



Q3 2008  
November 12th 2008



# 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 the 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 financials
2. Project Status
3. Extract from Q308 financial Report



# Key financial summary, Q3 2008

TUSD	Q3,2008	Q3,2007
Revenue	18.065	1.176
EBITDA	7.761	-1.222
EBIT	5.331	-1.504
EAT	2.763	4.299

## Revenue

- Revenues were within the previously guided range of 16.000 to 20.000 TUSD
- Increase in Funcom revenues is mainly due to subscription revenues from the *Age of Conan* game.
- Steady revenues from *Anarchy Online*.
- Excluding Plutolife revenues.

## Earnings

- EBITDA and EBIT reflects the scalability of the business model for MMOs such as *Age of Conan*.
- EAT is impacted by exchange rate effects.

## Balance

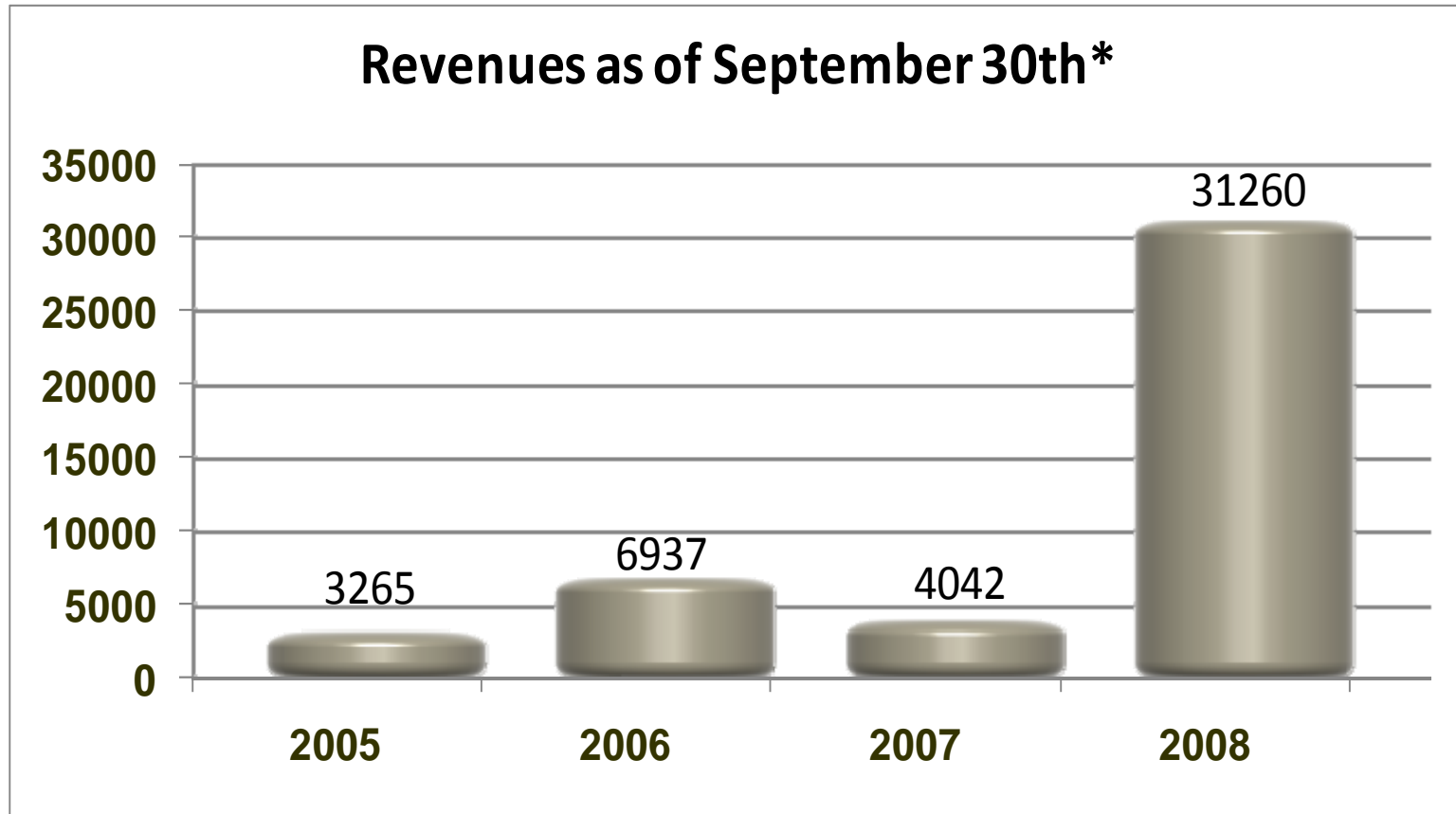
- Cash balance of TUSD 34.779 as of September 30, 2008 and low interest bearing debt. Payment from Eidos for box revenues in Q208 has been received after Q308.

