

Rovio Entertainment Corporation

Interim Report

November 16, 2018

Q3

INTERIM REPORT - JANUARY-SEPTEMBER 2018

18

 ROVIO

Increased Profit, Strong Cashflow, Yet Another Record Quarter for Angry Birds 2

July-September 2018 highlights

- Rovio's revenue was EUR 71.0 million (70.7) or +0.5% growth year-on-year
- Games segment revenue was EUR 63.1 million (63.9) or -1.3% year-on-year. Impact of USD/EUR currency exchange rate on the quarter was negligible.
- User acquisition investments decreased to EUR 17.8 million (22.2), or 28.2% of the Games segment's revenue (34.7%)
- Rovio's biggest game, Angry Birds 2 gross bookings grew for the third consecutive quarter and 68% year-on-year to reach a record number of EUR 30.8 (18.3) million
- Brand Licensing revenue was EUR 7.9 million (6.7) and grew 17.8% year-on-year
- Group adjusted operating profit was EUR 10.4 million (4.0) and adjusted operating profit margin 14.6% (5.7%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 12.0 million (4.9) and adjusted operating profit margin 16.9% (7.0%)
- Operating cash flow was EUR 11.1 million (18.0)
- Earnings per share were EUR 0.10 (-0.01)

January-September 2018 highlights

- Rovio's revenue decreased by 6.6% to EUR 208.5 million (223.2). In comparable currencies, the revenue growth was approximately 1%. Year-on-year comparability was also impacted by large revenue peak of Angry Birds Movie in second quarter in 2017.
- Games revenue grew 1.8% to EUR 185.2 million (181.9). In comparable currencies, the year-on-year revenue of Games segment grew approximately by 7%
- User acquisition investments increased by 3.0% to EUR 55.3 million (53.7) or 29.9% of the Games segment's revenue (29.5%)
- Brand Licensing revenue declined as expected year-on-year to EUR 23.3 million (41.4) due to the large revenue peak of the Angry Birds Movie in Q2/2017
- Group adjusted operating profit was EUR 25.9 million (25.4) and adjusted operating profit margin 12.4% (11.4%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 30.3 million (28.5) and adjusted operating profit margin 14.5% (12.8%)
- Operating cash flow was EUR 23.4 million (53.7)
- Earnings per share was EUR 0.25 (0.17)

Key figures

EUR million	7-9/ 2018	7-9/ 2017	Change, (%)	1-9/ 2018	1-9/ 2017	Change, (%)	1-12/ 2017
Revenue	71.0	70.7	0.5%	208.5	223.2	-6.6%	297.2
EBITDA	15.0	6.1	146.2%	38.6	46.0	-16.1%	60.0
EBITDA margin	21.1%	8.6%	-	18.5%	20.6%	-	20.2%
Adjusted EBITDA	15.0	8.6	74.9%	38.9	50.4	-22.9%	64.5
Adjusted EBITDA margin, %	21.1%	12.1%	-	18.7%	22.6%	-	21.7%
Operating profit	10.4	1.6	566.8%	25.6	20.9	22.3%	31.4
Operating profit margin, %	14.6%	2.2%	-	12.3%	9.4%	-	10.6%
Adjusted operating profit	10.4	4.0	156.7%	25.9	25.4	2.2%	35.9
Adjusted operating profit margin, %	14.6%	5.7%	-	12.4%	11.4%	-	12.1%
Profit before tax	10.2	-0.5	-	26.0	16.7	56.1%	26.6
Capital expenditure	0.1	1.5	-96.7%	0.4	7.4	-94.7%	8.5
User acquisition cost	17.8	22.2	-19.8%	55.3	53.7	3.0%	69.6
Return on equity (ROE), %	25.4%	20.8%	-	25.4%	20.8%	-	23.4%
Net gearing ratio, %	-67.0%	-62.8%	-	-67.0%	-62.8%	-	-62.9%
Equity ratio, %	84.6%	72.9%	-	84.6%	72.9%	-	77.9%
Earnings per share, EUR	0.10	-0.01	-	0.25	0.17	52.0%	0.27
Earnings per share, diluted EUR	0.10	-0.01	-	0.25	0.16	53.1%	0.27
Net cash flows from operating activities	11.1	18.0	-38.5%	23.4	53.7	-56.5%	59.6
Employees (average for the period)	387	400	-3.3%	384	422	-9.0%	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.

The changes in comparable currencies have been calculated by translating the reporting period figures with the average USD/EUR exchange rates of the comparison period for the US dollar dominated in-app-purchases in United States and global ad network sales.

Kati Levoranta, CEO:

Rovio's operating profit in the third quarter of 2018 grew to EUR 10.4 million from EUR 1.6 million of the third quarter in 2017 and the company operating cashflow was over EUR 11 million. The revenue in the quarter was on the same level as the year before, growing 0.5% to EUR 71.0 million from the last year's EUR 70.7 million.

The costs of acquiring new users were somewhat higher than in the previous quarter. In order to keep the payback time of these investments within the targeted 8-12 months range, the company invested less in user acquisition this quarter which also contributed to a better operating profit.

Angry Birds 2 gross bookings grew for the third quarter in a row and 68% year-on-year, while Angry Birds Friends proved itself a reliable wingman with a steady performance. Angry Birds 2 has kept its position in the top grossing charts thus, providing a good base for next year's 10th year anniversary of Angry Birds and The Angry Birds Movie sequel. To ensure faster innovation cycle in Angry Birds 2, a third development team was added during the year.

