



4Q 2010  
28 February 2011

# 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 relates 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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# 4Q highlights



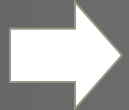
- Revenues for the fourth quarter of 2010 (4Q10) were 5,126 TUSD, compared to 5,498 TUSD in 3Q10, and EBITDA was 766 TUSD compared to 928 TUSD for 3Q10
- As of 31. December 2010 the Company had 22,693 TUSD in cash and an equity ratio of 76 %.
- In late 4Q, Funcom entered into a loan agreement with its largest shareholder, Stelt Holding N.V., for USD 10 million, strengthening the financial position of the Company
- A major milestone was reached in January, when Funcom signed a co-publishing agreement for the upcoming MMO, *The Secret World*, with Electronic Arts (EA), a world leading game publisher. The partners will cooperate on the marketing, PR and sales of the game.
- Funcom announced in February, a three-way partnership with IMG and 505-games to develop and operate a fashion social game and service related to the world-renowned Fashion Week brand
- Funcom published its first external product in January, *Bloodline Champions*, a focused player-vs-player online game developed by Stunlock Studios
- Funcom currently has three casual MMOs and social games in beta-phases of development and testing

# Agenda

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# Key financial summary, 4Q 2010



TUSD	4Q,2010	3Q,2010
Revenues	5,126	5,498
EBITDA	766	928
EBIT	701	-183
EAT	810	467

## Revenues

- Main source; subscription revenues from the Age of Conan game
- Revenues include remaining part of royalties received from Funcom's Korean partner (1,3 mUSD)
- Decrease in revenues for Age of Conan – see below
- Revenues for 1Q11 are expected to be lower than the revenues for 4Q10.

## Earnings

- EBITDA affected positively by the build-up of employees in Canada.
- EBITDA affected negatively by marketing cost and other launch related cost for Bloodline Champions.
- EBIT affected negatively by an impairment loss on Age of Conan amounting to 3 MUSD.
- EBIT affected positively by a reversal of part of a previously recognized impairment loss on The Secret World amounting to 4,2 MUSD.

# Key financial summary, January-December 2010



TUSD	2010	2009
Revenues	20,062	23,876
EBITDA	2,601	4,125
EBIT	-593	-10,798
EAT	23	-8,486

