



Q2 2008  
August 15th 2008

# Agenda

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1. Key financials
2. Project Status
3. Financials

# Key financial summary, Q2 2008, Guidance Q3 2008



TUSD	Q2,2008	Q2,2007
Revenue	13.010	1.593
EBIT	-5.730	-1.460
EAT	-7.191	776

## Revenue

- Approximately TUSD 1.000 higher than previously guided.
- Increase in Funcom revenues were mainly due to box revenues from the launch of the *Age of Conan* game.
- Steady revenues from *Anarchy Online* and *Plutolife*.

## Earnings

- EBIT as guided.
- Cost level due to increased activities related to the *Age of Conan* launch.
- EAT is impacted by exchange rate effects and tax adjustments.

## Balance

- Cash balance of TUSD 36.991 as of June 30, 2008 and low interest bearing debt.

## Guidance, Q3 2008

- Revenues in Q3 2008 are expected to be between TUSD 16.000 and TUSD 20.000.
- Will depend on the key success factors; customer acquisition and retention rate.
- Excluding *Plutolife* revenues.

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## 'Age of Conan' – Launched on May 20



### Launch status

- The largest MMO launch since WOW
- One of the largest PC launches in this decade
- Accumulated sell-in of over 1.2 million copies
- On top of sales charts in all major markets for several weeks/months.
- Over 800.000 copies sold through to customers.
- 415.000 customers per August 14



# 'Age of Conan' – Strong feedback



## Review scores:

- Average review score Europe: 87% \*
- Average review score US: 82% \*

## Selected quotes:

- 'Age of Conan is a real revolution within the genre'  
Gamez The Netherlands: 92%
- 'Age of Conan is a benchmark MMO'  
Gamezone US: 94%
- 'one of the finest online RPGs available'  
Gamespot US: 85%
- 'Brutally awesome fun'  
Gamespy US: 80%
- 'Easily the best MMO since *WoW*'  
Sci-fi US: 100%



# 'Age of Conan' – Global press coverage

- Over 30 front page covers
- Substantial coverage on all major gaming sites
  - IGN, GameSpot, 1up, Gamespy, Kotaku, Escapist, FilePlanet, Voodoo Extreme, MPOGD.com as well as covers on several magazines|
- Broad mass media coverage. NYT, BBC, MTV, SkyNews etc.



## 'Age of Conan' – Game update



### Player profile

- US and Europe similarly represented
- Male
- Average age 29 years
- Higher than average education and income
- Play less hours than anticipated (Older players, vacation, aspects of game?)

### Sales initiatives

- Polish and Russian launches
- Work with potential Asian Publishers to take game to Asia
- Will at some point start providing demos of game to consumers
- Updated retail-versions of game
- Online advertising and conversion focus

### Market update

- *Warhammer Online* and *Wrath of Lich King* expected to launch during fall of 2008
- *Star Wars MMO* announced by Bioware. Expected launch in 2010/2011.





# 'Age of Conan' – Game update



## Product focus since launch

- Improvements in Customer Service
- Additions of new content
- Ongoing Upgrades
  - New content and enhancements
  - Technical improvements
- Addressing player issues and bugs

## Short term focus

- PVP
- New content
  - Ymir's Pass, House of Crom, Thunder river etc
  - New armor and items, raid gear
  - Group and guild game play additions
  - Etc
- Continued focus on fixing issues and bugs
- Balancing and class enhancements

## Longer term focus

- PVP enhancements
- Expand high-end content
- Focus on items and importance of items
- DX10
- Performance improvements

Funcom is committed to innovate core businesses and build new ones at the same time



### Horizon 3

*Create Viable  
Options for future  
opportunities*

New casual MMOs  
New large scale MMOs  
Mergers & Acquisitions  
Virtual world social networking

### Horizon 2

*Build  
Emerging  
Business*



'The Secret World'



