



Rovio Entertainment Corporation Interim Report for January–September 2017

ROVIO'S REVENUE GREW BY 41%, THE COMPANY SIGNIFICANTLY INCREASED ITS USER ACQUISITION INVESTMENTS

July–September 2017 highlights

- Rovio's revenue increased by 41% to EUR 70.7 million (50.0)
- Adjusted EBITDA was EUR 8.6 million (8.5).
- EBITDA was EUR 6.1 million (8.5).
- Operating profit was EUR 1.6 million (5.2).
- Profit before taxes was EUR -0.5 million (4.6)
- Earnings per share were EUR -0.01 (0.05)
- Diluted earnings per share were EUR -0.01 (0.05)
- Net cash flows from operating activities increased to EUR 18.0 million (11.8)
- Games global quarterly ARPDAU increased to EUR 7 cents (3). TOP 5 games quarterly ARPDAU increased to EUR 12 cents (6).
- User acquisition investments totaled EUR 22.2 million (5.4), or 35% of the Games segment's revenue (11.9%)
- The Games segment launched the Angry Birds Match game in August

January–September 2017 highlights

- Rovio's revenue increased by 74% to EUR 223.2 million (128.5)
- Adjusted EBITDA increased to EUR 50.4 million (19.5)
- EBITDA increased to EUR 46.0 million (19.5)
- Operating profit increased to EUR 20.9 million (12.0)
- Profit before taxes increased to EUR 16.7 million (10.2)
- Earnings per share were EUR 0.17 (0.10)
- Diluted earnings per share were EUR 0.16 (0.10)
- Net cash flows from operating activities increased to EUR 53.7 million (14.5)
- User acquisition investments totaled EUR 53.7 million (10.6), or 30% of the Games segment's revenue (9.4%)

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period in the previous year (reference period). The figures in this report are unaudited.

Outlook for 2017 (unchanged)

Rovio maintains the outlook published in its half-year financial report (offering circular dated September 18, 2017), according to which the Company's annual revenue and EBITDA are expected to increase significantly in the financial year ending December 31, 2017, compared to the financial year ended December 31, 2016.

Key figures

EUR million	7-9/ 2017	7-9/ 2016	Change, (%)	1-9/ 2017	1-9/ 2016	Change, (%)	2016
Revenue	70.7	50.0	41.2%	223.2	128.5	73.7%	191.7
EBITDA	6.1	8.5	-28.6%	46.0	19.5	135.7%	35.4
EBITDA margin	8.6%	17.1%		20.6%	15.2%		18.5%
Adjusted EBITDA	8.6	8.5	0.5%	50.4	19.5	158.5%	35.4
Adjusted EBITDA margin, %	12.1%	17.1%		22.6%	15.2%		18.5%
Operating profit	1.6	5.2	-70.0%	20.9	12.0	75.1%	16.9
Operating profit margin, %	2.2%	10.3%		9.4%	9.3%		8.8%
Profit before tax	-0.5	4.6		16.7	10.2	63.1%	15.4
Capital expenditure	1.5	3.5	-56.3%	7.4	18.4	-60.0%	23.3
User acquisition cost	22.2	5.4	308.7%	53.7	10.6	408.2%	18.2
Return on equity (ROE), %	20.8%	-		20.8%	-		19.1%
Net gearing ratio, %	-62.8%	-6.3%		-62.8%	-6.3%		-11.5%
Equity ratio, %	72.9%	60.6%		72.9%	60.6%		64.1%
Earnings per share, EUR	-0.01	0.05		0.17	0.10	67.2%	0.14
Earnings per share, diluted EUR	-0.01	0.05		0.16	0.10	65.0%	0.14
Net cash flows from operating activities	18.0	11.8	52.0%	53.7	14.5	270.7%	22.8
Employees (average for the period)	400	474	-15.6%	422	478	-11.7%	476

Calculations and definitions are presented in the Performance Measures section below.

Kati Levoranta, CEO:

In the third quarter of 2017, we continued to execute our Games First growth strategy. Revenue increased by 41% year-on-year and amounted to approximately EUR 71 million. In line with our growth strategy, we significantly increased our investments in user acquisition, which predictably led to a decline in profitability. Rovio's successful listing on the Helsinki stock exchange at the end of September was evidence of the strong interest in our growth strategy, also in the capital markets.

Rovio's Games business achieved strong growth in the third quarter. The Games business unit's revenue increased by 40% year-on-year, boosted by the improved monetization of top games. We significantly increased our investments in user acquisition, and at the same time in future revenues, for our top-performing games: investments increased to EUR 22 million in the third quarter, which, as expected, reduced the profitability of the Games business unit for the third quarter. We expect the payback time for these investments to be 8 to 10 months. In August, Rovio launched a new game, Angry Birds Match, which has promising performance indicators and the potential to become one of Rovio's best performing games.

The revenue of the Brand Licensing business saw substantial growth in the third quarter, as expected, rising to EUR 6.7 million mainly on the strength of income related to the Angry Birds Movie. In September, Rovio established a marketing partnership with the English Premier League club Everton to strengthen the local and global visibility of the Angry Birds brand. Movie-related revenue helped the Brand Licensing business achieve a significant year-on-year improvement in profitability.

Rovio continues to improve the monetization of its top games by optimizing user acquisition investments in accordance with a carefully managed process and also by continuously introducing new features to its games. As part of its growth strategy, Rovio is also continuously developing new games, with only those games that pass strict internal assessments being approved for market launch.

Rovio's Initial Public Offering in September 2017 saw the Company acquire more than 11,000 new shareholders and accumulate gross proceeds of EUR 30 million. Rovio plans to use the funds to support its growth strategy. Listing on the stock exchange also enables Rovio to make more transparent use of shares as the foundation of the long-term incentive scheme for personnel.

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

Market review

Mobile gaming is the fastest growing form of entertainment and, according to Newzoo's mobile gaming industry report published in April 2017, the total market size in end-user generated revenue was USD 39 billion in 2016. According to the same report, the mobile gaming market size in 2017 is estimated to grow to USD 46 billion, or 18% year-on-year. According to Sensor Tower, another industry research company, the global mobile gaming revenue on Apple's App Store and Google Play was USD 24.1 billion for the first six months of 2017 and thus grew 42% year-on-year.

According Newzoo's April 2017 report, the global market is estimated to grow at a compound annual growth rate (CAGR) of 14% from 2016 to 2020, which would see the market size increase to USD 65 billion in 2020. App Annie, another industry research and gaming data company, expects the market size of mobile gaming to exceed USD 105 billion in 2021. The estimated growth rates vary significantly by market. For example, the more mature Western markets of North America and Western Europe are expected to grow at a CAGR of 6.2% and 7.1%, respectively, whereas China is estimated to grow at 17.4% CAGR from 2016 to 2020.

Revenue and result

July–September 2017

In the third quarter, Rovio's revenue increased by 41% compared to the corresponding period of the previous year and amounted to EUR 70.7 million (50.0). The increase in revenue was mainly driven by the improved monetization performance of Rovio's top games and related user acquisition investments as well as revenue from the Angry Birds Movie released in May 2016. At the end of August, Rovio launched a new game: Angry Birds Match. The game did not, however, have a significant impact on the revenue for the quarter.

The revenue of the Games segment increased by 40% to EUR 63.9 million (45.7). The growth of the Games segment was driven by an increase in the amount of paying users as well as higher revenue per paying user, particularly for the segment's top games. The strong development of the KPIs was mainly attributable to the development of in-game events, new features in existing games, and the successful targeting of user acquisition.

