



3Q 2011
11 November 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 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 3Q 2011
2. Key financials
3. Project status
 1. Game overview
 2. Large scale MMO's
 3. Free-to-play MMO's
4. Summary and outlook

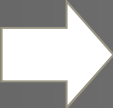
3Q 2011 highlights



- Revenues in 3Q11 increased by 55 % from 2Q to 4,766 TUSD and EBITDA were -716 TUSD.
- The launch month of *The Secret World*(TSW) was in 3Q set to April 2012
- The Company has conducted a range of PR-activities for *The Secret World* during 3Q, significantly increasing awareness and expectations for the title. More than 500,000 players have signed up for beta-programs for TSW
- The development of TSW progressed well during 3Q and an ever-larger share of the game is being completed.
- Funcom will raise USD 10-15 million through a convertible loan, mainly to maximize the potential of TSW. The Company has already secured commitments of a minimum of USD 7.5 million and has significant positive interest for the rest. Funcom and its advisors consider the conditions of the convertible loan to be favorable for the Company.
- *Age of Conan - Unchained*, Funcom's hybrid free-to-play version of the game was launched on 1 July. The launch resulted in a significant increase in revenues from the game.
- The development of *Fashion Week Live* progressed well. The game will soft-launch during 4Q11, with the marketing push following shortly thereafter.

Agenda



1. Key highlights 3Q 2011
-  2. Key financials
3. Project status
 1. Game overview
 2. Large scale MMO's
 3. Free-to-play MMO's
4. Summary and outlook

Key financial summary, 3Q 2011



TUSD	3Q,2011	2Q,2011
Revenues	4,766	3,081
EBITDA	-716	-2,060
EBIT	-2,155	-3,471
EAT	-3,169	-2,967

Revenues

- Main source; revenues from the *Age of Conan* game
- Revenues up in 3Q11 compared to previous quarter after launch of new business model for *Age of Conan*.
- Revenues for 4Q11 are expected to be lower than for 3Q11 due to decreased revenues from *Age of Conan*.

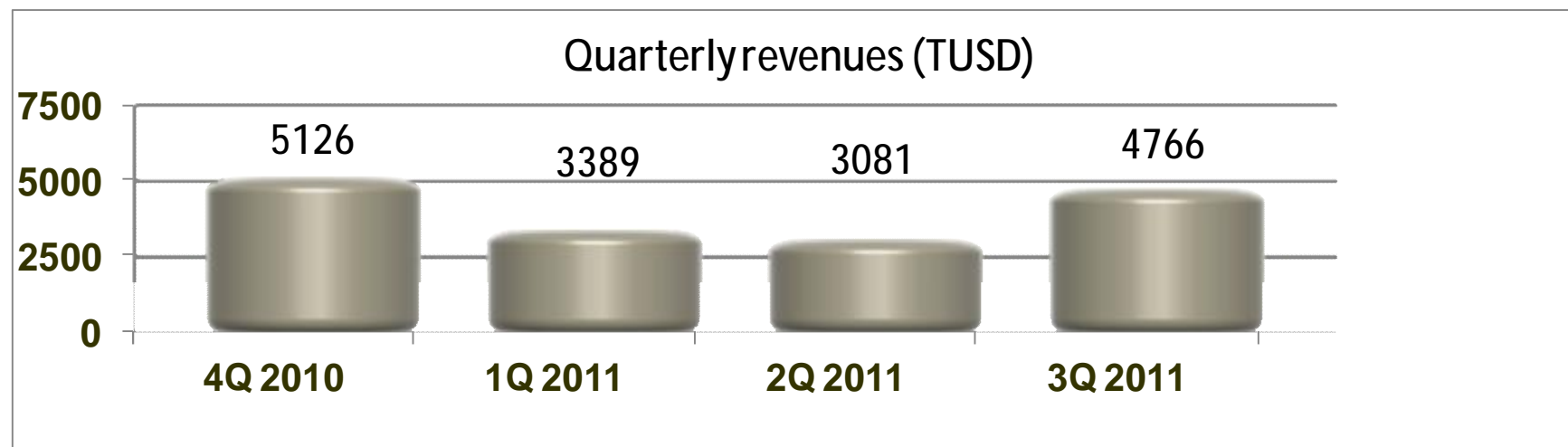
Earnings

- Build-up costs for *The Secret World* have and will impact EBITDA negatively going forward.
- EAT affected negatively by loss on exchange

