



Q3 2006 Results
Nov 2, 2006



Agenda



1. Highlights in Q3
2. Market update
3. Financials



Key financial summary

Revenue development

- Revenues of TUSD 2,217 in Q3/06, up from TUSD 1,111 in Q3/05 (excluding Plutolife revenues in Q3 2005)
- As anticipated, revenues decreased compared to Q2/06 (TUSD 4,611) as Q2 was the launch quarter of Dreamfall with large guarantees and pre-payments booked in that quarter
- Revenues from Anarchy Online are higher than anticipated due to stable customer numbers and in-game advertising
- Increased revenues from Funcom's mobile subsidiary Plutolife

EBIT

- EBIT in Q3 of TUSD -353 compared to Q2 EBIT of TUSD -1,221 (EBIT Q3 2005 of TUSD -373)
Improvement in EBIT from Q2 to Q3 is primarily due to lower marketing costs and to capitalization of investments in The World Online
- Earnings After Tax in Q3 of TUSD -1,199 compared to TUSD 732 in Q2.
(EAT Q3 2005 of TUSD -249)
Large exchange rate fluctuations impacted the net financial items significantly. The company holds most of its cash in NOK, and changes in the exchange rate between USD and NOK will impact net financial items and EAT.
- Depreciation of capitalized development costs on Dreamfall continued.

Balance Sheet

- Cash balance of TUSD 38,544 and low interest bearing debt
- Potential positive tax-loss carry forward not on balance sheet, but to be re-evaluated during 2006

Conan status - Launch target March-May 2007



Community

- 'Clan of Conan' launched
- Marketing sites launched in French and German
- High forum and web activity. 25 major fan sites established
- Community organization established in English, German and French, with 4 full time employees

Development

- Solid progress
- Continuous PVP-iterations
- Network optimization
- International territory deployment system
- DX10, Vista and rendering mile stones
- On-site engineer support from Microsoft and nVidia

Marketing through strategic partnerships

- Microsoft: X06 Barcelona
- Microsoft: X06 Toronto
- Microsoft and Eidos: GC Convention, Leipzig
- Microsoft: Digital Life, New York
- nVidia: Editors day, Paris and San Francisco (info embargoed)
- Dark Horse: Custom comic and Age of Conan series

Conan license

- 5 new novels released from Ace Penguin
- Ultimate Conan Guide from Dorling Kindersley
- Comic publishing continues successfully in US and internationally



Co-publishing agreement with SCi / Eidos

Key deal points

- SCi/Eidos to publish PC version of game in physical boxed units
- Funcom retains digital distribution rights
- Funcom retains subscription revenues. SCi/Eidos to receive a very small incentive from subscription revenues for revenues above a threshold
- 3-5 year term
- Commitment on minimum sales
- Parties to cooperate to get product to console platform

Sci/Eidos

- Global, successful publisher
- Tomb Raider - Lara Croft, over 28 million copies sold
- Commandoes, over 6 million copies sold
- Championship Manager, over 4 million copies sold
- Hitman, millions of copies sold

Partnership status

- Co-developing marketing, brand, PR and sales plans and material
- Joint organization being established
- Cooperation in major trade shows
- Age of Conan key title for Eidos
- Presentations with distributors and retailers in US and Europe

Anarchy Online



Anarchy Online

- 5.5 years since launch
- Stable customer numbers
- Profitable
- In-game advertising
- German web, forums and customer Service now handled by Funcom (in preparation for Age of Conan launch)



Lost Eden, Expansion Pack, launch in December

- Player-versus-player combat
- Conquer space stations
- Control and operate space based laser cannons
- Operate powerful Mechs in combat against other players
- Control devastating bomber attacks

Other highlights



Dreamfall

- Continued strong reviewer feedback
 - Gamespy 100%
 - Ace Gamez 100%
 - Quandary 100%
 - Just Adventure 100%
 - Yahoo 90%
 - Amped IGO 90%
 - And many more...
- Online demo version being developed
- Planning future online extensions of universe
- Revenues from PC above expectations. Revenues from Xbox below expectations due to poor Xbox market



Mobile

- String of new contracts in Scandinavia
- US growth taking longer than anticipated
- New products launched: MobiModels, MobiChat