The revenue of the Brand Licensing segment increased by 55% to EUR 6.7 million (4.3). The revenue consisted of EUR 4.8 million (1.2) from the Content Licensing unit's business, the majority of which was income from the Angry Birds Movie, and EUR 1.9 million (3.2) from the Consumer Products unit's business. The decline in the revenue of Consumer Products in the third quarter was due to the ending of product programs related to the Angry Birds Movie and also partly attributable to the seasonal fluctuations typical of the industry.

The Group's adjusted EBITDA was EUR 8.6 million (8.5), or 12.1% (17.1%) of revenue. EBITDA decreased to EUR 6.1 million (8.5), or 8.6% (17.1%) of revenue. The adjusted EBITDA has been adjusted by the costs arising from Rovio's Initial Public Offering, which had a total impact of EUR 2.5 million on the operating profit and EBITDA in the third quarter.

EBITDA was significantly affected by the Games segment's increased investments in user acquisition, which amounted to EUR 22.2 million (5.4), or 35% (12%) of revenue in the third quarter. The increase in user acquisition investments was mainly related to the launch of the Angry Birds Match game and mostly took place in September, which meant that revenue from new users was not yet significantly accrued in the third quarter.

The Group's operating profit was EUR 1.6 million (5.2) and the adjusted operating profit was EUR 4.0 million (5.2).

The Games segment's EBITDA was EUR 6.7 million (12.4). The Brand Licensing segment's EBITDA was EUR 4.0 million (-1.9). The significant increase in the EBITDA of the Brand Licensing business was driven by higher revenue from the Angry Birds Movie, which is directly reflected in EBITDA as there are no expenses related to the increase in revenue other than amortizations of the capitalized movie development costs.

The Group's total depreciation and amortization amounted to EUR 4.5 million (3.4), the majority of which was due to amortization of the Angry Birds Movie in proportion to the revenue generated by the movie.

The Group's result before taxes for the third quarter was EUR -0.5 million (4.6) and earnings per share were EUR -0.01 (0.05). Diluted earnings per share were EUR -0.01 (0.05).

January–September 2017

Rovio's revenue increased by 74% compared to the corresponding period of the previous year and amounted to EUR 223.2 million (128.5). The increase in revenue was mainly driven by the continued strong monetization performance of Rovio's top games and related user acquisition investments as well as revenue from the Angry Birds Movie released in May 2016.

The Games segment's revenue increased by 62% to EUR 181.9 million (112.6).

The revenue of the Brand Licensing segment increased by 159% to EUR 41.4 million (16.0). The revenue consisted of EUR 34.1 million (3.7) from the Content Licensing business, the majority of which was income from the Angry Birds Movie, and EUR 7.2 million (12.3) from the Consumer Products business.

The Group's adjusted EBITDA increased to EUR 50.4 million (19.5), or 22.6% (15.2%) of revenue. EBITDA increased to EUR 46.0 million (19.5), or 20.6% (15.2%) of revenue.

The adjusted EBITDA has been adjusted for the Brand Licensing segment's restructuring expenses in the second quarter and expenses related to Rovio's IPO in the third quarter. The adjustments totaled EUR 4.5 million (0.0).

Rovio's operating profit grew by 75% year-on-year and amounted to EUR 20.9 million (12.0).

The EBITDA of the Games segment was EUR 29.2 million (29.2). The Brand Licensing segment's EBITDA increased to EUR 26.3 million (-2.9). The growth of the Brand Licensing business was driven by the same factors as in the third quarter.

The Group's total depreciation and amortization amounted to EUR 25.0 million (7.6), the majority of which was due to amortization of the Angry Birds Movie according to plan.

The Group's result before taxes for the review period was EUR 16.7 million (10.2) and earnings per share were EUR 0.17 (0.10). Diluted earnings per share were EUR 0.16 (0.10).

Financing and investments

Rovio's investments decreased by 56.3% to EUR 1.5 million (3.5) in the third quarter of 2017. Investments during the review period January–September 2017 amounted to EUR 7.4 million (18.4), down 60.0%. Rovio refers to the user acquisition costs of the Games segment as investments, but 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 0.8 million (1.7) in the third quarter and were related to outsourced development projects. The Brand Licensing segment's investments amounted to EUR 0.7 million (1.7) in the third quarter and were related to two short form animation series productions to be finalized by the end of 2017.

In the second quarter of 2017, Rovio entered into a licensing agreement with Columbia Pictures regarding the production and distribution of the sequel to the Angry Birds Movie. Consequently, Rovio did not make any investments related to movies in the third quarter of 2017.

The total borrowings at the end of the third quarter of 2017 amounted to EUR 10.8 million, of which EUR 8.3 million is the third and last installment for the European Investment Bank loan, to be paid in the fourth quarter of 2017.

Rovio carried out an Initial Public Offering in the third quarter and accumulated approximately EUR 30.0 million in gross proceeds. The IPO is discussed in more detail in this interim report under the heading "Listing on the Helsinki stock exchange".

Reporting segments

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

The Brand Licensing reporting segment is a combination of the previous Licensing and Merchandise and Media business lines. The Games segment's structure is unchanged from previous reports. The Other segment consists of the Group's subsidiary Hatch Entertainment and expenses that are not allocated to other segments.

The Games segment consists of Rovio's mobile games business, which includes all mobile games developed by the business unit for distribution through mobile application stores, such as Apple and Google, and from which Rovio receives revenue in the form of end consumer in-app purchases and in-app advertising.

The Brand Licensing segment comprises two sub-units, Consumer Products and Content Licensing, which generate royalty revenues from licensing the Angry Birds brand to product categories other than mobile games. The Consumer Products unit consists of physical merchandise, such as toys and apparel, as well as location-based entertainment, such as activity parks. The Content Licensing unit is responsible for books and comics, animated series and Movies as well as any digital products that are not mobile games. Rovio's business model is consistent across both sub-units. This means that Rovio licenses the brand to licensees in each category, collects royalty payments based on varying percentages of the licensees' revenue and the contracts typically include a minimum guarantee, which is paid upfront at the beginning of the contract period or in agreed installments over the life of the license contract. The income and cost structure is also similar from Rovio's viewpoint: Rovio collects royalties, records sales agent and distribution costs as cost of sales and the remaining costs as the Brand Licensing segment's operating expenses. Although the Company has transitioned to a full licensing model for media content, Rovio has historically financed and produced animated series and the first Angry Birds Movie, and capitalized the development costs. These costs are amortized over the life of the asset in question.

The senior operating decision-maker (Rovio's Board of Directors) assesses the Brand Licensing segment's performance as a whole. The executive in charge of the segment allocates the resources and sets targets for the sub-units at his discretion.

The Other segment includes the expenses of Rovio's subsidiary Hatch Entertainment, in which the Group holds an 80% stake, as well as the Group's unallocated expenses, such as Group management, intellectual property protection, and other expenses that are not directly allocated to the business units.

The reported financial figures for the segments include segment revenues, which were fully external revenues for the reporting period, EBITDA, adjusted EBITDA and capital expenditures. Total assets and liabilities are not measured and followed at the segment level. In addition, the segments have segment-specific additional key performance indicators that are relevant to that segment only.

Games

July–September 2017

The Games segment achieved strong growth in July–September 2017. Revenue increased by 40% year-on-year and amounted to EUR 63.9 million (45.7). The strong growth was mainly driven by the improved monetization of Rovio's top games and new games, such as Angry Birds Blast, Angry Birds Evolution, and Battle Bay. Rovio's top five games in the third quarter were Angry Birds 2, Angry Birds Evolution, Angry Birds Blast, Angry Birds Friends, and Battle Bay. In the third quarter, Rovio launched the Angry Birds Match game. The game did not yet have a significant impact on the revenue for the quarter.