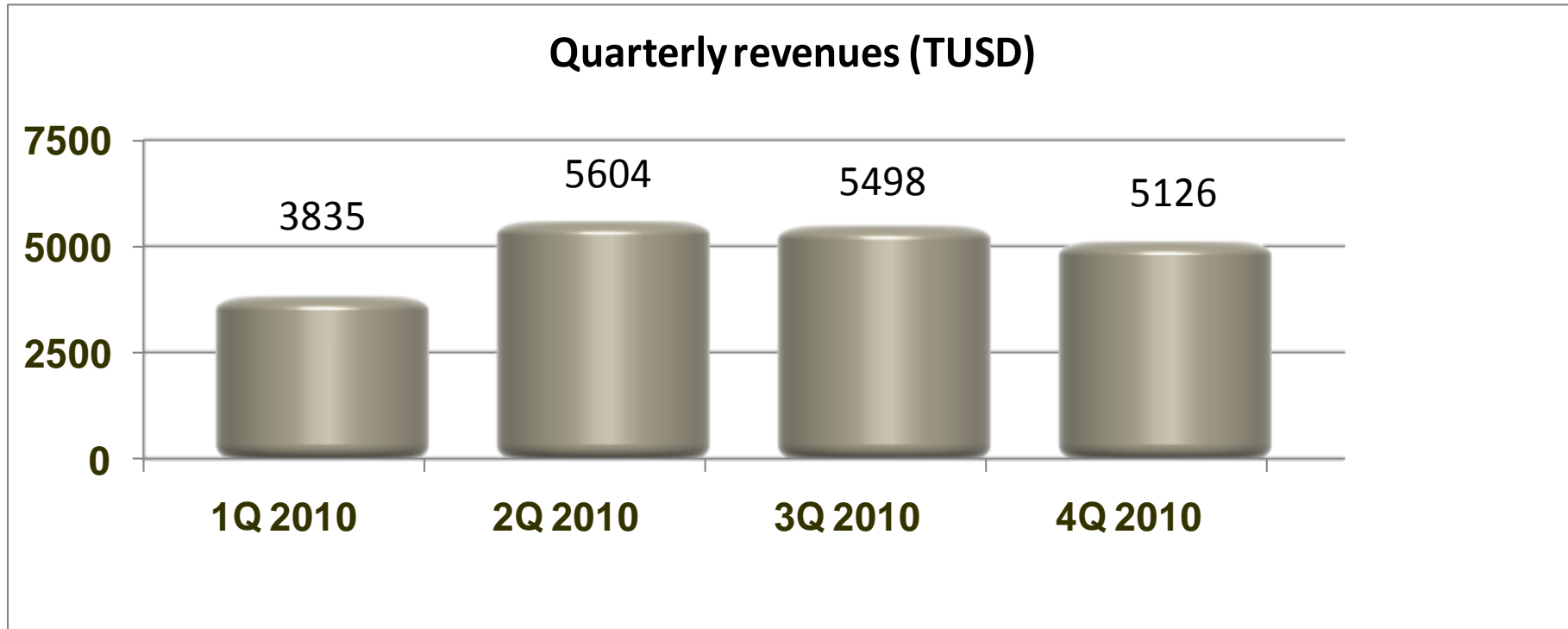
## Revenues

- Lower revenues compared to 2009 – mainly due to reduced revenues from Age of Conan
- Deferred revenue as of December 2010 amounts to 2.2 MUSD

## Consolidated statement of financial position

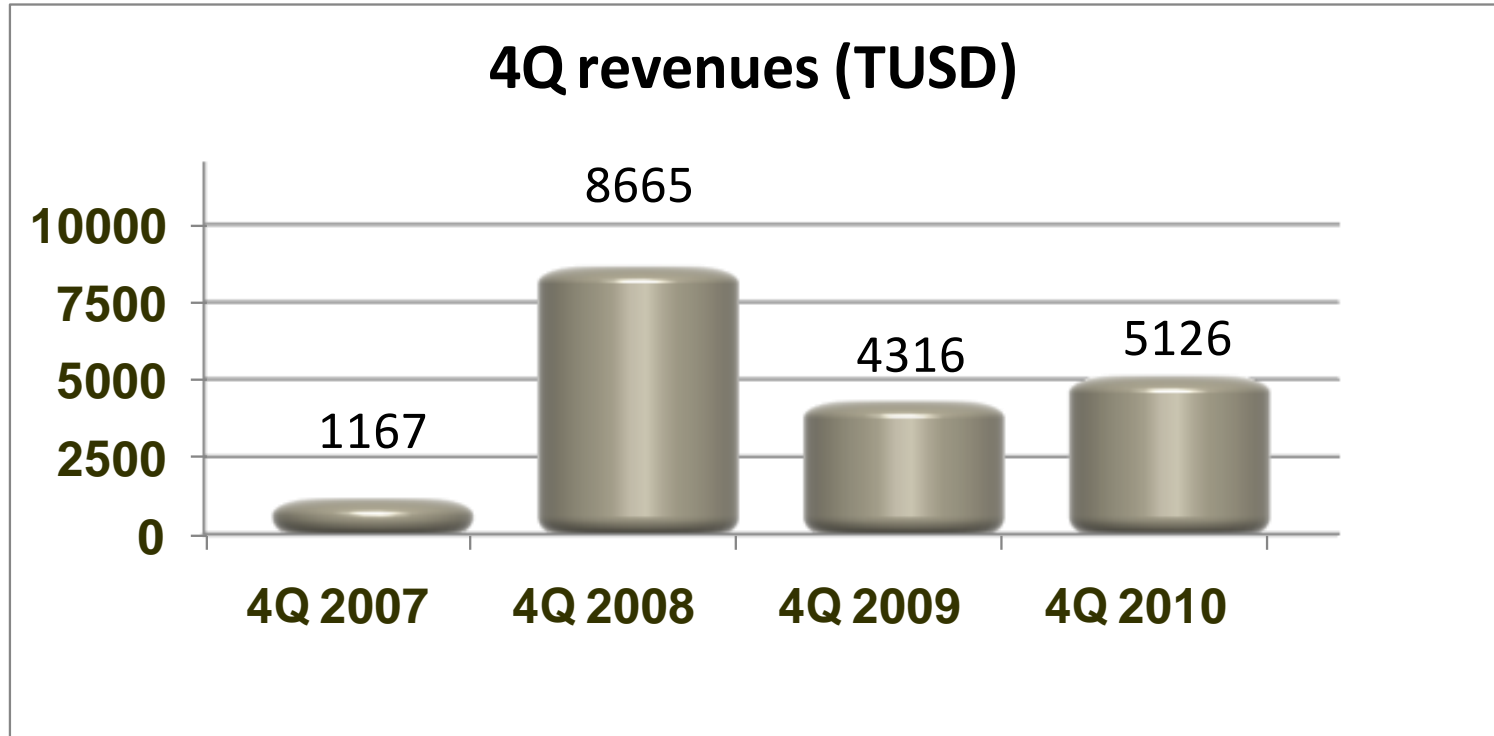
- Cash balance of 22,693 TUSD as of 31. December, 2010
- Tax credits accrued in Canada for 2009 received in 4Q10.
- Equity-to-assets ratio of 76 %
- Interest-bearing debt significantly increased during 4Q10 (10,2 MUSD).
- Relatively small changes in the statement of financial position from 3Q10 except for cash, intangible assets and long term debt.

