

2018 Third Quarter Financial Report

The Funcom® Group
Funcom N.V. and subsidiaries

“We’re happy to report that the Third Quarter of 2018 has the highest quarterly EBITDA margin in the Company’s history, and after this quarter we have already beaten last year’s profitability record. So, while there are always stronger and weaker quarters throughout a year, this is one of the stronger ones.

Conan Exiles was the main driver of the results, with a very successful release on PlayStation 4 in Japan together with our partner Spike Chunsoft, the inclusion of the game in the Humble Monthly subscription service and the release of paid DLCs (Downloadable Content).

Our pipeline of games is also very promising with six projects in various stages of production, the first to launch being “Mutant Year Zero: Road to Eden”, to be released 4 December on multiple platforms and has had very positive press reception.”

- Rui Casais, CEO

1 Highlights

- 3Q18 revenues were USD 7.5 million (+25% vs 3Q17) and EBITDA was USD 4.6 million (+160% vs 3Q17). The EBITDA margin of 62% is the highest in Funcom’s history
- The year to date EBITDA, EBIT and cash flow from operations all beat last year’s full year numbers which were the best in Funcom’s history. YTD EBITDA was USD 13.0 million (+38% vs YTD 3Q17), EBIT was USD 8.7 million (+23%) and cash flow from operations was USD 14.2 million (+72%)
- The Company is free of any interest-bearing debt as of 4 October 2018, for the first time since 2009. The cash balance of USD 20.9 million is the strongest since 2010
- Funcom has a strong launch pipeline with six upcoming games:
 - *Mutant Year Zero: Road to Eden* will launch on 4 December 2018 for PC, Xbox One and PlayStation 4. The game has had significant pick-up in social media and gaming press during 3Q18
 - Petroglyph’s Conan game to be released in 2Q19
 - Rock Pocket’s Funcom IP game to be released for the Halloween season of 2019
 - Funcom North Carolina’s cooperative online shooter
 - Funcom Oslo’s single player Conan game
 - Funcom Oslo’s open-world multiplayer game

2 Financials

- Revenues in 3Q18 were USD 7 534 thousand, up 25% from 3Q17, highlighting the strong post launch performance of *Conan Exiles* as 3Q17 had more launch activity with both *Conan Exiles*' Xbox One Preview launch and the relaunch of *Secret World Legends*
- The 3Q18 Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was USD 4 642 thousand up from USD 1 813 thousand in 3Q17. The 3Q18 EBITDA margin was 62%, the strongest in Funcom's history
- Operating expenses in 3Q18 were USD 2 892 thousand, down 58% from 2Q18 (USD 6 943 thousand), mainly due to significant launch related costs in Q2, including marketing, external development and royalty. Operating expenses are also down 31% from 3Q17 (USD 4 214 thousand), which also had launch related cost (*Conan Exiles* Xbox Preview and *Secret World Legends*)
- The 3Q18 total equity at USD 44 625 thousand has increased 176% from 3Q17 (USD 16 189), driven by profits, the Robur private placement, the IP acquisition through Heroic Signatures DA, and debt conversions
- The cash position is USD 20 923 thousand, has increased 147% from 3Q17 (USD 8 481 thousand)
- Cash flow from operating activities in 3Q18 were USD 6 353 thousand driven by high profitability and a USD 1 895 thousand positive working capital change
- Cash flow from investments in 3Q18 were USD -3 745 thousand driven by investments into future games and new development in current games, for instance future downloadable content (DLC) launches
- The cash inflow during 3Q18 was USD 2 782 thousand, despite trade receivables at USD 3 444 thousand and investments into the games of USD -3 646 thousand

3 Game highlights

3.1 Conan Exiles

- Q3 updates
 - Released DLC 2 in early August (Jewel of the West)
 - Launched in Japan on PS4 on 23 August together with Spike Chunsoft
- Updates after Q3
 - Launched major Pets system update in October including a new dungeon, new religion and new avatar
 - Released the third DLC 3 "Savage Frontier" in early October
 - Steam Midweek Madness & Xbox Free Weekend events late October
 - Launched "Night of Lost Souls" Halloween event with visual updates and "trick or treat" meteor

3.2 Age of Conan, Secret World Legends and Anarchy Online:

- Q3 updates and events
 - Age of Conan (AoC) ran its anniversary event during May and June
 - A New treasure chest "Bloodstained Treasure Chest" was launched in July and has since become the top selling item in AoC
 - AoC had a summer PvP event which was active until 6 September
 - An AoC pvp focused saga server was released on 27 September
 - Secret World Legends held an anniversary event from late June to mid-July
 - The anniversary introduced a new Cache item

