

Funcom

Financial report - 4Q 2016

Activity report – December 2016 to February 2017

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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CONAN[®] EXILES





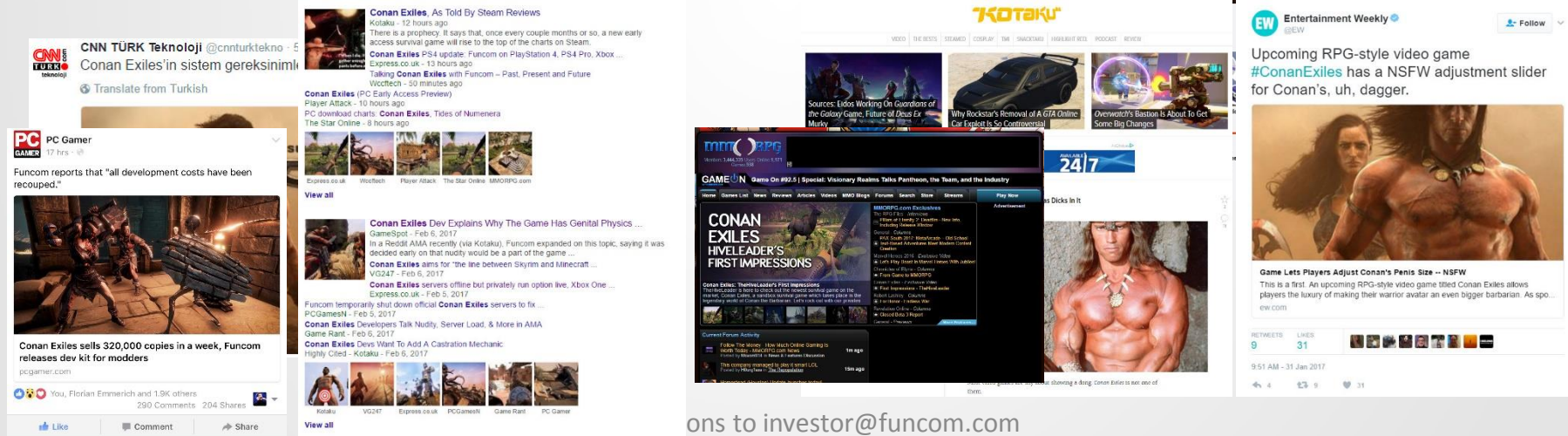
- Conan Exiles sales have performed extremely well
- It has sold more than 480.000 units the first 28 days after launch (net sales, after returns and chargebacks)
- The game is expected to reach its 12 month sales goal on PC of 487.000 units within the first 30 days after launch (goal as mentioned in the Q3 report)
- For the first time in modern Funcom history the direct project cost was covered in less than seven days and the game is now profitable and will continue to be so in foreseeable future.
 - Direct project costs totaled around 4.5m USD for the launch of the game. These are considered to be those related to salaries, social security and equipment for the development, technology and marketing teams, external PR & Marketing expenses and other external consulting or licensing expenses directly attributable to the project.
- This huge initial success lays a very solid ground foundation for continuous success in 2017 and beyond.

Press Coverage



3000+ press articles since 23.01.17

- Massive media coverage in general gaming and specialist press including IGN, GameSpot, Eurogamer, PC Gamer, Kotaku, JeuxVideo, GameStar, and more
- Pickup in mainstream media such as PlayBoY, MoviePilot, Unilad, Forbes, Yahoo, Le Monde, CNN Turkey, G1 Brazil, VentureBeat, and more



ons to investor@funcom.com

YouTube & Twitch



30,000,000+ views on YouTube

- Coverage from hundreds of high-profile streamers and YouTubers from across the world, including *PewDiePie*
- Reached #1 place on Twitch.tv, with more than **170,000 concurrent viewers** thanks to coverage by high-profile streamers such as *Lirik*



GOOD GAME

PewDiePie ✓

2 weeks ago • 4,238,973 views

“/Conan exiles has potential to be the greatest game of all.. nvm” [Ad]
Check out my current Giveaway w/ G2A: ...

