



Q3 2010
12 November

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



1. Key highlights Q3 2010
2. Key financials
3. Project status
 1. Free to play MMO's
 2. Large-scale MMO's
4. Summary and outlook
5. Extract from Q3 2010 financial report

Q3 highlights



- Revenues for the third quarter of 2010 (Q310) were 5,498 TUSD, slightly down from Q210, and EBITDA was 928 TUSD compared to 1,644 TUSD for Q210.
- As of 30. September 2010 the Company had 15,559 TUSD in cash and an equity ratio of 89 %.
- Over 150,000 gamers have signed up for the beta of Bloodline Champions. Pre-orders will launch during next week
- Funcom will shortly launch new web experience, with focus on cross- and up-sales to the more than 3 million gamers in the Funcom community
- The Company arranged its third major PR-event for The Secret World during August with in-game demos and videos
- The Company will commence monetization of Pets vs Monsters, it's free-to-play MMO for children, during Q4. New beta launch this week.
- The Age of Conan team relocated to Montreal office, realizing significant cost savings. The team is focusing on further significant content and feature extensions of game

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Key financial summary, Q3 2010



TUSD	Q3,2010	Q2,2010
Revenues	5,498	5,604
EBITDA	928	1,644
EBIT	-183	562
EAT	467	253

Revenues

- Main source; subscription revenues from the Age of Conan game
- Lower revenues in Q3 compared to Q2 due to launch of the Age of Conan expansion pack in Q2.
- Revenues include pre-paid royalties received from Neowiz, Funcom's Korean partner.
- Revenues for Q4 are expected to be in line with the revenues for Q3

Earnings

- EBITDA affected negatively by termination of employments; provision for payments during the period of notice.
- EBITDA affected negatively by royalty cost on revenues from Korea (Neowiz).
- EBIT affected negatively by some higher amortization on Age of Conan (Asian version and first full quarter of amortization of the expansion pack launched in Q2).

Key financial summary, January-September 2010



TUSD	2010	2009
Revenues	14,936	19,560
EBITDA	1,835	4,027
EBIT	-1,294	-9,816
EAT	-787	-8,400