Casual MMO initiatives

### Horizon 1

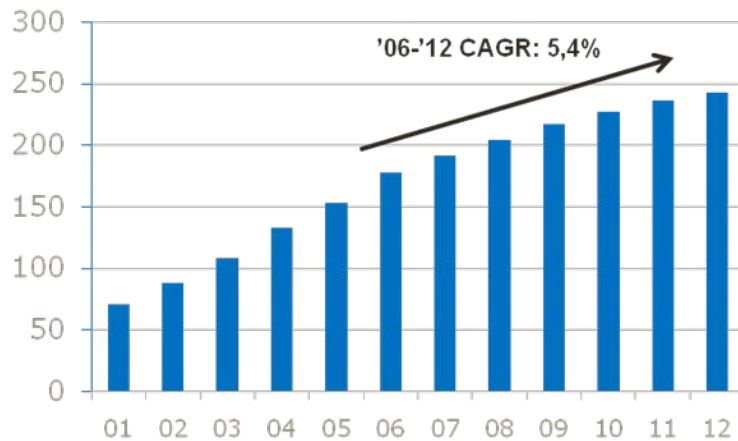
*Extend  
Core  
Business*

AGE OF  
**CONAN**<sup>®</sup>  
HYBORIAN ADVENTURES

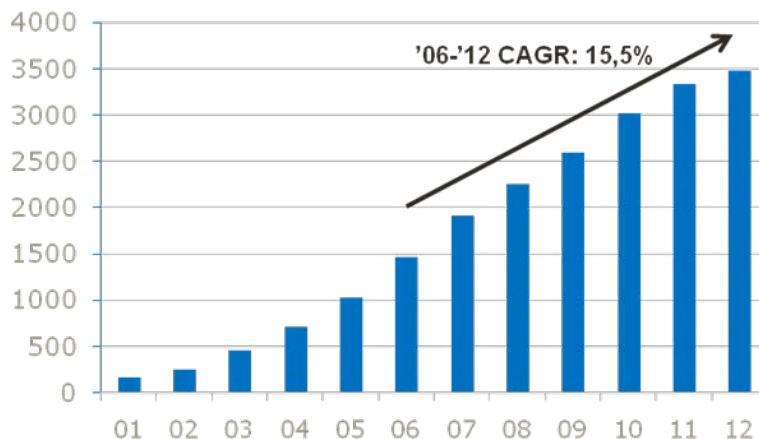


# Casual MMOs – what are they

**Global Casual Gamers Forecast\***  
(Millions of users)



**Global Casual Gaming Market Forecast\***  
MUSD



- Social, online games where thousands of players play in same game world
- Technology that enables almost all PCs and Macs to play the games
- Distributed digitally through online advertisers and through casual gaming sites like Miniclip, Yahoo Games etc.
- Low entry barriers – quick download/install. Easy to get into.
- Business models use sales of virtual items, subscriptions and advertising and are well established
- Successful games reach tens of millions of players and are highly profitable
- Large markets across the world – US, Europe, China, Korea, Brazil, India, South East Asia etc.

Source: DFC Intelligence, 2007

\*Note: Casual Gaming includes all casual games, not only casual MMOs

# Funcom casual MMO initiative



## Casual MMOs in Funcom

- Significant synergies on technology and competence
- Smaller budgets and faster development
- Supplements Funcom's portfolio of large scale MMOs
- Business models with combination of micro-transactions, subscriptions and advertising

## Status

- One Java based MMO and web distributed based MMO in development
- 10-20 people development teams
- First 2 MMOs target 2009 launch



## Funcom Goal in casual MMO space

- Develop a portfolio of casual MMOs over the next few years and achieve significant presence and success in the space

# Casual MMOs – success examples

## Club Penguin (Flash technology)

- Projected revenues in 2007: \$65,000,000
- Projected profit in 2007: \$35,000,000
- Opened to public in October 2005 with 25,000 users
- As of summer 2007: 700,000 paying subscribers
- 12,000,000 activated users

Sources: <http://www.clubpenguin.com/company/about.html>

## Runescape (Java technology)

- Estimated annual revenue in 2006: \$60,000,000
- 10,000,000 active free accounts
- 1,000,000 paying members (as of May 4 2007)
- 6,000,000 unique players per month
- Number of accounts have increased with 35% per year
- Advertising is displayed above the playing screen on the free servers

Sources: <http://news.runescape.com/>

## Habbo Hotel (Shockwave / Flash)

- Estimated annual revenues in 2006: \$77,000,000
- 31 local communities
- Registered users: 83,000,000
- Unique visitors: 8,300,000 / month
- Page impressions: 800,000,000 / month
- Age distribution: 90 % between 13-18 years old
- Average visit: 36 minutes / session

Sources: <http://www.sulake.com/habbo/>, New York Times / Danny Rimer

## Maple Story (C++ technology, client install)

- Estimated annual revenue: \$72,000,000
- As of 2006: 60,000,000 registered players out of which 3,000,000 in USA.
- Over 200,000 concurrent users
- Majority of players purchase the \$25 prepaid cards
- Two-week product placement with Target translated to 200,000 participants, \$1,600,000 in sales and 600,000 virtual items sold.

