

Rovio Entertainment Corporation

Interim Report

May 17, 2018

Q1

INTERIM REPORT FOR JANUARY-MARCH 2018

18

 ROVIO

# Improved profitability, strong growth in Angry Birds 2

## January-March 2018 highlights

- Rovio's revenue decreased by 0.9% to EUR 65.7 million (66.3). Growth in comparable currencies was 12 – 14%
- Games segment revenue grew 0.4% to 56.8 million euros (56.6). Growth in comparable currencies was 11 – 14%
- Angry Birds 2 gross bookings grew 8.5% year-on-year; Growth in comparable currencies was 18 – 26%
- Brand Licensing: revenue declined 8.8 percent to 8.9 million euros (9.7). Growth in comparable currencies was approximately 7%
- Adjusted operating profit increased to EUR 9.6 million (5.3) and adjusted operating profit margin increased to 14.6 % (8.0 %)
- Earnings per share increased to EUR 0.09 (0.05)
- Net cash flows from operating activities increased to 10.5 million (5.2)
- Games global quarterly ARPDAU increased to EUR 8 cents (6). TOP 5 games quarterly ARPDAU increased to EUR 14 cents (11)
- User acquisition investments decreased to EUR 14.6 million (16.4), or 25.7% of the Games segment's revenue (29.0 %)

## Key figures

EUR million	1-3/ 2018	1-3/ 2017	Change, (%)	1-12/ 2017
Revenue	65.7	66.3	-0.9%	297.2
EBITDA	14.3	10.2	39.8%	60.0
EBITDA margin	21.8%	15.4%	-	20.2%
Adjusted EBITDA	14.6	10.2	42.9%	64.5
Adjusted EBITDA margin, %	22.2%	15.4%	-	21.7%
Operating profit	9.2	5.3	74.8%	31.4
Operating profit margin, %	14.1%	8.0%	-	10.6%
Adjusted operating profit	9.6	5.3	81.2%	35.9
Adjusted operating profit margin, %	14.6%	8.0%	-	12.1%
Profit before tax	9.0	4.8	88.4%	26.6
Capital expenditure	0.3	3.7	-91.3%	8.5
User acquisition cost	14.6	16.4	-11.0%	69.6
Return on equity (ROE), %	25.7%	24.8%	-	23.4%
Net gearing ratio, %	-66.4%	-12.6%	-	-62.9%
Equity ratio, %	81.5%	66.6%	-	77.9%
Earnings per share, EUR	0.09	0.05	90.7%	0.27
Earnings per share, diluted EUR	0.09	0.05	90.7%	0.27
Net cash flows from operating activities	10.5	5.2	102.9%	59.6
Employees (average for the period)	385	457	-15.8%	416

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period in the previous year. Calculations and definitions are presented in the Performance Measures section below. The quarter on quarter change percentages with comparable exchange rates have been calculated by translating the reporting period figures with the average USD/EUR exchange rates of the comparison period. The change is presented as a range, as some of the distributors USD-denominated payments to

Rovio originate in end-customer transactions in various countries and local currencies.

### **Kati Levoranta, CEO:**

Rovio's first quarter was in line with our expectations. Our top game Angry Birds 2 achieved record revenues and Angry Birds Friends continued its steady performance. Revenues from the Angry Birds movie grew somewhat year-on-year and although we got some headwind from the currency exchange rates, our profitability improved considerably year on year.

We continued to execute our Games As A Service strategy, which means that while we continuously acquire new users, we continue to deliver new updates, contents and game events to our existing users to retain them in our games longer and to improve conversion of in-game purchases that e.g. enable access to new virtual goods or faster progress.

Game development requires continuous innovation and passion: Our creative, multi-talented teams produce compelling gaming entertainment and I believe that Rovio has the talent, expertise and passion required to stay at the leading edge of games development. We have currently ten games in different development phases, one of which is in soft launch.

The cost for digital marketing in the industry continued to be high during the first quarter. We strive to grow our revenues and increasing investments in user acquisition through improving the performance of our key games and efficiency of our marketing. We are also pursuing revenue growth by extending the payback time range of user acquisition investments to 8-12 months from the previous 8-10 months, starting in Q2. This may have a negative profitability effect in the short term while our full year outlook remains unchanged.

The sequel of The Angry Birds Movie is planned to enter theatrical distribution in September 2019. The Angry Birds Movie 2 cast includes the familiar stars from the original movie as well as it introduces new talent from Hollywood films and TV series such as Black Panther, Crazy Ex-Girlfriend and Ocean's 8. The original Angry Birds Movie helped our Business Licensing Unit's partners to sell 260 million licensed products in 2016 and 150 million in 2017. We believe that the sequel will bring further opportunities to license our brand to both new and existing consumer products and content licensing partners.

One of the reasons we stated when going public was our aim to participate in the consolidation of the games industry. This is on our agenda continuously and we are actively scouting for targets having a good strategic fit.

Exploring and taking advantage of future gaming technologies and platforms is another essential part of our strategy: we have recently released an "Angry Birds for Messenger" game on Facebook's new Instant Games platform. Movies, musical and TV entertainment are increasingly being consumed over streaming services. Hatch Entertainment, an 80% owned subsidiary of Rovio, is developing an equivalent streaming service for mobile games and is currently available as a beta test version in 18 European countries and offers over 100 mobile games. The service is actively developed based on user feedback and the technical performance has been improving continuously. Adapting other technological development is high on Rovio's agenda and, for example, we have teamed up with Magic Leap as an early access partner developer regarding a new form of augmented reality (AR) applications.

### **Outlook for 2018 (unchanged)**

Rovio maintains its full year outlook as reported in the 1-12/2017 financial statement bulletin. Rovio Group revenue is expected to be 260–300 million euros in 2018 (297 million euros in 2017). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 9 to 11 percent (adjusted operating profit margin was 12.1 percent in 2017)<sup>1</sup>.

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<sup>1</sup> In the Q4/2017 financial statement bulletin released on 2<sup>nd</sup> March, 2018, Rovio reported as the comparison figure the unadjusted earnings before interest and tax, which was 10.6 % of revenues in 2017.

## **Basis for outlook**

In 2018, Rovio Games business will focus on continuing development of its live game portfolio according to the Games-as-a-Service strategy, profitable user acquisition and development of new games. The user acquisition investments are expected to be around 30 percent of Games revenues for the full year, however, the amount may vary depending on development of the games' monetization and the level of competition in the market. The cost per acquired user has risen significantly in the market.

Brand Licensing segment revenues are expected to decline by 40% in 2018. The decline is due to the declining profile of the Angry Birds movie. The consumer products revenues are expected to be at similar level as in 2017. The focus of Brand Licensing in 2018 is on preparing the license portfolio for 2019 and the Angry Birds movie sequel.

During 2018, Rovio estimates to invest 10–15 million euros in its subsidiary Hatch Entertainment Oy that develops cloud streaming based game service (5 million euros in 2017). Approximately half of the investment will impact Group profit, ie. an impact of 2–3 %-points to the expected EBIT margin, and half will be capitalized development costs and advance payments. Hatch represents one possible way to play mobile games in the future. By investing in the development of Hatch's streaming service Rovio diversifies its portfolio, aims to utilize the possibilities that new technologies offer for games business, and implements company's strategy to explore the future of gaming alongside the continuous free-to-play games development.

## **Briefing and webcast:**

Rovio will organize a briefing on the first quarter 2018 financial results for media, analysts, and institutional investors on May 17th, 2018 at 15:00 - 16:00 EET at the Rovio headquarters: Keilaranta 7, Espoo. Registration for attendance is kindly requested in advance by e-mail to [comms@rovio.com](mailto:comms@rovio.com). The briefing (held in English) can be viewed as a live webcast, and subsequently as a recording on the Company's website at [www.rovio.com/investors](http://www.rovio.com/investors).