## Guidance, Q4 2008

- Revenues in Q4 2008 are expected to be between TUSD 8.000 and TUSD 10.000.
- Will depend on the key success factors; customer acquisition and retention rate.

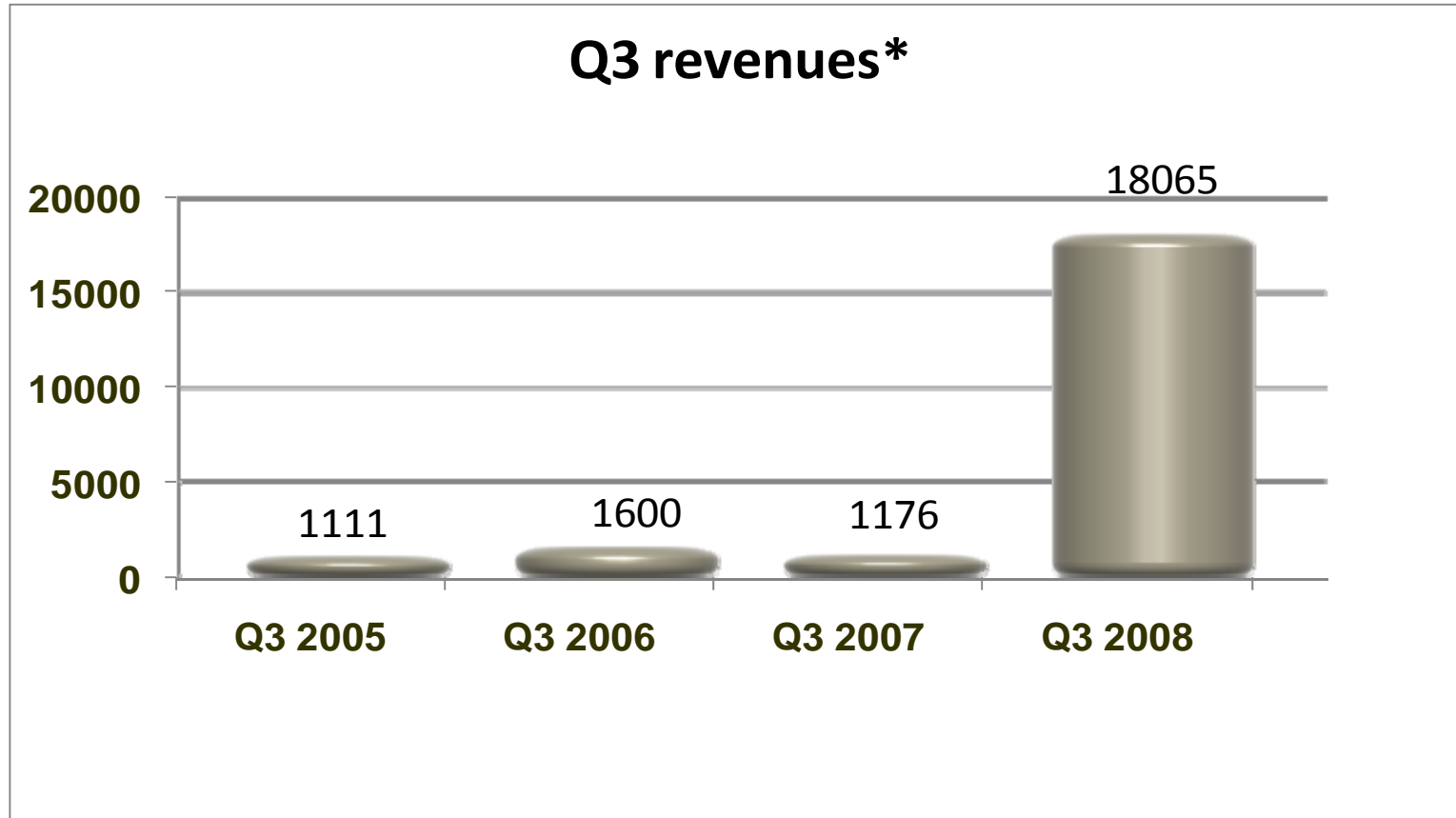


# Key financial summary, Q3 2008



\* All figures excl. Plutolife

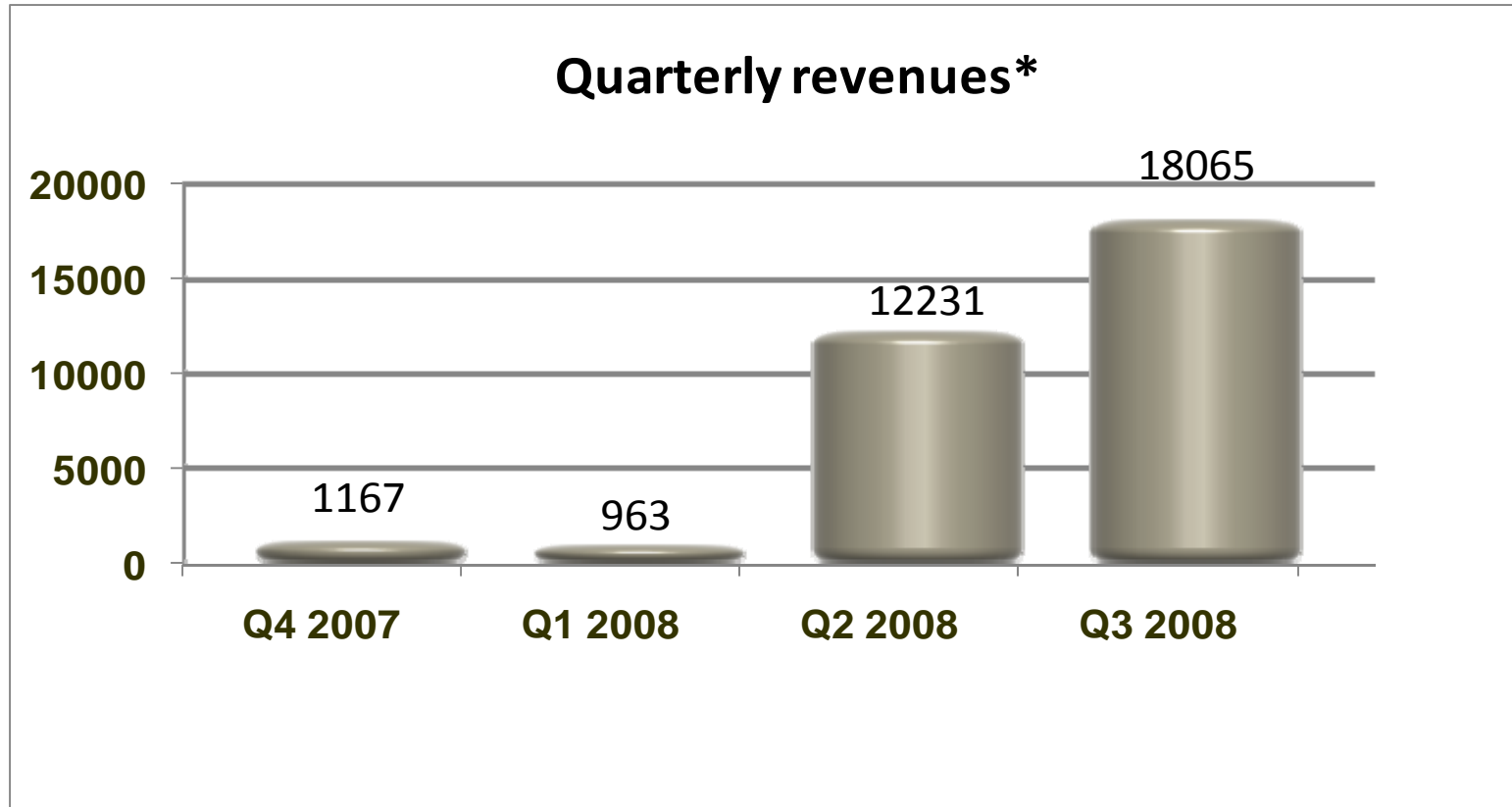
# Key financial summary, Q3 2008



\* All figures excl. Plutolife