While we reiterate the importance of continuously improving our live games with the goal of increasing their revenue over time, it is clear that we need new games in order to accelerate growth. Consequently, we are increasing the number of new internal and external game projects for the next and following years. We have 12 game projects ongoing in different phases and next year, our goal is to launch at least two new games. We have now two Angry Birds games in soft launch and, in addition, one game is waiting for publishing decision for the Chinese market.

In August, as a part of Rovio's exploration in the future of gaming, we saw the launch of Angry Birds Mixed Reality (MR) game Angry Birds: FPS (First Person Slingshot) on the Magic Leap MR platform.

Moreover, Rovio's 80% owned cloud-based game streaming service Hatch has left beta phase and was recently publicly released on Google Play in the Nordic countries, UK and Ireland.

On November 14th Rovio announced that Alexandre Pelletier-Normand has been appointed as the Executive Vice President of Rovio's Games Business Unit and a member of Rovio's Leadership Team. Alexandre is a seasoned games executive with a remarkable career in the industry. He is joining Rovio from Gameloft and starting on January 2, 2019.

Outlook for 2018 specified

Rovio specifies its full year 2018 outlook. Rovio Group revenue is expected to be EUR 280–290 million in 2018 (previous outlook EUR 260-300 million). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 10 to 11 percent (previous outlook 9 to 11 percent).

Basis for outlook

In 2018, Rovio Games business continues 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 and have a payback time of 8-12 months. The amount of user acquisition may vary depending on development of the games' monetization and the level of competition in the market. Overall, we estimate that the Games business segment is growing slightly in revenues in 2018.

Brand Licensing segment revenues are expected to decline by approximately 37% in 2018. The decline is due to the declining revenue 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 licensing portfolio for 2019 and The Angry Birds Movie sequel.

In 2018, Rovio invests approximately 8 million euros (EUR 7 million in operating expenses and rest in advance payments and capitalized development expenses) in its subsidiary Hatch Entertainment Ltd. that develops a cloud-based game streaming service (5 million euros in 2017)

Briefing and webcast:

Rovio will host an English language webcast on the interim financial results for investors, media and institutional investors at 14:00-15:00 EET on 16.11.2018. The webcast can be viewed live at: <http://www.rovio.com/investors-investor-calendar>, and later during the same day as a recording.

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Rovio in brief

Rovio Entertainment Corporation is a global entertainment company that creates, develops and publishes mobile games, which have been downloaded over 4 billion times. The Company is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing. Today, the Company offers multiple mobile games, animations and has produced The Angry Birds Movie, which opened number one in theatres in 50 countries and the sequel which is in production. Rovio is headquartered in Finland and the company's shares are listed on the main list of NASDAQ Helsinki stock exchange with the trading code ROVIO.

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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

According to market intelligence provider Newzoo's latest global games market report published in October 2018, the global mobile gaming market size in end-user generated revenue is expected to grow to USD 63 billion in 2018 which represents 13% year-on-year growth. The growth rate for 2018 has been lowered from their previous estimate of USD 70 billion and 25% year-on-year mainly due to the Chinese government's hiatus since March 2018 in approving new game launches for both foreign and domestic game developers within China. This has reduced the growth expectations for the Chinese market. The global mobile gaming market is expected to continue its double-digit growth of 13% CAGR during 2018-2021.

Revenue and result

July-September 2018

In the third quarter, Rovio group revenue was EUR 71.0 million (70.7) or increase of 0.5%. The impact of the USD/EUR currency exchange rate on the quarter was negligible.

The Games segment revenue was EUR 63.1 million (63.9). While Angry Birds 2 grew to record revenues in the quarter the older portfolio declined more, thus resulting in overall decline of -1.3% for the quarter. This quarter was the first of this year with the same games portfolio as in the comparison period. This trend highlights the importance of new games launches in the future to replace older, less actively maintained part of the games portfolio.

The revenue of the Brand Licensing -segment was EUR 7.9 million (6.7) or 17.8% increase year-on-year. The revenue consisted of EUR 6.4 million (4.8) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 1.5 million (1.9) from Consumer Products. The revenues from the Angry Birds Movie were a bit higher compared to last year's reporting period, however, we see this as a variability in the timing of revenues rather than a trend change.

The Group's adjusted EBITDA was EUR 15.0 million (8.6), or 21.1% (12.1%) of revenues. The larger EBITDA this year compared to last year was due to lower user acquisition investments in this quarter.

The Group's adjusted operating profit was EUR 10.4 million (4.0) and adjusted operating profit margin 14.6% (5.7%). Excluding Hatch Entertainment operating expenses, the Group's adjusted profit was 12.0 million (4.9) and operating profit margin 16.9% (7.0%). There were no adjustments in the reporting period. Adjustments in the third quarter of 2017 amounted to EUR 2.5 million and were related to Rovio's Initial Public Offering.

The Games segment's adjusted EBITDA was EUR 12.7 million (6.7) or 20.1% (10.5%) of revenues. Games profitability was higher compared to last year due to a lower user acquisition in the current reporting period: EUR 17.8 million (22.2) or 28.2% of revenues (34.7%).

The Brand Licensing segment's adjusted EBITDA was EUR 5.6 million (4.0) and was a bit higher than last year due to higher level of movie revenues.

The Group's profit before taxes was EUR 10.2 million (-0.5) and earnings per share EUR 0.10 (-0.01).

January-September 2018

In the period January-September 2018, Rovio group revenue amounted to EUR 208.5 million (223.2). The -6.6% decrease in revenue compared to last year was due to the large revenue peak from the Angry Birds Movie in second quarter of 2017. Depreciation of the US dollar decreased revenue by approximately EUR 16 million compared to last year and thus the growth in comparable currencies was approximately 1%.