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## **Rovio in brief**

Rovio Entertainment Corporation is a Finnish, games-first entertainment company, that creates, develops and publishes mobile games and acts as a brand licensor in various entertainment and consumer product categories. The Company is best known for the global Angry Birds brand, which started from a popular mobile game in 2009. Today, the Company offers multiple mobile games, that have 4 billion downloads since 2009, has produced The Angry Birds Movie, which opened number one in theatres in 50 countries, and licenses the Angry Birds brand to consumer products and other entertainment content. Sequel to animated blockbuster movie is planned to hit cinemas September 2019. Rovio is headquartered in Espoo, Finland.

# Rovio Entertainment Corporation Interim report 1-3/2018

A description of the accounting standards applied in the preparation of this interim report is provided in the notes to this interim report, in Note 1 Accounting principles.

## Market review

The mobile gaming market continued its strong growth in 2017. According to Newzoo's mobile gaming industry report published in April 2018, the global mobile gaming market size in end-user generated revenue was USD 56 billion in 2017 which represented 32% year-on-year growth. The market is expected to continue its strong growth of 13 % CAGR until 2021. The main driver of global mobile gaming market growth is China, with local game publishers driving the double digit growth. However, Newzoo is also forecasting double-digit growth in Western markets until 2021 – this is a large change from last year's single digit growth forecasts. The installed base of smart phones also continued to grow and has exceeded 3 billion active units.

One of the major trends during the first quarter of 2018 was the entry of the popular battle royal genre from PC and console devices into mobile. This showed once again the fast pace of innovation and many opportunities in the mobile gaming industry. On the other hand, the top grossing US mobile game list in the first quarter continued to be populated by the established long-term mobile game franchises.

## Revenue and result

### January-March 2018

In the first quarter, Rovio group revenue decreased by 0.9% compared to the corresponding period of the previous year and amounted to EUR 65.7 million (66.3). The decrease in revenue was mainly due to weakening of the US dollar to euro exchange rate. In comparable currencies, the year-on-year revenue grew by 12 – 14 %.

The Games segment revenue grew 0.4% to EUR 56.8 million (56.6). In comparable currencies, the year-on-year revenue of Games segment grew by 11 – 14 %. Angry Birds 2 and the new game launches in 2017 were the main drivers for year-on-year growth in comparable currencies while the older game portfolio continued declining as expected.

The revenue of the Brand Licensing segment decreased by 8.8% to EUR 8.9 million (9.7). The revenue consisted of EUR 7.1 million (6.9) from the Content Licensing unit's business, the majority of which was income from the Angry Birds Movie, and EUR 1.7 million (2.8) from the Consumer Products unit's business. The movie revenues grew somewhat compared to first quarter 2017, however, we believe this is a revenue timing issue rather than a trend change. The decline in the revenue of Consumer Products was attributable to the sales of consumer products peak due to the Angry Birds movie released in 2016.

The Group's adjusted EBITDA was EUR 14.6 million (10.2), or 22.2 % (15.4 %) of revenues. The increase in adjusted EBITDA was both due to lower user acquisition investments in the Games segment compared to first quarter in 2017 as well as cost efficiencies in Brand Licensing segment. The Group's adjusted operating profit increased to EUR 9.6 million (5.3) and adjusted operating profit improved to 14.6 % (8.0 %). Excluding Hatch Entertainment operating expenses, the Group's adjusted profit was 10.8 million (6.7) and operating profit margin 16.4% (10.0 %). The adjustments in the first quarter 2018 were EUR 0.3 million related to the closing of the London games studio. Adjustments in the first quarter of 2017 were negligible.

The Games segment's adjusted EBITDA was EUR 10.6 million (9.0). The Brand Licensing segment's EBITDA was EUR 6.6 million (3.6). Brand licensing segment's EBITDA increased year-on-year due to cost savings resulting from restructuring of the unit during 2017.

The Group's total depreciation and amortization amounted to EUR 5.0 million (4.9), the majority of which was due to amortization of the Angry Birds Movie.

The Group's result before taxes was EUR 9.0 million (4.8) and earnings per share EUR 0.09 (0.05).

## Financing and investments

Rovio's investments decreased by 91.3% to EUR 0.3 million (3.7) in the first quarter of 2018. Rovio refers to the user acquisition costs of the Games segment as investments but, pursuant to accounting regulations, they are recognized as expenses rather than investments due to their average payback period being less than one year.

The Games segment's investments amounted to EUR 0.3 million (1.3) in the first quarter and were related to outsourced development projects. The Brand Licensing segment's investments amounted to EUR 0.0 million (2.2) in the first quarter. The Brand licensing segment's strategy is to license content production and distribution to 3<sup>rd</sup> parties and thus Rovio's Brand Licensing segment's direct investments has declined year-on-year to negligible.

Cash flow from financing in the first quarter of 2018 amounted to EUR 0.7 million (0.0) and consisted of inflows from stock option subscriptions.

At the end of the quarter, the total remaining interest-bearing loans amounted to EUR 2.5 million, consisting of a product development loan from Tekes (the Finnish Funding Agency for Innovation).

## Development per business segment

### Games

#### January-March 2018

Games segment's revenue in the reporting period amounted to EUR 56.8 million (56.6), or 0.4% year-on-year growth. The depreciation of the US dollar against the euro impacted negatively revenues and the year-on-year growth in comparable currencies was 11 – 14%. Angry Birds 2 continued its strong performance in the quarter, with a year-on-year gross bookings growth of 8.5%. Rovio's top five games in the reporting period were Angry Birds 2, Angry Birds Friends, Angry Birds Match, Angry Birds Blast, and Angry Birds Evolution.

The Games segment's adjusted EBITDA increased to EUR 10.6 million (9.0) which amounts to 18.5% year-on-year growth. The increase in adjusted EBITDA is mainly due to lower user acquisition investments in the reporting period. The adjusted EBITDA does not include EUR 0.3 million one-off costs related to the closure of Rovio's game studio in London. The depreciation of the US dollar against the euro reduced the Games segment's adjusted EBITDA by 24 – 30%.

User acquisition investments in the reporting period were EUR 14.6 million (16.4), or 25.7% (29.0 %) of the Games segment's revenue. Rovio's user acquisition investments decreased 11% year-on-year, however, with comparable currencies the user acquisition was on similar level as in first quarter 2017. The user acquisition investments in the first quarter 2018, were lower than we had targeted due to high level of competition in the relevant digital marketing space, and this reduced Rovio's overall capacity to increase user acquisition investments meeting our internal profitability requirements. To drive growth in a competitive market for users Rovio has extended its user acquisition payback time range from 8-10 months to 8-12 months starting from second quarter 2018. Consequently, the size of user acquisition investments in the second quarter 2018 are expected to grow compared to the first quarter, which may lead to lower profitability in the short-term.

Capital expenditure amounted to EUR 0.3 million (EUR 1.3 million) in the reporting period. The Games segment's capital expenditure continued to decline in the first quarter due to current focus on internally developed games.

<b>EUR million</b>	<b>1-3/ 2018</b>	<b>1-3/ 2017</b>	<b>Change, %</b>	<b>1-12/ 2017</b>
Revenue	56.8	56.6	0.4 %	248.0
Adjusted EBITDA	10.6	9.0	18.5 %	43.2
Adjusted EBITDA margin, %	18.7%	15.9%	-	17.4%
EBITDA	10.3	9.0	15.0 %	43.2
EBITDA margin, %	18.7%	15.9%	-	17.4%
User acquisition cost	14.6	16.4	-11.0 %	69.6
User acquisition share of revenue, %	25.7 %	29.0 %	-	28.1%
Capital expenditure	0.3	1.3	-79.6 %	4.1

### Key performance indicators of the Games segment

The key performance indicators of the Games segment shown below use gross bookings in place of gross revenue. The reconciliation of gross bookings to gross revenue is provided in the section "Performance measures". Gross bookings represent in-app purchases and in-app advertising sales in the given calendar month, reported based on the date of purchase/sale. Gross bookings do not include revenue from custom contracts, revenue deferrals or accounting adjustments due to, for example, foreign exchange rate differences between revenue accruals and actual payments, and thus differ from the actual reported revenue. Gross bookings are used as the base for calculating certain key operational metrics (ARPDau and MARPPU), as it gives a more accurate view of Rovio's operating performance than revenue at a specific point in time.