- Updates after Q3
 - Age of Conan: The Headhunter Collection, an exclusive bundle focused on bringing old pvp players back was released 26 October
 - Secret World Legend: an equinox event released on 18 September
 - The Halloween event went live on 11 October and ran until the end of the month. A new cache, The One War Cache, was introduced with the event
 - Anarchy Online: Halloween event released on 12 October with updated content and themed subscription

3.3 Mutant Year Zero: Road to Eden:

- Funcom and The Bearded Ladies attended GamesCom in August, providing press with a new build to play. The feedback was very positive.
- At the end of October, selected press worldwide was given access to a demo build of the game, allowing them to do the first hands-on previews outside of an expo context
- The game is currently available for pre-order on <https://buy.mutantyearzero.com/> and PlayStation US, with PlayStation EU, Steam, and Xbox coming soon
- People who have pre-ordered the Deluxe PC version of the game on the official website will now be getting access to a demo build of the game.
- The marketing team has been executing several PR beats including new trailers, social media updates, and reveals, and will continue to do so up until launch. A limited ad campaign on PC and consoles will go live around launch date.

3.4 Petroglyph and Rock Pocket projects:

- Two additional games are externally developed to be released in 2019:
 - A game with Petroglyph utilizing the Conan the Barbarian IP, to launch on PC during 2Q 2019. More details on the game will be revealed before the end of 2018.
 - A game with Rock Pocket Games based on a Funcom IP to launch on PC, Xbox One and PlayStation 4 for the Halloween season
- More information on the games will be made available closer to their respective launches

3.5 Future internal games:

- Funcom North Carolina
 - A game in the “Cooperative online shooter” genre with a Premium business model using an IP from Heroic Signatures that isn’t Conan
 - The game is in full production
- Funcom Oslo
 - A single player Conan IP game is in pre-production
 - A new open-world multiplayer game is in early conceiving stage, to enter pre-production in 1Q19

4 Risk factors

- For information regarding risk factors for the Company and its games, please refer to note 27 in the 2017 Annual Report. The report can be downloaded from the company website at <https://investors.funcom.com/>. For evaluation of the risks related to Funcom games and activities, Funcom encourages investors to seek information

about the industry in general and Funcom specifically from analyst reports, industry reports, game reviews etc

- Several different financial scenarios should be evaluated when analysing the potential of any existing or future games. The financial performance of new games and the development of games' performance over time is uncertain

5 Outlook

- The financial performance outlook of the Company is positive
- The cash balance of USD 20.9 million is the strongest since 2010 and as of 4 October 2018, for the first time since 2009, the company has no interest-bearing debt
- Key factors of the outlook
 - Launch of *Mutant Year Zero: Road to Eden* on 4 December 2018 on PC, PlayStation 4 and Xbox One
 - The continued sales of *Conan Exiles* from the game and its upcoming DLCs
 - Launch of the Petroglyph developed game based on the Conan IP in 2Q 2019 on PC
 - Launch of the Rock Pocket Games developed game in the Halloween season of 2019 on PC, Xbox One and PlayStation 4
 - Launch of Funcom North Carolina's Shooter game and Funcom Oslo's Conan single player game
- Revenue and profitability should be expected to vary from quarter to quarter, depending on launch activity, sales and other events. The Company's strategy of releasing both internally and externally developed games, allowing multiple releases each year, is designed to increase diversification and reduce risk.
- Revenue from the MMO games are expected to slowly decline over time due to their ageing. However, Funcom will continue to launch events and content releases to spur periods of growth
- In line with the communicated strategy Funcom plans to invest in the above mentioned and additional co-development and publishing games going forward

Badhoevedorp, The Netherlands, 5 November 2018

The Management Board of Funcom N.V.

- This report is also available at <http://www.newsweb.no>
- This report contains forward-looking statements. These statements are based on current estimates and projections of Funcom's management and currently available information. Many factors could cause the actual results, performance or achievements of Funcom to be materially different from those that may be expressed or implied by such statements. Such factors include risks discussed in Funcom's Annual Report 2017 note 27.
- For more information about Funcom, its games and its organization, please see www.funcom.com

* "Funcom", "*Secret World Legends*" and "*Anarchy Online*" are registered trademarks of Funcom Oslo AS.