[CC]

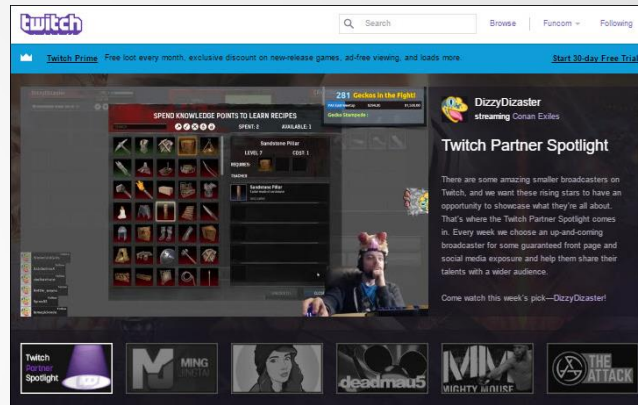


เขาชีวิตรอดจากสัตว์ร้ายในทะเลทราย | CONAN EXILES [zbing z.]

zbing z. ✓

2 weeks ago • 551,309 views

สนับสนุนที่แบ่งได้หึ้น!!!! Donation <https://twitch.streamlabs.com/zbingzbing>
พรม...



Featured Games Games people are watching now



Conan Exiles
171,802 viewers



League of Legends
163,485 viewers



Dota 2
53,056 viewers



Hearthstone
39,419 viewers



H1Z1: King of the Kill
39,108 viewers



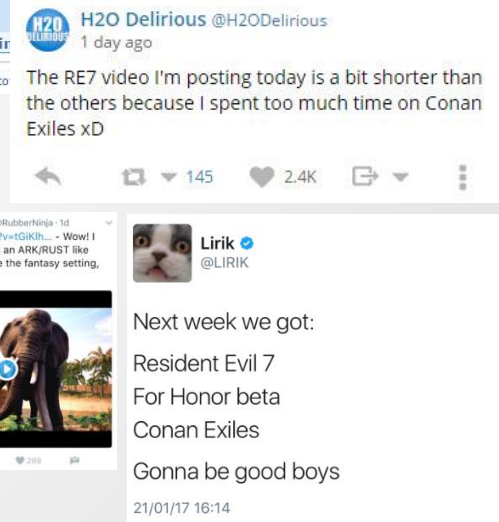
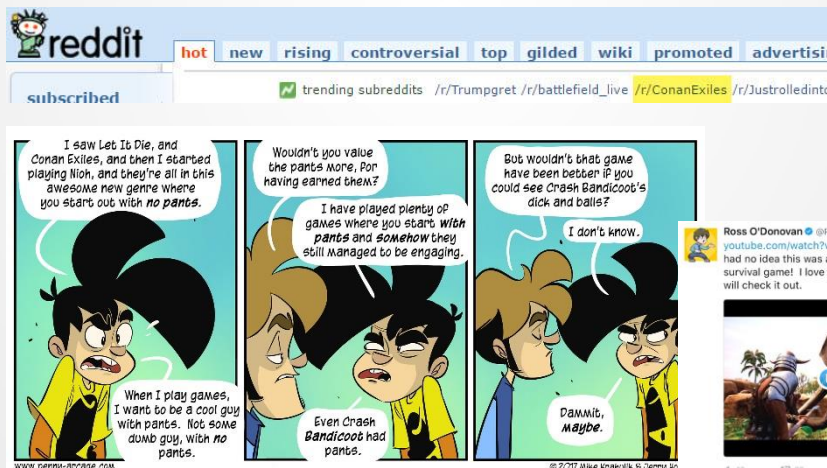
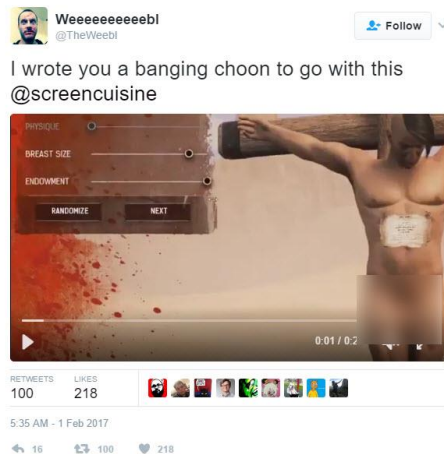
Counter-Strike: Glo...
28,976 viewers