The Games segment revenue grew 1.8% to EUR 185.2 million (181.9). In comparable currencies, the year-on-year revenue of Games segment grew by approximately 7%.

The revenue of the Brand Licensing segment was EUR 23.3 million (41.4). The revenue consisted of EUR 17.6 million (34.1) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 5.7 million (7.2) from Consumer Products. The year-on-year comparability of Content Licensing is impacted by the revenue peak from the Angry Birds Movie in second quarter of 2017.

The Group's adjusted EBITDA was EUR 38.9 million (50.4), or 18.7% (22.6%) of revenues. The larger EBITDA of last year was due to the peak in movie revenues.

The Group's adjusted operating profit was EUR 25.9 million (25.4) and adjusted operating profit margin 12.4% (11.4%). Adjustments in January-September 2018 amounted to EUR 0.3 million and were related to the closure of Rovio's game studio in London. Adjustments in January-September 2017 amounted to EUR 4.4 million and were related to the reorganization of the Brand Licensing unit and Rovio's Initial Public Offering.

The Games segment's adjusted EBITDA was EUR 32.5 million (29.2) or 17.6% of revenues (16.1%). Games segment's profitability was higher due to both higher revenues as well as lower operating expenses. User acquisition investments grew to EUR 55.3 million (53.7) or 29.9% of revenues (29.5%) compared to last year.

The Brand Licensing segment's adjusted EBITDA was EUR 15.8 million (28.2). Brand licensing segment's EBITDA decreased year-on-year due to the revenue peak of the Angry Birds Movie in the second quarter of 2017.

The Group's profit before taxes was EUR 26.0 million (16.7) and earnings per share EUR 0.25 (0.17).

Financing and investments

Rovio's capital expenditure was EUR 0.1 million (1.5) in the third 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 capital expenditure was EUR 0.0 million (0.8) in the third quarter. The decrease was mainly due to a decrease in the amount of external development projects. The Brand Licensing segment's investments were EUR 0.0 million (0.7) in the third quarter. The Brand Licensing segment's strategy is to license content production and distribution to 3rd parties and thus Rovio's Brand Licensing segment's direct investments have declined year-on-year to negligible.

Cash flow from financing in the third quarter of 2018 amounted to EUR -0.5 million (30.5) and consisted mainly of acquisition of treasury shares.

At the end of the third quarter, Rovio's total interest-bearing loans amounted to EUR 2.5 million, consisting of a product development loan from Tekes (the Finnish Funding Agency for Innovation). Rovio's cash and cash equivalents at the end of the interim period amounted to EUR 107.4 million. In addition, the company has a revolving credit facility with an undrawn balance of EUR 20.0 million.

Development per business segment

Games

July-September 2018

The Games segment's revenue in the reporting period amounted to EUR 63.1 million (63.9), which corresponds to a year-on-year decline of 1.3%. The foreign exchange rate of US dollar to Euro did not have significant impact on year-on-year comparison in the reporting period. The gross bookings of Angry Birds 2 accelerated to a new all-time high, with 68% growth year-on-year. 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 POP Thus, Angry Birds POP replaced Angry Birds Evolution as a top 5 game in the reporting period.

The Games segment's EBITDA increased to EUR 12.7 million (6.7) which is an increase of 88.3% year-on-year. The increase is due to lower user acquisition investments and operating expenses compared to last year.

The Games segment's user acquisition investments decreased to EUR 17.8 million (22.2), or 28.2% (34.7%) of the Games segment's revenue in the reporting period. The decrease in user acquisition investments year-on-year is primarily due to Angry Birds Match launch in third quarter 2017. Competition in the digital marketing space intensified from the second quarter, and together with seasonally quieter summer period resulted in less profitable investment opportunities. We are expecting to increase user acquisition investments during the fourth quarter of 2018 to a similar level as the second quarter and this will also mean lower profitability for the Games segment in the last quarter compared to the third quarter.

The Games segment did not have any capital expenditures in the reporting period (EUR 0.8 million in Q3/2017).

January-September 2018

The Games segment's revenue in the January-September 2018 period amounted to EUR 185.2 million (181.9), or 1.8% year-on-year growth. The depreciation of the US dollar against the Euro impacted negatively on revenues, and the year-on-year growth in comparable currencies was approximately 7%.

The Games segment's adjusted EBITDA increased to 32.5 million (29.2) which is a growth of 11.3% year-on-year. The increase is due to revenue growth and lower operating expenses.

In year-on-year comparison, the Games segment's user acquisition investments increased by 3.0% to EUR 55.3 million (53.7).

EUR million	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Revenue	63.1	63.9	-1.3 %	185.2	181.9	1.8 %	248.0
Adjusted EBITDA	12.7	6.7	88.3 %	32.5	29.2	11.3 %	43.2
Adjusted EBITDA margin, %	20.1 %	10.5%		17.6 %	16.1%		17.4%
EBITDA	12.7	6.7	88.3 %	32.2	29.2	10.5 %	43.2
EBITDA margin, %	20.1 %	10.5%		17.4 %	16.0%		17.4%
User acquisition cost	17.8	22.2	-19.8 %	55.3	53.7	3.0 %	69.6
User acquisition share of revenue, %	28.2 %	34.7%		29.9 %	29.5%		28.1%
Capital expenditure	0.0	0.8	-100.0 %	0.3	3.3	-91.9 %	4.1

Key performance indicators of the Games segment

The key performance indicators of the Games segment's use gross bookings in place of revenue as it gives a more accurate view of Rovio's operating performance at a specific point in time. 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 reported revenue.