The World Online




In Game Screenshots

The World Online

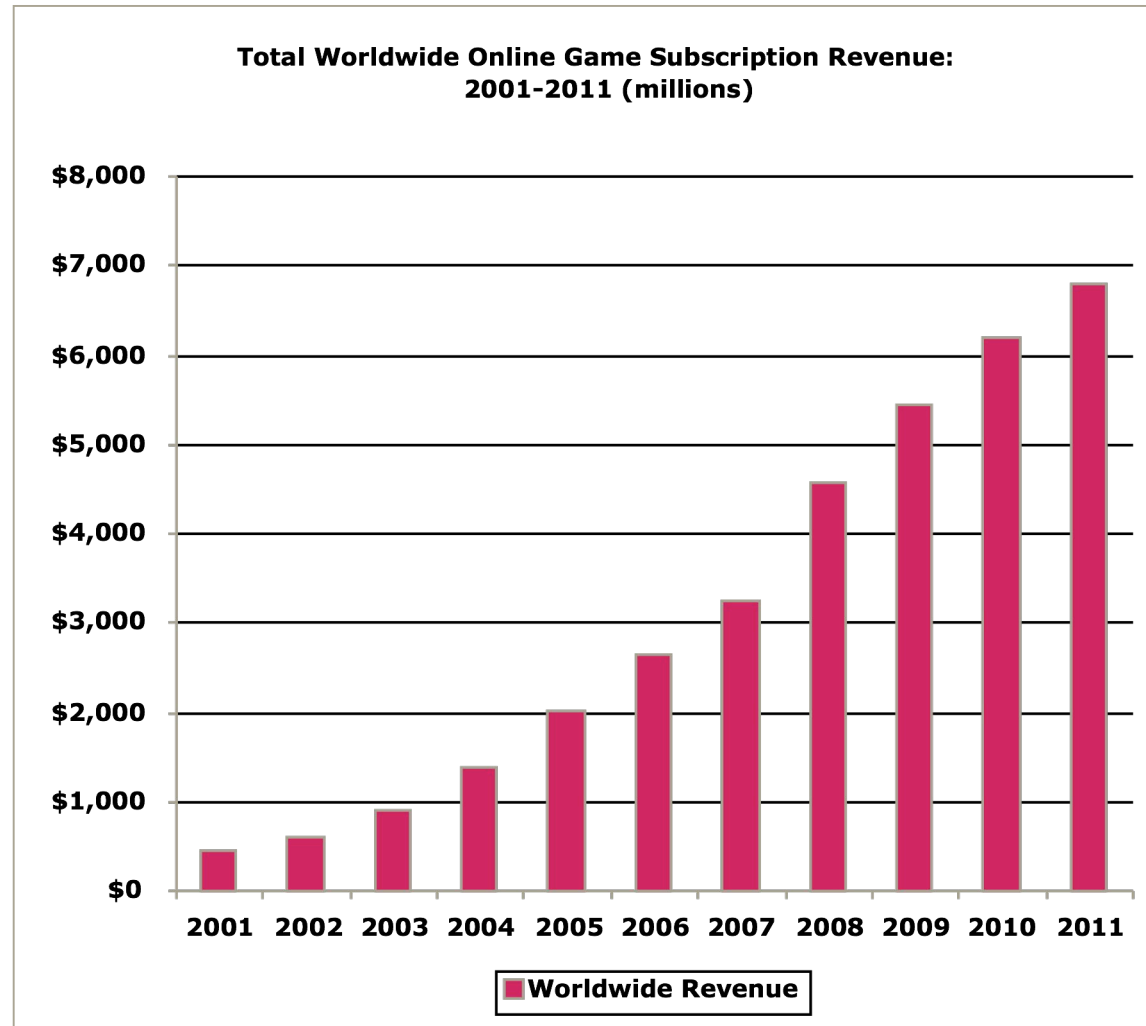
- Funcom created brand
- Contemporary setting
- Magic, myths, conspiracies and dark horrors
- Built on Funcom's proprietary DreamWorld technology
- PC and Xbox360 platforms
- Game in early production phase
- Team of 21 working on game. Highly experienced team with background from Dreamfall, Anarchy Online, Age of Conan, Everquest 2, The Longest Journey etc.
- Working on developing first playfields and combat prototyping



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Anticipated strong growth in MMO subscription revenues

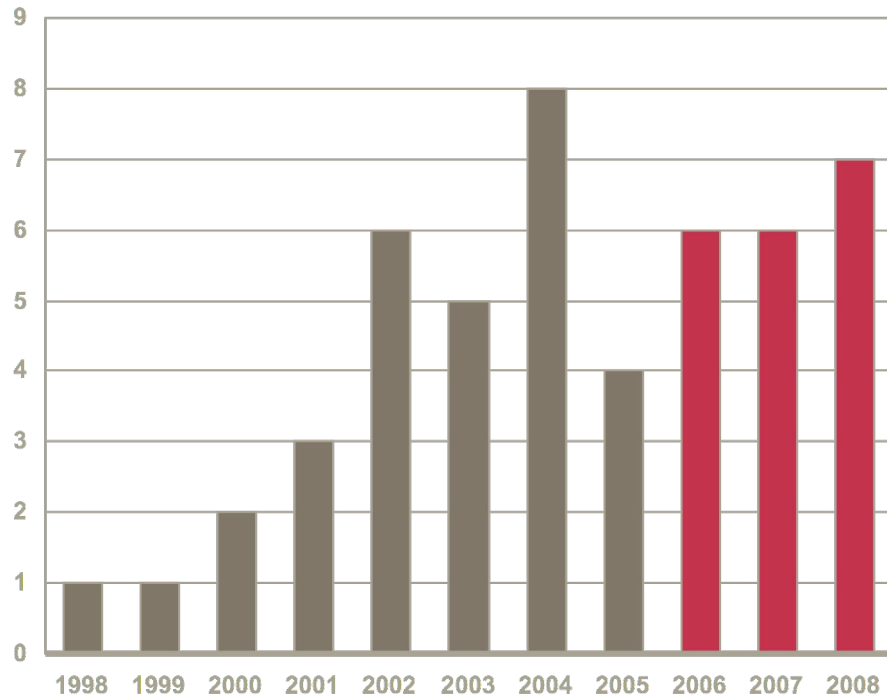


Source: DFC

Limited competition in the MMO space



Predictions of MMO-launches, fall 2005*:



Results so far, and new predictions:

2005: 2-3 major launches

- Guild Wars
- The Matrix Online
- (City of Villains)

2006: 2-4 major launches

- Auto Assault
- DDO
- (Archlord)
- (RF Online)

2007: 4-6 major launches?

- Age of Conan, Funcom
- Lord of the Rings, Turbine
- Vanguard, Sigil
- Tabula Rasa, NC Soft
- Warhammer, Mythic
- WOW Expansion

* Major titles on PC in Western World, adult segment

Source: Funcom analysis, Moby Games, Press Releases



Competitor development in Q2/Q3

Publishers

- Electronic Arts bought Mythic, one of the few independent experienced MMO companies
- Sony Online Entertainment replaced Microsoft as publisher for Vanguard
- Codemasters - Asian game strategy
- Time Warner buying 10% of SCi/Eidos - rumors in press
- Cryptic broke with NC Soft and work with Microsoft on DC Comics MMO

Western games in Asia

- World of Warcraft still biggest MMO in Asia
- Dungeons and Dragons launched in China, Japan and Korea
- EVE launched in China

Other

- No major announcements of new games
- World of Warcraft has est. 7 million subscribers
- World of Warcraft Card Games, novels and movie in the works



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Profit and loss account



PROFIT AND LOSS ACCOUNT <i>(Figures in TUSD)</i>	Third Quarter		Accumulated		Full Year
	2006	2005	2006	2005	2005
Revenues, PC/Console	1,600	1,111	6,937	3,265	4,432
Revenues, Mobile	617		1,739		859
Total Operating Revenues	2,217	1,111	8,676	3,265	5,291
Cost of sales	-329	-144	-932	-498	-805
Operating expenses	-1,717	-1,151	-6,420	-3,191	-4,994
Depreciation and amortization	-524	-188	-3,528	-633	-813
Total operating expenses	-2,570	-1,484	-10,880	-4,322	-6,612
Earnings Before Interest and Tax ("EBIT")	-353	-373	-2,204	-1,057	-1,321
Net financial items	-864	133	2,379	156	-161
Earnings Before Tax ("EBT")	-1,216	-240	175	-901	-1,482
Taxes	-18	-9	-97	-26	6
Earnings before minority interest	-1,234	-249	78	-927	-1,476
Minority interest	36		67		-82
Earnings After Tax ("EAT")	-1,198	-249	145	-927	-1,558
Earnings per share (USD)	-0.03	-0.01	0.00	-0.03	-0.05
Earnings per share fully diluted (USD)	-0.02	-0.01	0.00	-0.03	-0.05
Average number of shares (1000)	47,745	30,914	46,706	27,441	28,972
Average number of shares fully diluted (1000)	48,995	32,164	47,956	27,858	29,597

Balance sheet



BALANCE SHEET <i>(Figures in TUSD)</i>	2006	30-Sep 2005	Full Year 2005
ASSETS			
Intangible assets	16,896	9,868	12,235
Tangible fixed assets	823	432	538
Investment in associate			
Trade debtors	1,818	435	644
Prepays and other receivables	1,150	492	513
Cash and cash equivalents	38,544	4,562	26,380
Total assets	59,231	15,789	40,310
EQUITY & LIABILITIES			
Paid in capital	94,241	49,816	72,116
Retained earnings	-38,604	-37,934	-38,744
Equity attributable to minority interest	231		285
Long-term liabilities	155		
Short-term liabilities	3,208	3,907	6,653
Total equity & liabilities	59,231	15,789	40,310

Interim segment results



INTERIM SEGMENT RESULTS	Q3 ⁸	Q4	Q1	Q2	Q3
<i>(Figures in TUSD)</i>	2005	2005	2006	2006	2006
Revenues, PC/Console	1,111	1,167	1,287	4,050	1,600
Revenues, Mobile	612	859	561	561	617
Total operating revenues	1,723	2,026	1,848	4,611	2,217
Sales growth quarter by quarter (%)	1.8 %	17.6 %	-8.8 %	149.6 %	-51.9 %
EBIT PC/Console	-373	-455	-566	-1,133	-299
EBIT Mobile	193	82	-64	-88	-54
EBIT Total	-180	-373	-630	-1,221	-353
Pre-tax earnings per share (USD)	-0.01	-0.02	0.01	0.02	-0.03
Pre-tax earnings per share (USD) fully diluted	-0.01	-0.02	0.01	0.01	-0.02