



2Q 2011
26 August 2011

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Agenda



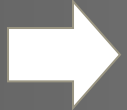
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2Q 2011 highlights



- The launch month for *The Secret World* was set to April 2012 by the Co-publishing partners Funcom and EA
- Beta sign-ups for *The Secret World* will commence in the near future.
- The development of *The Secret World* progressed well during 2Q and the game entered its first beta-testing phase. Through press events and asset drops, gamer awareness and expectations for the game continued to increase.
- *Age of Conan Unchained*, the hybrid free-to-play model for *Age of Conan* was launched 1 July. The revenues from the game more than doubled during July, compared to June. The day on day revenue is still around 100 % higher than before the launch of the free-to-play version.
- The development of *Fashion Week Live*, the Company's upcoming Facebook game, in partnership with IMG and 505 Games, progressed well. The game is targeting a launch during fall 2011.
- Conversion and monetization for *Pets vs Monsters* have been steadily improved during 2Q and will shortly be taken to the next level of monetization testing, through larger distribution partners.
- Revenues for 2Q were 3,081 TUSD, down from 3,389 TUSD for 1Q 2011. EBITDA for 2Q was - 2,060 TUSD.
- As of 30. June 2011 the Company had 12,892 TUSD in cash and an equity ratio of 75 %.

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Key financial summary, 2Q 2011



TUSD	2Q,2011	1Q,2011
Revenues	3,081	3,389
EBITDA	-2,060	-1,117
EBIT	-3,471	-2,496
EAT	-2,967	-4,063

Revenues

- Main source; revenues from the *Age of Conan* game
- Revenues for 3Q11 are expected to be significantly higher than for 2Q11 due to increased revenues from *Age of Conan*.

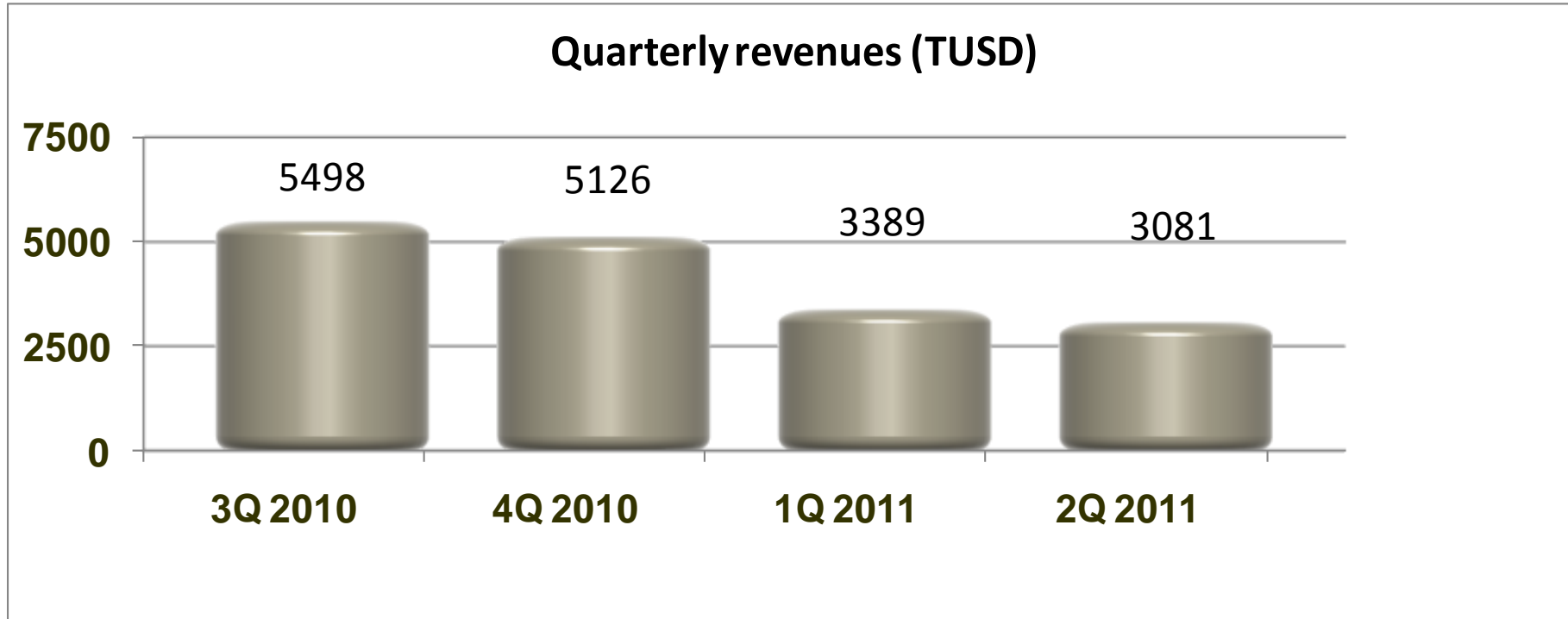
Earnings

- Build-up costs for *The Secret World* have impacted EBITDA negatively. EBITDA was also affected negatively by termination cost for employees in the Oslo office and non-cash costs related to options granted.
- EAT affected positively by change in value of warrants granted to Stelt Holding N.V. (see quarter report)