In the third quarter of 2018, the Games segment continued to execute its games as a service strategy by introducing in-game updates and events across the game portfolio, aimed at improving monetization and retaining players longer

In the reporting period, both average revenue per daily active user (ARPDau) and monthly average revenue per unique paying user (MARPPU) grew to all-time high figures. For top 5 games, ARPDau grew by 3% quarter-on-quarter from EUR 0.15 to EUR 0.16 and MARPPU by 8% from EUR 33.5 to EUR 36.0.

The amount of daily active users (DAU) declined quarter-on-quarter by 5% and 9% for the top 5 games and the whole game portfolio, and amounted to 3.8 million and 8.0 million, respectively. The decline was due to the reporting period's lower user acquisition spending and less organic traffic from other sources such as app store discovery. The decrease in DAU was also reflected in the number of monthly unique payers (MUP) that declined from 497 thousand to 451 thousand (9%) in top 5 games and from 581 thousand to 517 thousand (11%) in the whole game portfolio. However, as more engaged players continued to play, the impact was partially offset by their improved monetization.

The reporting period's key performance indicators for the top 5 games, especially MUP, ARPDau and MARPPU, are impacted by the fact that Angry Birds POP replaced Angry Birds Evolution as a top 5 game. The third quarter comparable figures (i.e. with Evolution in top 5) for these KPIs are: MUP 444 thousand, ARPDau 0.17, and MARPPU 36.6.

EUR million	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
Gross bookings top 5	54.3	54.8	46.5	51.8	50.6	50.6
Gross bookings total	63.2	64.8	58.6	66.1	64.3	61.9

Million	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
DAU top 5	3.8	4.0	3.6	4.0	4.6	4.9
DAU all	8.0	8.8	8.7	9.2	10.7	10.6
MAU top 5	20.2	22.2	18.1	20.3	24.0	25.6
MAU all	59.6	64.2	61.7	64.8	79.5	79.7

EUR thousand	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
MUP top 5	451	497	407	447	469	479
MUP all	517	581	507	555	571	563

EUR	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
ARPDau top 5	0.16	0.15	0.14	0.14	0.12	0.11
ARPDau all	0.09	0.08	0.08	0.08	0.07	0.06
MARPPU top 5	36.0	33.5	35.6	35.6	33.7	32.6
MARPPU all	35.9	33.0	35.0	35.2	34.1	32.4

Game-specific performance in the Games segment

The Games segment's gross bookings amounted to EUR 63.2 million (64.3) in the third quarter of 2018, which is a decline of 2.0% year-on-year and 2.5% quarter-on-quarter.

Angry Birds 2, released in July 2015 and the world leading game in slingshot category, continued to be Rovio's biggest and fastest growing game also in the third quarter of 2018, achieving all-time high gross bookings with 68% growth year-on-year and 4% quarter-on-quarter. The gross bookings of Angry Birds 2

amounted to EUR 30.8 million (18.3). Since its release, Angry Birds 2 has already reached total gross bookings of EUR 218 million.

Rovio's second biggest game in the reporting period was another slingshot game, Angry Birds Friends that was released already in 2012, growing 3% year-on-year and 2% quarter-on-quarter. The gross bookings of Angry Birds Friends were EUR 8.2 million (7.9).

Rovio's third biggest game was Angry Birds Match, a match-3 game released in August 2017. Angry Birds Match grew 140% year-on-year as it was released in August 2017, while declining 5% quarter-on-quarter to gross bookings of EUR 6.5 million (2.7).

Angry Birds Blast and Angry Birds POP were Rovio's fourth and fifth biggest games in the reporting period with gross bookings of EUR 5.2 million (9.3) and EUR 3.6 million (5.0), respectively. As opposed to the previous quarters of 2018 and the third quarter of 2017, Angry Birds Evolution was Rovio's sixth biggest game and thus not calculated in the reporting period's top 5 games key performance indicators. The gross bookings of Angry Birds Evolution were EUR 3.3 million (10.1). Battle Bay reached gross bookings of EUR 1.9 million (4.6).

The decline of Angry Birds Blast, Angry Birds Evolution and Battle Bay were due lower user acquisition investments into these games, thus decreasing their daily active user count (DAU). Both Angry Birds Evolution and Battle Bay have received major updates during the reporting period to improve their future performance.

Other games, which include the less actively maintained titles of Rovio's game portfolio, generated combined gross bookings of EUR 3.7 million (6.4), which was a decrease of 6% quarter-on-quarter and 43% year-on-year.

Gross bookings, EUR million	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
AB 2	30.8	29.7	21.6	19.9	18.3	20.6
AB Friends	8.2	8.0	7.2	7.9	7.9	8.6
AB Match	6.5	6.8	6.2	7.4	2.7	-
AB Blast	5.2	6.0	6.0	7.9	9.3	11.3
AB Pop	3.6	3.8	4.1	4.5	5.0	5.9
AB Evolution	3.3	4.2	5.5	8.7	10.1	2.7
Battle Bay	1.9	2.3	3.5	3.8	4.6	4.3
Other	3.7	4.0	4.5	6.0	6.4	8.6
Total	63.2	64.8	58.6	66.1	64.3	61.9

Brand Licensing

July-September 2018

The revenue of the Brand Licensing segment in the reporting period was EUR 7.9 million (6.7) which was 17.8% higher than for the same period in 2017. The revenue consisted of EUR 6.4 million (4.8) from Content Licensing, the majority of which is income from the Angry Birds Movie, and EUR 1.5 million (1.9) from Consumer Products. We see the increase in Content Licensing revenues due to variation in the timing of revenues rather than a trend change.