Email questions to investor@funcom.com

Social Media & Buzz



- Thousands of tweets following launch of the game, with significant buzz among leading influencers, major websites and the gaming audience
- The *Conan Exiles* subreddit was a trending subreddit on launch day.
- Covered by major web comics and high-profile content creators such as Weebl's Stuff, Penny Arcade, and CTRL-ALT-DEL, PewDiePie, and more
- Currently over **153,000 members** on SteamCommunity

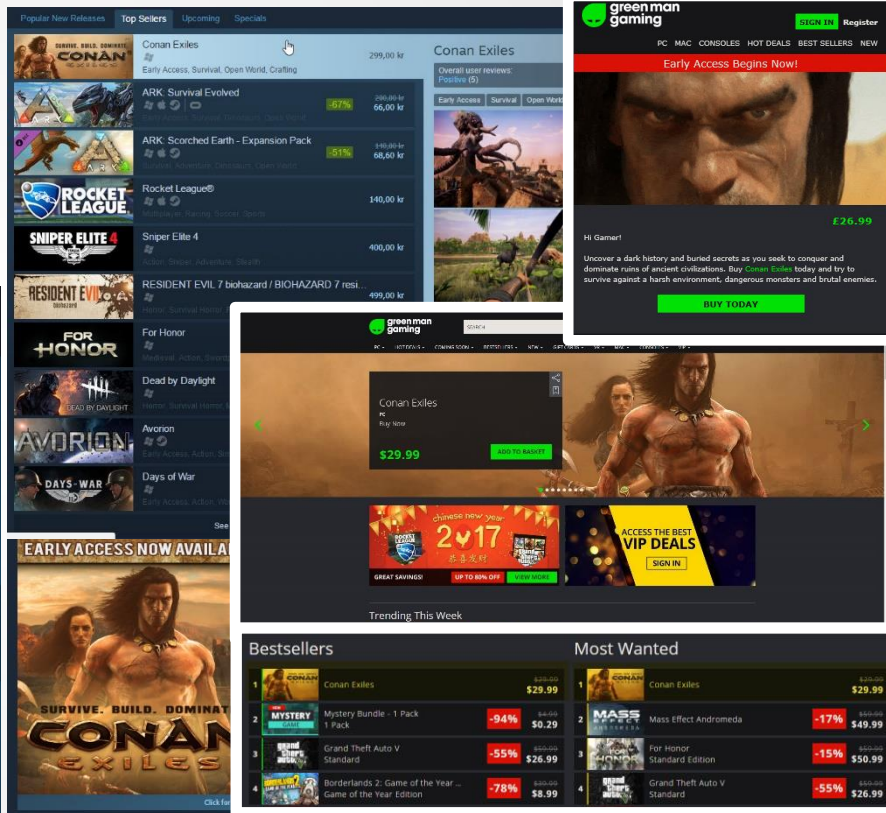
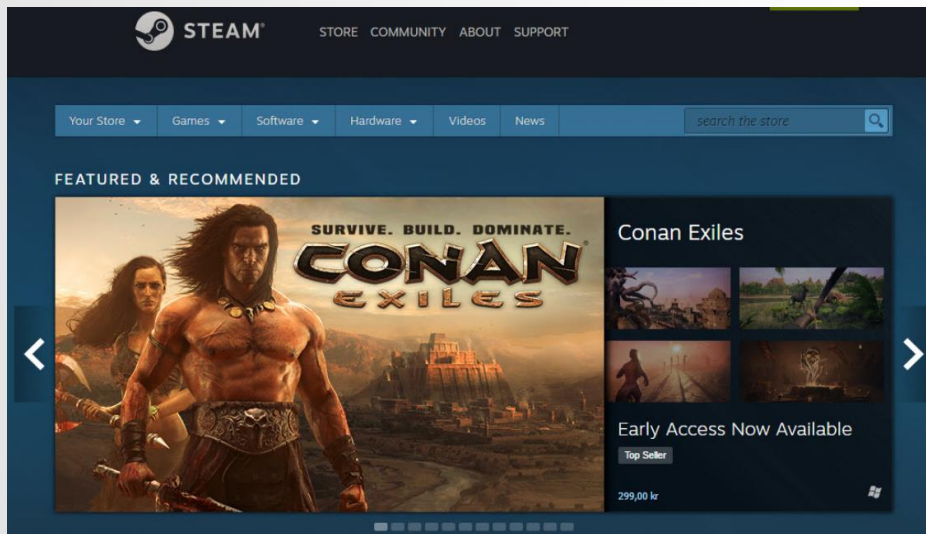