FUNCOM N.V. - THIRD QUARTER FINANCIALS OF 2018
PRELIMINARY, CONDENSED, NOT AUDITED, FIGURES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS					
<i>(Figures in TUSD)</i>	Third Quarter		Accumulated		Full Year
	2018	2017	2018	2017	2017
Revenue	7 534	6 027	25 422	20 020	23 162
Operating expenses	-2 892	-4 214	-12 434	-10 582	-13 225
Earnings Before Interest, Tax, Depreciation and Amortization	4 642	1 813	12 988	9 438	9 937
Depreciation, amortization and impairment charges	-1 759	-850	-4 247	-2 345	-3 298
Operating result ("EBIT")	2 883	964	8 740	7 093	6 639
Net financial items	-199	86	-1 423	279	89
Profit (loss) before income taxes	2 684	1 049	7 317	7 372	6 729
Income taxes	-439		-1 958	4	-1 773
Profit (loss) for the period	2 246	1 049	5 359	7 376	4 957
Attributable to non-controlling interests					
Attributable to shareholders of Funcom N.V.	2 246	1 049	5 359	7 376	4 957
Earnings per share basic (USD)	0.03	0.02	0.07	0.13	0.07
Earnings per share fully diluted (USD)	0.03	0.02	0.07	0.11	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Profit (loss) for the period	2 246	1 049	5 359	7 376	4 957
Foreign exchange translation difference	-20	594	-78	497	135
Total comprehensive income for the period	2 225	1 643	5 281	7 873	5 092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
<i>(Figures in TUSD)</i>	30 September 2018	31 Dec. 2017	2017
ASSETS			
<u>Non-current assets</u>			
Deferred tax assets		1 156	
Intangible assets	18 099	8 619	10 249
Tangible fixed assets	34	2	37
Investments accounted for using the equity method	7 300		
Long term receivables	512	380	567
Total non-current assets	25 945	10 157	10 852
<u>Current assets</u>			
Trade receivables	3 444	3 218	1 559
Prepayments and other receivables	963	518	269
Cash and cash equivalents	20 923	8 481	7 731
Total current assets	25 330	12 217	9 559
Total assets	51 275	22 374	20 411
EQUITY AND LIABILITIES			
<u>Equity</u>			
Share capital	17 932	13 525	13 525
Reserves	189 540	167 561	168 359
Retained earnings	-162 847	-164 898	-168 206
Total equity	44 625	16 189	13 678
<u>Liabilities</u>			
Deferred tax liabilities	2 524	19	671
Long-term liabilities	132	3 355	91
Deferred income	286	641	478
Short-term loans and borrowings	607	169	3 411
Other short term liabilities	3 101	2 002	2 082
Total liabilities	6 650	6 185	6 733
Total equity and liabilities	51 275	22 374	20 411

CONSOLIDATED STATEMENT OF CASH FLOWS					
	Third Quarter		Period ended 30 September		Full Year
(Figures in TUSD)	2018	2017	2018	2017	2017
Cash flow from operating activities					
Profit (loss) before income tax	2 684	1 061	7 317	7 389	6 729
Adjustments for:					
Depreciation, amortization and impairment	1 759	850	4 247	2 345	3 298
Share-based payments	-113	282	2 903	479	750
Income taxes paid	-26	4	-72	4	
Effect of exchange rate fluctuations	153		1 318		
Changes in working capital	1 895	-360	-1 476	-1 918	-380
Net cash flow from operating activities	6 353	1 837	14 236	8 299	10 397
Cash flow from investing activities					
Purchase of equipment and investment in intangible assets	-3 646	-1 179	-12 228	-3 748	-6 610
Investment in equity-accounted entities	-100		-221		
Net cash flow from investing activities	-3 745	-1 179	-12 449	-3 748	-6 610
Cash flow from financing activities					
Net proceeds from issue of share capital	175	140	12 269	470	470
Proceeds / repayments from (of) borrowings and leases					
Net cash flow from financing activities	175	140	12 269	470	470
Change in cash and cash equivalents	2 782	798	14 057	5 022	4 257
Cash and cash equivalents, beginning of period	18 250	7 818	7 731	3 709	3 709
Cash and cash equivalents, end of period before exchange effect	21 033	8 616	21 788	8 731	7 966
Effect of exchange rate fluctuations	-110	-135	-865	-251	-234
Cash and cash equivalents, end of period after exchange effect	20 923	8 481	20 923	8 481	7 731

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	30 September		Full Year
(Figures in TUSD)	2018	2017	2017
Opening balance	13 678	3 773	3 773
Total comprehensive income for the period	5 281	7 873	5 092
Equity issues	22 763	3 906	3 906
Exercise of warrants		157	157
Share-based payments	2 903	479	750
Closing balance	44 625	16 189	13 678

NOTES TO THE INTERIM REPORT

1 Corporate information

Funcom N.V. is a limited company registered in The Netherlands, and the shares are publicly traded on the Oslo Stock exchange under the ticker “FUNCOM”. The principal activity of the Company is to develop, publish and carry on business in computer and console games in the broadest sense. The unaudited interim condensed consolidated financial statements for the Company year to date at 30 September 2018 were approved for issue by the Supervisory Board on 5 November 2018.