The Brand Licensing segment's adjusted EBITDA was 5.6 million (4.0). EBITDA margin increased to 70.3% of revenues (59.1) due higher level of movie revenues compared to the comparison period.

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.

During the reporting period, Rovio signed a contract for TV animation show with CAKE Entertainment, expected to be in distribution in 2020. Rovio is also partnering with Big Fish for a live-action competition show for TV. Rovio also signed a master toy partner agreement with Jazwares. To promote the Angry

Birds Movie sequel and the brand, Rovio Brand Licensing is developing an application which includes Augmented Reality experiences, especially targeted for kids & family audience. The app is scheduled for release in Spring 2019.

January-September 2018

The revenue of the Brand Licensing segment in the first nine months of 2018 amounted to EUR 23.3 million (41.4) which was 43.7% lower than for the same period in 2017. The revenue consisted of EUR 17.6 million (34.1) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 5.7 million (7.2) from Consumer Products. The year-on-year comparability is impacted by the revenue peak of the Angry Birds Movie in second quarter of 2017.

The Brand Licensing segment's adjusted EBITDA for the period was 15.8 million (28.2). Adjusted EBITDA margin was 67.8% of revenues (68.2). There were no adjustments in the reporting period January-September 2018. During the period January-September 2017, the adjustments were in total EUR 1.9 million and were related to the reorganization of the Brand Licensing unit.

EUR million	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Revenue	7.9	6.7	17.8 %	23.3	41.4	-43.7 %	49.2
Consumer products	1.5	1.9	-20.7 %	5.7	7.2	-20.7 %	11.2
Content licensing	6.4	4.8	33.4 %	17.6	34.1	-48.6 %	38.0
Adjusted EBITDA	5.6	4.0	40.1 %	15.8	28.2	-44.1 %	31.9
Adjusted EBITDA margin, %	70.3 %	59.1 %		67.8 %	68.2 %		65.0%
EBITDA	5.6	4.0	40.1 %	15.8	26.3	-40.0 %	30.1
EBITDA margin, %	70.3 %	59.1 %		67.8 %	63.7 %		61.2%
Capital expenditure	0.0	0.7	-100.0 %	0.0	3.7	-100.0 %	3.9
Amortization	4.0	3.6	11.6 %	11.0	21.0	-47.5 %	23.6

Other segment

Hatch Entertainment

Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80% stake, is developing a cloud-based game streaming service for mobile devices. The Hatch service has been available in open beta testing for Android phones in 18 European countries this year. Hatch has moved from beta to public release on Google Play in the Nordic countries, UK and Ireland. In August, Hatch announced entering co-operation with Deutsche Telekom regarding its unlimited-data-program which allows Hatch subscribers in Germany to play Hatch as much as they want without worrying about data charges. Today, there are over 100 games available in the service and already close to 300 games signed up. For now, the service remains free with advertising. As the next step, in Q1 2019, Hatch is aiming to pilot Hatch Premium, a paid subscription that removes ads and offers additional content and features. In 2018, we do not yet expect significant revenues from Hatch.

Consolidated statement of financial position

Consolidated statement of financial position, EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current assets	45.6	57.9	57.4
Current receivables	44.3	38.0	42.0
Cash and cash equivalents	107.4	90.7	90.8
Total assets	197.4	186.6	190.2
Equity	156.7	127.2	140.4
Financial liabilities	2.5	10.9	2.5
Advances received and deferred income	12.1	12.2	9.9
Other payables	26.2	36.3	37.5
Total equity and liabilities	197.4	186.6	190.2

Rovio's consolidated statement of financial position amounted to EUR 197.4 million on September 30, 2018 (EUR 190.2 million on December 31, 2017), with equity representing EUR 156.7 million of the total. Cash and cash equivalents amounted to EUR 107.4 million on September 30, 2018 (EUR 90.8 million on December 31, 2017). The increase in cash and cash equivalents during the first three quarters was mainly attributable to cash flows from operating activities offset by dividends paid. Total advances received, and deferred income amounted to EUR 12.1 million.

On September 30, 2018, Rovio's non-current assets were EUR 45.6 million (EUR 57.4 million on December 31, 2017). The decrease in non-current assets 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.

Rovio's net debt on September 30, 2018, amounted to negative EUR 104.9 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	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Cash flow from operating activities	11.1	18.0	23.4	53.7	59.6
Cash flow from investing activities	-0.1	-1.5	-0.4	-7.1	-8.1
Cash flow from financing activities	-0.5	30.5	-7.0	17.7	13.1
Change in cash and cash equivalents	10.5	47.0	16.0	64.4	64.6
Net foreign exchange difference	-0.1	-1.1	0.6	-2.7	-2.7
Cash and cash equivalents at the beginning of the period	97.0	44.9	90.8	28.9	28.9
Cash and cash equivalents at the end of the period	107.4	90.7	107.4	90.7	90.8

Rovio's net cash flow from operating activities amounted to EUR 11.1 million (18.0) in the third quarter and EUR 23.4 million (53.7) in January-September 2018. The decrease year-on-year was driven by a decrease in working capital change, partially offset by increased profitability. The January-September decrease year-on-year was driven by a decrease in the working capital, with further impact especially from taxes paid and foreign exchange differences.