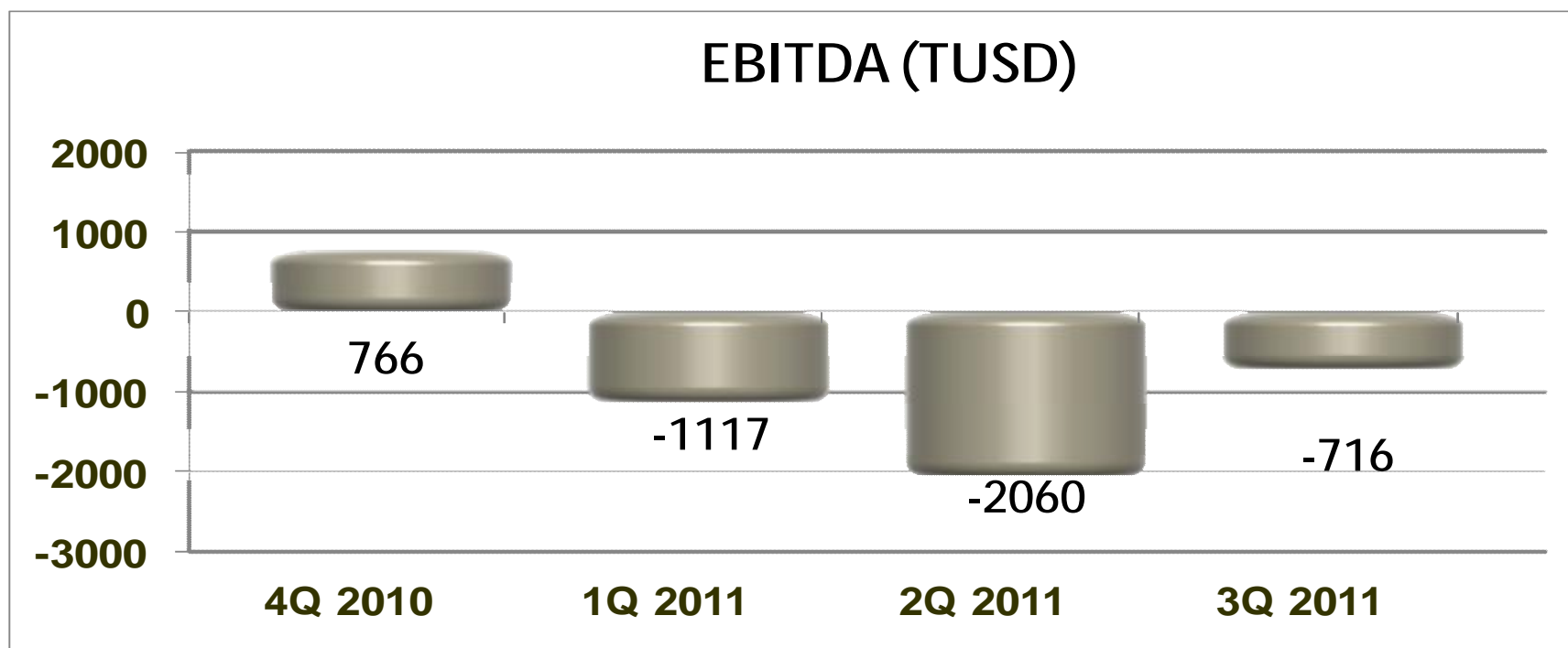
Consolidated statement of financial position

- Cash balance of 8,740 TUSD as of 30 Sep, 2011, equity-to-assets ratio of 72 %
- Interest-bearing debt amounting to approximately 14 MUSD

Key financial summary, 3Q 2011



Key financial summary, 3Q 2011



Agenda



1. Key highlights 3Q 2011

2. Key financials

3. Project status



1. Game overview

2. Large scale MMO's

3. Free-to-play MMO's

4. Summary and outlook

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

Agenda



1. Key highlights 3Q 2011
2. Key financials
3. Project status
 1. Game overview
 2. Large scale MMO's
 3. Free-to-play MMO's
4. Summary and outlook



Video



THE SECRET WORLD

Development status

- The development of TSW progressed well in 3Q and a large portion of the game is now in late stage and polish-phase of development
- The focus of the continued development is on polishing content, balancing game play, optimizing content and technology and implementing the last features.
- During 3Q and so far in 4Q Funcom has continued its Beta-programs – testing content and technology through focused beta-events
- Over 200 people are currently working on the project
- The DreamWorld 3.0 engine is stable and is performing well, and the tech risk related to the development of TSW is relatively low