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Store Presence



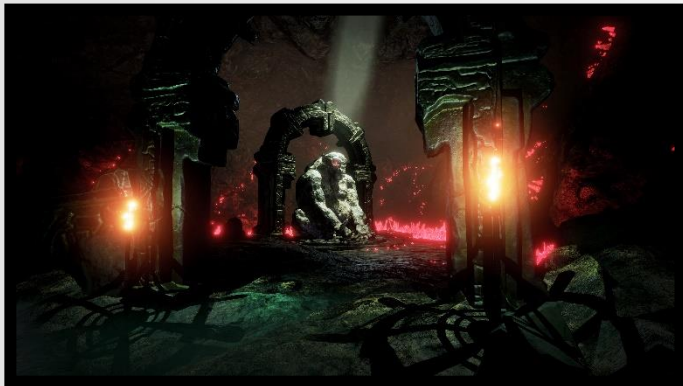
- Debuted on Steam Global Top Seller list at #1, and stayed in first place for almost two weeks
- Consistent top performer on sites such as GreenManGaming and Humble Bundle



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- Conan Exiles is the third game under the new strategy, and so far all three have reached all internal goals. The company will continue to work under the new strategy of making smaller experimental projects like The Park and Hide & Shriek, as well as larger projects like Conan Exiles.
- The business model in Conan Exiles is buy to play (B2P). You pay once and can play forever. We will evaluate offering paid Downloadable content (DLC) only after the game has exited Early Access and launched on all platforms.
- The game is planned to continue in Early Access for around 12 months after its initial Early Access launch on PC. Early Access is a concept provided by Steam where developers can launch fully playable games, but with less content than a full game. Bugs and technical issues must be expected as players under this concept develop the game together with the developers by providing valuable feedback on features, content and bugs.