Cash flows used in investing activities amounted to EUR -0.1 million (-1.5) in the third quarter and EUR -0.4 million (-7.1) for the nine-month period ended on September 30, 2018. The lower investments are mostly attributable to the decrease in the amount of external development projects.

Cash flows used in financing activities amounted to EUR -0.5 million (30.5) in the third quarter and EUR -7.0 million (17.7) for the nine-month period ended on September 30, 2018. The quarter-on-quarter change in cash flows used in financing activities was driven by the funds collected in the IPO in 2017.

Personnel

From July to September 2018, Rovio's average number of employees was 387 (400). The Games business unit employed 295 people (313), the Brand Licensing business unit 32 people (38), and other operations, including Hatch Entertainment and administrative functions employed 60 people (49).

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.

	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Employees (average for the Period)	387	400	-3.3%	384	422	-9.0%	416

Flagging notices

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

Shares and shareholders

The total number of shares increased during the review period by a total of 46,500 as Rovio Entertainment Corporation's new shares were subscribed for with stock options. The entire subscription price of EUR 132,525 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 79,447,542 shares. The shares subscribed for under the stock options were registered in the Trade Register on 15 August 2018, as of which date the new shares established shareholder rights.

On September 30, 2018, Rovio's share capital amounted to EUR 0.7 million and the number of shares was 79,447,542. According to information provided by Euroclear, the Company's five largest shareholders were Trema International Holdings B.V. with 40.65%, Ilmarinen Mutual Pension Insurance Company with 2.60%, Niklas Hed with 2.51%, Peter Vesterbacka with 1.83% and Elo Pension Company with 1.51%. The five largest shareholders held 49.11% of the Company's shares. The shareholdings of the 10 largest shareholders are presented in the table below (nominee-registered holdings excluded).

During the third quarter Rovio Entertainment started its share repurchase program. The shares are repurchased to be used as a part of the Company's incentive program. The maximum number of shares to be acquired is 650,000 corresponding to 0.8% of the total number of shares, and the maximum sum to be used for the repurchase is EUR 7.0 million. The share repurchase shall cease by the latest on March 31, 2019. On September 30, 2018 Rovio Entertainment Corporation held 132,759 of its own shares.

Shareholder	Number of Shares	Percentage of shares and votes
Trema International Holdings B.V	32,297,528	40.65%
Ilmarinen Mutual Pension Insurance Company	2,067,500	2.60%
Hed Niklas Peter	1,996,746	2.51%
Vesterbacka Jan-Peter Edvin	1,456,229	1.83%
Elo Pension Company	1,200,000	1.51%
The State Pension Fund	1,000,000	1.26%
Sijoitusrahasto Aktia Capital	875,074	1.10%
Varma Mutual Pension Insurance Company	677,471	0.85%
Danske Invest Finnish Institutional Equity Fund	580,000	0.73%
Sijoitusrahasto Aktia Nordic Small Cap	490,000	0.62%
Ten largest, total	42,640,548	53.67%
Other shareholders	36,806,994	46.33%
Total	79,447,542	100.00%

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 Board has in May resolved to update the schedule for the stock options 2018 and 2019 while keeping the maximum total number of stock options 2017-2019 unchanged, as well as to add more gross shares to the restricted share unit plan.

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. Options have a vesting period of two 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 2 -31. May 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during 2 -31. May 2019. A total of 1,097,650 options were allocated under the 2017 option program as of September 30, 2018 and a total of 1,188,500 options were allocated under the 2018 option program as of September 30, 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 1,300,000. The maximum number of shares before the board resolution was 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 564,790 rights entitling to shares had been allocated under the restricted share plan as of September 30, 2018.

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 specified

Rovio specifies its full year 2018 outlook. Rovio Group revenue is expected to be EUR 280–290 million in 2018 (previous outlook EUR 260-300 million). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 10 to 11 percent (previous outlook 9 to 11 percent).

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).

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.

Events after the review period

On October 2, 2018 Rovio Entertainment granted 54 763 Company's own shares to Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme.

After the review period, Rovio continued its share repurchase program. The share repurchase shall cease by the latest on March 31, 2019.

After the review period, Rovio divested its 19,99% ownership in Fun Academy for EUR 40,000 to the remaining shareholders of Fun Academy. The book value of the shares was zero and the proceeds will be recorded as other income.

On November 14th Rovio announced that Alexandre Pelletier-Normand has been appointed as the Executive Vice President of Rovio's Games Business Unit and a member of Leadership Team. Alexandre is a seasoned games executive with a remarkable career in the industry. He is joining Rovio from Gameloft and starting on January 2, 2019.