2 Basis for preparation and selected significant accounting policies

Based on successful recent launches, future pipeline and additional funding received in February 2018 the Company’s financial situation is strong. Based on this the going concern assumption is justified and consequently the unaudited interim condensed consolidated financial statements of the Company for the year to date at 30 September 2018 have been prepared on a going concern basis. Notwithstanding the above, the actual performance of the Company may deviate significantly from the projections.

These unaudited statements have been prepared in accordance with IAS 34, which means that they do not include all information and disclosures required in annual financial statements but only selected significant information. The principles applied are consistent with those used in the 2017 Annual Report.

As of 1 January 2018, the Group has adopted the mandatory revised standards, amendments to existing standards and interpretations as adopted by the EU, applicable for this quarter. Their adoption has not had significant impact on the amounts reported in this interim report but may affect the accounting for future transactions or arrangements. The impact of the financial statements of standards issued, but with an adoption date on 1 January 2019 or later will be discussed in the annual report.

The revised accounting principles due to the adoption of IFRS 9, 15 and 16 are described in note 2 in Funcom’s 2017 Annual Report. IFRS 9 and 15 are applied from 1 January 2018, whereas IFRS 16 will be applied from 1 January 2019. With respect to IFRS 9 Funcom has taken advantage of the exemption allowing it not to restate comparative information of prior periods with respect to classification, measurement and impairment. Funcom has concluded that the application of IFRS 9’s impairment requirements in 1 January 2018 will not result in an increase in its impairment provision. For IFRS 15 the cumulative catch up method is used, allowing 2017 financials not being restated with new principles. As the effect of the minor adjustment to Funcom’s revenue policy, as described in the 2017 Annual report is insignificant, it is not illustrated how the 2018 numbers would have been based on the old accounting principles and no adjustment to opening retained earnings as at 1 January 2018 has been made. An adjustment of USD 64 thousand has been made to retained earnings because of changed business model and subscription options connected with the relaunch of The Secret World to Secret World Legends. Disclosures of disaggregated revenue are presented in note 15.

All amounts are in USD thousand unless stated otherwise. There may be some minor rounding differences, or the total may deviate from the total of the individual amounts. This is due to the rounding to whole thousands of individual amounts.

2.1 Basis of consolidation

The Company's Interim consolidated financial statements comprise of Funcom N.V. and companies in which Funcom N.V. has a controlling interest.

2.2 Intangible assets

Intangible assets are recognized in the balance sheet if it can be confirmed that there are probable future economic benefits that can be attributed to the assets that are owned by the Company, and the assets' cost price can be reliably estimated. Both internally and externally developed games that are published by Funcom are capitalized. Intangible assets are initially recognized at their cost price and subsequently measured using the cost method (i.e. historical cost less accumulated amortization and accumulated impairment losses). A review to assess whether there are indicators of impairment is undertaken at the end of each reporting period. In addition, intangible assets not yet available for use are tested for impairment annually.

2.3 Equity

Transaction costs relating to equity transactions are recognized directly in equity after deducting tax.

2.4 Deferred revenues

Per copy sales of new games, whether delivered via Internet (game download) or packaged goods (boxes) are recognized in the Statement of Comprehensive Income as revenue at the time of sale, given that sufficient visibility has been secured. Sales through third-party distribution platforms is also recognized as underlying sales occur. Revenues from subscriptions are recognized over the subscription period, normally 1-12 months, revenues from sales of in-game items / micro-transactions are recognized at the time of sale. Revenue from virtual currency is recognized at the estimated time of spending rather than at the time of purchase. A provision for expected refunds is charged against revenue to the extent Funcom has an obligation for such arrangements.

