



2Q 2012
28 Aug 2012

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- 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.
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Agenda



- ➔ 1. Key highlights 2Q 2012
- 2. Key financials
- 3. Project status
 - 1. Game overview
 - 2. Large scale MMO's
 - 3. Free-to-play MMO's
- 4. Summary and outlook

2Q 2012 highlights



- The launch of *The Secret World* commenced with Early Access on 29 June, with full commercial launch on 3 July. The launch was executed solidly with no technical issues or difficulties.
- Initial sales of *The Secret World* have been below expectations, as communicated in the stock notice of 10 August. The Company still considers it likely that sales for the 12 months period following launch of the game will be less than half of what was presented in the Conan-like scenario in 1Q presentation. The Company has recognized an impairment charge (adjustment of the book value of the game) amounting to 35 million USD.
- Press feedback on *The Secret World* have been mixed, with some major press outlets in the US having rated the game as low as 50%, which have impacted sales of the game significantly.
- More than 200,000 players have purchased *The Secret World* and Funcom is about to launch several initiatives to acquire more players.
- The Company is currently undergoing large cost cutting measures including reduction of personnel in all offices. The Company are working towards ensuring that all of the live games as well as the company are cash-flow positive.
- The Company signed a deal with LEGO to develop, launch and operate an online game based on their highly successful Minifigures line.
- Funcom will concentrate it's new development on more focused, systems-driven games that have a high degree of community and player interaction. These games require less time and development cost to bring to market.

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Key financial summary, 2Q 2012



| TUSD | 2Q,2012 | 2Q,2011 |
|----------|---------|---------|
| Revenues | 2,557 | 3,081 |
| EBITDA | -9,850 | -2,060 |
| EBIT | -47,523 | -3,471 |
| EAT | -49,190 | -2,967 |

Revenues

- Main source: revenues from the *Age of Conan* game
- Some revenues from *The Secret World* included in 2Q 2012 financials due to early access 29 June 2012
- Accrual of both client sales and subscription implemented
- Revenues down in 2Q12 compared to same period in 2011 due to declining revenues from *Age of Conan*