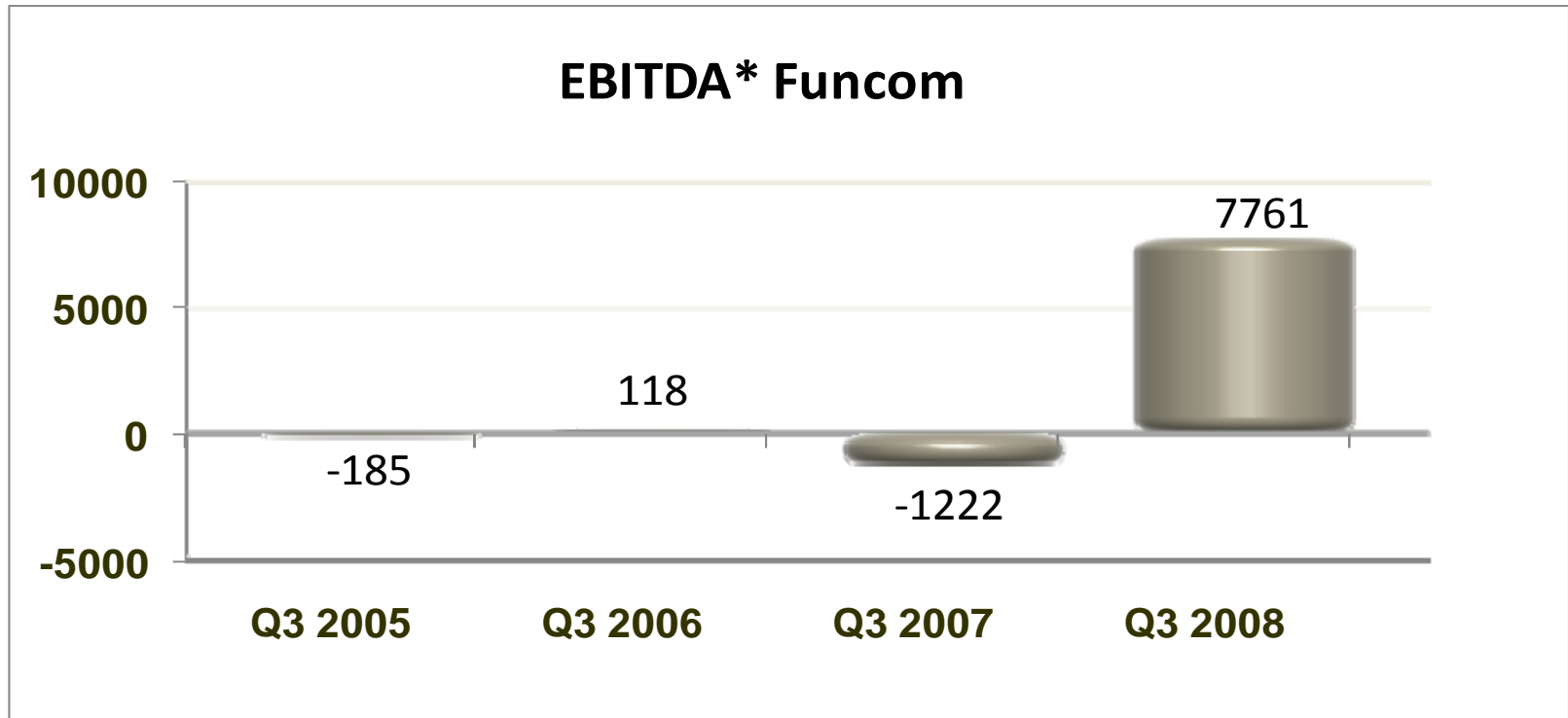
# Key financial summary, Q3 2008



\* All figures excl. Plutolife



# Key financial summary, Q3 2008



\* All figures excl. Plutolife



# How does the financial crisis impact Funcom?

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## Business effects

- The gaming industry is traditionally not very affected by major changes in the economy.
- The retail based parts of the gaming industry will be affected to some extent. Playing online games is still a "low budget" form of entertainment in a cost per hour perspective and should be less affected.
- Fewer competitors will get funding in the short to medium term
- The strong consolidation in the industry may lose some momentum as a result of the financial crises.