User acquisition investments were increased to EUR 22.2 million (5.4) in the third quarter to accelerate the growth of revenue from top games and new games, such as Angry Birds Match. The significant increase in user acquisition investments predictably reduced Games segment's EBITDA, which was EUR 6.7 million (12.4) in the third quarter. The payback period of the user acquisition investments is expected to be 8–10 months.

January–September 2017

The Games segment's revenue increased by 62% year-on-year in the review period January–September 2017 and amounted to EUR 181.9 million (112.6). The strong growth was mainly driven by the improved monetization of Rovio's top games, particularly Angry Birds 2, Angry Birds Blast, and Angry Birds Friends. Rovio launched three new games in January–September: Battle Bay in May, Angry Birds Evolution in June, and Angry Birds Match in August.

The strong KPIs of Rovio's top games enabled a significant increase in user acquisition investments, which amounted to EUR 53.7 million, or 29.5% of the Games segment's revenue (EUR 10.6 million, 9.4%).

The Games segment's EBITDA in January–September 2017 was EUR 29.2 million (29.2).

The Games segment's investments declined to EUR 3.3 million (5.6) in January–September 2017 due to the Games segment focusing more on internally developed games, which meant that investments in external game development projects decreased.

EUR million	7-9/ 2017	7-9/ 2016	Change, (%)	1-9/ 2017	1-9/ 2016	Change, (%)	2016
Revenue	63.9	45.7	40.0%	181.9	112.6	61.6%	159.0
Adjusted EBITDA	6.7	12.4	-45.8%	29.2	29.2	0.0%	39.8
EBITDA	6.7	12.4	-45.8%	29.2	29.2	-0.3%	39.8
User acquisition cost	22.2	5.4	308.7%	53.7	10.6	408.2%	18.2
User acquisition share of revenue, %	34.7%	11.9%		29.5%	9.4%		11.5%
Capital expenditure	0.8	1.7	-50.6%	3.3	5.6	-42.1%	7.3

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. Gross bookings represent in-app purchases and advertising sales in the given calendar month, reported on the basis of the date of purchase/sale. Gross bookings do not include 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 reported revenue. The reconciliation of gross bookings to gross revenue is provided in the notes to the financial statements.

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, for example, 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 is 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.

During the third quarter of 2017, the Games segment continued to focus on improving monetization, profitable customer acquisition, and increasing the number of paying users. In the third quarter, the number of paying customers (MUP) for the entire game portfolio increased to 584 thousand, up 3.7% from the previous quarter. The average revenue per paying customer (MARPPU) for the entire game portfolio increased to EUR 33.4, up 3.1% from the previous quarter. The average increase in monetization was higher for the game portfolio as a whole than for the top five games due to Angry Birds Match having strong KPIs outside the top five portfolio. ARPPU for the top five games increased to EUR 12 cents from EUR 11 cents in the previous quarter, and ARPPU for the game portfolio as a whole increased to EUR 7 cents from EUR 6 cents in the previous quarter. The number of users in the third quarter was largely unchanged from the previous quarter.

EUR million	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016
Gross bookings Top 5	50.6	50.6	47.9	37.2	32.3	28.0
Gross bookings total	64.3	61.9	56.3	45.9	40.1	36.6

Million	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016
DAU Top 5	4.6	4.9	5.0	6.0	6.2	6.7
DAU All	10.7	10.6	11.2	11.1	12.6	13.5
MAU Top 5	24.0	25.6	25.4	40.2	41.4	46.4
MAU All	79.5	79.7	83.1	88.5	102.8	112.7

Thousand	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016
MUP Top 5	487	479	495	382	354	341
MUP All	584	563	550	456	435	440

EUR	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016
ARPPAU Top 5	0.12	0.11	0.11	0.07	0.06	0.05
ARPPAU All	0.07	0.06	0.06	0.04	0.03	0.03
MARPPU Top 5	32.4	32.6	29.8	28.2	26.7	23.7
MARPPU All	33.4	32.4	30.0	27.8	25.7	22.6

Brand Licensing

July–September 2017

In July–September 2017, the Brand Licensing segment's revenue increased to EUR 6.7 million (4.3), up 54.7% year-on-year. The growth was primarily attributable to revenue from the Angry Birds Movie in the Content Licensing unit. The Consumer Products unit's revenue for the review period was EUR 1.9 million (3.2), down 39% year-on-year. The year-on-year decline in revenue was due to a peak in revenue in 2016 coinciding with the release of the Angry Birds Movie.

January–September 2017

In January–September 2017, the Brand Licensing segment's revenue increased to EUR 41.4 million (16.0), up 159% year-on-year. The growth was primarily attributable to revenue from the Angry Birds Movie in the Content Licensing unit. The first Angry Birds Movie, released in May 2016, was a global blockbuster: it opened in the #1 position in 50 countries in its first weekend. The Consumer Products unit's revenue for the review period was EUR 7.2 million (12.3), down 41% year-on-year. The year-on-year decline in revenue was due to a peak in revenue in 2016 coinciding with the release of the Angry Birds Movie.

The Brand Licensing unit's investments in the review period amounted to EUR 3.7 million (12.2), a significant decrease from the previous year. In January–September 2016, the Angry Birds Movie's production expenses were still significant, while Rovio's decision to not finance the sequel itself significantly reduced investments in January–September 2017. The investments of EUR 3.7 million in January–September 2017 consisted of the last remaining own investments in the Angry Birds Movie sequel as well as investments in two short animated series still in production: The Blues and Piggy Tales season 4. The production for both series will be finalized by the end of 2017. Rovio had no new short animated series under production at the end of the reporting period.

During the first half of 2017, the Brand Licensing segment was restructured to align with the new strategy that will see Rovio's Angry Birds animated content production shift towards a licensing model. The restructuring measures led to a decrease in the number of personnel and lower personnel expenses as well as a decrease in other operating expenses. The lower cost level is not yet fully reflected in the EBITDA figure for January–September 2017.

EUR million	7–9/ 2017	7–9/ 2016	Change, (%)	1–9/ 2017	1–9/ 2016	Change, (%)	2016
Revenue	6.7	4.3	54.7%	41.4	16.0	158.9%	32.7
Consumer products	1.9	3.2	-38.8%	7.2	12.3	-41.2%	20.5
Content licensing	4.8	1.2	306.7%	34.1	3.7	820.3%	12.2
Adjusted EBITDA	4.0	-1.9		28.2	-2.9		5.8
EBITDA	4.0	-1.9		26.3	-2.9		5.8
Capital expenditure	0.7	1.7	-58.9%	3.7	12.2	-69.7%	15.3
Amortization	3.6	0.9	306.2%	21.0	2.6	715.9%	7.5

Other segment

Hatch Entertainment

Hatch Entertainment, a subsidiary in which Rovio holds an 80% stake, is developing a game streaming service for mobile devices. The service entered the open beta phase in Finland and is now free to download on the Android Google Play Store Finland. The purpose of the beta phase is to test the technical performance of the service as well as optimize its KPIs, such as user retention.

Consolidated statement of financial position

Consolidated statement of financial position, EUR million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Non-current assets	57.9	83.3	76.9
Current assets	128.7	71.6	72.8
Current receivables	38.0	39.1	43.9
Cash and cash equivalents	90.7	32.5	28.9
Total assets	186.6	154.9	149.7
Equity	127.2	83.1	86.8
Financial liabilities	10.9	28.0	19.4
Advances received and deferred income	12.2	17.8	14.3
Other payables	36.3	26.0	29.2
Total equity and liabilities	186.6	154.9	149.7

Rovio's consolidated statement of financial position amounted to EUR 186.6 million on September 30, 2017 (September 30, 2016: 154.9), with total equity representing EUR 127.2 million (83.1) of this total. Total cash and cash equivalents amounted to EUR 90.7 million (32.5) at the end of the quarter. Total advances received and deferred income amounted to EUR 12.2 million (17.8). The decrease in advances received was mostly attributable to a higher amount of expired Consumer Products license agreements and associated recognized revenues as compared to new signed agreements and associated advance payments.