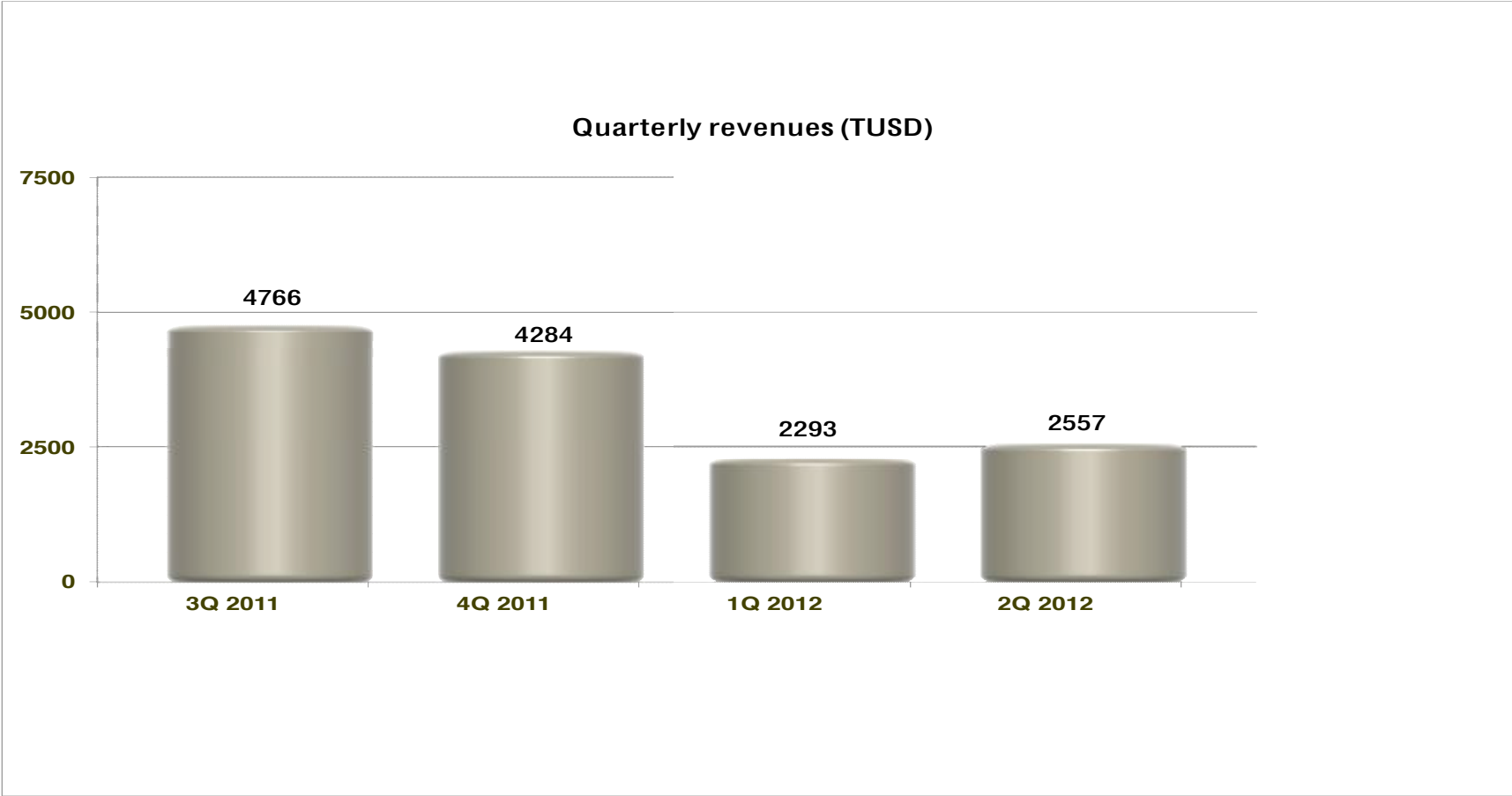
Earnings

- Build-up costs for launch of *The Secret World*, including marketing, have impacted EBITDA negatively
- An impairment charge of 35,000 TUSD on *The Secret World* have impacted EBIT negatively

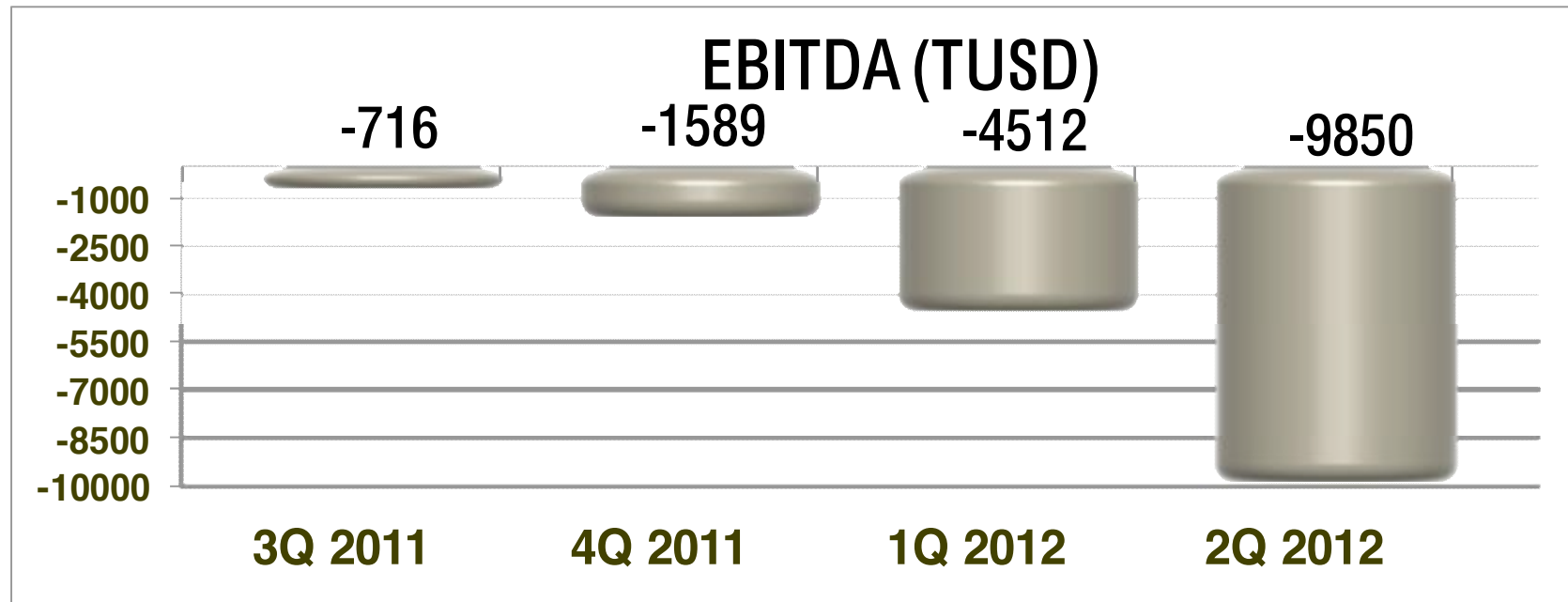
Consolidated statement of financial position