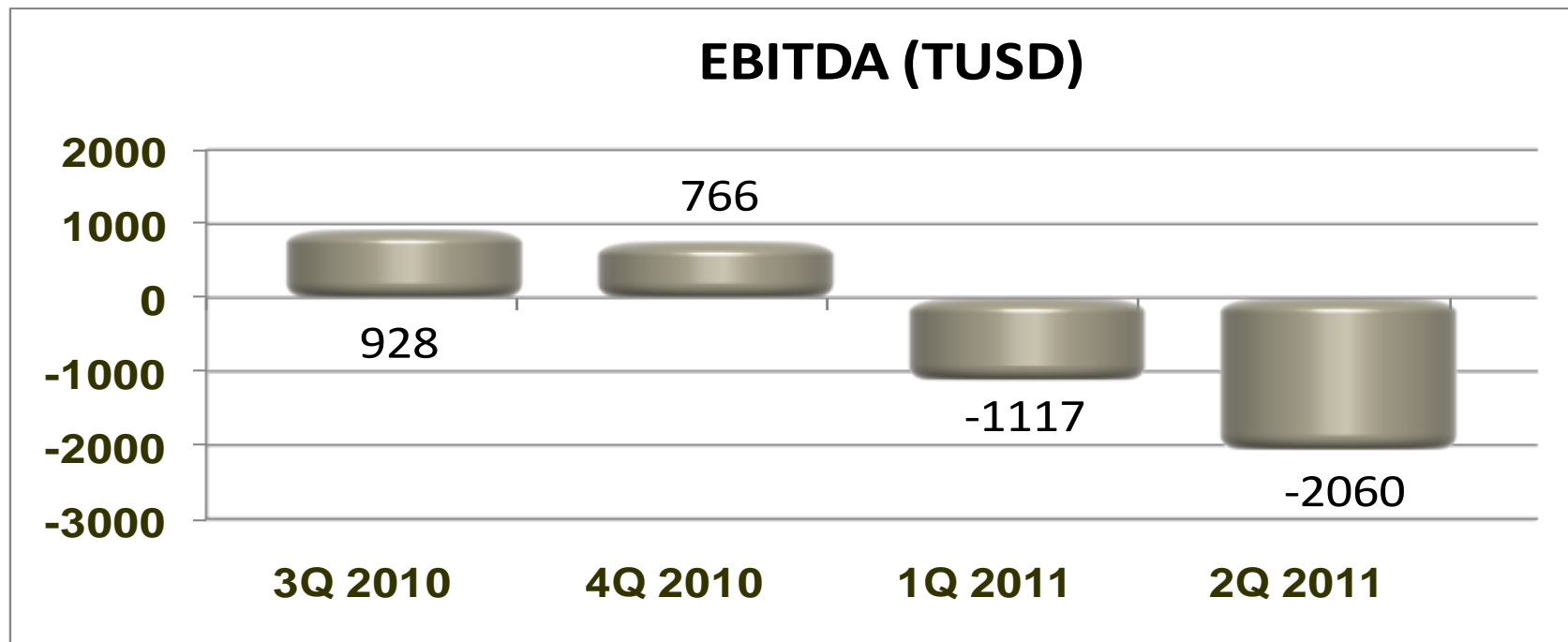
Consolidated statement of financial position

- Cash balance of 12,892 TUSD as of 30 June, 2011, equity-to-assets ratio of 75 %
- Interest-bearing debt amounting to approximately 12 MUSD
- Warrants previously recognized as a liability have been reclassified to equity (see quarter report).

Key financial summary, 2Q 2011



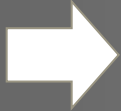
Key financial summary, 2Q 2011



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Overview of main games



Game	Segment	Status
<i>Age of Conan</i>	Large scale MMO	Launched, Cash flow positive
<i>Anarchy Online</i>	Large Scale MMO	Launched, Cash flow positive
<i>The Secret World</i>	Large Scale MMO	In development, Investment phase
<i>Bloodline Champions</i>	Free-to-play MMO	Launched, Cash flow positive
<i>Fashion Week</i>	Free-to-play MMO, Social game	In development, Investment phase
<i>Pets vs Monsters</i>	Free-to-play MMO	In open beta phase, Investment phase
<i>My Kingdom</i>	Free-to-play MMO, Social game	In development, Investment phase

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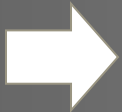
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Video



THE SECRET WORLD

Highlights

- The launch month for *The Secret World* has been set to April 2012, by the Co-publishers Funcom and Electronic Arts
- The Beta-sign-up program will commence in the near future
- The limited Beta-program was launched during 2Q, and will be progressively extended in upcoming months
- The Company continued its higher PR activity level through 2Q and so far in 3Q, through press events, reveals of in-game material and community activities
- The Company is satisfied with the build-up in expectations and awareness for the game and in the opinion of the Company the game tracks better than *Age of Conan* at the same point in development