On September 30, 2017, Rovio's non-current assets totaled EUR 57.9 million (83.3). The change was primarily due to the amortization of intangible assets, particularly capitalized development expenses related to the Angry Birds Movie. Rovio amortizes the movie in each reporting period in an amount that equals 55% of the Angry Birds Movie's revenue for the period in question.

Rovio's net debt on September 30, 2017, stood at EUR -79.9 million. Rovio's debt consisted of an EUR 8.3 million loan from the European Investment Bank (EIB), whose third and final installment will fall due on December 31, 2017, and a loan from Tekes (the Finnish Funding Agency for Innovation) in the amount of EUR 2.5 million, with repayments starting in 2020.

Consolidated statement of cash flows, EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Cash flow from operating activities*	18.0	11.8	53.7	14.5	22.8
Cash flow from investing activities*	-1.5	-3.5	-7.1	-18.4	-23.3
Cash flow from financing activities	30.5	0.0	17.7	2.5	-5.6
Change in cash and cash equivalents	47.0	8.3	64.4	-1.5	-6.0
Unrealised foreign exchange gains and losses	-1.1	0.0	-2.7	-0.4	0.5
Cash and cash equivalents at the beginning of the period	44.9	24.2	28.9	34.4	34.4
Cash and cash equivalents at the end of the period	90.7	32.5	90.7	32.5	28.9

*Rovio has previously presented the disposals of advance payments for intangible assets as part of net cash flow from operating activities. Rovio changed the reporting of cash flows during the six-month period that ended on June 30, 2017. Disposals of advanced payments for intangible assets have been moved from net cash flow from operating activities to net cash flow used in investing activities. The change has also been applied to the comparison figures.

Rovio's net cash flow from operating activities amounted to EUR 18.0 million (11.8) in the third quarter and EUR 53.7 million (14.5) in the nine-month period that ended on September 30, 2017. The increase was due to changes in working capital as well as income from the Angry Birds Movie. Rovio's total cash flow also improved due to a decrease in net cash flow from investing activities. The lower cash flow from investing activities was attributable to Rovio signing a production and distribution agreement with Columbia Pictures regarding the Angry Birds Movie sequel instead of investing in the production itself, as was the case for the first movie.

Cash flow from financing in the nine-month period that ended on September 30, 2017, was EUR 17.7 million (2.5), and consisted of inflows of EUR 30.6 million in investments in the Initial Public Offering and stock option subscriptions and outflows of EUR 8.3 million from the repayment of an installment of a loan from the European Investment Bank and EUR 4.5 million in dividend payments to the Company's shareholders.

Personnel

From the start of the year until the end of September 2017 Rovio's average number of personnel was 422 (478). Of this total, 301 (260) were employed by the Games business unit, 70 (134) by the Brand Licensing business unit and 51 (84) by other functions, administration, and Hatch Entertainment.

At the end of September, Rovio's average number of employees was 402 (469). Of this total, 318 (282) were employed by the Games business unit, 36 (130) by the Brand Licensing business unit and 48 (57) by other functions, administration, and Hatch Entertainment.

The number of employees has changed due to the restructuring of the Brand Licensing business and support functions. The new movie licensing model was implemented during the first and second quarter of 2017, which enabled the Company to operate with a smaller number of employees. The increase in the number of employees in the Games business unit is mainly due to the addition of the games technology team, which was previously separate from the Games business unit. In 2017, Rovio will continue to develop its London studio and recruit key talent, which will have a minor impact on the number of personnel in the Games business unit.

Listing on the Helsinki stock exchange

On September 5, 2017, Rovio Entertainment Corporation announced its intention to apply to have its share listed on the official list of Nasdaq Helsinki. In conjunction with the listing, the Company's existing shareholders offered shares for sale and the Company also issued new shares. The share subscription period began on September 18 and the Company submitted a listing application to the Helsinki stock exchange on September 21, 2017.

The demand for Rovio's Initial Public Offering was very strong and the Offering was multiple times oversubscribed. The public offering in Finland, Sweden, and Denmark was, therefore, discontinued on September 25, and the final offer price and the result of the Initial Public Offering were announced in a stock exchange release on September 28, 2017. The final price per share in the Initial Public Offering was EUR 11.50 per share, corresponding to a market capitalization of approximately EUR 900 million at the time of listing. As a result of the Initial Public Offering, the total number of Rovio shares increased to 77,921,494, the Company welcomed over 11,000 shareholders along with gross proceeds of approximately EUR 30 million. Trading in the Rovio share (trading code ROVIO, ISIN code FI4000266804) commenced on the prelist of Nasdaq Helsinki on September 29, 2017, and on the main list on October 3, 2017.

The total expenses incurred by the Company from the listing in the third quarter amounted to EUR 3.4 million. Of this total, EUR 2.5 million are recognized through profit and loss, EUR 0.6 million are deducted from equity, and EUR 0.3 million are recognized in the Group's financial expenses.

Flagging notices

Rovio did not receive any flagging notices during the review period.

Shares and shareholders

On September 30, 2017, Rovio's share capital amounted to EUR 0.7 million and the number of shares was 77,921,494. The five largest shareholders were Trema International Holdings B.V with 65.56%, Atomico Invest II Limited with 9.57%, Silavano Investments S.a.r.l with 9.57%, Niklas Hed with 4.17%, and Peter Vesterbacka with 3.02%. The five largest shareholders held 91.89% of the Company's shares. The shareholdings of the 10 largest shareholders are presented in the table below.

Shareholder	Number of shares	Percentage of shares and votes
1. Trema International Holdings B.V.	51,083,046	65.56%
2. Atomico Invest II Limited	7,456,325	9.57%
3. Silavano Investments S.a.r.l.	7,456,325	9.57%
4. Hed Niklas	3,246,746	4.17%
5. Vesterbacka Peter	2,356,229	3.02%
6. Felicis Ventures	745,582	0.96%
7. Hed Mikael	482,578	0.62%
8. Muotitila Oy	476,190	0.61%
9. Lehtinen Tuomo	206,141	0.26%
10. Virtanen Miika	206,141	0.26%
Ten largest, total	73,715,303	94.60%
Other shareholders	4,206,191	5.40%
Total	77,921,494	100.00%

The changes in Rovio's shareholdings resulting from the IPO were cleared to the new shareholders in October 2017. An updated table of Rovio's shareholders is available online at <http://www.rovio.com/investors/shareholders>

The table below lists Rovio's shareholders as of October 31, 2017.

Shareholder	Number of shares	Percentage of shares and votes
1. Trema International Holdings B.V	32,297,528	41.45%
2. Silavano Investments S.Á.R.L.	2,183,734	2.80%
3. Varma Mutual Pension Insurance Company	2,100,000	2.70%
4. Hed Niklas Peter	1,996,746	2.56%
5. Ilmarinen Mutual Pension Insurance Company	1,770,000	2.27%
6. Vesterbacka Jan-Peter Edvin	1,456,229	1.87%
7. Elo Mutual Pension Insurance Company	1,200,000	1.54%
8. The State Pension Fund	1,000,000	1.28%
9. Aktia Capital investment fund	780,000	1.00%
10. Danske Invest Finnish Institutional Equity Fund	744,000	0.95%
Ten largest, total	45,528,237	58.43%
Other shareholders	32,393,257	41.57%
Total	77,921,494	100.00%

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 entitling 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 options 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. By October 1st, 2017, the Company had allocated a total of 1,319,400 stock options under the 2017 option plan.