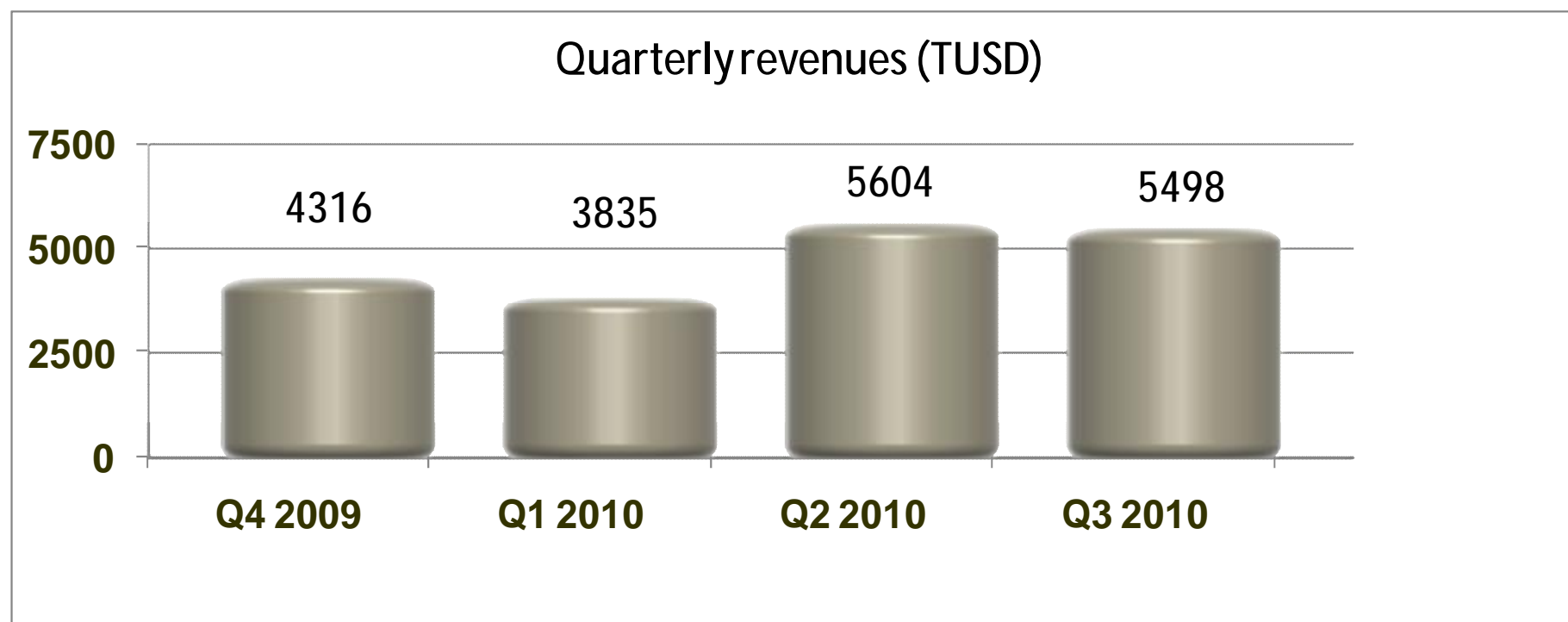
Revenues

- Lower revenues compared to 2009 – mainly due to reduced revenues from Age of Conan
- Deferred revenue as of September 2010 amounts to 3.4 MUSD

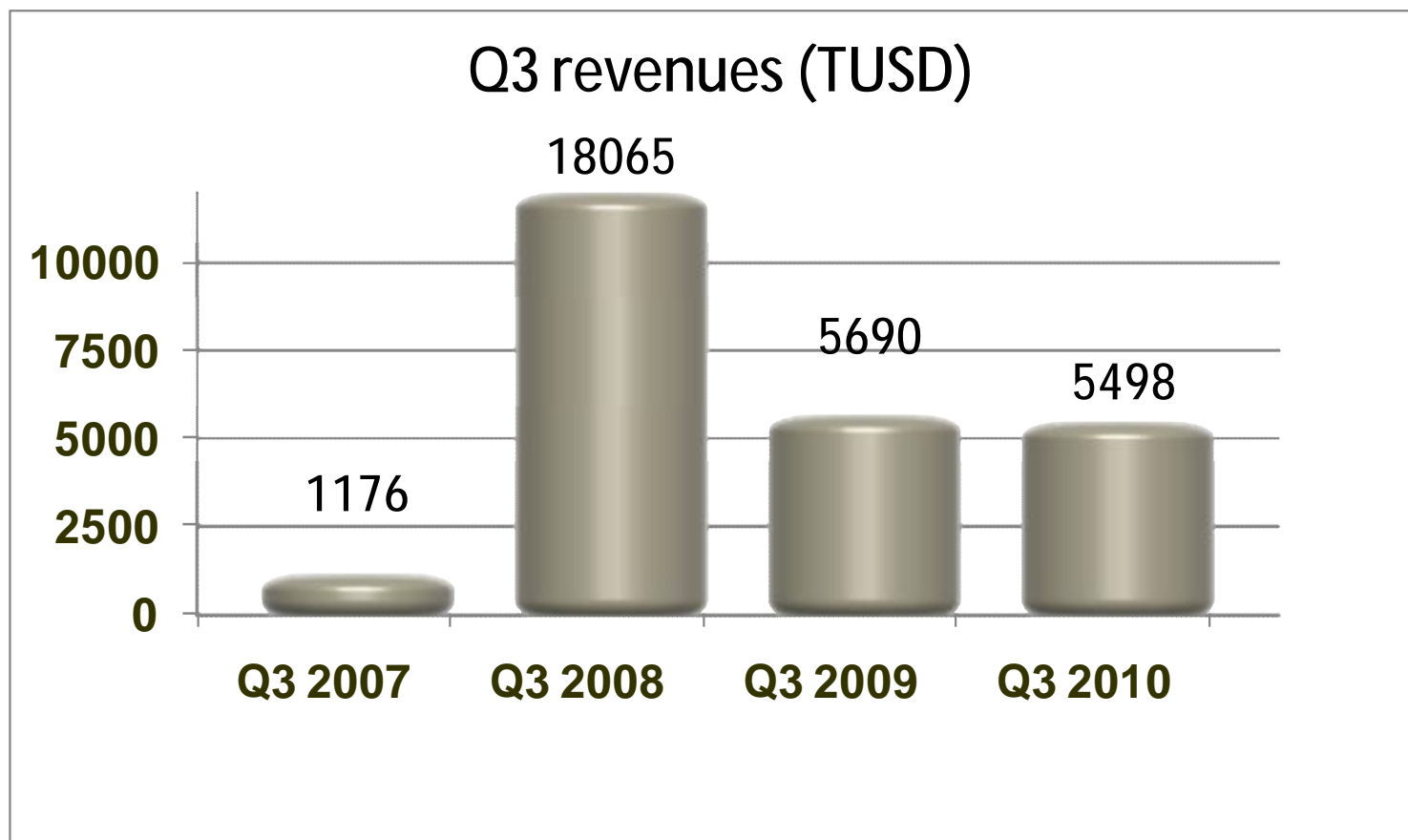
Consolidated statement of financial position