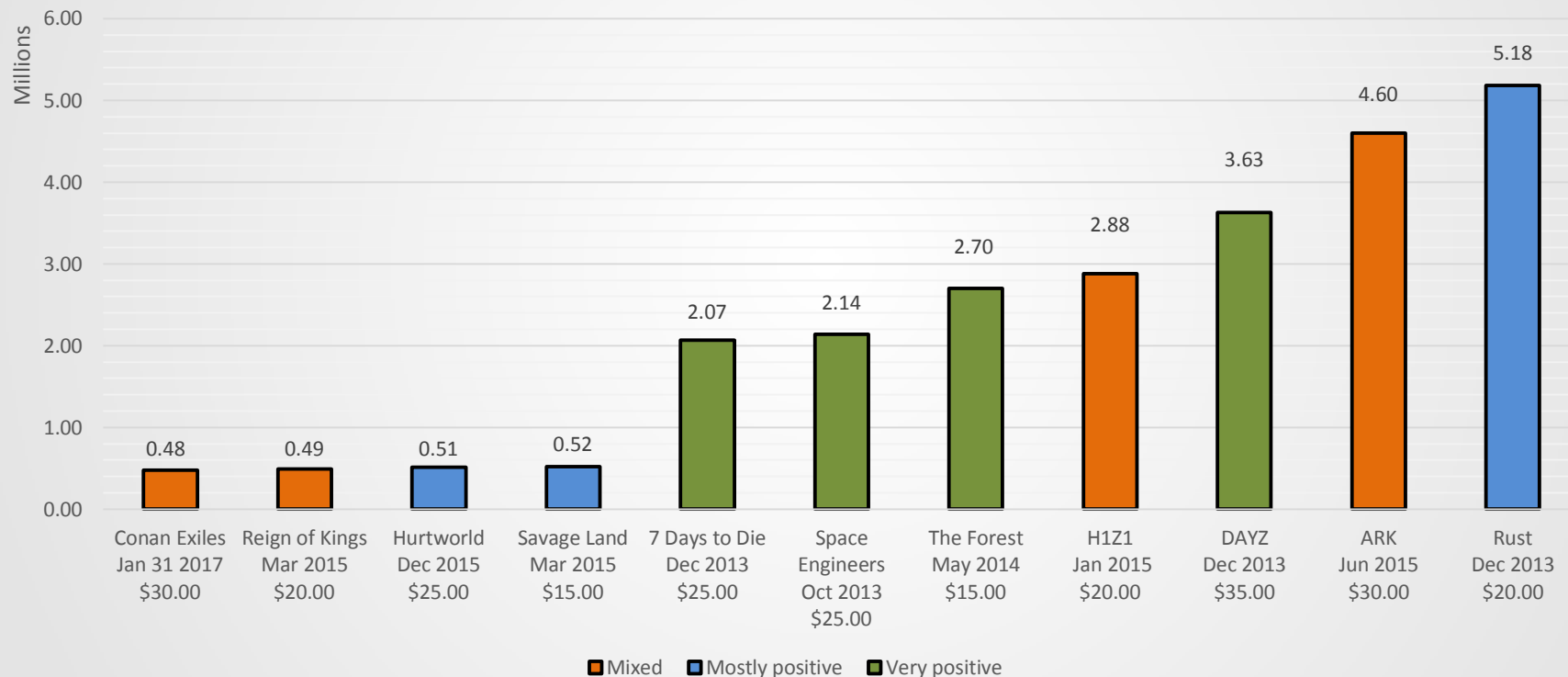




- As with many other Early Access games, the company acknowledges that the game has technical issues and bugs in addition to the initial capacity problem we encountered that we are still working on mitigating. This is affecting player ratings negatively which currently stands at 69% positive on Steam user rating.
- The team is working extensively to fix these issues and the number one priority for the company, above all else, is to fix these issues and prepare the game for future updates.
- So far the team has delivered 18 larger and smaller updates to the game which has garnered praise from the players in the Early Access community. The speed of updates will be reduced in the coming weeks as the team enters into a more sustainable production rhythm.

Conan Exiles - Unit Sales in Genre

Top 11 Multiplayer Open World Survival games - Steam



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*Sales data is an estimate provided by the Steamspy website

Conan Exiles – Unit Sales



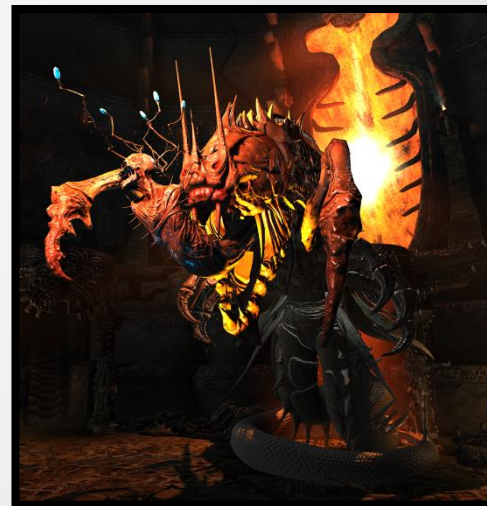
- Games in this genre typically show a very long tail of sales with, for example, Rust launching in December 2013, selling 1 million units in the first 2 months and continuing to sell very well now, after more than 3 years (5+ million)
- Sales are driven by game updates, discounts and large events or platform launches
- In addition to the figures presented in the previous chart, the games that have launched on consoles have sold a significant number of units.
 - Ark sold a reported 1m units in the first week, 2m units in the first 6 months, on Xbox One. Sold 2m units on PS4 in a bit over 2 months
- Altogether this indicates that the potential number of sales in the first 2 to 3 years after the Early Access release on PC can be very high