In the first quarter of 2018, Rovio Games continued focusing on improving its key games to drive monetization that enables future growth in user acquisition and revenues. Daily active users decreased by 5% from last quarter of 2017 due to both seasonality and the continued targeting of user acquisition investments towards the best performing games. The daily active users base for the top 5 games were naturally most impacted by the lower than planned investments at the end of 2017 and during the first quarter of 2018 and, consequently, declined by 10% quarter-on-quarter.

Monthly unique payers (MUP) declined by 9% quarter-on-quarter for the top five games and for the whole portfolio mostly as a consequence of the lower total user base. Monthly average revenue per paying user (MARPPU) for the top five games grew 19.5 % to EUR 35.6 (29.8) year-on-year and was similar as in the fourth quarter in 2017. Seasonality impacted somewhat the quarter-on-quarter MARPPU development as the last quarter of the year has many special events and campaigns that enable driving monetization. Average revenue per daily active user (ARPDau) increased for top 5 games from EUR 0.11 to EUR 0.14 or 27% year-on-year.

<b>EUR million</b>	<b>1-3/2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>
Gross bookings Top 5	46.5	51.8	50.6	50.6	47.9	37.2
Gross bookings total	58.6	66.1	64.3	61.9	56.3	45.9

<b>Million</b>	<b>1-3/2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>
DAU Top 5	3.6	4.0	4.6	4.9	5.0	6.0
DAU All	8.7	9.2	10.7	10.6	11.2	11.1
MAU Top 5	18.1	20.3	24.0	25.6	25.4	40.2
MAU All	61.7	64.8	79.5	79.7	83.1	88.5

<b>Thousand</b>	<b>1-3/2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>
MUP Top 5	407	447	469	479	495	382
MUP All	507	555	571	563	550	456

<b>EUR</b>	<b>1-3/2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>
ARPDau Top 5	0.14	0.14	0.12	0.11	0.11	0.07
ARPDau All	0.08	0.08	0.07	0.06	0.06	0.04
MARPPU Top 5	35.6	35.6	33.7	32.6	29.8	28.2
MARPPU All	35.0	35.2	34.1	32.4	30.0	27.8

### Game-specific performance in the Games segment

Angry Birds 2, which was released in July 2015, was Rovio's largest and fastest growing game in the reporting period, with gross bookings growing 8.5% year-on-year to EUR 21.6 million. All games were negatively impacted due to the unfavorable development of the US dollar to euro exchange rate. However, Angry Birds 2 managed to grow despite the currency headwind thanks to successful game updates and user acquisition. In comparable currencies, Angry Birds 2 growth was 18 – 26% year-on-year. Another long-lived slingshot game, Angry Birds Friends that was released already in 2012, was the second biggest game with gross bookings of EUR 7.2 million. Rovio's newer games Angry Birds Match, Angry Birds Blast, Angry Birds Evolution and Battle Bay suffered most from the rising user acquisition unit costs, which impacted the total user acquisition investments for these games and, consequently, reduced their daily active user amounts and revenues. Rovio continues to develop and enhance these games as part of the games-as-a-service operating model. Angry Birds Match, launched in August 2017, and Angry Birds Blast, launched in December 2016, were the third and fourth biggest games in the Rovio portfolio with gross bookings of EUR 6.2 million and EUR 6.0 million, respectively. Angry Birds Evolution generated gross bookings of EUR 5.5 million and was the fifth biggest game. Battle Bay, launched in May 2017, reached quarterly gross bookings of EUR 3.5 million. Other games, which include the less actively maintained titles of Rovio's game portfolio, generated combined gross bookings of EUR 4.5 million, which was a decrease of 25% quarter-on-quarter and decrease of 55% year-on-year.

<b>Gross bookings, EUR million</b>	<b>1-3/2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>
AB 2	21.6	19.9	18.3	20.6	19.9	15.5
AB Friends	7.2	7.9	7.9	8.6	8.3	9.5
AB Match	6.2	7.4	2.7	-	-	-
AB Blast	6.0	7.9	9.3	11.3	11.0	0.8
AB Evolution	5.5	8.7	10.1	2.7	-	-
AB Pop	4.1	4.5	5.0	5.9	6.9	8.3
Battle Bay	3.5	3.8	4.6	4.3	-	-
Other	4.5	6.0	6.7	8.6	10.0	11.8
<b>Total</b>	<b>58.6</b>	<b>66.1</b>	<b>64.7</b>	<b>62.0</b>	<b>56.3</b>	<b>45.9</b>



## Brand Licensing

### January–March 2018

The revenue of the Brand Licensing segment decreased by 8.8% to EUR 8.9 million (9.7). The revenue consisted of EUR 7.1 million (6.9) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 1.7 million (2.8) from Consumer Products. In comparable currencies, the Brand licensing segment revenue increased approximately 7% year-on-year. The movie revenues grew somewhat compared to same period last year, however, we believe this is a revenue timing issue rather than a trend change. The decline in the revenue of Consumer Products was attributable to the sales of consumer products peak due to the Angry Birds movie released in 2016. Brand licensing unit is focusing on building the license portfolio in preparation for the Angry Birds movie sequel scheduled to be released in September 2019.

The Brand Licensing segment's EBITDA was 6.6 million (3.6). EBITDA margin increased to 74.2% of revenues (36.6%) due to cost savings resulting from restructuring of the unit during 2017. There were no significant capital expenses for the segment in the reporting period due to the strategy of licensing rights for content production and distribution of the Angry Birds movie sequel as well as other potential content.

EUR million	1-3/2018	1-3/2017	Change, %	1-12/2017
Revenue	8.9	9.7	-8.8 %	49.2
Consumer products	1.7	2.8	-38.5 %	11.2
Content licensing	7.1	6.9	3.2 %	38.0
Adjusted EBITDA	6.6	3.6	84.9 %	31.9
Adjusted EBITDA margin, %	74.2%	36.6%	-	65.0%
EBITDA	6.6	3.6	84.9 %	30.1
EBITDA margin, %	74.2%	36.6%	-	61.2%
Capital expenditure	0.0	2.2	-100.0 %	3.9
Amortization	4.4	4.5	-1.3 %	23.6

## Other segment

### Hatch Entertainment

Hatch Entertainment Oy, a subsidiary in which Rovio holds an 80% stake, is developing a game streaming service for mobile devices. The product is now available in open beta testing in eighteen European countries on Android. The purpose of the beta test is to test the technical performance of the service, collect consumer feedback, and optimize its KPIs, such as user retention. There are over 100 games available in the service and already close to 300 games signed up. The monetization will initially be advertising based and later also with subscriptions. In 2018, we do not yet expect significant revenues from Hatch and the commercial release is at earliest during 2019.

## Consolidated statement of financial position

### Consolidated statement of financial position, EUR million

	Mar 31 2018	Mar 31 2017	31 Dec 2017
Non-current assets	53.1	75.0	57.4
Current receivables	40.2	44.0	42.0
Cash and cash equivalents	101.5	30.5	90.8
<b>Total assets</b>	<b>194.7</b>	<b>149.5</b>	<b>190.2</b>
Equity	149.0	90.8	140.4
Financial liabilities	2.5	2.5	2.5
Advances received and deferred income	11.9	13.2	9.9
Other payables	31.3	43.0	37.5
<b>Total equity and liabilities</b>	<b>194.7</b>	<b>149.5</b>	<b>190.2</b>

Rovio's consolidated statement of financial position amounted to EUR 194.7 million on March 31, 2018 (March 31, 2017: 149.5), with total equity representing EUR 149.0 million (90.8) of the total. Total cash and cash equivalents amounted to EUR 101.5 million (30.5) on March 31, 2018. The increase in cash and cash equivalents during the quarter was mainly attributable to cash flows from operating activities. Total advances received and deferred income amounted to EUR 11.9 million (13.2). The decrease in advances received was mostly attributable to Consumer Production revenue recognition. The Games deferred income increased by EUR 1.7 million slightly offsetting the total decrease.