ROVIO ENTERTAINMENT CORPORATION

Board of Directors

Performance measures

EUR million	7-9/ 2018	7-9/ 2017	Change, (%)	1-9/ 2018	1-9/ 2017	Change, (%)	1-12/ 2017
Revenue	71.0	70.7	0.5%	208.5	223.2	-6.6%	297.2
EBITDA	15.0	6.1	146.2%	38.6	46.0	-16.1%	60.0
EBITDA margin	21.1%	8.6%	-	18.5%	20.6%	-	20.2%
Adjusted EBITDA	15.0	8.6	74.9%	38.9	50.4	-22.9%	64.5
Adjusted EBITDA margin, %	21.1%	12.1%	-	18.7%	22.6%	-	21.7%
Operating profit	10.4	1.6	566.8%	25.6	20.9	22.3%	31.4
Operating profit margin, %	14.6%	2.2%	-	12.3%	9.4%	-	10.6%
Adjusted operating profit	10.4	4.0	156.7%	25.9	25.4	2.2%	35.9
Adjusted operating profit margin, %	14.6%	5.7%	-	12.4%	11.4%	-	12.1%
Profit before tax	10.2	-0.5	-	26.0	16.7	56.1%	26.6
Capital expenditure	0.1	1.5	-96.7%	0.4	7.4	-94.7%	8.5
User acquisition cost	17.8	22.2	-19.8%	55.3	53.7	3.0%	69.6
Return on equity (ROE), %	25.4%	20.8%	-	25.4%	20.8%	-	23.4%
Net gearing ratio, %	-67.0%	-62.8%	-	-67.0%	-62.8%	-	-62.9%
Equity ratio, %	84.6%	72.9%	-	84.6%	72.9%	-	77.9%
Earnings per share, EUR	0.10	-0.01	-	0.25	0.17	52.0%	0.27
Earnings per share, diluted EUR	0.10	-0.01	-	0.25	0.16	53.1%	0.27
Net cash flows from operating activities	11.1	18.0	-38.5%	23.4	53.7	-56.5%	59.6
Employees (average for the period)	387	400	-3.3%	384	422	-9.0%	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	7-9/2018*	Items affecting comparability	Income statement excluding items affecting comparability
Revenue	71.0		71.0
Operating profit	10.4		10.4

EUR million	7-9/2017	Items affecting comparability	Income statement excluding items affecting comparability
Revenue	70.7		70.7
Other operating income	0.1		0.1
Materials and services	-21.0		-21.0
Employee benefits expense	-11.0		-11.0
Depreciation and amortization	-4.5		-4.5
Other operating expenses	-32.7	2.5	-30.2
Operating profit	1.6	2.5	4.0

EUR million	1-9/2018	Items affecting comparability	Income statement excluding items affecting comparability
Revenue	208.5		208.5
Other operating income	0.1		0.1
Materials and services	-59.4		-59.4
Employee benefits expense	-31.2	0.3	-31.0
Depreciation and amortization	-13.0	0.0	-13.0
Other operating expenses	-79.4	0.1	-79.3
Operating profit	25.6	0.3	25.9

EUR million	1-9/2017	Items affecting comparability	Income statement excluding items affecting comparability
Revenue	223.2		223.2
Other operating income	0.7		0.7
Materials and services	-59.7		-59.7
Employee benefits expense	-38.3	1.8	-36.4
Depreciation and amortization	-25.0		-25.0
Other operating expenses	-80.0	2.6	-77.4
Operating profit	20.9	4.4	25.4

EUR million	1-12/2017	Items affecting comparability	Income statement excluding items affecting comparability
Revenue	297.2		297.2
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
Operating profit	31.4	4.5	35.9

* There were no significant items affecting comparability in the financial period 7-9/2018.

Reconciliation of adjusted operating profit

EUR million	7-9/2018*	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Operating profit	10.4	1.6	25.6	20.9	31.4
Restructuring costs arising from employee benefits expenses			0.3	1.8	1.8
Restructuring costs in Other operating expenses			0.1	0.1	0.1
Restructuring costs in Depreciation and amortization			0.0		
Listing-related expenses		2.5		2.5	2.5
Adjusted operating profit	10.4	4.0	25.9	25.4	35.9

* There were no significant items affecting comparability in the financial period 7-9/2018.

Reconciliation of EBITDA and Adjusted EBITDA

EUR million	7-9/2018*	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Operating profit	10.4	1.6	25.6	20.9	31.4
Depreciation and amortization	4.6	4.5	13.0	25.0	28.6
EBITDA	15.0	6.1	38.6	46.0	60.0
Restructuring costs arising from employee benefits expenses			0.3	1.8	1.8
Restructuring costs in Other operating expenses			0.1	0.1	0.1
Restructuring costs in Depreciation and amortization			0.0		
Listing-related expenses		2.5		2.5	2.5
Adjusted EBITDA	15.0	8.6	38.9	50.4	64.5

* There were no significant items affecting comparability in the financial period 7-9/2018

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

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Equity ratio, %	84.6%	72.9%	84.6%	72.9%	77.9%
Equity	156.7	127.2	156.7	127.2	140.4
Advances received	7.9	10.0	7.9	10.0	8.3
Deferred revenue	4.2	2.2	4.2	2.2	1.6
Total assets	197.4	186.6	197.4	186.6	190.2
Return on equity, %	25.4%	20.8%	25.4%	20.8%	23.4%
Profit/loss before tax	36.0	21.8	36.0	21.8	26.6
Shareholder's equity beginning of period	127.2	83.1	127.2	83.1	86.8
Shareholder's equity end of period	156.7	127.2	156.7	127.2	140.4
Net gearing ratio, %	-67.0%	-62.8%	-67.0%	-62.8%	-62.9%
Total interest-bearing debt	2.5	10.8	2.5	10.8	2.5
Cash and short-term deposits	107.4	90.7	107.4	90.7	90.8
Equity	156.7	127.2	156.7	127.2	140.4
Non-current interest-bearing loans and borrowings	2.5	2.5	2.5	2.5	2.5
Current interest-bearing loans and borrowings	0.0	8.3	0.0	8.3	0.0
Cash and short-term deposits	107.4	90.7	107.4	90.7	90.8
Net debt	-104.9	-79.9	-104.9	-79.9	-88.3

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	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Gross bookings	63.2	64.3	186.6	182.6	248.7
Change in deferred revenue	-0.4	0.0	-2.5	0.7	1.0
Custom contracts	0.4	0.0	1.2	0.7	1.4
Other adjustments	0.0	-0.3	0.0	-2.1	-3.1
Revenue	63.1	64.0	185.2	181.9	248.0

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. 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 (ARPDau and MARPPU) as it gives a more accurate view of Rovio’s operating performance than revenue at a specific point in time.