Anarchy Online and Age of Conan



- Anarchy Online
 - Revamped Item Store
 - Winter Celebration 2016 launched
 - Christmas Sale event
 - Various bug fixes and exploits patched
 - Steam release work and Steam release!
- Age of Conan
 - Conan Exiles early access tie in items
 - Thanksgiving Sale Event
 - Christmas Sale Event
 - New Rewards added for Raid Finder



The Secret World



- Halloween Samhain Rider and Christmas Krampusnacht Events and respective store Bundle Sales
- A Limited Time Challenge System
- Thanksgiving Store Sale
- Hide and Shriek and NITE Team 4 tie in items



Q4 2016 FINANCIALS

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Key Financial Summary – 4Q FY16



Notes

in K USD	4Q FY16	4Q FY15
Revenues	1,671	2,617
EBITDA	(143)	10
EBIT	(580)	(747)
EAT	(936)	(2,251)

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

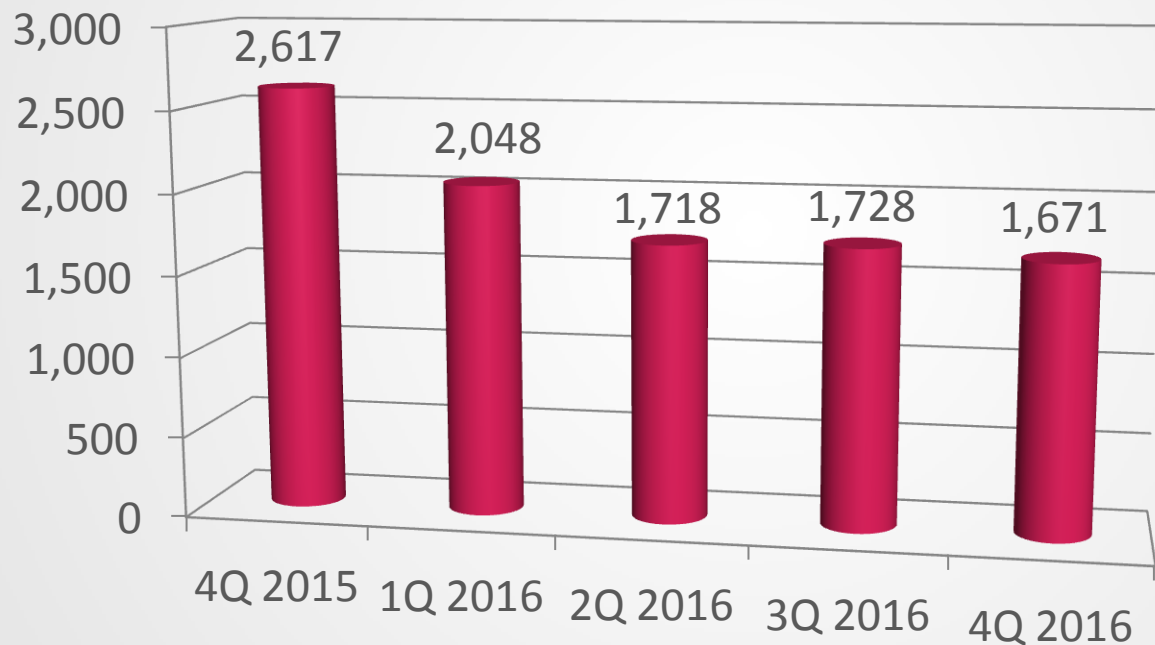
< The declining revenue is due to gradual decrease in sales from the current Live Games.