On March 31, 2018, Rovio's non-current assets were EUR 53.1 million (75.0). The change was primarily due to the amortization of intangible assets, particularly in relation to the development expenses of the first Angry Birds Movie. Rovio recognizes amortization on the movie in each reporting period in an amount that corresponds to 55% of the Angry Birds Movie's revenue for the period. Non-current deferred tax assets increased by approximately EUR 2.1 million, slightly offsetting the change in non-current assets.

Rovio's net debt on December 31, 2017, amounted to negative EUR 99.0 million. Rovio's debt consisted of a loan from Tekes (the Finnish Funding Agency for Innovation) of EUR 2.5 million, with repayments starting in 2020.

## Cash flow and financing

### Consolidated statement of cash flows, EUR million

	1-3/2018	1-3/2017	1-12/2017
Cash flow from operating activities	10.5	5.2	59.6
Cash flow from investing activities	-0.3	-3.6	-8.1
Cash flow from financing activities	0.7	0.0	13.1
<b>Change in cash and cash equivalents</b>	<b>10.8</b>	<b>1.6</b>	<b>64.6</b>
Net foreign exchange difference	-0.2	0.0	-2.7
Cash and cash equivalents at the beginning of the period	90.8	28.9	28.9
<b>Cash and cash equivalents at the end of the period</b>	<b>101.5</b>	<b>30.5</b>	<b>90.8</b>

Rovio's net cash flow from operating activities amounted to EUR 10.5 million (5.2) in the first quarter. The increase of EUR 5.3 million was driven by a stronger EBITDA and changes in working capital quarter on quarter, partially offset by EUR 7.4 million of taxes paid during the review period. Rovio's total cash flow also improved due to a decrease in net cash flow used in investing activities. The lower cash flow from investing activities was attributable to Rovio signing a production and distribution agreement with Columbia Pictures in 2017, regarding the Angry Birds Movie sequels which means Rovio is not investing in

the production of the sequels.

Cash flow from financing in the first quarter of 2018 amounted to EUR 0.7 million (0.0) and consisted of inflows from stock option subscriptions.

## Personnel

From January to March 2018, Rovio's average number of employees was 385 (457). The Games business unit employed 298 people (285), the Brand Licensing business unit 35 people (119), and other operations and administrative functions 52 people (52).

The number of employees declined year-on-year due to the restructuring of the Brand Licensing business and support functions in 2017. The new movie and other animated content licensing model was implemented during the first quarter of 2017, which enabled the Company to operate with a smaller number of employees.

	1-3/2018	1-3/2017	Change, %	1-12/2017
Employees (average for the Period)	385	457	-15.8%	416

## Flagging notices

Rovio did not receive any flagging notices during the first quarter.

## Shares and shareholders

The total number of shares increased during the review period by a total of 214,267 as Rovio Entertainment Corporation's new shares were subscribed for with stock options. The entire subscription price of EUR 688,744.98 was recorded into the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Rovio Entertainment Corporation's shares increased to 79,385,542 shares. The shares subscribed for under the stock options were registered in the Trade Register on 22 February 2018, as of which date the new shares established shareholder rights.

On March 31, 2018, Rovio's share capital amounted to EUR 0.7 million and the number of shares was 79,385,542. According to information provided by Euroclear, the Company's five largest shareholders were Trema International Holdings B.V. with 40.68%, Silavano Investments S.a.r.l. with 2.75%, Ilmarinen Mutual Pension Insurance Company with 2.60%, Niklas Hed with 2.52% and Peter Vesterbacka with 1.83%. The five largest shareholders held 50.39% of the Company's shares. The shareholdings of the 10 largest shareholders are presented in the table below (nominee-registered holdings excluded).

Shareholder	Number of Shares	Percentage of shares and votes
1. Trema International Holdings B.V.	32,297,528	40.68 %
2. Silavano Investments S.Á.R.L.	2,183,734	2.75 %
3. Ilmarinen Mutual Pension Insurance Company	2,067,500	2.60 %
4. Hed Niklas Peter	1,996,746	2.52 %
5. Vesterbacka Jan-Peter Edvin	1,456,229	1.83 %
6. Elo Pension Company	1,200,000	1.51 %
7. The State Pension Fund	1,000,000	1.26 %
8. Sijoitusrahasto Aktia Capital	875,074	1.10 %
9. Mandatum Life Insurance Company Limited	702,740	0.89 %
10. Varma Mutual Pension Insurance Company	677,471	0.85 %
<b>Ten largest, total</b>	<b>44,457,022</b>	<b>56.00 %</b>
Other shareholders	34,928,520	44.00 %
<b>Total</b>	<b>79,385,542</b>	<b>100.00 %</b>

A monthly updated table of Rovio's shareholders is available online at

<http://www.rovio.com/investors/shareholders>.

## Share-based incentive program

Rovio has a long-term incentive program that consists of an option plan for all employees, including the CEO and Rovio's management, and a restricted share plan for selected key employees.

The option plan provides for the issuance of up to 5,000,000 options. Each option entitles its holder to subscribe for one share.

The option plan includes three lots of options that can be allocated to 2017, 2018, and 2019. The 2017 options have a vesting period of two years. The 2018 and 2019 options have a vesting period of three years. The subscription price for the 2017 options is the share price in Rovio's Initial Public Offering. The subscription price for the 2018 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during September 1 through September 30, 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during September 1 through September 30, 2019. A total of 1,192,400 options were allocated under the 2017 option program on March 31, 2018.

The option plan participants can execute their reward during a one-year subscription period following each vesting period through either subscribing for shares or selling options. The option plan participants generally lose the right to their reward if their employment terminates during the vesting period.

The restricted share plan is constructed as a restricted share pool from which a predetermined number of Rovio shares can be allocated to a limited number of selected key employees. The Company's Board of Directors decides for each participant separately the length of the restricted period (1–3 years) relating to the shares allocated to the employee under the restricted share plan. The restricted share plan participants must be working at Rovio when the shares are transferred. The initial maximum number of shares that can be distributed through the restricted share plan is 500,000. Once the maximum number of shares has been allocated, the Board of Directors can decide on a new maximum number. A total of 243,800 rights entitling to shares had been allocated under the restricted share plan as of March 31, 2018.

## Changes in Management

On March 2, 2018 it was announced, that Wilhelm Taht, a member of Rovio's Leadership Team and since 2016 the head of Games business unit will leave his position due to personal reasons with immediate effect, and CEO Kati Levoranta will for the time being also assume the role of head of Games.

The following changes were announced and are effective as of April 11, 2018.

Ville Heijari, who has acted as Chief Marketing Officer, Games, since 2016, has been appointed Chief Marketing Officer of Rovio Entertainment Corporation. Heijari joins the company's Leadership Team and will be responsible for marketing, communications and brand. In his new role, Heijari will report to the company's CEO Kati Levoranta. Rauno Heinonen, SVP, Communications and Investor Relations, left the company.

Mikko Setälä, who has been a member of the company's Leadership Team since 2011 and Chief Corporate Development Officer since 2015, will be responsible for investor relations. In his role, Setälä will report to CFO René Lindell.

## Risks

The Company's liquidity and cash flow is strong, and the profitability outlook remains positive, which enables the Company to continue to execute its business in accordance with its strategy.

Based on the Company's assessment, there were no material changes in the risks and uncertainties during the review period.

The most significant risks are related to the financial performance of Rovio's top games in the market, the continuous development of these games, and keeping up player activity. Risks in user acquisition relate to the accuracy of the profit models and the impact on the Group's net profit. New games introduced by competitors and changes in the competitive landscape may also impact the success of Rovio's games, revenues, size of user acquisition investments, and the Group's profit.

Other significant risks relate to the demand for Angry Birds branded consumer products and other content that may impact the revenues of the Brand Licensing business unit.