# Key financial summary, 4Q 2010

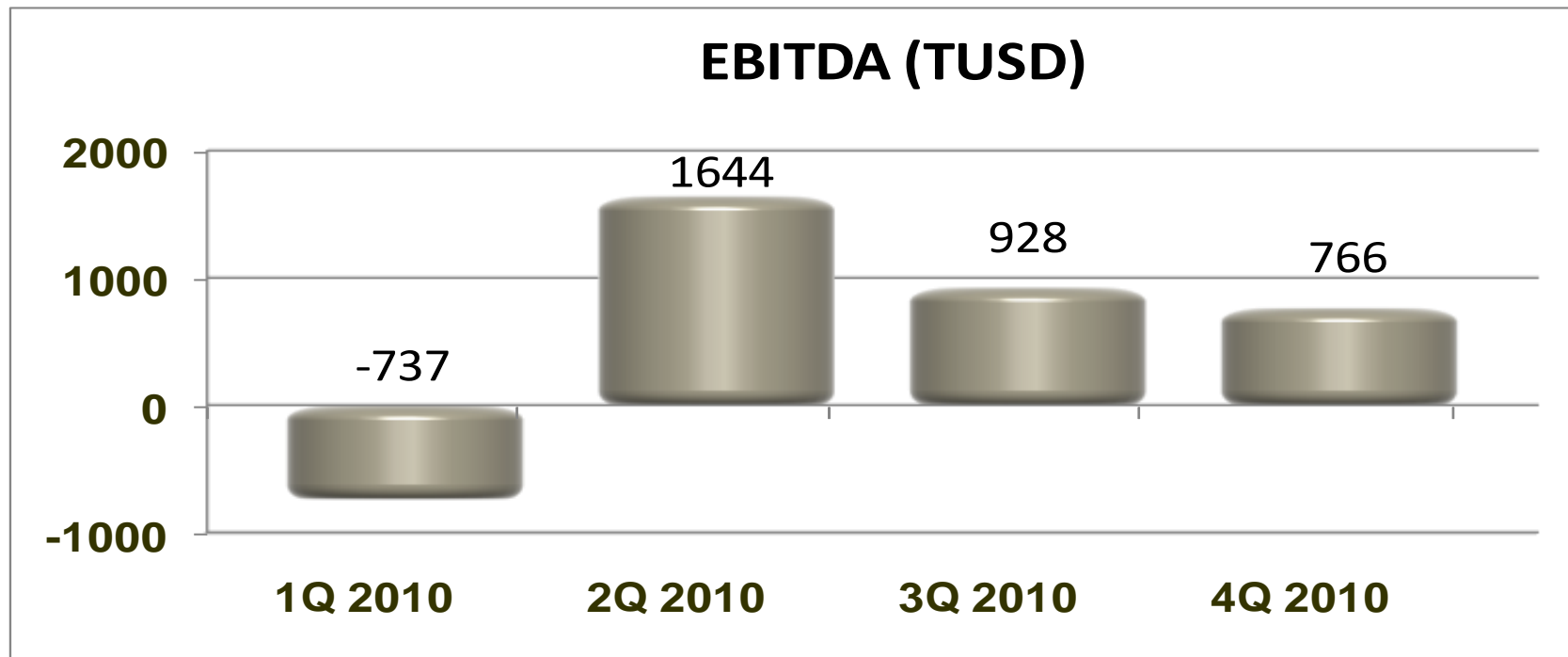




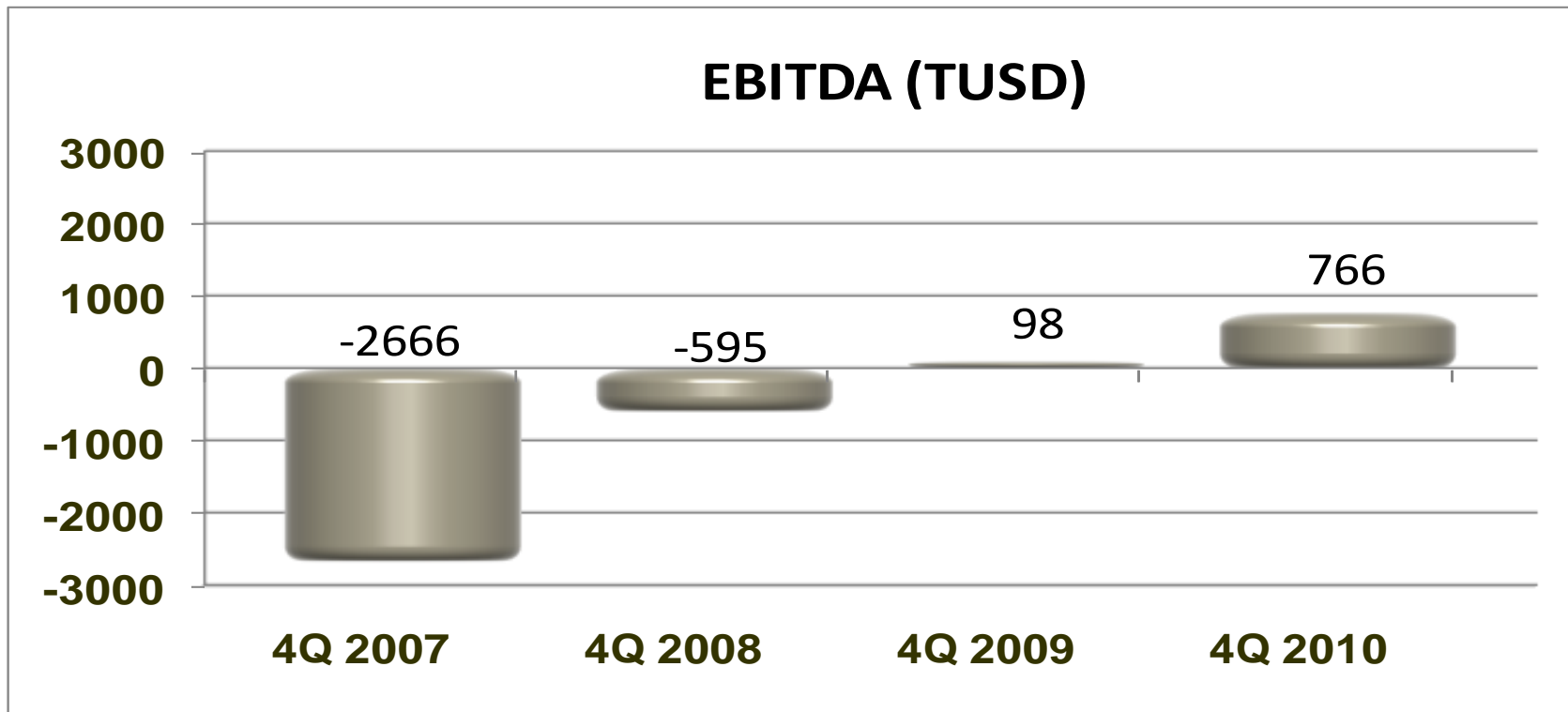
# Key financial summary, 4Q 2010



# Key financial summary, 4Q 2010



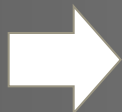
# Key financial summary, 4Q 2010



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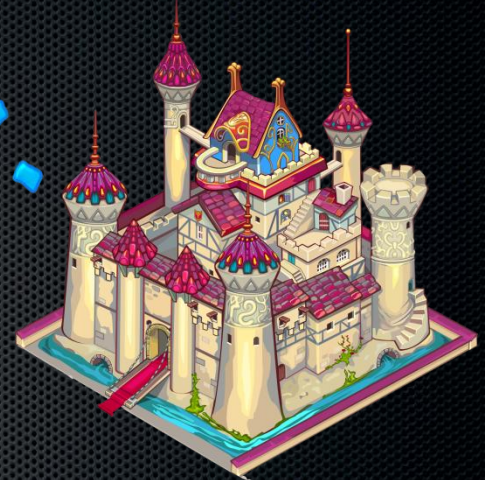
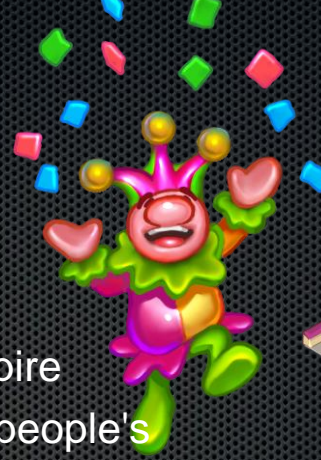
# FASHION WORLD **LIVE**

- In February, Funcom announced a three-way partnership with IMG and 505-games to develop and operate a fashion social game and service related to the world-renowned Fashion Week brand
- For Funcom this constitutes a significant increase in its commitment to the rapidly expanding Facebook and social media gaming market
- The Company further considers the *Fashion Week* initiative to have a high likelihood of success in the social games space
- The *Fashion Week* initiative is expected to generate revenues and profits for the Company starting fall 2011

The graphic features the text 'FASHION WORLD LIVE' in a white, sans-serif font. 'FASHION' and 'WORLD' are in a smaller font size, while 'LIVE' is significantly larger and bolder. The text is centered against a dark, textured background with a bokeh effect of light spots in shades of blue, purple, and red.

FASHION  
WORLD  
**LIVE**





## Concept

- Build your Kingdom from hamlet to glorious empire
- Develop a thriving economy and maintain your people's happiness

## Status

- Game in internal beta on Facebook
- Stabilizing the game engine
- Setting up business intelligence tools
- Adding polish to the game

## Upcoming Focus

- Retention optimization
- Business model optimization





# PETS vs MONSTERS

BETA

## Status

- Now in full monetization testing
- Testing live payment systems without advertising actively in order to test infrastructure

## Upcoming Update Highlights

- Optimization and performance improvements
- Establishing branding and communication style
- Adding new pet types into the game
- Adding polish to the entry experience

## Market update

- French version of the game available
- Limited Beta in the French speaking market