< Quarterly operating expenses are down USD 793k compared to 4Q FY15 thanks to cost saving efforts.

< Some costs were capitalized into *Conan Exiles* in 4Q FY16 while its amortization has not started yet.

Key Financial Summary, 4Q 2016 - Revenue

Quarterly Revenues (TUSD)



Notes

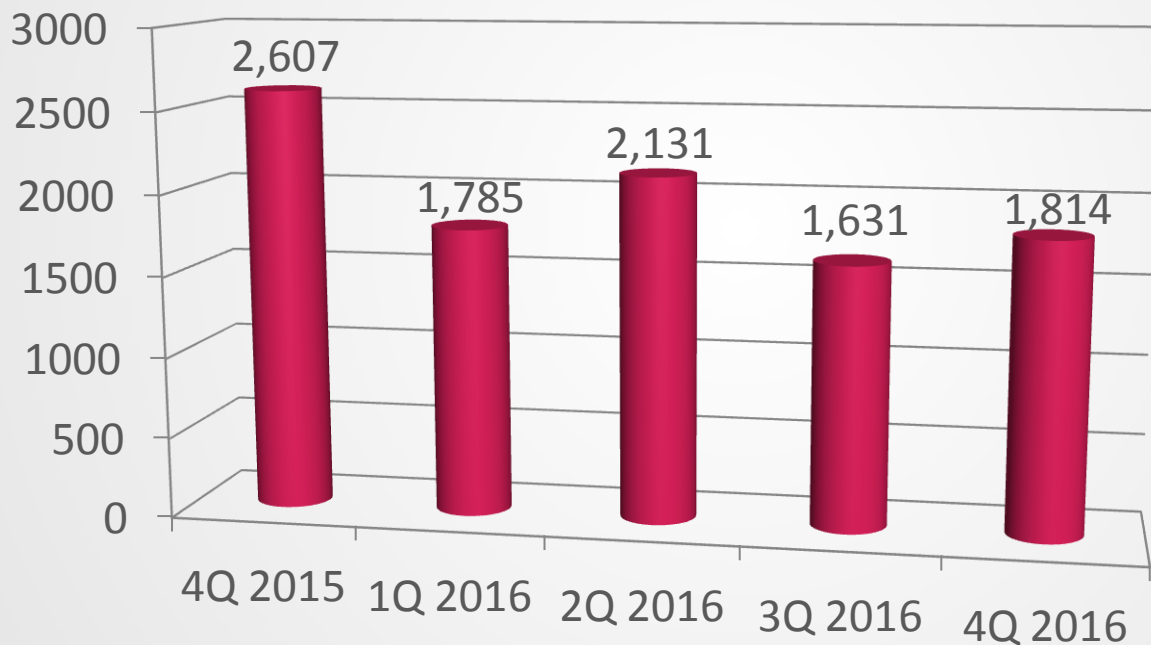
< Year on Year decrease in revenues due to ageing of the Live Games

< The major games contributing to the revenues in 2016 are *The Secret World*, followed by *Age of Conan* and *Anarchy Online*

< The slight increase of revenues in 3Q 2016 is mainly related to *The Park's* inclusion in various Summer sales

Key Financial Summary, 4Q 2016 – Operating costs

Quarterly Operating costs (TUSD)



Notes

< 2Q 2016 had higher than normal legal and financial expenses due to the private placement and other corporate expenses unrelated to the private placement

< The operating costs for the year 2016 are reduced by -25% compared to 2015, mainly due to ongoing cost reduction measures aiming at aligning the costs with the declining revenues.