The Company engages in business in several currencies, with the euro and U.S. dollar being the most significant. Fluctuations in exchange rates, particularly between the euro and the U.S. dollar could have a material impact on the Company's result.

More details on the risks, uncertainties, and Rovio's risk management can be found online at Rovio.com and in the most recent published financial statements.

## **Outlook for 2018 (unchanged)**

Rovio maintains its full year outlook as reported in the 1-12/2017 financial statement bulletin. Rovio Group revenue is expected to be 260–300 million euros in 2018 (297 million euros in 2017). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 9 to 11 percent (adjusted operating profit margin was 12.1 percent in 2017)<sup>2</sup>.

## **Events after the review period**

### **Decisions of the Annual General Meeting and the organizing meeting of the Board of Directors**

The Annual General Meeting of Rovio was held on April 16, 2018. The Annual General Meeting approved the financial statements for the financial year 2017 and discharged the members of the Board of Directors and the CEO from liability for the 2017 financial year. The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.09 per share. The record date of the dividend distribution was April 18, 2018 and the dividend was paid on April 25, 2018.

The Annual General Meeting decided that the Board of Directors shall comprise six (6) members. Mr. Kaj Hed, Ms. Camilla Hed-Wilson, Mr. Kim Ignatius, Mr. Mika Ihamuotila, Ms. Jenny Wolfram and Mr. Niklas Zennström were re-elected members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting in 2019. Mr. Mika Ihamuotila was elected as the Chairman and Mr. Kaj Hed was elected as the Vice Chairman of the Board of Directors.

The Annual General Meeting decided that the members of the Board of Directors will be paid monthly remuneration as follows: Chairman EUR 9,500; Vice Chairman EUR 7,500; other members EUR 5,000 each and EUR 2,500 as additional monthly compensation to the chairman of the Audit Committee. If the chairman of the Audit Committee is the Chairman or Vice Chairman of the Board of Directors, no additional compensation will be paid. Reasonable travel expenses of the Board members and committee members arising from Board or committee work will be compensated.

Ernst & Young Oy, authorized public accountants, was re-elected as the auditor of the company.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares up to a maximum of 7,938,554 shares (approximately 10 % of all the current shares in the company).

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares up to a maximum of 15,877,108 shares (approximately 20 percent of all the current shares of the company).

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<sup>2</sup> In the Q4/2017 financial statement bulletin released on 2<sup>nd</sup> March, 2018, Rovio reported as the comparison figure the unadjusted earnings before interest and tax, which was 10.6 % of revenues in 2017.

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2019.

In the organizing meeting of the Board of Directors held after the Annual General Meeting, the Board of Directors elected from amongst its members Mr. Kim Ignatius (Chair), Mr. Mika Ihamuotila and Ms. Jenny Wolfram as members of the Audit Committee, and Mr. Kim Ignatius (Chair), Mr. Mika Ihamuotila and Ms. Jenny Wolfram as members of the Remuneration Committee.

### Dividend distribution

The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.09 per share, EUR 7,144,698.78 in total. The record date of the dividend distribution was April 18, 2018 and the dividend was paid on April 25, 2018.

ROVIO ENTERTAINMENT CORPORATION

Board of Directors

## Performance measures

EUR million	1-3/ 2018	1-3/ 2017	Change, (%)	1-12/ 2017
Revenue	65.7	66.3	-0.9%	297.2
EBITDA	14.3	10.2	39.8%	60.0
EBITDA margin	21.8%	15.4%	-	20.2%
Adjusted EBITDA	14.6	10.2	42.9%	64.5
Adjusted EBITDA margin, %	22.2%	15.4%	-	21.7%
Operating profit	9.2	5.3	74.8%	31.4
Operating profit margin, %	14.1%	8.0%	-	10.6%
Adjusted operating profit	9.6	5.3	81.2%	35.9
Adjusted operating profit margin, %	14.6%	8.0%	-	12.1%
Profit before tax	9.0	4.8	88.4%	26.6
Capital expenditure	0.3	3.7	-91.3%	8.5
User acquisition cost	14.6	16.4	-11.0%	69.6
Return on equity (ROE), %	25.7%	24.8%	-	23.4%
Net gearing ratio, %	-66.4%	-12.6%	-	-62.9%
Equity ratio, %	81.5%	66.6%	-	77.9%
Earnings per share, EUR	0.09	0.05	90.7%	0.27
Earnings per share, diluted EUR	0.09	0.05	90.7%	0.27
Net cash flows from operating activities	10.5	5.2	102.9%	59.6
Employees (average for the period)	385	457	-15.8%	416

Rovio presents alternative performance measures as additional information to financial measures presented in the consolidated income statements, consolidated balance sheets, and consolidated statements of cash flows prepared in accordance with IFRS. In Rovio's view, the alternative performance measures provide the management, investors, securities analysts, and other parties with significant additional information related to Rovio's results of operations, financial position or cash flows, and are often used by analysts, investors, and other parties.

Rovio presents adjusted EBITDA and adjusted operating profit, which have been adjusted for material items outside the ordinary course of business such as material net gains and losses from business disposals, direct transaction costs related to business acquisitions, restructuring costs for business operations, and costs relating to enlargement of the ownership base of the Company. Adjusted EBITDA

and adjusted operating profit are presented as complementing measures to the measures included in the consolidated income statement presented in accordance with IFRS as, in Rovio's view, they increase understanding of Rovio's results of operations.

EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, operating profit, operating profit margin, adjusted operating profit, and adjusted operating profit margin are shown as complementing measures to assess the profitability and efficiency of Rovio's operations. User acquisition costs, user acquisition costs share of Games business unit's revenue, %, and gross bookings are presented to enhance the comparability to other actors in the industry. Dividend per share, equity ratio, return on equity (ROE), net gearing, and capital expenditure are useful measures in assessing the efficiency of Rovio's operations, and Rovio's ability to obtain financing and service its debts.

The alternative performance measures should not be considered in isolation or as substitutes to the measures under IFRS. All companies do not calculate alternative performance measures in a uniform way and, therefore, the alternative performance measures presented here may not be comparable with similarly named measures presented by other companies.

### Reconciliation of adjusted operating profit

EUR million	1-3/2018	Items affecting comparability	Income statement excluding items affecting comparability	1-3/2017* IFRS
<b>Revenue</b>	<b>65.7</b>		<b>65.7</b>	<b>66.3</b>
Other operating income	0.0		0.0	0.4
Materials and services	-18.5		-18.5	-18.9
Employee benefits expense	-11.1	0.3	-10.8	-13.4
Depreciation and amortization	-5.1	0.0	-5.0	-4.9
Other operating expenses	-21.9	0.1	-21.8	-24.2
<b>Operating profit</b>	<b>9.2</b>	<b>0.3</b>	<b>9.6</b>	<b>5.3</b>

EUR million	1-12/2017	Items affecting comparability	Income statement excluding items affecting comparability
<b>Revenue</b>	<b>297.2</b>		<b>297.2</b>
Other operating income	0.8		0.8
Materials and services	-81.8		-81.8
Employee benefits expense	-51.9	1.8	-50.1
Depreciation and amortization	-28.6		-28.6
Other operating expenses	-104.2	2.7	-101.5
<b>Operating profit</b>	<b>31.4</b>	<b>4.5</b>	<b>35.9</b>

\*There were no significant items affecting comparability in the financial period 1-3/2017.