2.5 Investments in equity-accounted entities

Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Based on IFRS 11, Funcom will recognize its interest in Heroic Signatures DA as investment and shall account for that investment using the equity method in accordance with IAS 28. Therefore, Funcom will recognize its initial investment in Heroic Signatures DA at cost. The carrying amount is increased or decreased to recognize its share of the profit or loss of Heroic Signatures DA after the date of acquisition. Transactions between Funcom and Heroic Signatures are eliminated, which means Heroic Signatures revenue from royalty paid by Funcom, e.g. royalty for the games Conan Exiles and Age of Conan, is eliminated with group operating expenses. The investment in equity-accounted entities illustrated in the cash flow statement constitute transaction fees.

3 Operating revenues

The revenues mainly consist of sales of game software, subscriptions, in-game items and royalties.

4 Operating expenses

Personnel cost, external development cost, marketing, office rent and games operating cost are main elements of the operating expenses.

5 Depreciation and amortization

The Company amortizes investment in the development of technology and game assets on a systematic basis over their useful life. MMO games (Age of Conan and Secret World Legends) and technology can have an amortization period of typically up to five years, whereas other games typically have an amortization period of two years or below. The company applies the diminishing balance amortization method that reflects the pattern of consumption of the future economic benefits. If that pattern cannot be determined reliably, the company uses the straight-line method. The increase of intangible assets in 3Q18 was USD 2 113 thousand. Of this USD -267 thousand is a translation effect, reflecting that the USD value of the intangible assets decreases when the USD / NOK foreign exchange rate decreases, as the intangible assets are held by Funcom Oslo in NOK. This means the underlying net addition of intangible assets in 3Q18 affecting the result is USD 2 380 thousand.

6 Net financial items

Net financial items mainly consist of interest earned, exchange rate differences, and interest incurred on loans.

7 Taxes

A deferred tax liability of USD 2 524 thousand is recorded on the balance sheet, due to temporary tax differences driven by increasing investments into new games. There was no payable tax in Norway or in the Netherlands for the fiscal year 2017.

The tax assessment received by Funcom N.V. with respect to the financial year 2016 reports nil taxable amounts for this year and carry forward losses amounting to USD 1 835 thousand as of the end of 2016. The Company has not recognized deferred tax assets for any potential carry forward loss of Funcom N.V.

A tax cost of USD 439 thousand for 3Q18 has been calculated in Funcom Oslo and Funcom Oslo Licensing. Growing investments into game development which are expensed for tax purposes create temporary differences which is expected to significantly reduce or eliminate the tax amount payable for the fiscal year 2018.

8 Long term receivables

Long term receivables consist of deposits for real estate.

9 Cash

Cash and cash equivalents are USD 20 923 thousand. Of these USD 150 thousand are restricted.

10 Liabilities

Long-term liabilities consist of long-term lease liabilities. Short-term loans and borrowings are dominated by the convertible bond.

As of 30 September 2018, the remaining bonds had a carrying amount of USD 561 thousand and a face value of USD 570 thousand.

On 4 October 2018 the remaining convertible bond and related accrued interest was converted into 1,189,331 new shares. After this conversion, there are no bonds outstanding, and for the first time since 2009 Funcom has no interest-bearing debt.

11 Cash flows

A significant part of Funcom's cash and cash equivalents are denominated in Norwegian kroner, in United States Dollar and in Euro. The Company's NOK, USD and EUR cash holdings are a natural hedge against the operating expenses arising in NOK, USD and EUR.

12 Average number of shares

	Third quarter		Nine months	
	2018	2017	2018	2017
Average number of shares (1'000)	75 637	57 813	72 324	55 140

On 1 February 2018 a 5:1 reverse split was conducted. In the above, for comparison purposes also the specified number of shares for 2017 has been adjusted for the reverse split.

13 Other comprehensive income

In accordance with IAS 21, the Company reported in 3Q18 under the 'Other comprehensive income' a foreign exchange loss amounting to USD 20 thousand mainly related to the reconciliation of intercompany balances in foreign currencies and to the translation of foreign operations into the reporting currency.

14 Equity

The equity of the Company increased from USD 42 338 thousand at the end of 2Q18 to USD 44 625 thousand at the end of 3Q18.

In February 2018 Funcom executed a private placement of 6 800 000 new shares at a subscription price of NOK 13 per share. The total gross proceeds to Funcom in the private placement was NOK 88.4 million. The transaction increased the equity of the Company with USD 7 366 thousand after USD 127 thousand in transaction fees.

In February 2018 the acquisition of 50% of "Heroic Signatures DA" in exchange for issuing 4 460 000 new shares, each at a subscription price of NOK 13, was completed. The transaction increased the equity with USD 7 493 thousand.

In March 2018, USD 3 000 thousand of Funcom convertible bond (including accrued interest) was converted into 5 413 127 Funcom shares at the price of USD 0.518 per share.