## Financial effects

- Cash → Funcom does not need any external funding in 2009. Most of Funcom's cash and cash equivalents are being held in NOK
- Currency → NOK depreciation is positive for EBITDA, but will have a negative accounting effect in P&L as a large portion of the Company's cash is being held in NOK as a cost hedge.



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## MMO success criteria and status Age of Conan

### Sales, marketing and operations:

- Develop game concept and positioning that has global reach
- Develop world class marketing material for game and concept
- Build a large, global community of gamers before launch
- Execute a successful global marketing campaign
- World class distribution
- Handle network, server and billing issues for launch volumes

### Game:

- Appealing game world (gfx, story, quests, characters etc)
- Compelling first 5 minutes of game play
- Compelling first 20 hours of game play
- An RPG rule set that keeps the majority of players engaged for hundreds of hours
- Sufficient content for hundreds of hours of game play

AOC



## 'Age of Conan' – Focus areas for game

### Short term focus

- Items, classes and balance
- PVP system
- New content
  - Ymir's Pass, House of Crom, Thunder river etc
  - New armor and items, raid gear
  - Group and guild game play additions
  - Etc

### Longer term focus

- Items and importance of items in RPG system
- PVP implications and additions
- Continuous high level content additions



### Goal

- More compelling RPG rule set
- More content and systems utilizing improved RPG rule set

### Implication

- Extended subscription periods.  
Goal is 10-20 months subscription periods within 1 year
- Extended average subscription periods combined with wide trial distribution will result in long term growth potential



# Age of Conan - Updates so far and road map

## Major updates so far:

July	Numerous updates, fixes and improvements
Aug 28	New quests, Voiceover, Class changes, Massive PVP changes, Dungeon revamps div
Sep 17	Class changes, New PVP system, Raid updates, GUI Memory leak fix. Dungeon revamps
Oct 29	PVP consequence system, combat changes, trade skills, Cistern Dungeon revamp

## Future updates:

Q4 2008	Ymirs Pass, New DX10, 2 High level Dungeons etc.
Q1 2009	New item/RPG system, 1-2 new playfields, new dungeons etc.
Q2-Q3 2009	Continuous updates with high end content and systems
Q4 2009	Expansion pack



# Sales & Marketing focus areas – Age of Conan

## Acquisition

- New price point Q4 2008 and ongoing
- Free trial offers – both digital and physical distribution Q4 2008 – Q1 2009
- Polish and Russian launches Q1 2009
- Active use of expansion pack to repackage and revitalize the game Q4 2009
- Launches in other markets

## Retention

- Active use of PR to promote and market the updates and improvements in the game Ongoing
- Loyalty program to be implemented – rewarding long-time subscribers Q1 2009

## Winback

- Segmented CRM campaigns targeting the very large player database Q1 2009
- Online campaigns on MMO sites to rekindle customer relationships Q1-Q2 2009





AGE OF  
**CONAN**  
HYBORIAN ADVENTURES





# Neowiz Games – Age of Conan partner in Korea

## Partnership:

- Neowiz will publish, distribute and operate Age of Conan in Korean market
- Korea is one of the largest markets in the world for online games, comparable to US and Europe
- Funcom will receive royalties game revenue

## Neowiz Information:

- Leading Korean game developer and online publisher
- Registered on KOSDAQ
- Operates game portal “Pmang” with over 8 million unique visitors a month and the social networking site SayClub with tens of millions of users.
- Developed online versions of the EA’s sports franchises with FIFA Online 1 and 2, NBA Street Online, and moving beyond sports with Battlefield Online.
- Electronic Arts invested 105M USD in 2006 and own approximately 19 percent of common stock equivalents.
- Branch offices in Japan, China and USA



2006



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*

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# Funcom casual MMO initiative



## Status Java based MMO:

- 12 people on team
- Game play prototype finished, playfields in development
- Younger target demographic