4Q 2016 Financial Summary



- Overall revenues and operating costs for 4Q 2016 were in line with internal forecasts
- Operating expenses decreased by USD 793k compared to 4Q15
- Both Operating result (EBIT) and net result (EAT) from continuing operations improved when compared to 4Q15
- The equity decreased and cash balance decreased in 4Q16 compared to 3Q16 due to investment into Conan Exiles and The Secret World
- The total debt carried by the company is currently less than half of what it was one year ago
- An adjustment was recorded on the YTD figures as of 3Q16 by decreasing the amortization charges with an amount of USD 1,581k, and by increasing the Foreign exchange translation difference with the same amount. For further information please refer to the Note 5 of the 4Q16 Financial Report

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CONAN **EXILES**



THE WAY AHEAD

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Exiles - Increased investment



- Due to the rapid success of Conan Exiles the Company has evaluated its investment level into the project and decided to increase it, as we believe this to represent the highest ROI for the next 12-24 months
- Some milestones have been moved as part of the additional investment plan, to maximize the quality and thus the revenue generated by those activities
- The additional investment will be in the 5 to 10m USD range throughout 2017 and early 2018, to deliver technical and content updates, PR & marketing activities and campaigns, as well as support for Xbox One and Playstation 4 launches
- As part of the evaluation to invest more in the console version, the fact that competition in the genre on both Xbox and PS4 is limited, has played a major part. So far only ARK and 7 Days to Die have been released on those consoles
- Future potential of the game is dependent of many factors, player and media reception of the game and the company are both factors investors should consider together with the potential the title has in its genre, together with its initial success and future full launch and launch on consoles. For more information regarding risk factors please see point 27 in the 2015 annual report



Exiles – Development in 3 tracks



- Regular Patches, which will happen every one to two weeks:
 - Performance and Stability updates
 - Bug Fixing to continuously polish the game experience
 - "Quick Win" small features and additions to the game to respond to the requests from the community
- Game Updates, less frequent but with significant additions to the game:
 - Examples of content are the Trebuchet/Siege weapons, Dye system, mounts, etc
 - The current plan is for 4 - 6 Game Updates during the Early Access Period
 - 2-3 Game Updates during H1 2017
 - 2-3 Game Updates during H2 2017
 - 1 Game Update during Q1 2018
- Major Releases, for new platform launches and large content updates:
 - Xbox One Game Preview and an additional Biome during Q3 2017
 - Xbox Game Preview is similar to the Early Access program but on the Xbox platform
 - A "biome" is an addition to the existing game map with a different environment, adding new terrain, monsters, equipment, avatars, etc
 - Full Release on PC, Xbox, and PS4 in Q1 2018

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THE SECRET WORLD



- The Secret World will be relaunched during the first half of 2017. The goal of the relaunch is to broaden the appeal of the game through:
 - Redesigned new player experience
 - Major improvements to gameplay including combat.
 - Introduction of new retention systems such as daily rewards.
 - Adjustments to the business model, including allowing access to the story content for free.
- Relaunch activities will begin in late March.
- This relaunch has the potential to have a significant impact in the game and company's revenues
 - As with any business model adjustments there is a significant risk attached to this change. For more information regarding risk see point 27 in the 2015 Annual report



Future games and staffing



- 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 due to success of Conan Exiles
 - In Funcom North Carolina:
 - New project that has been in early concepting stage and will continue after The Secret World relaunch
- Additional staffing to happen throughout the year in both studios to support the existing and the new projects
- Lawrence Poe, VP of Digital Products and Executive Producer for Conan Exiles, will move to Funcom Inc, in North Carolina, USA, this summer, to help strengthen and build the studio in conjunction with the full rollout of the new strategy
- Planned personnel count by the end of 2017 of around 120-130 full time employees vs. current 103

The background image is a promotional artwork for the game Conan Exiles. It depicts the character Conan, a muscular man with long dark hair, wearing a loincloth and a necklace of medallions. He is holding a large, blood-stained sword. He is standing in a dark, rocky environment, facing a large, monstrous creature with a long, curved horn and sharp teeth. Another similar creature is visible in the background. The title "CONAN" is written in large, stylized, metallic letters, and "EXILES" is written in smaller, similar letters below it.

CONAN

EXILES

LAST SLIDE