In June 2018, Funcom issued 597 141 new shares in relation to exercise of employee options.

In August 2018, Funcom issued 161 641 new shares in relation to exercise of employee options.

15 Segments

IFRS 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision makers to allocate resources to the segment and to assess its performance. PC and console are key segments for Funcom with different growth, separate customer groups and payment terms. The reportable operating segments of the group are defined as:

- PC
- Console: PS4 and Xbox.
- Other: predominantly office rental revenue and IP revenue

Numbers in USD thousand:

Segment information	Revenue from external customers January - September		Segment profit (loss) *) January - September	
	2018	2017	2018	2017
PC	12 266	17 562	8 271	13 862
Console	12 729	2 100	9 168	1 658
Other activities	427	358	36	-390
Total	25 422	20 020	17 475	15 130
General and administrative expenses			-4 488	-5 692
Depreciation, amortization and impairment charges			-4 247	-2 345
Net financial items			-1 423	279
Profit (loss) before tax			7 317	7 372

	Revenue from external customers July - September		Segment profit (loss) *) July - September	
	2018	2017	2018	2017
PC	3 376	3 892	2 546	2 472
Console	4 011	2 024	2 708	1 594
Other activities	147	112	8	-402
Total	7 534	6 027	5 261	3 664
General and administrative expenses			-619	-1 851
Depreciation, amortization and impairment charges			-1 759	-850
Share of result from equity-accounted entities				
Net financial items			-199	86
Profit (loss) before tax			2 684	1 049

*) Segment profit (loss) is measured as revenue earned less personnel costs and other operating costs related to segments. General and administrative costs not directly allocated to games, depreciation, amortization, impairment charges, financial items and income tax are not allocated to the segments.

	PC	Console
Segment assets as at 30 September 2017	5 638	1 741
Segment assets as at 30 September 2018	11 957	5 928

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

16 Subsequent events

On 4 October 2018 the remaining convertible bond and related accrued interest was converted into 1 189 331 new shares. After this conversion, there are no bonds outstanding, and for the first time since 2009 Funcom has no interest-bearing debt.

On 9 October 2018 it was announced that Mr. Alain Tascan, Supervisory Board Member of Funcom N.V. since June 2012, has accepted a new job opportunity in the same industry that does not allow him to keep his supervisory board member position with Funcom N.V. Therefore, Mr. Tascan has handed in his resignation with effect as of 31 October 2018.

3Q 2018 PRESENTATION



FUNCOM

5 November 2018



3 Q FY18 UPDATE

HIGHLIGHTS

- 3Q18 had the highest EBITDA margin (62%) in Funcom's history
- Higher revenue in 3Q18 than 3Q17 despite significant launches in 3Q17
- Last year's annual profit record beaten - already after 3Q
- 3Q18 results driven by strong post launch performance of Conan Exiles and successful Japan launch
- Debt free from 4 October and strong cash balance
- Strong pipeline with six new game projects
- *Mutant Year Zero: Road to Eden* launching 4 December 2018, with demo made available today for PC pre-orders

A close-up, high-contrast photograph of a man's face, focusing on his eyes, nose, and mouth. He has dark hair and a serious expression. A black rectangular box is overlaid on the lower-left portion of the image, containing the text "3Q 2018 FINANCIALS" in a bright blue, sans-serif font.

3Q 2018 FINANCIALS



STRONG PROFITABILITY AND CASH FLOW FROM OPERATIONS

USDm	3Q 18	3Q 17	Delta
Revenue	7.5	6.0	25 %
EBITDA	4.6	1.8	156 %
EBIT	2.9	1.0	199 %
Profit, pre-tax	2.7	1.0	156 %
Cash	20.9	8.5	147 %
Equity	44.6	16.2	176 %
Debt ¹	0.6	3.4	-83 %

- Higher revenue and profit than 3Q17 which had both Conan Exiles Xbox Preview and Secret World Legends launches
- 3Q18 results driven by strong post launch performance of Conan Exiles and successful Japan launch

1) Face value of interest bearing debt



3 Q FY18 PRESENTATION

ANNUAL PROFIT RECORD BEATEN - ALREADY AFTER 3 Q

USDm	YTD 18	YTD 17	FY 17
Revenue	25.4	20.0	23.2
EBITDA	13.0	9.4	9.9
EBIT	8.7	7.1	6.6
Profit, pre-tax	7.3	7.4	6.7
Cash	20.9	8.5	7.7
Equity	44.6	16.2	13.7
Debt ¹	0.6	3.4	3.4