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. Of the restricted share plan 303,800 shares were allocated on Oct. 1, 2017.

Corporate governance

Decisions of the Annual General Meeting

Rovio's Annual General Meeting was held on May 30, 2017. The AGM approved the financial statements for the financial year ended December 31, 2016, and resolved that a total of EUR 4,496,906.76 be distributed to the Company's shareholders as dividends from the profit for the financial year 2016. The dividend to be distributed per share amounted to EUR 0.06.

The AGM resolved that the number of members of the Board of Directors is six (6) ordinary members. Kaj Hed, Camilla Hed-Wilson, Niklas Zennström, Mika Ihmuotila, Kim Ignatius, and Jenny Wolfram were elected as ordinary members of the Board of Directors until further notice.

The AGM confirmed that authorized public accountant Ernst & Young Oy, who have been elected as the Company's auditor until further notice, will remain the Company's auditor, with APA Mikko Ryttilahti as the responsible auditor.

The other resolutions of Rovio's AGM are documented in the half-year financial report published as part of Rovio's Offering Circular.

Rovio's Extraordinary General Meeting held on September 8, 2017, resolved to amend the Articles of Association in their entirety, to change the Company's corporate form to a public limited company in accordance with the amendment of the Articles of Association, and to register the new Articles of Association. In addition, the Extraordinary General Meeting authorized the Board of Directors to decide on issuing up to 10,000,000 new shares in one or more tranches in conjunction with Rovio's listing on the official list of Nasdaq Helsinki Ltd as an Initial Public Offering, and decided that the public offering can be carried out in deviation from the shareholders' pre-emptive rights. It was further resolved that the Board of Directors may, based on the authorization, decide on all of the terms of the share issue, including the share subscription price or subscription interval. The authorization did not override any previously issued share issue authorizations. The General Meeting also authorized Rovio's Board of Directors to decide on the approval of the organization agreement and the Offering Circular as well as on the submission of a listing application to Nasdaq Helsinki Ltd's prelist and main list, along with other measures related to listing the Company on the stock exchange.

Management

At its meeting on May 30, 2017, Rovio's Board of Directors elected Mika Ihmuotila as the Chairman and Kaj Hed as the Vice Chairman of the Board of Directors. Rovio's Board of Directors also elected an Audit Committee from among its members, with Kim Ignatius as

the Chairman and Mika Ihamuotila and Jenny Wolfram as members. The Board of Directors also elected a Remuneration Committee from among its members, with Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members.

Rauno Heinonen (52), M.Soc.Sc., was appointed Rovio's SVP, Corporate Communication and Investor Relations, starting from the beginning of September 2017. Heinonen reports to CEO Kati Levoranta. Rauno Heinonen moved to Rovio from Alma Media Corporation, where he served as head of communications, investor relations and corporate responsibility since 2007. Prior to that, he has worked for various companies as head of communications since 1995.

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.

Future outlook

Rovio maintains the outlook published in its half-year financial report (offering circular dated September 18, 2017), according to which the Company's annual revenue and EBITDA are expected to increase significantly in the financial year ending December 31, 2017, compared to the financial year ended December 31, 2016.

Basis of the future outlook

The guidance is based on the Company's management's estimates regarding sales, profit, and the development of the operating environment. The significant annual growth in revenue is based particularly on the development of the Games business unit's existing games and the development of new games launched in May, June, and August 2017 as well as significant increases in user acquisition investments compared to the previous financial year. The expected growth in revenues is also driven by revenue from the Angry Birds Movie. The revenue profile of the movie is declining, which is typical for animated movies, and thus revenue from the movie is expected to be lower for the second half of 2017 as compared to the first half. The Company can influence its revenue and profit through continuously developing its existing games and bringing new events into the games in order to increase user activity as well as investing in user acquisition. Factors outside the influence of the Company include general developments in the industry and changes in the competitive landscape. The Company considers growth over 10 percent as significant. The Company's user acquisition investments can vary significantly on a quarterly level depending on new game releases and on the performance of existing games. This can lead to significant changes and variability in the Company's quarterly profitability.

Events after the reporting period

Trading in the Rovio share commenced on the main list of Nasdaq Helsinki on October 3, 2017.

Performance measures

EUR million	7–9/ 2017	7–9/ 2016	Change, (%)	1–9/ 2017	1–9/ 2016	Change, (%)	2016
Revenue	70.7	50.0	41.2%	223.2	128.5	73.7%	191.7
EBITDA	6.1	8.5	-28.6%	46.0	19.5	135.7%	35.4
EBITDA margin	8.6%	17.1%		20.6%	15.2%		18.5%
Adjusted EBITDA	8.6	8.5	0.5%	50.4	19.5	158.5%	35.4
Adjusted EBITDA margin, %	12.1%	17.1%		22.6%	15.2%		18.5%
Operating profit	1.6	5.2	-70.0%	20.9	12.0	75.1%	16.9
Operating profit margin, %	2.2%	10.3%		9.4%	9.3%		8.8%
Profit before tax	-0.5	4.6		16.7	10.2	63.1%	15.4
Capital expenditure	1.5	3.5	-56.3%	7.4	18.4	-60.0%	23.3
User acquisition cost	22.2	5.4	308.7%	53.7	10.6	408.2%	18.2
Return on equity (ROE), %	20.8%	-		20.8%	-		19.1%
Net gearing ratio, %	-62.8%	-6.3%		-62.8%	-6.3%		-11.5%
Equity ratio, %	72.9%	60.6%		72.9%	60.6%		64.1%
Earnings per share, EUR	-0.01	0.05		0.17	0.10	67.2%	0.14
Earnings per share, diluted EUR	-0.01	0.05		0.16	0.10	65.0%	0.14
Net cash flows from operating activities	18.0	11.8	52.0%	53.7	14.5	270.7%	22.8
Employees (average for the period)	400	474	-15.6%	422	478	-11.7%	476

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, net debt, capital expenditure, and working capital 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 in this Offering Circular may not be comparable with similarly named measures presented by other companies. The alternative performance measures are unaudited, excluding operating profit, which was audited in the IFRS financial statements for the financial year ended December 31, 2016.

Reconciliation of adjusted operating profit

EUR million	7–9/2017		Income statement excluding items affecting comparability	7–9/2016 (*)
	IFRS	Items affecting comparability		IFRS
Revenue	70.7		70.7	50.0
Other operating income	0.1		0.1	0.0
Materials and services	-21.0		-21.0	-13.9
Employee benefits expense	-11.0	0.0	-11.0	-12.8
Depreciation and amortization	-4.5		-4.5	-3.4
Other operating expenses	-32.7	2.5	-30.2	-14.8
Operating profit	1.6	2.5	4.0	5.2

EUR million	1–9/2017		Income statement excluding items affecting comparability	1–9/2016 (*)	1–12/2016 (*)
	IFRS	Items affecting comparability		IFRS	IFRS
Revenue	223.2		223.2	128.5	191.7
Other operating income	0.7		0.7	0.1	0.1
Materials and services	-59.7		-59.7	-36.4	-52.9
Employee benefits expense	-38.3	1.8	-36.4	-35.3	-49.5
Depreciation and amortization	-25.0		-25.0	-7.6	-18.5
Other operating expenses	-80.0	2.6	-77.4	-37.4	-53.9
Operating profit	20.9	4.4	25.4	12.0	16.9

(*) There were no items affecting comparability in the financial periods 7–9/2016, 1–9/2016, and 1–12/2016.