### Reconciliation of adjusted operating profit

EUR million	1-3/2018	1-3/2017	1-12/2017
<b>Operating profit</b>	<b>9.2</b>	<b>5.3</b>	<b>31.4</b>
Restructuring costs arising from employee benefits expenses	0.3	0.0	1.8

Restructuring costs in Other operating expenses	0.1	0.0	0.1
Restructuring costs in Depreciation and amortization	0.0	0.0	
Listing-related expenses	0.0	0.0	2.5
<b>Adjusted operating profit</b>	<b>9.6</b>	<b>5.3</b>	<b>35.9</b>

### Reconciliation of EBITDA and Adjusted EBITDA

EUR million	1-3/2018	1-3/2017	1-12/2017
<b>Operating profit</b>	<b>9.2</b>	<b>5.3</b>	<b>31.4</b>
Depreciation and amortization	5.1	4.9	28.6
<b>EBITDA</b>	<b>14.3</b>	<b>10.2</b>	<b>60.0</b>
Restructuring costs arising from employee benefits expenses	0.3	0.0	1.8
Restructuring costs in Other operating expenses	0.1	0.0	0.1
Listing-related expenses	0.0	0.0	2.5
<b>Adjusted EBITDA</b>	<b>14.6</b>	<b>10.2</b>	<b>64.5</b>

### Reconciliation of equity ratio, %, return on equity, %, net gearing ratio, %, and net debt

EUR million	1-3/2018	1-3/2017	1-12/2017
<b>Equity ratio, %</b>	<b>81.5%</b>	<b>66.6%</b>	<b>77.9%</b>
Equity	149.0	90.8	140.4
Advances received	8.3	10.9	8.3
Deferred revenue	3.6	2.3	1.6
Total assets	194.7	149.5	190.2
<b>Return on equity, %</b>	<b>25.7%</b>	<b>24.8%</b>	<b>23.4%</b>
Profit/loss before tax	30.8	20.4	26.6
Shareholder's equity beginning of period	90.8	73.7	86.8
Shareholder's equity end of period	149.0	90.8	140.4
<b>Net gearing ratio, %</b>	<b>-66.4%</b>	<b>-12.6%</b>	<b>-62.9%</b>
Total interest bearing debt	2.5	19.0	2.5
Cash and short-term deposits	101.5	30.5	90.8
Equity	149.0	90.8	140.4
Non-current interest-bearing loans and borrowings	2.5	2.5	2.5
Current interest-bearing loans and borrowings	0.0	16.6	0.0
Cash and short-term deposits	101.5	30.5	90.8
<b>Net debt</b>	<b>-99.0</b>	<b>-11.5</b>	<b>-88.3</b>

## Gross bookings

The following table sets out reconciliation of gross bookings used in key operational metrics and reported revenue:

### Reconciliation of gross bookings to revenue

EUR million	1-3/2018	1-3/2017	1-12/2017
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Gross bookings	58.6	56.3	248.7
Change in deferred revenue	-1.7	0.5	1.0
Custom contracts	0.4	0.0	1.4
Other adjustments	-0.5	-0.2	-3.1
<b>Revenue</b>	<b>56.8</b>	<b>56.6</b>	<b>248.0</b>

Custom contracts are distribution contracts that are signed with partners who pre-download Rovio's games onto their own devices or distribute Rovio's games through their proprietary distribution platforms. Custom contracts usually contain a minimum guarantee and revenue share to Rovio. Rovio recognizes corresponding minimum guarantee revenue over the contract period. Custom contracts do not include the application stores operated by Apple and Google.

## Calculation principles of alternative performance measures

**EBITDA** (Earnings before interest, taxes, depreciation and amortization), which is operating profit before depreciations and amortizations.

**EBITDA margin, %**, which is defined as EBITDA as a percentage of revenue.

**Items affecting comparability**, which are defined as material items outside the ordinary course of business such as material net gains and losses from business disposals, direct transaction costs related to business acquisitions, restructuring costs for business operations, and costs relating to enlargement of the ownership base of the company.

**Adjusted EBITDA**, which is defined as EBITDA excluding items affecting comparability.

**Adjusted EBITDA margin, %**, which is defined as comparable EBITDA as a percentage of revenue.

**Operating profit margin, %**, which is operating profit as a percentage of revenue.

**Adjusted operating profit**, which is defined as operating profit excluding items affecting comparability.

**Adjusted operating profit margin, %**, which is defined as adjusted operating profit as a percentage of revenue.

**User acquisition costs**, which relate to acquisition of new players in the Company's games through performance marketing campaigns.

**User acquisition costs share of Games revenue, %**, which is user acquisition costs as a percentage of Games revenue.

**Dividend per share**, which is total dividend divided by number of shares, adjusted for share issues, at the end of the financial period less own shares.

**Earnings per share**, which is the net result for the review period divided by the average number of shares in the review period, less treasury shares.

**Equity ratio, %**, which is calculated by dividing (i) Total equity by (ii) Total equity and liabilities less advances received and deferred revenue.

**Return on equity (ROE)**, which is calculated by dividing profit before tax, quarterly reports adjusted to correspond with 12 months, by the average of total equity in the opening and closing balance sheet.

**Capital expenditure**, which is cash flow of purchase of tangible and intangible assets.

**Net debt**, which is calculated by subtracting cash and short-term deposits from current and non-current interest-bearing loans and borrowings.

**Net gearing %**, which is calculated by dividing net debt by the total equity.

**Gross bookings** represent in-app purchases and in-app advertising sales in the given calendar month, reported on the basis of the date of purchase/sale. Gross bookings do not include revenue from custom contracts, revenue deferrals or accounting adjustments due to e.g., foreign exchange rate differences between revenue accruals and actual payments, and thus differ from the actual reported revenue. The reconciliation of gross bookings to revenue is presented under "Reconciliation of Certain Alternative Performance Measures". Gross bookings are used as the base for calculating certain key operational metrics (ARPPU and MARPPU) as it gives a more accurate view of Rovio's operating performance than

revenue at a specific point in time.

**DAU**, which is defined as the number of devices that played one of our games during a particular day. Under this metric, a device that plays two different games on the same day is counted as two DAUs. We primarily use information provided by Rovio's own technology but we also use third-party tracking solutions for historical data and in cases when a game does not contain Rovio's tracking tools. Average DAUs for a particular period is the average of the DAUs for each day during that period.

**MAU**, which is defined as the number of devices that played one of our games in the during a particular calendar month. Under this metric, a device that plays two different games in the same month is counted as two MAUs. We primarily use information provided by Rovio's own technology but we also use third party tracking solutions for historical data and in cases when a game does not contain Rovio's tracking tools.

**MUP**, which is defined as the number of devices that made a payment at least once during the calendar month through a payment method for which we can quantify the number of individuals, including payers from our mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers. We only use information provided by Rovio's own payment verification technology. Due to this history data is only available from September 2014 onward.

**ARPPU** (Average Revenue Per Daily Active User), which is defined as Sum of quarterly Gross Bookings divided by number of days in the quarter divided by average DAU for the quarter.

**MARPPU** (Monthly Average Revenue Per Paying User), which is defined as Monthly Gross IAP Bookings divided by MUP from verified purchases. MARPPU does not include revenue from custom contracts, revenue deferrals or accounting adjustments such as foreign exchange rate differences between revenue accruals and actual payments.

# Interim report January 1–March 31, 2018 – Tables

The figures in the interim report are unaudited

## Statement of consolidated profit or loss and other comprehensive income

EUR million	1-3/ 2018	1-3/ 2017	1-12/ 2017
<b>Revenue</b>	<b>65.7</b>	<b>66.3</b>	<b>297.2</b>
Other operating income	0.0	0.4	0.8
Materials and services	18.4	18.9	81.8
Employee benefits expense	11.1	13.4	51.9
Depreciation and amortization	5.1	4.9	28.6
Other operating expenses	21.9	24.2	104.2
<b>Operating profit</b>	<b>9.2</b>	<b>5.3</b>	<b>31.4</b>
Finance income and expenses	-0.3	-0.5	-4.7
Share of profit of associates	0.0	0.0	-0.1
<b>Profit (loss) before tax</b>	<b>9.0</b>	<b>4.8</b>	<b>26.6</b>
Income tax expense	1.8	1.1	6.0
<b>Profit for the period</b>	<b>7.1</b>	<b>3.7</b>	<b>20.6</b>
Attributable to: Non-controlling interests	0.0	0.0	0.0
Equity holders of the parent company	7.1	3.7	20.6
<b>Other comprehensive income/expense</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Translation differences	-0.1	-0.2	-0.4
<b>Total comprehensive income for the period, net of tax</b>	<b>7.1</b>	<b>3.5</b>	<b>20.2</b>
Attributable to: Non-controlling interests	0.0	0.0	0.0
<b>Equity holders of the parent company</b>	<b>7.1</b>	<b>3.5</b>	<b>20.2</b>
<b>Earnings per share for net result attributable to owners of the parent:</b>			
Earnings per share, EUR	0.09	0.05	0.27
Earnings per share, diluted EUR	0.09	0.05	0.27