- Cash balance of 15,559 TUSD as of 30 September, 2010
- Expecting to receive first portion of tax credits accrued (in Canada) in Q4.
- High equity-to-assets ratio (89 %)
- Very small portion of interest-bearing debt, expecting to increase somewhat in Q410/Q111.
- Relatively small changes in the statement of financial position from Q2 2010 except for cash, intangible assets and short term debt.

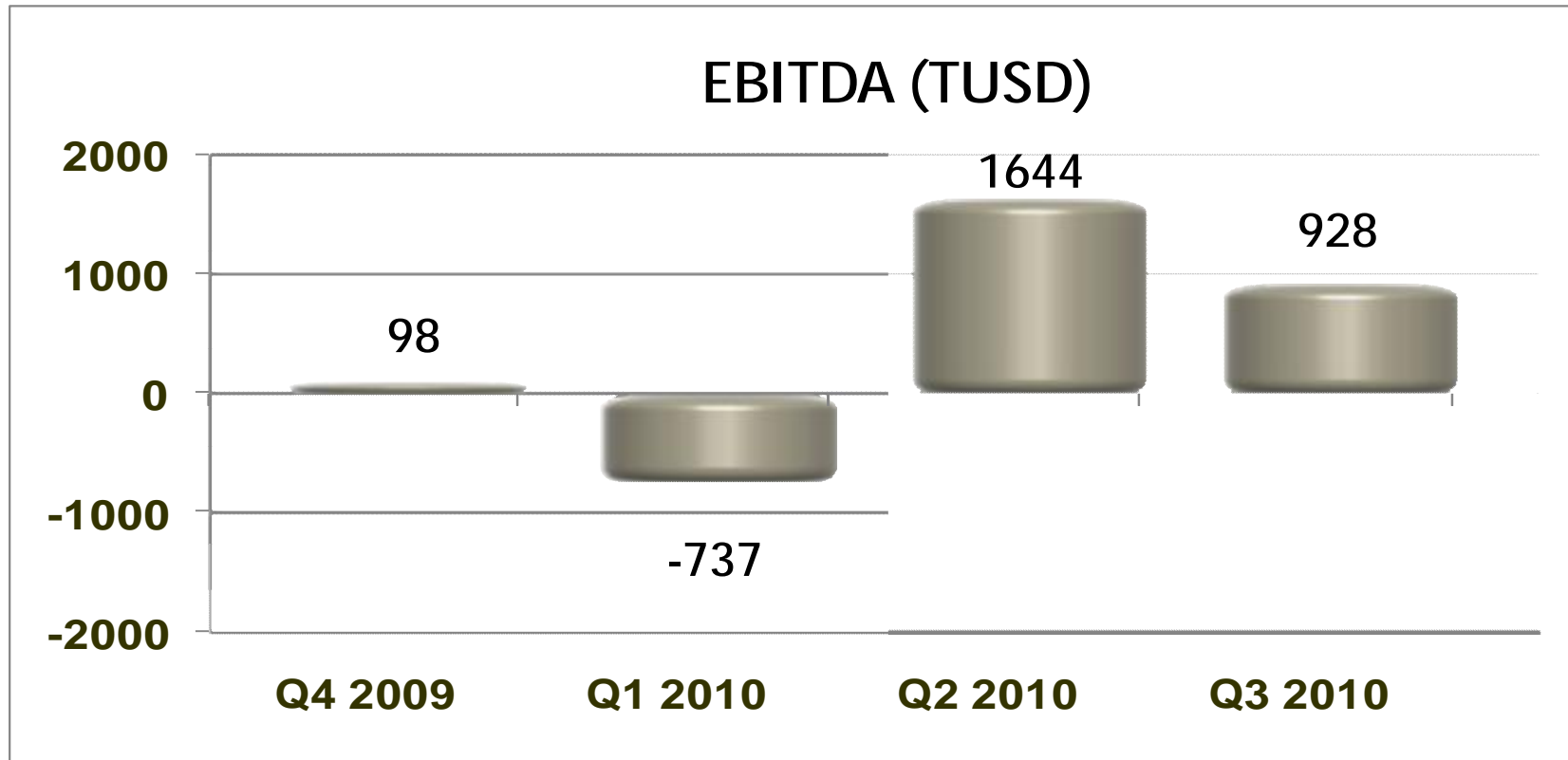
Key financial summary, Q3 2010



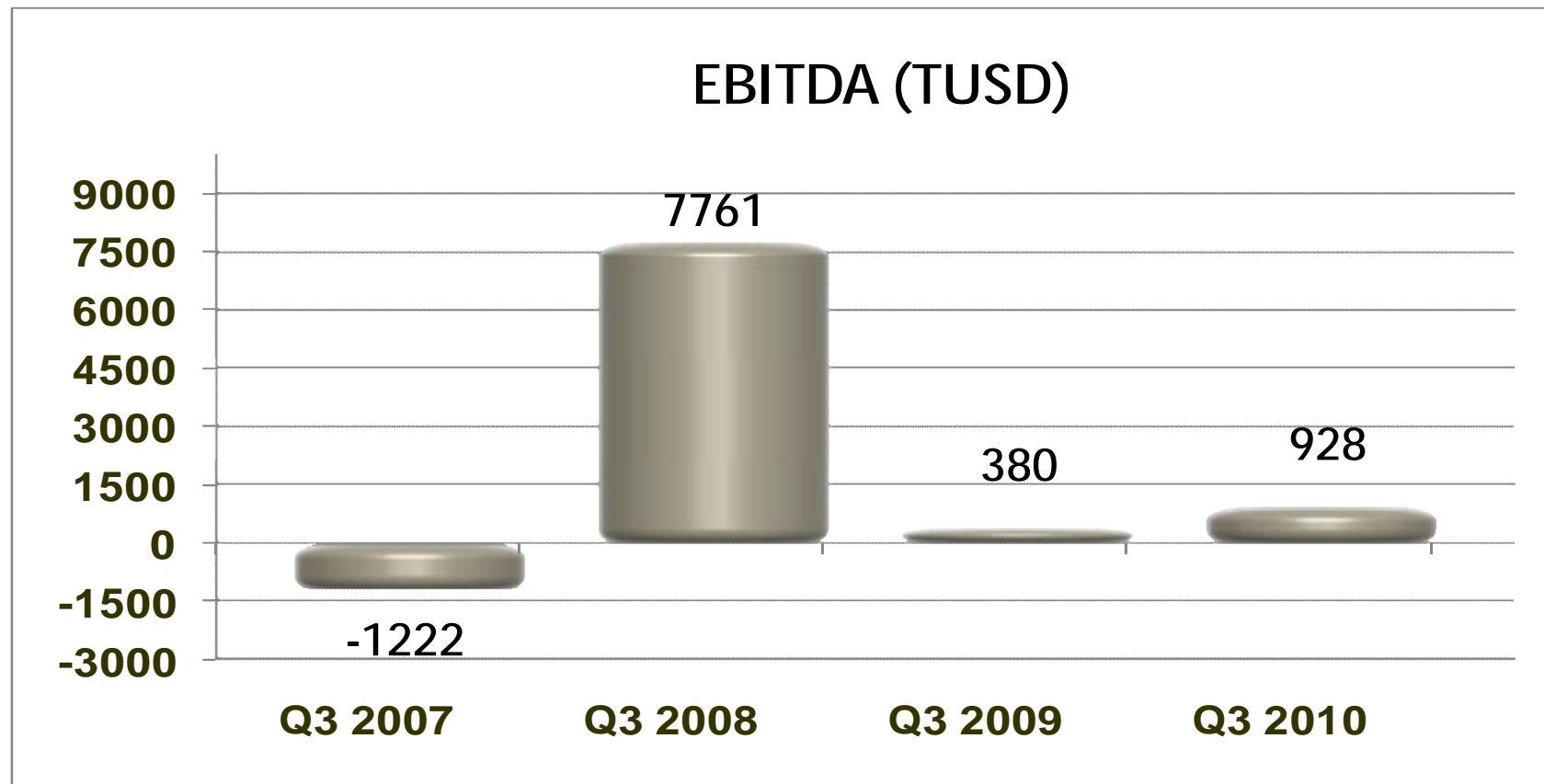
Key financial summary, Q3 2010



Key financial summary, Q3 2010



Key financial summary, Q3 2010



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Funcom's free to play game initiative