Reconciliation of adjusted operating profit

EUR million	7-9 /2017	7-9 /2016	1-9 /2017	1-9 /2016	1-12/ 2016
Operating profit	1.6	5.2	20.9	12.0	16.9
Restructuring costs arising from employee benefits expenses	0.0	0.0	1.8	0.0	0.0
Restructuring costs in Other operating expenses	0.0	0.0	0.1	0.0	0.0
Listing-related expenses	2.5	0.0	2.5	0.0	0.0
Adjusted operating profit	4.0	5.2	25.4	12.0	16.9

Reconciliation of EBITDA and Adjusted EBITDA

EUR million	7–9/ 2017	7–9/ 2016	1–9/ 2017	1–9/ 2016	1–12/ 2016
Operating profit	1.6	5.2	20.9	12.0	16.9
Depreciation and amortization	4.5	3.4	25.0	7.6	18.5
EBITDA	6.1	8.5	46.0	19.5	35.4
Restructuring costs arising from employee benefits expenses	-	-	1.8	-	-
Restructuring costs in Other operating expenses	-	-	0.1	-	-
Listing-related expenses	2.5	-	2.5	-	-
Adjusted EBITDA	8.6	8.5	50.4	19.5	35.4

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

EUR million	7-9 / 2017	7-9 / 2016	1-9 / 2017	1-9 / 2016	1-12 / 2016
Equity ratio, %	72.9%	60.6%	72.9%	60.6%	64.1%
Equity	127.2	83.1	127.2	83.1	86.8
Advances received	10.0	14.4	10.0	14.4	11.5
Deferred revenue	2.2	3.3	2.2	3.3	2.8
Total assets	186.6	154.9	186.6	154.9	149.7
Return on Equity, %	20.8%	-	20.8 %	-	19.1%
Profit/loss before tax	21.8	-	21.8	-	15.4
Shareholder's equity beginning of period	83.1	-	83.1	-	74.4
Shareholder's equity end of period	127.2	-	127.2	-	86.8
Net gearing ratio, %	-62.8%	-6.3%	-62.8%	-6.3%	-11.5%
Total interest bearing debt	10.8	27.2	10.8	27.2	19.0
Cash and short-term deposits	90.7	32.5	90.7	32.5	28.9
Equity	127.2	83.1	127.2	83.1	86.8
Non-current interest-bearing loans and borrowings	2.5	10.8	2.5	10.8	2.5
Current interest-bearing loans and borrowings	8.3	16.5	8.3	16.5	16.5
Cash and short-term deposits	90.7	32.5	90.7	32.5	28.9
Net debt	-79.9	-5.3	-79.9	-5.3	-10.0

Gross bookings

Gross bookings equals the monthly in-app purchases and advertising sales recorded at the time of sale/purchase. Gross bookings do not include revenue from custom contracts, change in deferred revenue nor the adjusted amounts to the revenue such as exchange rate differences between deferred revenue and payments and therefore differs from reported revenue. Gross bookings is 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.

The following tables set out reconciliation of gross sales used in key operational metrics and reported revenue:

Reconciliation of gross bookings to revenue

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Gross bookings	64.3	40.1	182.6	105.9	151.9
Change in deferred revenue	0.0	-0.6	0.7	-1.1	-0.6
Custom contracts	0.0	5.6	0.7	8.4	8.5
Other adjustments	-0.3	-0.6	-2.1	-0.6	-0.8
Revenue	64.0	45.7	181.9	112.6	159.0

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.

Calculation principles of alternative performance measures

EBITDA (Earnings before interest, taxes, depreciation and amortisation), which is operating profit before depreciations and amortisations.

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 the result 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, for example, 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 is 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.

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.

ARPDau (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 (Average Revenue Per Paying Monthly Unique 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.

Rovio interim report for January–September 2017

Statement of consolidated profit or loss and other comprehensive income

EUR million	7–9/ 2017	7–9/ 2016	Change, (%)	1–9/ 2017	1–9/ 2016	Change, (%)	2016
Revenue	70.7	50.0	41.2%	223.2	128.5	73.7%	191.7
Other operating income	0.1	0.0	-	0.7	0.1	-	0.1
Materials and services	21.0	13.9	51.1%	59.7	36.4	63.9%	52.9
Employee benefits expense	11.0	12.8	-14.1%	38.3	35.3	8.3%	49.5
Depreciation and amortization	4.5	3.4	35.4%	25.0	7.6	231.6%	18.5
Other operating expenses	32.7	14.8	120.9%	80.0	37.4	114.2%	53.9
Operating profit	1.6	5.2	-70.0%	20.9	12.0	75.1%	16.9
Finance income and expenses	-2.1	-0.6	251.2%	-4.2	-1.7	145.8%	-1.4
Profit (loss) before tax	-0.5	4.6		16.7	10.2	63.1%	15.4
Income tax expense	0.2	0.7	-67,8%	4.1	2.7	51.4%	4.8
Profit for the period	-0.8	3.9		12.6	7.5	67.3%	10.6
Attributable to: Non-controlling interests	-	0.0		-	0.0		-
Equity holders of the parent company	-0.8	3.8		12.6	7.5	67.3%	10.6
Other comprehensive income /expense							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Translation differences	-0.2	0.0		-0.4	-0.1		0.0
Total comprehensive income for the period, net of tax	-0.9	3.8		12.2	7.4	63.7%	10.6
Attributable to: Non-controlling interests	-	0.0		-	0.0		0.0
Equity holders of the parent company	-0.9	3.8		12.2	7.4	63.7%	10.6
Earnings per share for net result attributable to owners of the parent:							
Earnings per share, EUR	-0.01	0.05		0.17	0.10	67.2%	0.14
Earnings per share, diluted EUR	-0.01	0.05		0.16	0.10	65.0%	0.14

Consolidated statement of financial position

EUR million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Assets			
Non-current assets	57.9	83.3	76.9
Property, plant and equipment	0.4	0.9	0.7
Intangible assets	56.3	79.7	73.8
Investment in associates and joint ventures	0.1	0.2	0.1
Non-current receivables	0.8	1.2	1.1
Deferred tax assets	0.3	1.3	1.2
Current assets	128.7	71.6	72.8
Trade receivables	28.2	17.9	28.0
Prepayments and accrued income	8.4	19.5	15.2
Other current financial assets	1.4	1.7	0.7
Cash and short-term deposits	90.7	32.5	28.9
Total assets	186.6	154.9	149.7
Equity and liabilities			
Equity			
Issued capital	0.7	0.7	0.7
Reserves	31.3	0.8	0.8
Translation differences	-0.5	-0.2	-0.1
Retained earnings	83.0	74.2	74.9
Profit for the period	12.6	7.5	10.6
Equity holders of the parent company	127.2	83.1	86.9
Non-controlling interests	0.0	0.0	0.0
Total equity	127.2	83.1	86.8
Liabilities			
Non-current liabilities	2.7	10.9	2.6
Interest-bearing loans and borrowings	2.5	10.8	2.5
Other non-current financial liabilities	0.1	0.0	0.0
Deferred tax liabilities	0.1	0.1	0.1
Current liabilities	56.7	60.9	60.2
Trade and other payables	12.4	8.1	7.9
Interest-bearing loans and borrowings	8.3	16.5	16.5
Other current financial liabilities	0.0	0.8	0.4
Advances received	10.0	14.4	11.5
Deferred revenue	2.2	3.3	2.8
Income tax payable	0.5	0.5	0.0
Provisions	0.7	-	0.8
Accrued liabilities	22.6	17.3	20.4
Total liabilities	59.4	71.8	62.9
Total equity and liabilities	186.6	154.9	149.7