- Cash balance of 16,928 TUSD as of 30 June 2012
- The carrying amount of total interest-bearing debt amounting to approximately 22.6 mUSD.

Key financial summary, 2Q 2012



Key financial summary, 2Q 2012



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Overview of main games

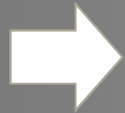


| Game | Segment | Status |
|----------------------------|-------------------------------|--|
| <i>The Secret World</i> | Large Scale MMO | Launched, Cash flow positive |
| <i>Age of Conan</i> | Large scale MMO | Launched, Cash flow positive |
| <i>Anarchy Online</i> | Large Scale MMO | Launched, Cash flow positive |
| <i>Bloodline Champions</i> | Free-to-play MMO | Launched, Cash flow positive |
| <i>Fashion Week Live</i> | Free-to-play MMO, Social game | Launched, Monetization and partner phase |
| <i>Pets vs Monsters</i> | Free-to-play MMO | Launched, Monetization and partner phase |
| “LEGO Minifigures” | Free-to-play MMO | Early development, core team in place |
| Project A | Large Scale MMO | Concept and negotiation phase |

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Video



THE SECRET WORLD

Status

- The launch of *The Secret World* commenced with Early Access on 29th June, with full commercial launch on 3rd July. The launch was executed solidly with no technical issues or difficulties
- Initial sales of *The Secret World* have been below expectations, as communicated in the stock notice of the 10 August
- *The Secret World* achieved several PC Games chart positions in it's launch frame, including # 2 in Germany and # 2 in UK. The games is also currently the bestselling MMO on Steam.
- More than 200,000 players have purchased *The Secret World* and the Company is about to launch several initiatives to acquire more players
- Player feedback on "The Secret World" have been very strong, with the game currently being one of the highest user-rated games on Metacritic with a score of 8.4 and the top position on industry site MMORPG.com with a 8.74 user score
- The Company is actively working on using all tools available to increase player acquisition, as player feedback and retention initially seems strong



THE SECRET WORLD

Situational analysis

- Press previews from hands-on events before launch were very positive
- Feedback, time played and engagement from beta testers were much more positive than during *Age of Conan* beta
- Purchase intent and feedback on game features were positive in Beta surveys conducted by the Company
- The *The Secret World* community and external community sites were and are by large positive
- Internal evaluation and feedback was very positive
- Competitors like Diablo III, Guild Wars 2 and WoW: Mists of Pandaria have all announced launch dates in the run-up to *The Secret World* launch
- Diablo III and GW2 especially have gained more traction and momentum than expected.
- Press feedback on *The Secret World* has been mixed, with some major press outlets in the US having rated the game as low as 50 %, which have impacted sales of the game significantly

The Secret World PC
Electronic Arts | Funcom | Release Date: Jul 3, 2012

Summary Critic Reviews User Reviews Details & Credits Trailers & Videos

72 Metascore
Mixed or average reviews based on 46 Critics

8.4 User Score
Generally favorable reviews based on 748 Ratings

Your Score: 0

Summary: The Secret World is a massively multiplayer online role-playing game. Taking place on our earth, in our times, The Secret World is inspired by history and mythology, modern conspiracy theories and ancient mysteries. For there really is a world within ours, a secret world, where magic exists... [Expand](#)