## Consolidated statement of financial position

EUR million	Mar 31 2018	Mar 31 2017	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>53.1</b>	<b>75.0</b>	<b>57.4</b>
Property, plant and equipment	0.5	0.4	0.5
Intangible assets	48.4	72.3	53.1
Investment in associates and joint ventures	0.0	0.0	0.0
Non-current receivables	0.8	1.0	0.8
Deferred tax assets	3.3	1.2	3.0
<b>Current assets</b>	<b>141.7</b>	<b>74.5</b>	<b>132.8</b>
Trade receivables	28.1	29.5	29.1
Prepayments and accrued income	10.5	13.8	10.6
Other current financial assets	1.7	0.7	2.3
Cash and short-term deposits	101.5	30.5	90.8
<b>Total assets</b>	<b>194.7</b>	<b>149.5</b>	<b>190.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	0.7	0.7	0.7
Reserves	36.5	0.8	35.8
Translation differences	-0.6	-0.2	-0.5
Retained earnings	105.3	85.8	83.7
Profit for the period	7.1	3.7	20.6
<b>Equity holders of the parent company</b>	<b>149.0</b>	<b>90.8</b>	<b>140.4</b>
Non-controlling interests	0.0	0.0	0.0
<b>Total equity</b>	<b>149.0</b>	<b>90.8</b>	<b>140.4</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Interest-bearing loans and borrowings	2.5	2.5	2.5
Other non-current financial liabilities	0.2	0.1	0.1
Deferred tax liabilities	0.1	0.1	0.1
<b>Current liabilities</b>	<b>43.0</b>	<b>56.0</b>	<b>47.1</b>
Trade and other payables	12.7	8.0	8.9
Interest-bearing loans and borrowings	0.0	16.6	0.0
Other current financial liabilities	4.2	2.3	1.9
Advances received	8.3	10.9	8.3
Deferred revenue	3.6	2.3	1.6
Income tax payable	0.1	1.3	4.4
Provisions	0.6	1.1	0.8
Accrued liabilities	13.6	13.5	21.2
<b>Total liabilities</b>	<b>45.7</b>	<b>58.7</b>	<b>49.8</b>
<b>Total equity and liabilities</b>	<b>194.7</b>	<b>149.5</b>	<b>190.2</b>

## Consolidated statement of changes in equity

### Attributable to the equity holders of the parent on March 31, 2017

EUR million	Issued capital	Unrestricted equity reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
<b>January 1, 2017</b>	<b>0.7</b>	<b>0.8</b>	<b>85.8</b>	<b>-0.1</b>	<b>87.2</b>	<b>0.0</b>	<b>87.2</b>
Profit for the period			3.7		3.7		3.7
Issue of share capital		0.0			0.0		0.0
Share issue transaction costs		0.0			0.0		0.0
Option subscriptions		0.0			0.0		0.0
Other comprehensive income				-0.1	-0.1		-0.1
Share-based payments			0.0		0.0		0.0
Cash dividends			0.0		0.0		0.0
<b>March 31, 2017</b>	<b>0.7</b>	<b>0.8</b>	<b>89.5</b>	<b>-0.2</b>	<b>90.8</b>	<b>0.0</b>	<b>90.8</b>

### Attributable to the equity holders of the parent on March 31, 2018

EUR million	Issued capital	Unrestricted equity reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
<b>December 31, 2017</b>	<b>0.7</b>	<b>35.8</b>	<b>104.3</b>	<b>-0.5</b>	<b>140.4</b>	<b>0.0</b>	<b>140.4</b>
<b>Adjustments to opening balance</b>							
IFRS 2 amendment			0.2		0.2		0.2
<b>Balance at Jan 1, 2018</b>	<b>0.7</b>	<b>35.8</b>	<b>104.6</b>	<b>-0.5</b>	<b>140.5</b>	<b>0.0</b>	<b>140.6</b>
Profit for the period			7.1		7.1		7.1
Option subscriptions		0.7			0.7		0.7
Other comprehensive income				-0.1	-0.1		-0.1
Share-based payments			0.7		0.7		0.7
<b>March 31, 2018</b>	<b>0.7</b>	<b>36.5</b>	<b>112.4</b>	<b>-0.6</b>	<b>149.0</b>	<b>0.0</b>	<b>149.0</b>

## Consolidated statement of cash flows

EUR million	1-3/2018	1-3/2017	2017
<b>Operating activities</b>			
Profit (loss) before tax	9.0	4.8	26.6
<b>Adjustments:</b>			
Depreciation and amortization on tangible and intangible assets	5.0	5.0	28.6
Net foreign exchange differences	0.1	0.1	2.7
Gain on disposal of property, plant and equipment	0.0	-0.1	-0.3
Finance costs	0.1	0.5	2.0
Share of profit of an associate and a joint venture	0.0	0.0	0.1
Other non-cash items	0.7	0.4	3.0
<b>Change in working capital:</b>			
Change in trade and other receivables and prepayments	2.9	-0.7	0.3
Change in trade and other payables	0.2	-4.6	-1.1
Interest received	0.0	0.0	0.0
Interest paid	-0.1	-0.3	-1.3
Income tax paid (received)	-7.4	-0.0	-1.0
<b>Net cash flows from operating activities</b>	<b>10.5</b>	<b>5.2</b>	<b>59.6</b>
<b>Investing activities</b>			
Purchase of tangible and intangible assets*	-0.3	-3.7	-8.5
Proceeds from sales of tangible and intangible assets	0.0	0.1	0.3
<b>Net cash flows used in investing activities</b>	<b>-0.3</b>	<b>-3.6</b>	<b>-8.1</b>
<b>Financing activities</b>			
Acquisition of non-controlling interests	0.0	0.0	0.0
Finance lease repayments	0.0	0.0	-0.1
Proceeds from and repayments of borrowings	0.0	0.0	-16.7
Share subscriptions based on option rights	0.7	0.0	5.7
Proceeds of share issue	0.0	0.0	30.0
Share issue transaction costs	0.0	0.0	-1.3
Dividends paid to equity holders of the parent	0.0	0.0	-4.5
<b>Net cash flows from/(used in) financing activities</b>	<b>0.7</b>	<b>0.0</b>	<b>13.1</b>
<b>Change in cash and cash equivalents</b>	<b>10.8</b>	<b>1.6</b>	<b>64.6</b>
Net foreign exchange difference	-0.2	0.0	-2.7
Cash and cash equivalents at beginning of period	90.8	28.9	28.9
<b>Cash and cash equivalents at the end of the period</b>	<b>101.5</b>	<b>30.5</b>	<b>90.8</b>

## Notes

### 1. Key accounting principles

Rovio's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The interim financial statements are not presented in accordance with IAS 34 standard, as Rovio applies the statutes of the Finnish Securities Markets Act (1278/2015) regarding the regular disclosure requirements. The accounting principles and methods used in the preparation of the interim report are essentially the same as those applied in the consolidated financial statements for the year 2017.

The company has adopted the IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 during the first quarter of 2018. As a result of the amendment, the share-based payments that are settled net in shares after withholding taxes are accounted for in full as equity-settled arrangements despite the fact that Rovio pays in cash the taxes related to the rewards on behalf of the participants. Amendments to IFRS 2 regarding the classification and measurement of share-based payment transactions were adopted prospectively and resulted in an increase of EUR 0.2 million in Rovio's equity in the opening balance of 2018.

The figures in the consolidated interim financial statements have been rounded and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

This interim report does not include all the information or disclosures as presented in the consolidated financial statements of December 31, 2017.