Consolidated statement of changes in equity

Attributable to the equity holders of the parent on September 30, 2017

EUR million	Issued capital	Un-restricted equity reserve	Retained earnings	Foreign currency translation reserve	Total	Non controlling interests	Total equity
January 1, 2017	0.7	0.8	85.5	-0.1	86.9	0.0	86.8
Profit for the period			12.6		12.6		12.6
Issue of share capital		30.0			30.0		30.0
Share issue transaction costs		-0.6			-0.6		-0.6
Option subscriptions		1.2			1.2		1.2
Other comprehensive income				-0.4	-0.4		-0.4
Share-based payments			2.1		2.1		2.1
Cash dividends			-4.5		-4.5		-4.5
Foreign currency translations			-0.0		-0.0		-0.0
30 Sep 2017	0.7	31.3	95.6	-0.5	127.2	0.0	127.2

Attributable to the equity holders of the parent on September 30, 2017

EUR million	Issued capital	Un-restricted equity reserve	Retained earnings	Foreign currency translation reserve	Total	Non Controlling interests	Total equity
January 1, 2016	0.7	0.8	73.0	-0.1	74.4	0.0	74.4
Profit for the period			7.5		7.5		7.5
Other comprehensive income				-0.1	-0.1		-0.1
Share-based payments			1.2		1.2		1.2
Cash dividends							
September 30, 2016	0.7	0.8	81.8	-0.2	83.1	0.0	83.1

Consolidated statement of cash flows

EUR million	7–9/2017	7–9/2016	1–9/2017	1–9/2016	1–12/2016
Operating activities					
Profit (loss) before tax	-0.5	4.6	16.7	10.2	15.4
Adjustments:					
Depreciation and amortization on tangible and intangible assets	4.5	3.4	25.0	7.6	18.5
Net foreign exchange differences	1.3	0.0	2.6	0.4	-0.4
Gain on disposal of property, plant and equipment	0.0	0.0	-0.3	0.0	0.0
Finance costs	0.2	0.5	1.3	1.3	1.8
Share of profit of an associate and a joint venture	0.0	0.0	0.0	0.0	0.1
Other non-cash items	0.7	0.4	1.7	1.0	1.9
Change in working capital:					
Change in trade and other receivables and prepayments	3.0	6.6	5.7	-5.9	-10.2
Change in trade and other payables	9.4	-4.2	2.4	1.5	-2.4
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	-0.3	-0.3	-0.9	-0.9	-1.8
Income tax paid (received)	-0.3	0.9	-0.5	-0.7	-0.1
Net cash flows from operating activities	18.0	11.8	53.7	14.5	22.8
Investing activities					
Purchase of tangible and intangible assets*	-1.5	-3.5	-7.4	-18.4	-23.3
Proceeds from sales of tangible and intangible assets	0.0	0.0	0.3	0.0	0.0
Net cash flows used in investing activities	-1.5	-3.5	-7.1	-18.4	-23.3
Financing activities					
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0
Proceeds from and repayments of borrowings	0.0	0.0	-8.3	2.5	-5.6
Share subscriptions based on option rights	1.2	0.0	1.2	0.0	0.0
Proceeds of share issue	30.0	0.0	30.0	0.0	0.0
Share issue transaction costs	-0.6	0.0	-0.6	0.0	0.0
Dividends paid to equity holders of the parent	-0.1	0.0	-4.5	0.0	0.0
Net cash flows from/(used in) financing activities	30.5	0.0	17.7	2.5	-5.6
Change in cash and cash equivalents	47.0	8.3	64.4	-1.5	-6.0
Net foreign exchange difference	-1.1	0.0	-2.7	-0.4	0.5
Cash and cash equivalents at beginning of period	44.9	24.2	28.9	34.4	34.4
Cash and cash equivalents at the end of the period	90.7	32.5	90.7	32.5	28.9

*Rovio has previously presented the disposals of advance payments for intangible assets as part of net cash flow from operating activities. Rovio changed the reporting of cash flows during the six-month period that ended on June 30, 2017. Disposals of advanced payments for intangible assets have been moved from net cash flow from operating activities to net cash flow used in investing activities. The change has also been applied to comparison figures presented in these interim financial statements.

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 2016.

The company has adopted IFRS 8 Operating segments and IAS 33 Earnings per share during the first half of 2017.

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, 2016.

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 and its affiliates and subsidiaries accounted for EUR 33.0 million of revenue during the first nine months of 2017.

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 7–9/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	63.9	6.7	0.0		70.7
Other operating income	0.1	0.0	0.1		0.1
Materials and services	20.7	0.3	0.0		21.0
Employee benefits expense	8.2	1.0	1.1	0.7	11.0
User acquisition	22.2	0.0	0.0		22.2
Other operating expenses	4.9	1.0	3.3	1.3	10.5
Allocations	1.2	0.4	0.3	-1.9	0.0
EBITDA	6.7	4.0	-4.6		6.1
Depreciation and amortization	0.9	3.6	0.1		4.5
Operating profit	5.8	0.4	-4.7		1.6
EBITDA	6.7	4.0	-4.6		6.1
Adjustments	0.0	0.0	2.5		2.5
Adjusted EBITDA	6.7	4.0	-2.1		8.6
Operating profit	5.8	0.4	-4.7		1.6
Adjustments	0.0	0.0	2.5		2.5
Adjusted operating profit	5.8	0.4	-2.2		4.0

Capital expenditure 7-9 / 2017					
EUR million	Games	Brand Licensing	Other		Total IFRS segments
Capital expenditure	0.8	0.7	0.0		1.5

Segment assets 30 Sep 2017					
EUR million	Games	Brand Licensing	Other		Total IFRS segments
Non-current assets	8.6	46.4	2.9		57.9

Segment profit and loss 7–9/2016

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	45.7	4.3	0.0		50.0
Other operating income	0.0	0.0	0.0		0.0
Materials and services	13.3	0.6	0.0		13.9
Employee benefits expense	6.4	2.7	1.1	2.6	12.8
User acquisition	5.4	0.0	0.0		5.4
Other operating expenses	4.7	1.9	0.5	2.2	9.4
Allocations	3.4	1.1	0.3	-4.8	0.0
EBITDA	12.4	-1.9	-2.0		8.5
Depreciation and amortization	2.4	0.9	0.0		3.4
Operating profit	10.0	-2.8	-2.0		5.2
EBITDA	12.4	-1.9	-2.0		8.5
Adjustments	0.0	0.0	0.0		0.0
Adjusted EBITDA	12.4	-1.9	-2.0		8.5
Operating profit	10.0	-2.8	-2.0		5.2
Adjustments	0.0	0.0	0.0		0.0
Adjusted operating profit	10.0	-2.8	-2.0		5.2

Capital expenditure 7–9/2016					
EUR million	Games	Brand Licensing	Other		Total IFRS segments
Capital expenditure	1.7	1.7	0.1		3.5

Segment assets September 30, 2016					
EUR million	Games	Brand Licensing	Other		Total IFRS segments
Non-current assets	12.6	65.7	5.0		83.3

Segment profit and loss 1–9/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	181.9	41.4	0.0		223.2
Other operating income	0.1	0.3	0.3		0.7
Materials and services	57.3	2.3	0.0		59.7
Employee benefits expense	25.4	6.9	3.7	2.2	38.3
User acquisition	53.7	0.0	0.0		53.7
Other operating expenses	12.5	4.5	5.2	4.1	26.3
Allocations	3.8	1.6	0.9	-6.3	0.0
EBITDA	29.2	26.3	-9.5		46.0
Depreciation and amortization	3.9	21.0	0.2		25.0
Operating profit	25.3	5.3	-9.7		20.9
EBITDA	29.2	26.3	-9.5		46.0
Adjustments	0.1	1.9	2.5		4.4
Adjusted EBITDA	29.2	28.2	-7.0		50.4
Operating profit	25.3	5.3	-9.7		20.9
Adjustments	0.1	1.9	2.5		4.4
Adjusted operating profit	25.4	7.2	-7.2		25.4