# BLOODLINE CHAMPIONS

## Status

- Bloodline Champions launched successfully on January 12th
- Favourable reviews from gaming press
- More than 370,000 accounts have been created
- New items added to shop on a weekly basis
- Significant and stable player base



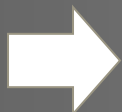
## Upcoming Update Highlights

- Beginning of the first season
- Tournament system
- Launch of new Bloodline
- Emote system

A screenshot of a gaming website, likely Strategy Informer, showing a review for Bloodline Champions. The page features a navigation bar with links like 'HOME', 'NEWS', 'REVIEWS', 'DOWNLOADS', 'MEDIA', 'CREATORS', 'COMMUNITY', 'ABOUT US', 'UPLOAD NEEDS', and 'STUFF GAMERS'. The main content area has a header for 'Bloodline Champions' and a sub-header 'We play Bloodline Champions... (PC)'. The review text discusses the game's combat and accessibility. A 'GAME SCORE' section shows a score of 9.2. The page also includes a 'DOWNLOAD NOW' button and a 'FINAL BETA EVENT! REGISTER NOW!' banner. The bottom of the page shows a 'GAME RANKING' section with a bar chart and a 'GAME POPULARITY' line graph.



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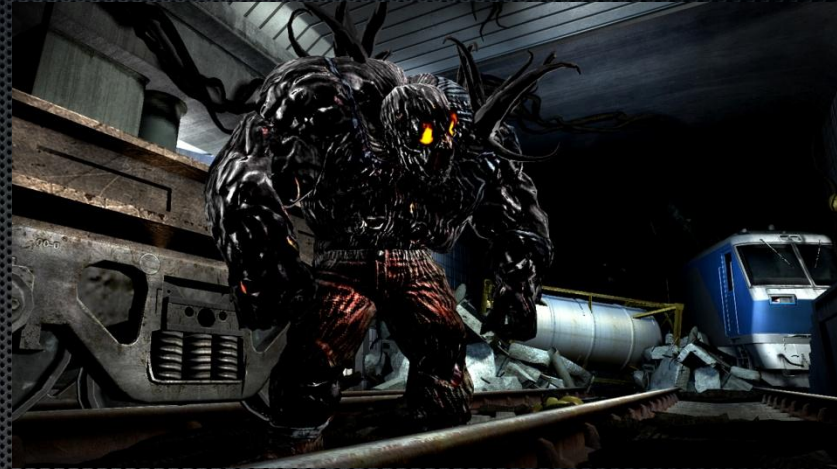




# THE SECRET WORLD

## Highlights

- A major milestone was reached when Funcom signed a co-publishing agreement with Electronic Arts (EA)
- The partners will cooperate on the marketing, sales and PR of the game. EA will be responsible for the distribution of the physical boxed product in all key markets.
- Under the terms of the agreement, EA will make significant contributions to the marketing campaign of the game.
- The deal terms are broadly similar to those of previous publishing agreements signed by the Company.





# THE SECRET WORLD

## Status

- The development progressed well in 4Q
- The project is fully staffed with around 130 employees
- The main focus of the development effort is content implementation and expanding and iterating on the role-playing game systems



## PR

- Funcom will be present at the Game Developers Conference in San Francisco during March, and will at this event reveal a broad set of features, locations and game play, all captured in-game





# AGE OF CONAN<sup>®</sup> RISE OF THE GODSLAYER

## Highlight

- Rise of the Godslayer received several end of year awards from MMO press including awards for best graphics, best animation, and second place, behind World of Warcraft's massive Cataclysm, as 'Expansion of the Year

## Status

- Completed extensive testing phase for Dreamworld Technology Integration. Dreamworld integration update launching first week of March. Improves performance and stability.
- Development team fully relocated to Montreal
- Launched new PVP functionality in 4Q with brand new battleground map and ruleset