The figures in this report are unaudited.

### 2. Notes to the statement of profit or loss

#### 2.1 Segment disclosures

In the second quarter of 2017, Rovio adopted IFRS 8 and defined its operating segments as Games, Brand Licensing (BLU) and Other. Rovio's business was previously divided into three business lines: Games, Licensing, and Merchandise and Media.

Rovio defines the Group's Board of Directors as its chief operating decision maker (CODM). The CODM follows Rovio's performance on the segment level, which is presented in section 2.2 Segment operating performance. EBITDA is the primary performance measure that CODM follows. There are no revenues between the operating segments of Rovio Group.

The segment assets and liabilities except for non-current assets are not reported and reviewed by the chief operating decision maker and have not been included in the table below.

The Games segment does not have customers that would require disclosure (i.e. 10% or more of revenues from transactions with a single customer). The Brand Licensing segment has one customer that accounts for more than 10% of the Group's total revenue. Sony Pictures and its affiliates and subsidiaries accounted for EUR 6.8 million of revenue in Q1 2018.

#### 2.2 Segment operating performance

The allocations between segments consist of shared functions employee benefits expense as well as general and administrative expenses that are recognized centrally and allocated to the reportable segments as a separate line item in management reporting.

### Segment profit and loss 1-3/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>56.8</b>	<b>8.9</b>	<b>0.0</b>		<b>65.7</b>
Other operating income	0.0	0.0	0.0		0.0
Materials and services	18.1	0.4	0.0		18.5
Employee benefits expense	8.1	1.0	1.3	0.7	11.1
User acquisition	14.6	0.0	0.0		14.6
Other operating expenses	4.5	0.6	0.9	1.3	7.3
Allocations	1.3	0.3	0.4	-2.0	0.0
<b>EBITDA</b>	<b>10.3</b>	<b>6.6</b>	<b>-2.6</b>	<b>0.0</b>	<b>14.3</b>
Depreciation and amortization	0.6	4.4	0.1		5.1
<b>Operating profit</b>	<b>9.8</b>	<b>2.2</b>	<b>-2.7</b>		<b>9.2</b>
<b>EBITDA</b>	<b>10.3</b>	<b>6.6</b>	<b>-2.6</b>		<b>14.3</b>
Adjustments	0.3	0.0	0.0		0.3
Adjusted EBITDA	10.6	6.6	-2.6		14.6
<b>Operating profit</b>	<b>9.8</b>	<b>2.2</b>	<b>-2.7</b>		<b>9.2</b>
Adjustments	0.3	0.0	0.0		0.3
Adjusted operating profit	10.1	2.2	-2.7		9.6

### Segment Capital expenditure 1-3/2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.3	0.0	0.1	0.3

### Segment assets Mar 31, 2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	8.5	38.8	5.8	53.1



### Segment profit and loss 1-3/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>56.6</b>	<b>9.7</b>	<b>0.0</b>		<b>66.3</b>
Other operating income	0.0	0.1	0.3		0.4
Materials and services	18.0	0.9	0.0		18.9
Employee benefits expense	8.2	3.1	1.4	0.7	13.4
User acquisition	16.4	0.0	0.0		16.4
Other operating expenses	3.7	1.7	0.9	1.4	7.8
Allocations	1.3	0.5	0.3	-2.2	0.0
<b>EBITDA</b>	<b>9.0</b>	<b>3.6</b>	<b>-2.3</b>	<b>0.0</b>	<b>10.2</b>
Depreciation and amortization	0.4	4.5	0.1		4.9
<b>Operating profit</b>	<b>8.6</b>	<b>-0.9</b>	<b>-2.4</b>		<b>5.3</b>
<b>EBITDA</b>	<b>9.0</b>	<b>3.6</b>	<b>-2.3</b>		<b>10.2</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted EBITDA</b>	<b>9.0</b>	<b>3.6</b>	<b>-2.3</b>		<b>10.2</b>
<b>Operating profit</b>	<b>8.6</b>	<b>-0.9</b>	<b>-2.4</b>		<b>5.3</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted operating profit</b>	<b>8.6</b>	<b>-0.9</b>	<b>-2.4</b>		<b>5.3</b>

### Segment Capital expenditure 1-3/2017

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	1.3	2.2	0.3	3.7

### Segment assets Mar 31, 2017

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-Current Assets	9.2	61.2	4.7	75.0

### Segment profit and loss 1-12/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>248.0</b>	<b>49.2</b>	<b>0.0</b>		<b>297.2</b>
Other operating income	0.1	0.3	0.3		0.8
Materials and services	78.4	3.4	0.0		81.8
Employee benefits expense	34.9	8.3	5.8	3.0	51.9
User acquisition	69.6	0.0	0.0		69.6
Other operating expenses	16.9	5.8	6.5	5.5	34.6
Allocations	5.2	2.0	1.3	-8.4	0.0
<b>EBITDA</b>	<b>43.2</b>	<b>30.1</b>	<b>-13.2</b>	<b>0.0</b>	<b>60.0</b>
Depreciation and amortization	4.7	23.6	0.3		28.6
<b>Operating profit</b>	<b>38.4</b>	<b>6.4</b>	<b>-13.5</b>		<b>31.4</b>
<b>EBITDA</b>	<b>43.2</b>	<b>30.1</b>	<b>-13.2</b>		<b>60.0</b>
Adjustments	0.1	1.9	2.6		4.5
<b>Adjusted EBITDA</b>	<b>43.2</b>	<b>31.9</b>	<b>-10.7</b>		<b>64.5</b>
<b>Operating profit</b>	<b>38.4</b>	<b>6.4</b>	<b>-13.5</b>		<b>31.4</b>
Adjustments	0.1	1.9	2.6		4.5
<b>Adjusted operating profit</b>	<b>38.5</b>	<b>8.3</b>	<b>-11.0</b>		<b>35.9</b>

### Segment Capital expenditure 1-12/2017

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	4.1	3.9	0.4	8.5

### Segment assets Dec 31, 2017

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	8.7	43.3	5.4	57.4

### 3. Changes in contingent liabilities or contingent assets

Future minimum rentals payable under non-cancelable operating leases as follows:

EUR million	At March 31, 2018	At March 31, 2017	At December 31, 2017
<b>Equipment lease commitments</b>			
Due within one year	0.1	0.1	0.1
Due in subsequent years	0.2	0.1	0.1
<b>Total</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>
<b>Office rental commitments</b>			
Due within one year	2.1	2.5	2.5
Due in subsequent years	2.6	5.0	3.7
<b>Total</b>	<b>4.7</b>	<b>7.5</b>	<b>6.1</b>
<b>Other commitments</b>			
Enterprise mortgages	30.0	30.0	30.0
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

### 4. Related party transactions

Rovio's related parties include its subsidiaries, associates, key persons belonging to the management and their close family members and entities controlled by them, and entities with significant influence on Rovio.

Trema is an entity with significant influence over the Rovio Group. Trema's previous control over the Rovio Group ended following the sales of shares carried out in conjunction with the Initial Public Offering. Kaiken Entertainment Oy is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Trema and he exercises significant influence on the company.

In April, 2018, EUR 2.9 million was paid out as dividend between the Rovio Group and Trema.

### 5. Mergers, acquisitions and divestments

During the interim period 1.1.-31.3.2018 Rovio divested its 34,74 % ownership of Sunwoo Entertainment Co., Ltd, that was an associate company to the Rovio Group. Rovio sold its share of the company to the majority owner for an amount of EUR 37 thousand. The book value of the shares was zero.

### 6. Calculation of earnings per share

	1-3/2018	1-3/2017	1-12/2017
Earnings per share, EUR	0.09	0.05	0.27
Earnings per share, diluted, EUR	0.09	0.05	0.27
Shares outstanding at the end of the period (thousands)	79,386	74,945	79,171
Weighted average adjusted number of shares during the financial period, basic (thousands)	79,262	74,945	75,795
Weighted average adjusted number of shares during the financial period, diluted (thousands)	80,356	75,990	77,370