THE SECRET WORLD

Status

- The development of *The Secret World* progressed well during 2Q and so far in 3Q
- The key focus of the development is extending the content of the game and iterating on and extending the role playing systems of the game
- The Company considers the technical risk related to the launch of the game to be significantly lower than during the launch of *Age of Conan* since *The Secret World* will launch on the DreamWorld Technology 2.0 game engine, the next version of the game engine that powers *Age of Conan*



Funcom assumptions for performance of *TSW*



Digital sales will represent a majority of client sales for *TSW*

- Clear market development towards digital sales last years
- Recent MMO-releases have confirmed trend

Funcom's target is to sell more game clients of *TSW* during launch year than *Age of Conan* did

- The market is larger
- Stronger co-publishing partner
- *TSW* is tracking well
- Digital distribution will be available from day 1

Funcom expects significantly better retention in *TSW* than in *Age of Conan*

- Less technical client issues expected, due to use of DreamWorld Technology 2.0 game engine
- Company is using analysis and improvement learnings from *Age of Conan* in design of *TSW*
- The 'norm' for retention in MMOs is higher than Funcom experienced during launch year of *Age of Conan*

Funcom expects significant in-game store sales in *The Secret World*

- The Company has gained valuable insights of the model from *Age of Conan*, *Anarchy Online* and other online games
- Market development: A large segment of players expect to be able to purchase vanity items and services in-game

TSW target financial scenario



Target scenario

- Client sales 30 % higher than *Age of Conan*
- Majority of digital client sales
- Subs/client price as *Age of Conan*
- In-game store sales/uptick amounting to 35 % of subs. revenue
 - Anarchy Online: 30 %
 - Age of Conan: 100 %
- Healthy retention; 490,000 average subscribers

Funcom results

- First yr revenue est \$ 157 million
- Est. game profit margin: 53 %

Conan-like scenario

- 1,050,000 client sales first year
- Poor retention (only slightly better than *Age of Conan*)
280,000 average subscribers
- Other assumptions as above

- First yr revenue est \$ 100 million
- Est. game profit margin: 43 %

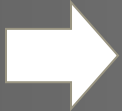
AGE OF CONAN[®] RISE OF THE GODSLAYER

Status

- The Company launched the free-to-play version of *Age of Conan* on 1 July.
- During July, the revenues from the game were more than doubled, and the day-to-day revenues are still almost double of those before the launch of the free-to-play model. The change in business model has also resulted in higher subscription numbers
- The company plans to release a new Adventure Pack for the game shortly, featuring several of the characters and locations from the newly released Conan movie
- For 3Q, revenues from *Age of Conan* are expected to be significantly higher than for 2Q, due to the performance of the free-to-play model



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Status Fashion Week Live

- The development of *Fashion Week Live* progressed well during 2Q. The team is focusing on iterating on game play mechanics, expanding content and finishing tech
- For Funcom, *Fashion Week Live* represents a significant step-up in investment and focus on the social games segment, being the first larger game investment in the segment
- The Company aims to bring its competence in high-end visual design and game play competence to the social games segment in a significant way, and the *Fashion Week Live* concept is a major effort in this direction
- The *Fashion Week Live* initiative is expected to launch during the fall of 2011, and the Company considers the concept to have a relatively high likelihood of success

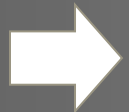


Update, other free-to-play games

- *Pets vs Monsters* has been in beta testing the last 6 months, with focus on monetization testing. Continuous improvements to the game and conversion funnel has improved the key stats of the game significantly. Funcom will now start broader distribution of the game to validate whether profitable marketing can be replicated in larger distribution channels
- On 24 August, Funcom signed a publishing agreement for *Bloodline Champions* with Innova. Innova, one of Russia's most successful online publishers, will publish the game in Russian speaking territories.
- The focus on *Bloodline Champions* in the next few months is to broaden distribution of the game and to expand the RPG elements of the game



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Summary:

- The launch month for *The Secret World* was set to April 2012, and beta-sign-ups will commence in the near future
- Funcom expects significant positive cash flow from the release of *The Secret World* and has provided targets for revenues and profit margins from the game.
- *Age of Conan Unchained*, the hybrid free-to-play model for *Age of Conan* was launched 1 July, more than doubling the revenue from June to July.
- Development of *Fashion Week Live* progressed well during 2Q. The game targets a fall release. Fashion Week Live represents a significant step-up in Funcom's investments into social games.
- Revenues for 2Q were 3,081 TUSD, EBITDA for 2Q was -2,060 TUSD.

Financial Outlook:

- Revenues for 3Q11 are expected to be significantly higher than for 2Q11 due to increased revenues from *Age of Conan*.



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