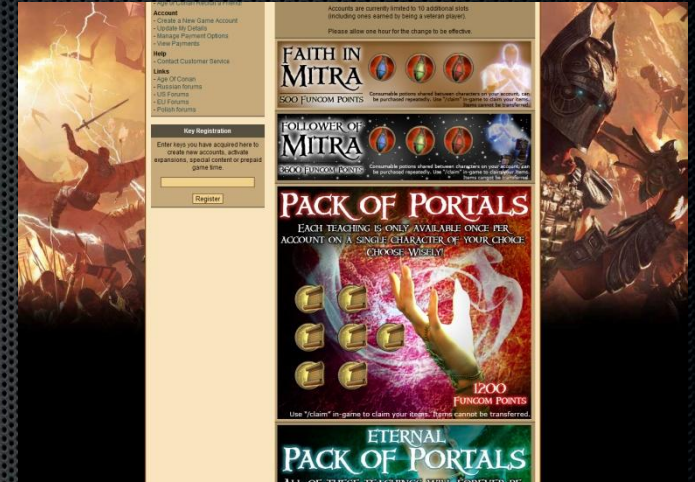




# AGE OF CONAN RISE OF THE GODSLAYER

## Status

- Cash flow positive. Expected to remain so in future. Revenues fell during 4Q, primarily due to competitive situation
- New Sales campaigns started in February, have improved ARPU
- Significant new content release schedule with three new solo play instances and two new high level team instances
- New PVP server type announced for May 2011
- Work under way on content scheduled to co-inside with the new Conan movie from Lionsgate and Paradox



- The online games market continues to remain attractive, particularly the social games segment.
- Cityville, the latest game from developer and publisher Zynga, grew to an unprecedented 100 million users in 1 month from launch. On the back of its latest successes in this space, Zynga, received a valuation of 7-9 billion USD. Investor interest in the market remains high.
- World of Warcraft remains the dominant game in the large scale MMO market in the Western World, and reported more than 12 million subscribers worldwide in 3Q 2010.
- Cataclysm, the latest expansion pack of the game, sold 5 million copies during its launch month, setting a sales record for PC sales.
- Rift, an MMO developed and published by Trion, is set to launch in March, and is receiving positive press and gamer feedback.

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## Summary Financials:

- Revenues of 5,126 TUSD, EBITDA of 766 TUSD for 4Q
- Cash position of 22,693 TUSD as of 31. December 2010 and an equity ratio of 76 %.

## Summary Operations:

- In late 4Q, Funcom entered into a loan agreement with its largest shareholder, Stelt Holding N.V. for USD 10 million, strengthening the financial position of the Company
- In January, a major milestone was reached when Funcom signed a co-publishing agreement for the upcoming MMO, *The Secret World*, with Electronic Arts (EA)
- In February, Funcom announced a three-way partnership with IMG and 505-games to develop and operate a fashion social game and service related to the world-renowned Fashion Week brand
- In January, Funcom published its first external product, *Bloodline Champions*, a focused player-vs-player online game developed by Stunlock Studios
- Funcom currently has three casual MMOs and social games in beta-phases of development and testing

## Financial Outlook:

- The revenues for 1Q11 are expected to be lower than the revenues for 4Q10 due to lower revenues for Age of Conan.

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# Statement of financial position as of Dec. 2010

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Figures in TUSD)

### ASSETS

#### Non-current assets

	31 Dec. 2010	2009
Deferred tax assets	329	300
Intangible assets	41 693	30 848
Tangible fixed assets	1 509	886
Financial investments	956	508

#### Current assets

Trade receivables	1 225	1 239
Prepayments and other receivables	2 178	638
Cash and cash equivalents	22 693	30 948
<b>Total assets</b>	<b>70 582</b>	<b>65 368</b>

### EQUITY AND LIABILITIES

#### Equity

Share capital	2 742	2 719
Reserves	124 323	123 227
Retained earnings	-73 260	-72 576

#### Liabilities

Deferred tax liabilities	10	50
Long-term liabilities	9 906	
Short-term liabilities	6 860	11 948
<b>Total equity and liabilities</b>	<b>70 582</b>	<b>65 368</b>