- Provide broader product portfolio of high-quality MMOs and online games for Funcom's large gamer community
- Utilize Funcom's sales and marketing competence, operational set-up etc
- Increase revenue per gamer
- Capitalize on trends towards microtransactions
- 15 million unique visitors per year at launch of Conan
- Around 3 million core gamers in community
- Flagship products drive significant traffic
- Web-page illustrations





Status

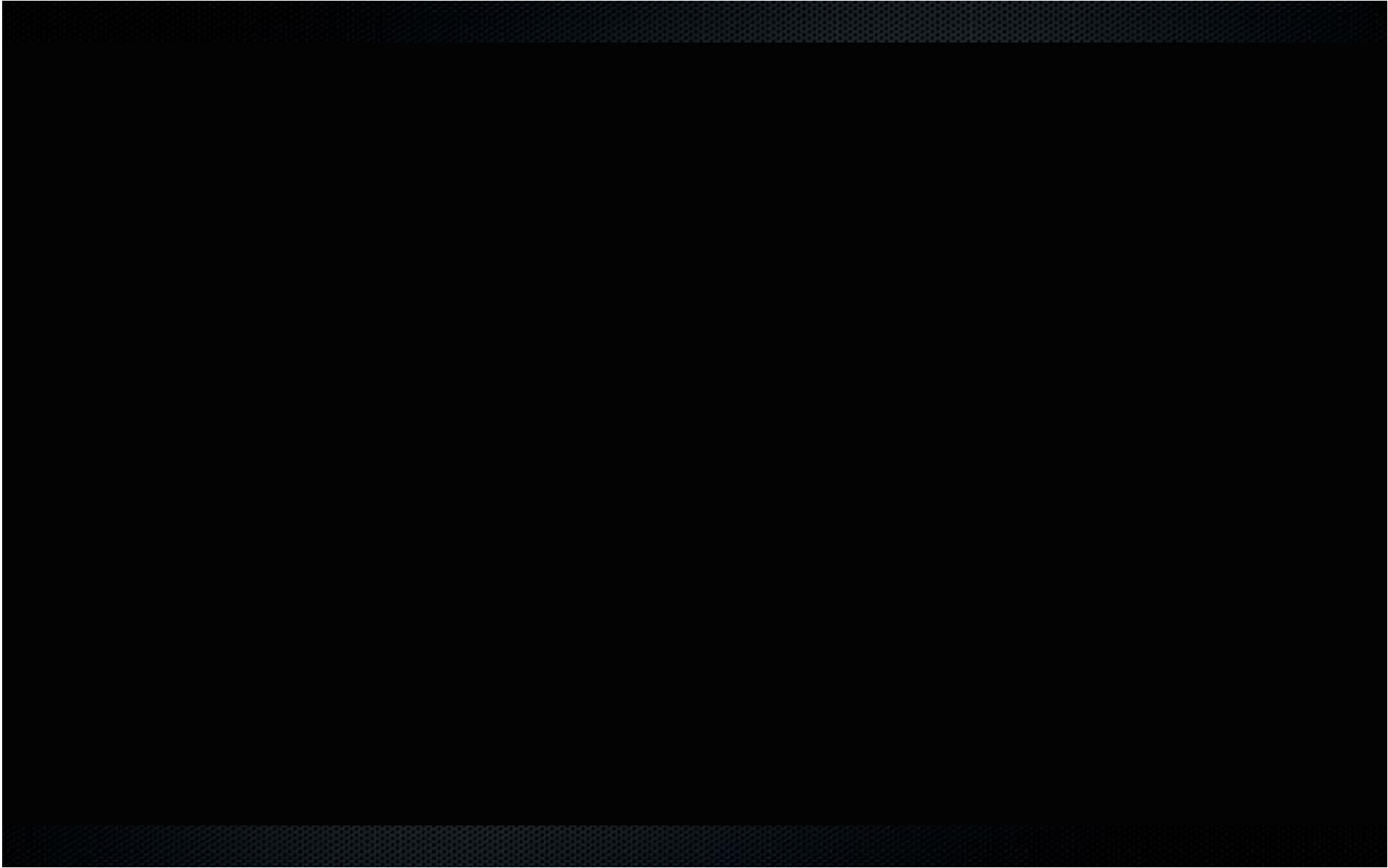
- Final stages of Beta. Over 150,000 sign-ups for beta, mostly in last few weeks
- Proprietary Item Shop in development
- Tournament System being finalized
- Core game is polished and solid
- Pre-orders starting next week. Launch for pre-order customers in December