# 'The Secret World'

## Funcoms next large scale MMO



- Funcom created brand
- Explore a secret world within our world where every mystery, myth, conspiracy theory and urban legend is true
- MMO gaming combined with Alternate Reality Gaming and social networking
- Funcom's proprietary DreamWorld tech
- PC and Xbox 360 platforms
- 40 people team and growing, experience from Dreamfall, Anarchy Online, Age of Conan, Everquest 2, The Longest Journey and other games




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# Balance sheet

<b>BALANCE SHEET</b>	30-Jun		Full Year
<i>(Figures in TUSD)</i>	2008	2007	2007
<b>ASSETS</b>			
Deferred tax asset	3,982	3,781	4,509
Other intangible assets	44,772	26,767	35,697
Tangible fixed assets	5,758	1,320	4,166
Long-term receivables	498	435	469
Trade debtors	18,204	826	977
Prepayments and other receivables	1,969	2,075	2,067
Cash and cash equivalents	36,392	29,859	52,366
<b>Total assets</b>	<b>111,575</b>	<b>65,063</b>	<b>100,251</b>
<b>EQUITY AND LIABILITIES</b>			
Paid in capital	124,904	94,772	124,384
Other reserves	-38,080	-34,591	-32,299
Equity attributable to minority interest	11	116	62
Long-term liabilities	2,915		1,618
Short-term liabilities	21,825	4,766	6,486
<b>Total equity and liabilities</b>	<b>111,575</b>	<b>65,063</b>	<b>100,251</b>





# Profit and loss account

<b>PROFIT AND LOSS ACCOUNT</b> <i>(Figures in TUSD)</i>	<b>Second quarter</b>		<b>Accumulated</b>		<b>Full Year</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
Revenues, PC/Console	12,231	1,084	13,112	2,278	4,621
Revenues, Mobile	779	509	1,538	1,108	2,274
<b>Total Operating Revenues</b>	<b>13,010</b>	<b>1,593</b>	<b>14,650</b>	<b>3,386</b>	<b>6,895</b>
Operating expenses	-14,886	-2,705	-19,085	-5,324	-12,722
Depreciation, amortization and write down	-3,854	-348	-4,424	-735	-1,635
Total operating expenses	-18,740	-3,053	-23,509	-6,059	-14,357
<b>Earnings Before Interest and Tax ("EBIT")</b>	<b>-5,730</b>	<b>-1,460</b>	<b>-8,859</b>	<b>-2,673</b>	<b>-7,462</b>
Net financial items	613	1,139	3,580	2,048	7,625
Earnings Before Tax ("EBT")	-5,117	-321	-5,279	-625	163
Taxes	-2,074	1,097	-992	1,178	2,001
<b>Earnings After Tax ("EAT")</b>	<b>-7,191</b>	<b>776</b>	<b>-6,271</b>	<b>553</b>	<b>2,164</b>
Attributable to minority interest	-25	-43	-57	-62	-154
Attributable to shareholders of Funcom N.V.	-7,166	819	-6,214	615	2,318
Earnings per share (USD)	-0.14	0.02	-0.12	0.01	0.05
Earnings per share fully diluted (USD)	-0.13	0.02	-0.11	0.01	0.04
Average number of shares (1000)	52,770	47,881	52,770	49,788	50,087
Average number of shares fully diluted (1000)	54,683	49,856	54,683	49,856	52,000



# Interim segment results

<b>INTERIM SEGMENT RESULTS</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>
<i>(Figures in TUSD)</i>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>
Revenues, PC/Console	1,084	1,176	1,167	963	12,231
Revenues, Mobile	509	588	578	676	779
Total operating revenues	1,593	1,764	1,745	1,639	13,010
Sales growth quarter by quarter (%)	-11.2 %	10.7 %	-1.1 %	-6.0 %	693.8 %
EBIT PC/Console	-1,316	-1,504	-2,822	-2,953	-5,689
EBIT Mobile	-144	-270	-193	-177	-41
EBIT Total	-1,460	-1,774	-3,015	-3,130	-5,730