# Profit and loss account for Jan. – Dec. 2010

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Figures in TUSD)

	Fourth quarter		Accumulated	
	2010	2009	2010	2009
Revenue	5 126	4 316	20 062	23 876
Operating expenses	-4 360	-4 218	-17 461	-19 751
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>	<b>766</b>	<b>98</b>	<b>2 601</b>	<b>4 125</b>
Depreciation, amortization and impairment charges	-65	-1 080	-3 194	-14 923
Total operating expenses	-4 425	-5 298	-20 655	-34 674
<b>Operating result ("EBIT") from continuing operations</b>	<b>701</b>	<b>-982</b>	<b>-593</b>	<b>-10 798</b>
Share of result from equity-accounted entities	81	0	81	0
Net financial items	-1	972	587	2 718
Profit (loss) before income taxes from continuing operations	782	-10	75	-8 080
Income taxes	28	-76	-53	-406
<b>Profit (loss) from continuing operations</b>	<b>810</b>	<b>-86</b>	<b>23</b>	<b>-8 486</b>
Profit from discontinued operation, net of tax	0	0	0	0
<b>Profit (loss) for the period</b>	<b>810</b>	<b>-86</b>	<b>23</b>	<b>-8 486</b>
Attributable to non-controlling interests	0	0	0	0
Attributable to shareholders of Funcom N.V.	810	-86	23	-8 486
Earnings per share basic (USD)	0,02	0,00	0,00	-0,16
Earnings per share fully diluted (USD)	0,02	0,00	0,00	-0,16

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the period	810	-86	23	-8 486
Foreign exchange translation difference	102	-814	-603	2 700
Other	0	60	242	60
<b>Total comprehensive income for the period</b>	<b>911</b>	<b>-840</b>	<b>-339</b>	<b>-5 726</b>
Attributable to non-controlling interests	0	0	0	0
Attributable to shareholders of Funcom N.V.	911	-840	-339	-5 726

# Cash flows and changes in equity

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Figures in TUSD)</i>	Fourth quarter		Period ended 31. Dec.	
	2010	2009	2010	2009
Cash flow from operating activities	1 899	2 153	-1 088	7 849
Cash flow from investing activities	-3 849	-4 627	-15 670	-17 090
Cash flow from financing activities	10 006	-425	9 404	-2 187
Change in cash and cash equivalents	8 055 <sup>▼</sup>	-2 898	-7 355	-11 428
Cash and cash equivalents, beginning of period	15 559	34 818	30 948	39 396
Effect of exchange rate fluctuations	-921	-972	-900	2 980
Cash and cash equivalents, end of period	22 693 <sup>▼</sup>	30 948	22 693	30 948

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(Figures in TUSD)</i>	31 Dec.	
	2010	2009
Opening balance	53 370	58 353
Total comprehensive income for the period	-339	-5 726
Equity issues	191	0
Changes in non-controlling interests	0	0
Other	584	743
Closing balance	53 806	53 370

## Interim segment results

### Segment Information

	Revenue from external customers Period ended		Segment profit *) Period ended	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Large-scale MMO's	19 773	23 787	9 240	12 952
Free-to-play MMO games	289		-324	
Unallocated		89		89
<b>Total</b>	<b>20 062</b>	<b>23 876</b>	<b>8 917</b>	<b>13 041</b>
General and administrative expenses			-6 315	-8 916
Depreciation, amortization and impairment charges			-3 194	-14 923
Net financial items			668	2 718
<b>Profit (loss) before tax (from continuing operations)</b>			<b>75</b>	<b>-8 080</b>

\*) Segment profit is measured as revenue earned less personnel costs and other operating costs. General and administrative costs, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.

	Large-scale MMO's	Free-to-play MMO's
Segment assets as at 31 December 2009	28 112	2 219
Segment assets as at 31 December 2010	37 688	3 677

Segment assets only include the book value of the games. No other assets are allocated to the segments.



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