PR Initiatives

- Global press tours being conducted
- Substantial positive coverage on core and mainstream gaming sites
- Focused communication to core PVP gamers





PETS vs monsters

- Beta Phase 5 launch this week
- Revised pet-collection and RPG system, tech. improvements, large extensions in content
- Testing conversion mechanics
- Monetization testing in Q4 2010

Other free-to-play initiatives

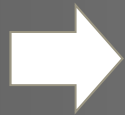
- The Company has several game concepts in early stages of prototyping and development
- The company has established a small production team to develop social games for Facebook etc.



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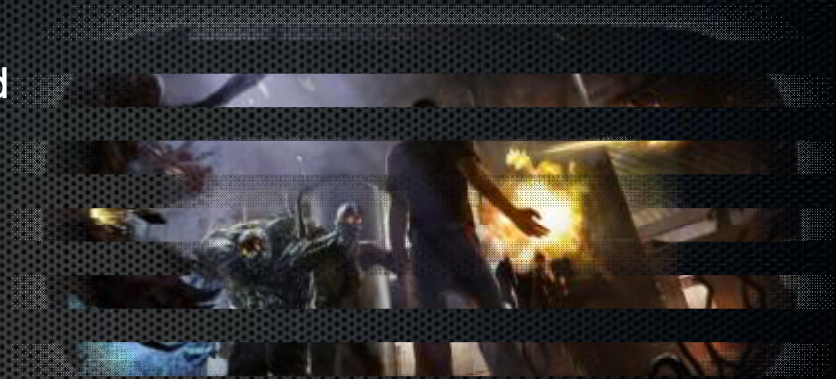




THE SECRET WORLD

Status

- Project is fully staffed with all key positions filled
- Solid development progress
- Key focus areas include:
 - Mission and content production across the game
 - Extending and implementing further areas of the character development systems
 - GUI iterations
 - Game play testing, iterations and improvements
 - Client performance improvements



THE SECRET WORLD

PR Initiatives

- Funcom conducted a major press event at Games Convention in August.
- Demo of the first hour of game play for one faction
- First extensive in-game video released to the press
- Broad coverage and positive feedback
- Limited PR activities in last couple of months. Focus on BLC
- Significant PR ramp-up planned for Q1
- Publishing/distribution agreement update



AGE OF
CONAN
RISE OF THE GODSLAYER



AGE OF CONAN RISE OF THE GODSLAYER



Status

- Relocation of development team to Montreal, realizing significant cost savings
- Integrating latest Dreamworld technology
- Focus on post-expansion launch game updates and enhancements
- Competitive landscape and revenue development
- Game is expected to remain cash positive going forward

Market update, Large-scale MMO's



- WOW numbers reported at over 12 million subscribers
- Wow's third expansion, Cataclysm, launching early December. Expected sales is 3-4 million copies in first month.
- No major new MMOs announced in Western World
- Move to hybrid free/subscription model by Lord of The Rings, Everquest 2 and others
- Continued development to digital distribution for PC games and for other platforms

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Summary and outlook



Summary Financials:

- Revenues of 5,498 TUSD, EBITDA of 928 TUSD for Q3
- Cash position of 15,559 TUSD as of 30. September 2010 and an equity ratio of 89 %.

Summary Operations:

- Bloodline Champions in late stages of beta – over 150,000 people signed up. Staggered launch from Q4 2010
- New online cross-sales initiative to be launched during Q4 and Q1 2011 through new web sites, online shops and new infrastructure
- Solid progress on TSW development. Publishing agreement expected to be signed within the next 3-4 months
- Build up in Montreal progressing according to plan, with Age of Conan team now predominantly located in Montreal, realizing significant cost savings

Financial Outlook:

- The revenues for Q4 are expected to be in line with the revenues for Q3

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Statement of financial position



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Figures in TUSD)