Capital expenditure 1–9/2017					
EUR million	Games	Brand Licensing	Other	Total IFRS segments	
Capital expenditure	3.3	3.7	0.4	7.4	

Segment assets 30 Sep 2017					
EUR million	Games	Brand Licensing	Other	Total IFRS segments	
Non-current assets	8.6	46.4	2.9	57.9	

Segment profit and loss 1–9/2016

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	112.6	16.0	0.0		128.5
Other operating income	0.1	0.0	0.0		0.1
Materials and services	34.7	1.7	0.0		36.4
Employee benefits expense	16.6	8.0	4.0	6.7	35.3
User acquisition	10.6	0.0	0.0		10.6
Other operating expenses	12.7	6.1	1.6	6.4	26.8
Allocations	8.7	3.1	1.3	-13.1	0.0
EBITDA	29.2	-2.9	-6.9		19.5
Depreciation and amortization	4.9	2.6	0.0		7.6
Operating profit	24.3	-5.4	-6.9		12.0
EBITDA	29.2	-2.9	-6.9		19.5
Adjustments	0.0	0.0	0.0		0.0
Adjusted EBITDA	29.2	-2.9	-6.9		19.5
Operating profit	24.3	-5.4	-6.9		12.0
Adjustments	0.0	0.0	0.0		0.0
Adjusted operating profit	24.3	-5.4	-6.9		12.0

Capital expenditure 1–9/2016				
EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	5.6	12.2	0.6	18.4

Segment assets September 30, 2016				
EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	12.6	65.7	5.0	83.3

Segment profit and loss 1–12/2016

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	159.0	32.7	0.0		191.7
Other operating income	0.0	0.0	0.1		0.0
Materials and services	49.5	3.5	0.0		52.9
Employee benefits expense	23.6	11.0	5.4	9.5	49.5
User acquisition	18.2	0.0	0.0		18.2
Other operating expenses	16.1	8.5	3.2	7.9	35.7
Allocations	11.9	3.8	1.7	-17.4	0.0
EBITDA	39.8	5.8	-10.2		35.4
Depreciation and amortization	10.8	7.5	0.1		18.5
Operating profit	28.9	-1.7	-10.3		16.9
EBITDA	39.8	5.8	-10.2		35.4
Adjustments	0.0	0.0	0.0		0.0
Adjusted EBITDA	39.8	5.8	-10.2		35.4
Operating profit	28.9	-1.7	-10.3		16.9
Adjustments	0.0	0.0	0.0		0.0
Adjusted operating profit	28.9	-1.7	-10.3		16.9

Capital expenditure 1–12/2016					
EUR million	Games	Brand Licensing	Other	Total IFRS segments	
Capital expenditure	7.3	15.3	0.7	23.3	

Segment assets December 31, 2016					
EUR million	Games	Brand Licensing	Other	Total IFRS segments	
Non-current assets	8.9	63.8	4.2	76.9	

3. Changes in contingent liabilities or contingent assets

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

EUR million			
Equipment lease commitments	30 Sep 2017	September 30, 2016	December 31, 2016
Due within one year	0.1	0.0	0.0
Due in subsequent years	0.1	0.1	0.1
Total	0.2	0.1	0.1

Office rental commitments	30 Sep 2017	September 30, 2016	December 31, 2016
Due within one year	2.5	2.8	2.7
Due in subsequent years	4.1	6.0	5.6
Total	6.6	8.8	8.2

Other commitments	30 Sep 2017	September 30, 2016	December 31, 2016
Enterprise mortgages for credit facility	30.0	30.0	30.0
Total	30.0	30.0	30.0

4. Related party transactions

Rovio's related parties include its subsidiaries, associates, 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 control over the Rovio Group and therefore also has significant influence over the Rovio Group. Sunwoo Entertainment Co., Ltd and Fun Academy Oy are associates to the Rovio Group.

In June 2017, EUR 3.1 million was paid out as dividend between the Rovio Group and Trema.

In February 2016, Rovio's subsidiary Dark Matter Oy acquired all the shares in Kaiken Publishing owned by Mikael Hed and part of the shares owned by the other shareholder in Kaiken Publishing for an aggregate purchase price of EUR 2,000. The other shareholder was left with 20% ownership in Kaiken Publishing and the Rovio Group became the owner of 80% of the shares. Soon thereafter, Rovio transferred its publishing business to Kaiken Publishing in a business transfer. Kaiken Publishing borrowed the purchase price of EUR 0.2 million from Rovio under a loan agreement. At the same time, the parties also entered into a separate license agreement based on which Kaiken Publishing served as the master licensee of the Angry Birds brand in book and comics publishing.

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio, sold all the shares they owned in Rovio's TV animation studio entity in Vancouver, Canada (Rovio Animation Company Ltd), all the shares they owned in Rovio's book publishing business entity, Kaiken Publishing, as well as certain non-Angry Birds IP to Kaiken Entertainment. Kaiken Entertainment paid a purchase price of EUR 1 for the shares in Kaiken Publishing and a purchase price of CAD 1 for the shares in Rovio Animation Company Ltd. Further, in connection with the transaction, Kaiken Entertainment repaid Kaiken Publishing's EUR 0.2 million loan to Rovio relating to the transfer of the book publishing business as well as a purchase price of EUR 0.1 million for the purchased IPs.

The master license agreement between Rovio and Kaiken Publishing concerning the Angry Birds brand in book and comics publishing, entered into in 2016, remained in force. Based on the license agreement with Kaiken Publishing, Rovio has received licensing income of EUR 44 thousand within the time period of February 1, 2016 to December 31, 2016. The licensing income for the year 2017 will not be reported to Rovio until the beginning of 2018.

After the aforementioned corporate acquisition, the buyer changed the name of Rovio Animation Company Ltd to Kaiken Animation Ltd. Kaiken Animation Ltd continued the production of animated series ordered by Rovio Animation Company Ltd from subcontractors and management of the production of the subcontractors. Kaiken Animation Ltd has invoiced Rovio for its services in the amount of CAD 0.7 million in accordance with the actual costs within the time period of March 1, 2017 to November 15, 2017. The productions are estimated to be completed by the end of 2017.

Kaiken Entertainment is a company controlled by Mikael Hed, and therefore Rovio's related party. Mikael Hed is the son of Kaj Hed, the Vice Chairman of Rovio's Board of Directors, one of the minority owners of Trema (which has control over Rovio), and he directly owned 0.62% of Rovio's shares (September 30, 2017).

5. Divestments

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio Entertainment Oy, sold all the shares they owned in Rovio Animation Company Ltd in Vancouver, Canada, and Kaiken Publishing Oy, Helsinki, Finland, to Kaiken Entertainment Ltd.

The assets transferred in the divestment amounted to approximately EUR 0.9 million and the liabilities to approximately EUR 1.2 million. In addition, Rovio divested certain non-Angry Birds-related Intellectual Property Rights with a carrying value of EUR 0 to Kaiken Entertainment for EUR 0.1 million. The accounting profit related to the divestment amounted to approximately EUR 0.4 million.

6. Calculation of earnings per share

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	2016
Earnings per share, EUR	-0.01	0.05	0.17	0.10	0.14
Earnings per share, diluted, EUR	-0.01	0.05	0.16	0.10	0.14
Shares outstanding at the end of the period (thousands)	77,921	74,945	77,921	74,945	74,945
Weighted average adjusted number of shares during the financial period, basic (thousands)	75,080	74,945	74,992	74,945	74,945
Weighted average adjusted number of shares during the financial period, diluted (thousands)	77,183	75,724	76,450	75,393	75,508

Espoo, November 23, 2017

ROVIO ENTERTAINMENT CORPORATION

Board of Directors