traps, emotes and new placeables - Trap gameplay, 50 new placeables and 50 new emotes
 - Avatar defense - Defensive domes for defending from Avatar attacks
 - Orbs - Grenade gameplay
 - Climbing - Freeform climbing gameplay
- With The Frozen North
 - A new land – landmass increased by 70%, including two new dungeons
 - New buildings and resources – Several new resources and many craftable and buildable objects
 - Weather and temperature – Additional survival gameplay
 - New enemies – Frost giants, wolves, and more
 - Brewing and cooking – New types of harvesting and crafting gameplay





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FROZEN NORTH AND XBOX ONE GAME PREVIEW

- The game was released on Xbox One Game Preview on 16 August 2017 as planned, together with The Frozen North free expansion update on both Xbox and PC
- The new area and features of the game were positively received by the press and gamers, having generated a solid amount of attention
- On Xbox, the game has been on the top spots of the paid charts since launch
- While the gameplay is bigger and better than ever, the technical quality of the release was not good enough
 - The technical problems have had an impact on the store rating and sales of the game. The team is focused on addressing these issues as quickly as possible.

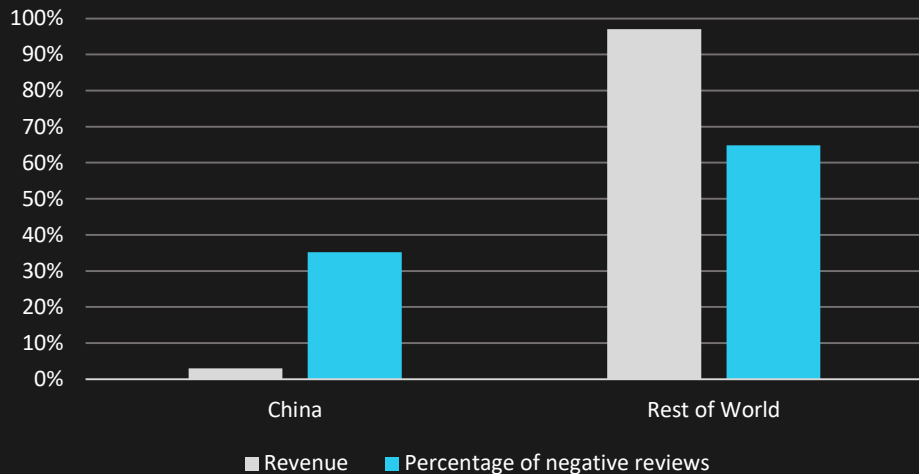




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GLOBAL AUDIENCE, REGIONAL CHALLENGES

Last 30 days revenue and negative reviews



NOTES

- Global audience brings challenges on a regional level
 - The game is localized in 11 languages, but community management is done in English and German only
- We are in dialogue with potential local partners in Asia to help us identify issues and create a dialogue with the playerbase



CONAN EXILES- PR/MARKETING UPDATE

Top paid games

Top paid

Games

Xbox

All categories

Viewing 1-50 of 997 results



Sonic Mania

★★★★★

\$15.00

\$19.99



Grand Theft



Conan Exiles

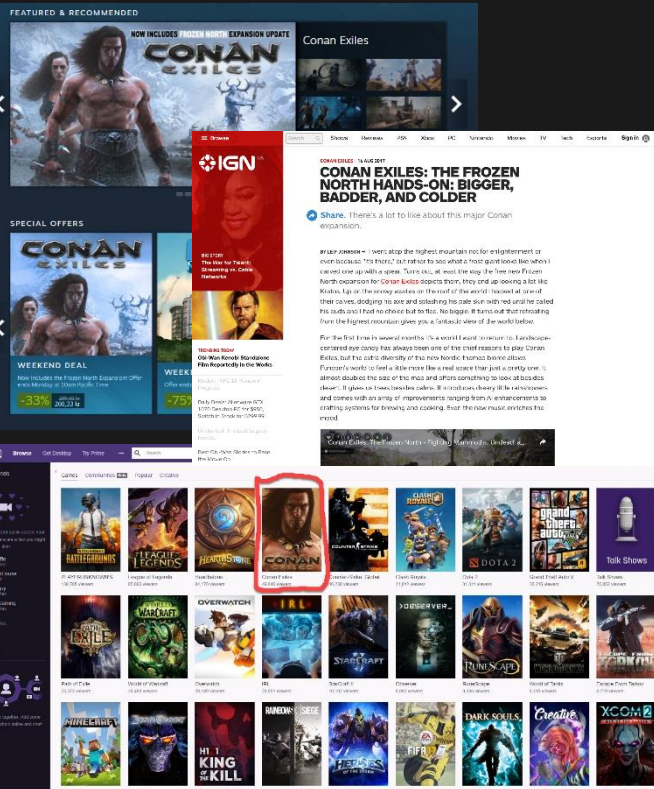
(Game

Preview)

★★★★★



FOR



- Funcom executed a sponsored streamer/YouTuber campaign which saw Conan Exiles go to 4th place on Twitch and garnered millions of video views
- Funcom worked closely with Microsoft who supported the launch in their channels, including Major Nelson, social media, YouTube, and significant featuring on the Xbox store front page
- Release of news announcements, trailers, and preview code generated substantial coverage in the press, including pickup from major players like IGN, PC Gamer, GameSpot, and others
- The game rose to 1st place on Xbox «Top Paid Games» in several territories, including US and the UK. On Steam the game reached 7th place on the Global Best Seller List.
- Funcom will be executing further PR and marketing activities in the months ahead, but is only doing very limited marketing spends during Early Access



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CONAN EXILES – THE ROAD TO FULL LAUNCH

- Quality is the main focus for full launch in Q1 2018
- The map will be expanded further, and include the last parts needed to complete the storyline.
- Additional end-game features will be added
- Price of the game in full launch will increase from the current Early Access / Game Preview price
- Significant marketing and PR activities will be undertaken for full launch, both in retail and online, to maximize the revenue impact of the release



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CONAN EXILES – KOCH MEDIA PARTNERSHIP

- On 21 August 2017 a co-publishing partnership with Koch Media for Conan Exiles was announced
- This partnership will encompass the publishing and distribution of the physical retail version of Conan Exiles for the game's full launch in Q1 2018
- This will see Conan Exiles game boxes in all significant retailers of Western Europe and North America
 - Other regions to be considered on a case by case basis
- Physical retail market has potential to be significant due to the strength of the IP and the broad appeal of the game



OTHER





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FUTURE INTERNAL GAMES

- Two new projects are in early concept stages and will enter pre-production at the earliest during the second half of 2017:
 - In Funcom Oslo:
 - New game concept using the “Conan the Barbarian” IP
 - Pre-production pushed to early 2018 due to focus on Conan Exiles
 - In Funcom North Carolina:
 - New project is in early concepting stage with full production to be dependent on the performance of Secret World Legends and on the recruitment of additional staff for the project



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BEARDED DRAGONS COOPERATION

- Cooperation announced on 23 June 2017 regarding development support and publishing of a new game is underway
- The game is in the “tactical turn-based strategy” genre, to be released in 2018 for PC, with console launch to be evaluated later
- More information to be revealed when PR and Marketing activities are initiated in late 2017
- This activity is part of Funcom's strategy of releasing multiple game titles per year, providing significant activities more often and building a larger portfolio of products.

QUESTIONS?



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