THE SECRET WORLD

Status

- The Company announced that over 500,000 players have signed up for beta-program participation for TSW. The Company is very satisfied with the interest shown for the game.
- During November the Company conducted numerous hands-on-events with journalists in North America and Europe and expects significant coverage from these events in the coming weeks
- Being able to offer journalists full day hands-on events, in numerous locations, is a good indication of the development status of the game
- The higher PR activity continued during 3Q and so far in 4Q through participation in a number of conventions like PAX, GC, Comicon and various EA-events, all contributing to building awareness of the 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

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

Funcom results

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

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

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 3.0 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

Example of cost reduction in operations



- § For *Age of Conan*, the hosting costs from beta-testing until 3 years after launch was USD 18 million, including hardware costs, excluding bandwidth costs
- § For *The Secret World*, the current best cost estimate from beta-testing until 3 years after launch is in the range of USD 4-8 million, a saving of up to USD 14 million

The very significant projected savings are due to the following factors:

- § New and more powerful server and infrastructure technology
- § Optimized *Dreamworld* technology allowing more players per CPU
- § Reuse of old *Age of Conan* servers for handling peak-load
- § Current market allows for more flexible contracts, enabling faster adjustments to experienced traffic



Status

- The Company launched the free-to-play version of *Age of Conan* on 1 July.
- More than 600,000 players have tested the free-to-play version of *Age of Conan* since July
- The influx of players and the new business model has significantly increased the revenues from *Age of Conan* and has driven the increase in Company revenues from 2Q to 3Q
- The Company released an adventure pack during 3Q, which performed well
- The Company continues its investments into *Age of Conan*, through significant new content and feature development, to maintain its appeal to existing and new players
- *Age of Conan* is currently significantly cash flow positive and is expected to remain cash flow positive in the future



Agenda

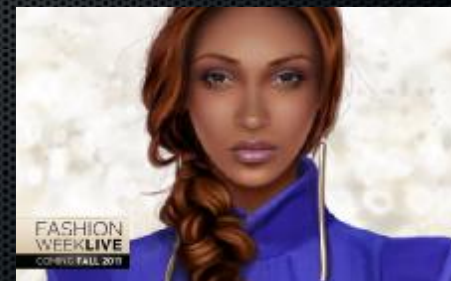


1. Key highlights 3Q 2011
2. Key financials
3. Project status
 1. Game overview
 2. Large scale MMO's
 3. Free-to-play MMO's
4. Summary and outlook



Status *Fashion Week Live*

- *Fashion Week Live*, Funcom's first larger investment into the social games space, progressed well during 3Q. The team initiated focus testing of the product and is focusing on optimizing the engagement cycle and the introduction to the game
- With *FWL*, 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
- *Fashion Week Live* is developed in a three-way partnership with IMG and 505 Games
- The partnership intends to soft-launch *FWL* in late 2011 and expects significant marketing for the product in early 2012



Update, other free-to-play games

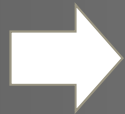
- After a decline in activity and revenues from *Bloodline Champions (BLC)* during late summer and early fall, upgrades to the game and marketing initiatives have significantly increased activities and revenues from the game in the last few weeks
- On 24 August, Funcom signed a publishing agreement for *BLC* with Innova. Innova, one of Russia's most successful online publishers, will publish the game in Russian speaking territories
- BLC is cash flow positive and is expected to remain so going forward
- During 3Q the Company extended its marketing testing of PvM to other territories after positive marketing results in Scandinavia.



Agenda



1. Key highlights 3Q 2011
2. Key financials
3. Project status
 1. Game overview
 2. Large scale MMO's
 3. Free-to-play MMO's



4. Summary and outlook

Summary and outlook



Summary:

- Revenues in 3Q11 increased by 55 % from 2Q to 4,766 TUSD
- The launch month of *The Secret World (TSW)* was in 3Q set to April 2012
- More than 500,000 players have signed up for participation in the beta-programs for *TSW*
- The development of *TSW* progressed well during 3Q and beta testing is well underway
- Funcom will raise USD 10-15 million through a convertible loan. The Company has already secured commitments of a minimum of USD 7.5 million and has significant positive interest for the rest
- *Age of Conan - Unchained*, Funcom's hybrid free-to-play version of the game was launched on 1 July. The launch resulted in a significant increase in revenues from the game
- The development of *Fashion Week Live* proceeded well. The game will soft-launch during 4Q11, with a significant marketing push following shortly thereafter

Financial Outlook:

- Due to decreased revenues from *Age of Conan*, revenues for 4Q11 are expected to be lower than for 3Q11 - the launch quarter for the new business model with the in-game item shop.



Last slide