Developer: Funcom
Genre(s): Massively Multiplayer
Cheats: On GameFAQs
Rating: II
[More Details and Credits](#)

Top Voted Games Most Popular Games

Released

| Rank | Score | Game |
|------|-------|--------------------------|
| #1 | 8.73 | The Secret World |
| #2 | 7.80 | Rift |
| #3 | 7.73 | EverQuest II |
| #4 | 7.73 | Lord of the Rings Online |
| #5 | 7.23 | EVE Online |
| #6 | 7.73 | Guild Wars |
| #7 | 7.73 | Final Fantasy XI |

[Our Game List](#)



THE SECRET WORLD

Development update

- Funcom will continue to invest in *The Secret World* going forward
- The first of several major content updates to the game launched on July 31st, adding more quests and storylines to the game
- The team is working on addressing key areas for improvement as highlighted by press feedback. This includes tweaks to combat, accessibility and additional features
- The upcoming content update, Issue # 2, will contain several updates to character customization as well as adding new weapons and abilities



Funcom game update



Age of Conan: Unchained

Free-to-play hybrid, with Premium subscription and ingame store

More than 3.000.000 players so far

Focus on updates tied to Conan lore, as well as a constant update of items and utilities to purchase through the ingame store

Anarchy Online

Free-to-play hybrid, with Premium subscription and ingame store

More than 2.000.000 players so far

Very community oriented game, with updates on high-end content and store updates. Fun and seasonal content sell well.

Bloodline Champions

Free-to-play game, with Premium top-up and ingame store

Skill-based action oriented PvP game with strong eSports ties.

More than 1.500.000 players so far

Adding new classes to play, adding skins and visual upgrades to existing classes

6.000.000+ gamers have played Funcoms online games.



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LEGO game overview



- Built on existing Funcom technology
- Tightly focused gameplay
- Developed in close partnership with LEGO
- 18 months development time
- Will be promoted through LEGO.com, as well as through other channels
- Highly accessible, wide audience



LEGO game overview



- Fast, fun and furious
- Filled with LEGO style humor
- Focused around collection driven game play
- Team up with friends and play together
- Each Minifigure has a unique set of abilities
- Easily expandable – very collectible

- Core team working towards the first milestone



Status *Fashion Week Live*

- *Fashion Week Live*, Funcom's first larger investment into the social games space, have launched and is gaining momentum. Focus is currently on tuning monetization and retention.
- Partnerships have been announced with several major fashion brands, including DKNY, BCBGMAXAZARIA and Mara Hoffman, who all have clothes and accessories for purchase in the game already.
- More partners are in the pipeline, increasing the reach of the game even further
- *Fashion Week Live* is developed and operated in partnership with 505 Games.



Future Funcom games



Game Direction

Building smaller, more focused online games

Player driven content, engagement and community

Multi-platform engagement, flexible business models

Utilize technology advantage for at highly competitive cost, up to 50% lower than competitors

DreamWorld game engine. Major competitive advantage for Funcom.

Most advanced and flexible MMO-tech available

Built for fast implementation and iterations and low cost development

Significantly lower cost of development for future games

Operational costs

Significant reduction in costs through server tech and operational set-up

Funcoms operational strength in running and maintaining online games is a distinct advantage



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Summary



- Revenues for *The Secret World* have been lower than expected, with lower initial sales during launch. The company still considers it likely that sales for the 12 months period following launch of the game will be less than half of what was presented in the Conan-like scenario in 1Q.
- The Company has recognized an impairment charge to TSW (adjustment of the book value of the game) of 35,000 TUSD.
- Core development on *The Secret World* is a high priority for the Company, and the development team is focused on delivering on both content updates and feature improvements. The team is working closely with community and press feedback to expand and improve the game.
- The Company is undergoing large cost adjustment initiatives, including reduction of personnel. The Company is working towards ensuring that all of the live games as well as the Company are cash-flow positive.
- Future games from Funcom will be based on more focused, gameplay and player driven games, more in line with the developments in today's market. Such games have shorter development time, and less upfront investment. Examples are League of Legends, World of Tanks and Minecraft.
- The LEGO online game is the first of these games, and is already in development. Expected development time is 18 months.



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