ASSETS

Non-current assets

Deferred tax assets

Intangible assets

Tangible fixed assets

Financial investments

Current assets

Trade receivables

Prepayments and other receivables

Cash and cash equivalents

Total assets

2010	30 Sep. 2009	31 Dec. 2009
------	-----------------	-----------------

279	300	300
38 313	26 744	30 848
1 052	1 416	886
813	505	508
1 355	1 230	1 239
1 878	1 091	638
15 559	34 818	30 948
59 249	66 105	65 368

EQUITY AND LIABILITIES

Equity

Share capital

Reserves

Retained earnings

Liabilities

Deferred tax liabilities

Long-term liabilities

Short-term liabilities

Total equity and liabilities

2 737	2 719	2 719
124 095	122 997	123 227
-74 170	-71 761	-72 576
27	50	50
6 561	12 100	11 948
59 249	66 105	65 368



Profit and loss account

FUNCOM N.V. - THIRD QUARTER FINANCIALS OF 2010 PRELIMINARY, NOT AUDITED, FIGURES

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Figures in TUSD)

	Third quarter		Accumulated		Full Year
	2010	2009	2010	2009	2009
Revenue	5 498	5 690	14 936	19 560	23 876
Operating expenses	-4 570	-5 309	-13 101	-15 533	-19 751
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	928	380	1 835	4 027	4 125
Depreciation, amortization and impairment charges	-1 111	-10 906	-3 130	-13 842	-14 923
Total operating expenses	-5 681	-16 216	-16 231	-29 376	-34 674
Operating result ("EBIT") from continuing operations	-183	-10 526	-1 294	-9 816	-10 798
Share of result from equity accounted entities					
Net financial items	669	939	588	1 746	2 718
Profit (loss) before income taxes from continuing operations	486	-9 587	-706	-8 070	-8 080
Income taxes	-19	-44	-81	-330	-406
Profit (loss) from continuing operations	467	-9 631	-787	-8 400	-8 486
Profit from discontinued operation, net of tax	0		0		
Profit (loss) for the period	467	-9 631	-787	-8 400	-8 486
Attributable to non-controlling interests	0	0	0	0	0
Attributable to shareholders of Funcom N.V.	467	-9 631	-787	-8 400	-8 486
Earnings per share basic (USD)	0,01	-0,18	-0,01	-0,16	-0,16
Earnings per share fully diluted (USD)	0,01	-0,18	-0,01	-0,16	-0,16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the period	467	-9 631	-787	-8 400	-8 486
Foreign exchange translation difference	235	1 650	-705	3 514	2 700
Other	0	0	242	0	60
Total comprehensive income for the period	701	-7 982	-1 250	-4 886	-5 726
Attributable to non-controlling interests	0	0	0	0	0
Attributable to shareholders of Funcom N.V.	701	-7 982	-1 250	-4 886	-5 726

Cash flows and changes in equity



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Figures in TUSD)

	Third quarter		Period ended 30 Sep.		Full Year
	2010	2009	2010	2009	2009
Cash flow from operating activities	-2 161	1 111	-2 987	5 696	7 849
Cash flow from investing activities	-3 452	-4 738	-11 821	-12 463	-17 090
Cash flow from financing activities		-375	-602	-1 762	-2 187
Change in cash and cash equivalents	-5 613	-4 003	-15 410	-8 530	-11 428
Cash and cash equivalents, beginning of period	19 236	37 117	30 948	39 396	39 396
Effect of exchange rate fluctuations	1 936	1 704	20	3 952	2 980
Cash and cash equivalents, end of period	15 559	34 818	15 559	34 818	30 948

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in TUSD)

	30 Sep.		Full Year
	2010	2009	2009
Opening balance	53 370	58 353	58 353
Total comprehensive income for the period	-1 250	-4 886	-5 726
Equity issues	185	0	0
Changes in non-controlling interests	0	0	0
Other	355	487	743
Closing balance	52 661	53 955	53 370



Interim segment results

Segment information

	Revenue from external customers Period ended		Segment profit *) Period ended	
	30 Sep. 2010	30 Sep. 2009	30 Sep. 2010	30 Sep. 2009
Large-scale MMO's	14 740	19 471	6 741	11 018
Free-to-play MMO games	196		-198	
Unallocated		89		89
Total	14 936	19 560	6 542	11 107
General and administrative expenses			-4 707	-7 081
Depreciation, amortization and impairment charges			-3 130	-13 842
Net financial items			588	1 746
Profit (loss) before tax (from continuing operations)			-706	-8 070

*) 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 30 September 2010	34 413	3 528

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



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