## Status browser MMO:

- Core team in place
- Developing MMO technology
- Art in production
- 10 people on team
- Gamer target demographic

## Casual MMOs in Funcom:

- Synergies on technology and competence
- Smaller budgets and faster development
- Business models with combination of micro-transactions, subscriptions and advertising



# 'The Secret World'

## Funcoms next large scale MMO



### Status:

- 4 playfields close to complete
- 4-5 playfields in development
- Large asset library developed
- Implementing RPG and combat system
- 70 people working on project
- PR and community building commencing early 2009

### Background:

- 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



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# Balance sheet

<b>BALANCE SHEET</b>		30-Sep	Full Year
<i>(Figures in TUSD)</i>	2008	2007	2007
<b>ASSETS</b>			
Deferred tax asset	4 129	4 121	4 509
Other intangible assets	43 646	30 812	35 697
Tangible fixed assets	5 042	1 444	4 166
Long-term receivables	445	471	469
Trade debtors	13 853	1 007	977
Prepayments and other receivables	2 556	1 953	2 067
Cash and cash equivalents	34 779	58 533	52 366
<b>Total assets</b>	<b>104 450</b>	<b>98 341</b>	<b>100 251</b>
<b>EQUITY AND LIABILITIES</b>			
Paid in capital	124 978	124 406	124 384
Other reserves	-35 270	-30 086	-32 299
Equity attributable to minority interest		34	62
Long-term liabilities	2 776	158	1 618
Short-term liabilities	11 966	3 829	6 486
<b>Total equity and liabilities</b>	<b>104 450</b>	<b>98 341</b>	<b>100 251</b>



# Profit and loss account

<b>PROFIT AND LOSS ACCOUNT</b> <i>(Figures in TUSD)</i>	<b>Third 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	18 065	1 176	31 260	4 042	4 621
Operating expenses	-10 304	-2 398	-27 933	-7 162	-10 116
<b>Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA")</b>	<b>7 761</b>	<b>-1 222</b>	<b>3 327</b>	<b>-3 120</b>	<b>-5 495</b>
Depreciation, amortization and write down	-2 429	-282	-6 635	-786	-1 233
Total operating expenses	-12 733	-2 680	-34 568	-7 948	-11 349
<b>Earnings Before Interest and Tax ("EBIT")</b>	<b>5 331</b>	<b>-1 504</b>	<b>-3 308</b>	<b>-3 906</b>	<b>-6 728</b>
Net financial items	-3 175	5 481	459	7 547	7 727
Earnings Before Tax ("EBT")	2 158	3 977	-2 849	3 641	999
Taxes	605	322	-417	1 433	1 681
<b>Earnings After Tax Continued Operations</b>	<b>2 763</b>	<b>4 299</b>	<b>-3 266</b>	<b>5 074</b>	<b>2 680</b>
Profit from discontinued operations	506	-357	264	-580	-516
<b>Earnings After Tax and Discontinued Operations</b>	<b>3 269</b>	<b>3 942</b>	<b>-3 002</b>	<b>4 494</b>	<b>2 164</b>
Attributable to minority interest		-71	-57	-132	-154
Attributable to shareholders of Funcom N.V.	3 269	4 013	-2 944	4 626	2 318
Earnings per share (USD)	0,06	0,08	-0,07	0,09	0,05
Earnings per share fully diluted (USD)	0,06	0,07	-0,07	0,09	0,04
Average number of shares (1000)	52 770	52 177	52 770	49 196	50 087
Average number of shares fully diluted (1000)	54 683	54 152	54 683	51 171	52 000



# Interim segment results

## INTERIM SEGMENT RESULTS

*(Figures in TUSD)*

	Q3	Q4	Q1	Q2	Q3
	2007	2007	2008	2008	2008
Revenues, PC/Console	1 176	1 167	963	12 231	18 065
Revenues, Mobile	588	578	676	779	
Total operating revenues	1 764	1 745	1 639	13 010	18 065
Sales growth quarter by quarter (%)	10,7 %	-1,1 %	-6,0 %	693,8 %	38,9 %
EBIT PC/Console	-1 504	-2 822	-2 953	-5 689	5 331
EBIT Mobile	-270	-193	-177	-41	
EBIT Total	-1 774	-3 015	-3 130	-5 730	5 331