- Already higher revenue than FY 17, the most profitable year in Funcom history
- Above highest annual EBITDA to date
- Above highest annual profit to date
- Above highest annual cash flow from operations to date
- Debt free from 4 October 2018

1) Face value of interest bearing debt

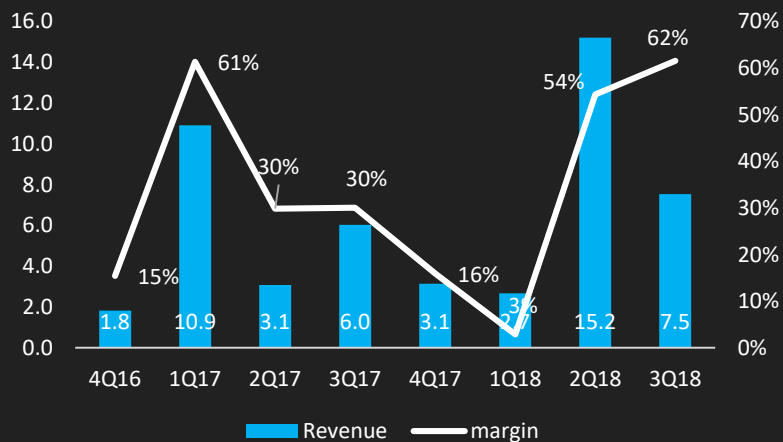
YTD – Year To Date



3 Q FY18 UPDATE

ALL TIME HIGH EBITDA MARGIN

Revenue (MUSD) and EBITDA margin

**COMMENTS**

Strongest quarterly EBITDA margin to date

High margins with absence of launch costs

- Marketing, external development, royalty and option cost higher in 2Q18

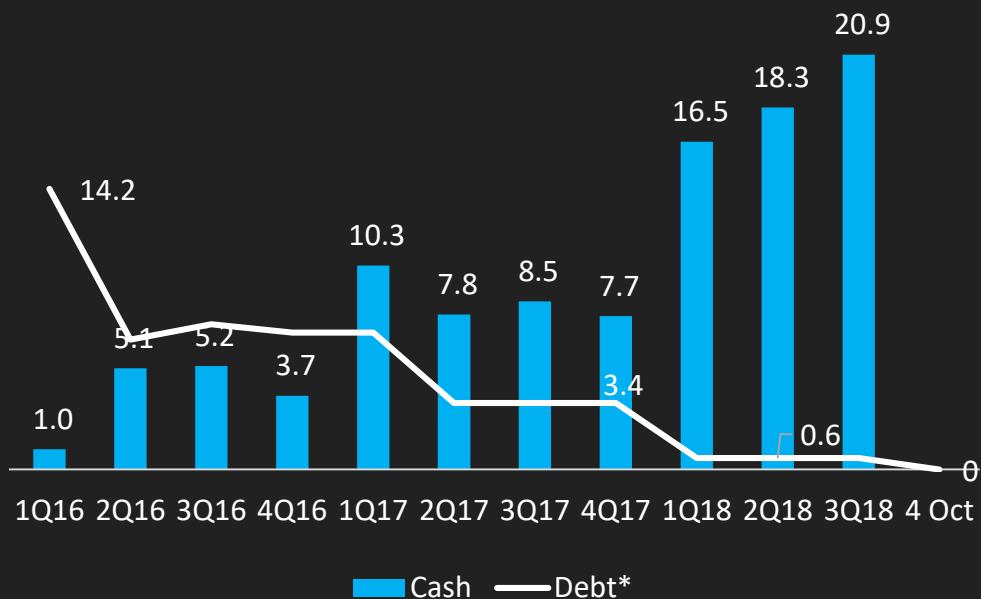
9th consecutive quarter with positive EBITDA



3 Q FY18 UPDATE

DEBT FREE FROM 4 OCTOBER, CASH CONTINUES TO GROW

Cash and debt (MUSD)



COMMENTS

- Last part of convertible bond converted on 4 October 2018
- Cash from USD 1.0 m to USD 20.9 m





*) Face value of interest bearing debt

A cinematic still from Star Wars: The Mandalorian featuring three characters in a misty forest. On the left is a Wookiee (Greef Karga) in a brown leather jacket, holding a blaster. In the center is a Human (Din Djarin) in a tactical vest, aiming a blaster. On the right is a Twi'lek (Nala Se) in a brown leather jacket, holding a blaster. The word "STRATEGY" is overlaid in a black box on the left side of the image.

