



Background

Funcom reported in a stock notice the 6th of July that the company intended to update the market on The Secret World today. This update is based on current sales, press and gamer feedback and early indicators of subscription levels following the free 30 days game-time included in the game client.

Development since launch

Following the launch of The Secret World on the 3rd of July 2012, Funcom's share price has decreased significantly. The company attributes this mostly to the aggregate review score, the "Metascore", for the game at MetaCritic (www.metacritic.com) together with other public sources for tracking the performance of games.

While there are very positive reviews, there are as well mixed or average reviews from various press outlets, giving an aggregated score for The Secret World of 72 out of 100, which is to be considered low, and not in line with the positive feedback received during the beta phases from both press and players. Funcom is of course disappointed with achieving such a Metascore. A game like The Secret World, which is not based on a well-known brand, is normally dependent on positive press reviews to achieve successful initial sales, in addition - but not limited - to other factors like word of mouth.

Scenarios for The Secret World for the first 12 months following launch

Funcom has on several occasions presented two financial scenarios for the first 12 months following launch of the game; please refer to page 17 in the 1Q 2012 presentation *). Funcom does not consider it likely that either of them will be met.

To improve sales going forward, Funcom is currently enhancing distribution by launching the game on the Steam platform as well as focusing on key areas for improvement of the game and on-going activities on content updates, sales initiatives and communication. The effect of all these initiatives together with other factors impacting sales are difficult to predict, but based on the available early data, one scenario is that sales for the first 12 months following launch will be less than half of what was presented in the "Conan-like" scenario. It should be noted that the sales amount in the "Conan-like" scenario is significantly higher than for the game "Age of Conan", due to the assumption of better retention implemented in the scenario. Also it should be noted that the company has significantly lower operational cost for The Secret World than what was the case for Age of Conan.

As less initial sales than expected is considered an indicator of impairment, the company is currently evaluating the need for recognizing an impairment loss for the game in the profit and loss statement.

Retention

Funcom is pleased to see that gamer satisfaction is high, with user score of 8.4 out of 10 and higher on www.metacritic.com and other sites like mmorpg.com. This is in line with the beta surveys and beta players' feedback that the company received prior to launch. The company considers this a positive indicator of high customer satisfaction, and a solid foundation to build on the positive and engaged community Funcom has established with The Secret World.

First indication of churn is more positive than for Age of Conan, and the in-game store is performing as expected. The add-on packs are performing better than expected. Also higher than expected sales are going directly through the online download stores like EA's Origin and Funcom's own storefront, generating more profitable sales for the company.

A possible scenario going forward is that the game will sell less than both of the two above mentioned scenarios the first 12 months following launch, but

with high customer satisfaction, it will generate a more stable subscriber base than the game Age of Conan. Over time, this will enable Funcom to retain more customers and generate higher revenue.

Immediate cost-adjustment initiatives

Funcom is currently implementing several cost-adjustment initiatives due to the expected lower initial revenues from The Secret World to secure future positive cash flows.

Next update

The next update of The Secret World will be given in the 2Q 2012 report to be published 28th August.

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Funcom N.V.

This information is subject of the disclosure requirements acc. to §5-12 of vphl (Norwegian Securities Trading Act)

*) Funcom 1Q 2012 presentation:
<http://www.newsweb.no/newsweb/search.do?messageId=306223>