STRATEGY



FUNCOM STRATEGY

	ADDITIONS PER YEAR	INVESTMENT SIZE	MARGIN	STRATEGIC VALUE	 BIZ MODEL Premium with additional monetization
INTELLECTUAL PROPERTY LICENSES	+1 - 4	VERY LOW	VERY HIGH	<ul style="list-style-type: none"> • IP control • Value creation by IP development • Additional revenue sources 	 DEVELOPMENT TIME 1 to 2 years of Full production
NEW PUBLISHING GAMES	+2 - 3	LOW-MID	MEDIUM	<ul style="list-style-type: none"> • Frequent releases • Low fixed employee cost impact • Finding long term partners 	 GLOBAL DISTRIBUTION NA and Europe: direct Other regions: with partners
NEW INTERNALLY DEVELOPED GAMES	+1	MID-LARGE	HIGH	<ul style="list-style-type: none"> • Large upside • Build and leverage competitive advantages 	 PLATFORMS For IP licenses: All For Publishing: PC, Xbox One, PlayStation 4, Switch
GAMES IN OPERATION & BACK CATALOGUE	+3	VERY LOW	HIGH	<ul style="list-style-type: none"> • Baseline cash contribution • IP Value maintenance • Strengthen community 	

A close-up, cinematic shot of a character with brown hair and a face covered in a cracked, stone-like texture. The character is looking down at a dark, reflective surface, possibly a piece of machinery or a table. The lighting is dramatic, with strong highlights and deep shadows. A black rectangular box is overlaid on the lower left portion of the image, containing the text "GAME ACTIVITIES" in a bright blue, sans-serif font.

GAME ACTIVITIES



3Q FY18 UPDATE

GAME ACTIVITIES DURING AND AFTER 3Q



CONAN EXILES

DURING 3Q : Japan PS4 launch & DLC 2 release

AFTER 3Q: Pets update & DLC 3 release. Halloween Event



SECRET WORLD LEGENDS

DURING 3Q: Anniversary & Equinox events

AFTER 3Q: Halloween event



AGE OF CONAN: UNCHAINED

DURING 3Q : Summer PvP event

AFTER 3Q: Saga of Blood server



ANARCHY ONLINE

DURING 3Q: New Event Content

AFTER 3Q : Halloween Event



PIPELINE



3Q FY18 UPDATE

PIPELINE

MUTANT YEAR ZERO ROAD TO EDEN

PLATFORMS : PC - XBOX ONE – PS4

RELEASE : 4 December 2018

STATUS : In Final Production



CONAN

TOP SECRET

PLATFORM : PC

RELEASE : Q2 2019

STATUS : In Production



HEROIC Signatures

TOP SECRET

PLATFORMS : PC - XBOX ONE – PS4

RELEASE : TBA

STATUS : In Production



FUNCOM INC

CONAN SINGLE PLAYER

TOP SECRET

PLATFORMS : PC - XBOX ONE – PS4

RELEASE : TBA

STATUS : In Pre-Production



FUNCOM OSLO AS

FUNCOM IP

TOP SECRET

PLATFORMS : PC - XBOX ONE – PS4

RELEASE : Halloween 2019

STATUS : In Production



OPEN WORLD MULTI-PLAYER

TOP SECRET

PLATFORMS : PC - XBOX ONE – PS4

RELEASE : TBA

STATUS : In Concept



FUNCOM OSLO AS



3 Q FY18 UPDATE

MUTANT YEAR ZERO: ROAD TO EDEN

- Press received access to a demo version last week, and coverage has been positive:
 - «It's fun, funny, and the combat is challenging from the get-go.»
- PC Gamer
 - «In terms of polish and performance, Mutant Year Zero is already up to a high standard, and with about a month left in the oven, it should get even better. »
- GameZone
 - «...a light and snappy turn-based strategy experience that looks highly promising.»
- GameSkinny
- Select influencers are also getting access to the demo this week.
- A demo version of the game was released today and is available to anyone who pre-orders the game via the official website at www.mutantyearzero.com.
- Funcom will ramp up its marketing push on the game around launch, with both paid marketing and more PR.





3 Q FY18 UPDATE

SUMMARY

- 3Q18 had the highest EBITDA margin (62%) in Funcom's history
- Last year's annual profit record beaten - already after 3Q
- 3Q18 results driven by Conan Exiles
- Debt free from 4 October and strong cash position
- Promising pipeline with six new game projects
- *Mutant Year Zero: Road to Eden* launching 4 December 2018, with demo made available today for PC pre-orders

QUESTIONS?



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