DAU (Daily Active Users), 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 (Monthly Active Users), 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 (Monthly Unique Payers), 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 (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–September 30, 2018

– Tables

The figures in the interim report are unaudited

Statement of consolidated profit or loss and other comprehensive income

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Revenue	71.0	70.7	208.5	223.2	297.2
Other operating income	0.1	0.1	0.1	0.7	0.8
Materials and services	20.5	21.0	59.4	59.7	81.8
Employee benefits expense	9.7	11.0	31.2	38.3	51.9
Depreciation and amortization	4.6	4.5	13.0	25.0	28.6
Other operating expenses	25.9	32.7	79.4	80.0	104.2
Operating profit	10.4	1.6	25.6	20.9	31.4
Finance income and expenses	-0.1	-2.1	0.4	-4.2	-4.7
Share of profit of associates	0.0	0.0	0.0	0.0	-0.1
Profit (loss) before tax	10.2	-0.5	26.0	16.7	26.6
Income tax expense	2.4	0.2	5.8	4.1	6.0
Profit for the period	7.9	-0.8	20.3	12.6	20.6
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Equity holders of the parent company	7.9	-0.8	20.3	12.6	20.6
Other comprehensive income/expense					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Translation differences	-0.0	-0.2	-0.0	-0.4	-0.4
Total comprehensive income for the period, net of tax	7.9	-0.9	20.2	12.2	20.2
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Equity holders of the parent company	7.9	-0.9	20.2	12.2	20.2
Earnings per share for net result attributable to owners of the parent:					
Earnings per share, EUR	0.10	-0.01	0.25	0.17	0.27
Earnings per share, diluted EUR	0.10	-0.01	0.25	0.16	0.27

Consolidated statement of financial position

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets	45.6	57.9	57.4
Property, plant and equipment	0.5	0.4	0.5
Intangible assets	40.7	56.3	53.1
Investment in associates and joint ventures	0.0	0.1	0.0
Non-current receivables	0.8	0.8	0.8
Deferred tax assets	3.6	0.3	3.0
Current assets	151.8	128.7	132.8
Trade receivables	31.4	28.2	29.1
Prepayments and accrued income	12.4	8.4	10.6
Other current financial assets	0.6	1.4	2.3
Cash and short-term deposits	107.4	90.7	90.8
Total assets	197.4	186.6	190.2
EQUITY AND LIABILITIES			
Equity			
Issued capital	0.7	0.7	0.7
Reserves	36.7	31.3	35.8
Translation differences	-0.6	-0.5	-0.5
Treasury shares	-0.6	0.0	0.0
Retained earnings	100.2	83.0	83.7
Profit for the period	20.3	12.6	20.6
Equity holders of the parent company	156.7	127.2	140.4
Non-controlling interests	0.0	0.0	0.0
Total equity	156.7	127.2	140.4
Liabilities			
Non-current liabilities	2.7	2.7	2.7
Interest-bearing loans and borrowings	2.5	2.5	2.5
Other non-current financial liabilities	0.1	0.1	0.1
Deferred tax liabilities	0.1	0.1	0.1
Current liabilities	38.0	56.7	47.1
Trade and other payables	8.7	12.4	8.9
Interest-bearing loans and borrowings	0.0	8.3	0.0
Other current financial liabilities	0.2	0.0	1.9
Advances received	7.9	10.0	8.3
Deferred revenue	4.2	2.2	1.6
Income tax payable	0.4	0.5	4.4
Provisions	0.5	0.7	0.8
Accrued liabilities	16.1	22.6	21.2
Total liabilities	40.7	59.4	49.8
Total equity and liabilities	197.4	186.6	190.2

Consolidated statement of changes in equity

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

EUR million	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
January 1, 2017	0.7	0.8	0.0	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
September 30, 2017	0.7	31.3	0.0	95.6	-0.5	127.2	0.0	127.2

Attributable to the equity holders of the parent on September 30, 2018

EUR million	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
December 31, 2017	0.7	35.8	0.0	104.3	-0.5	140.4	0.0	140.4
Adjustments to opening balance								
IFRS 2 amendment				0.2		0.2		0.2
January 1, 2018	0.7	35.8	0.0	104.6	-0.5	140.5	0.0	140.6
Profit for the period				20.3		20.3		20.3
Option subscriptions		0.9				0.9		0.9
Treasury shares acquisition			-0.6			-0.6		-0.6
Other comprehensive income					-0.0	-0.0		-0.0
Share-based payments				2.7		2.7		2.7
Cash dividends				-7.1		-7.1		-7.1
September 30, 2018	0.7	36.7	-0.6	120.4	-0.6	156.7	0.0	156.7

Consolidated statement of cash flows

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Operating activities					
Profit (loss) before tax	10.2	-0.5	26.0	16.7	26.6
Adjustments:					
Depreciation and amortization on tangible and intangible assets	4.6	4.5	13.0	25.0	28.6
Net foreign exchange differences	0.1	1.3	-0.7	2.6	2.7
Gain on disposal of property, plant and equipment	0.0	0.0	-0.0	-0.3	-0.3
Finance costs	-0.0	0.2	0.2	1.3	2.0
Share of profit of an associate and a joint venture	0.0	0.0	0.0	0.0	0.1
Other non-cash items	1.2	0.7	2.7	1.7	3.0
Change in working capital:					
Change in trade and other receivables and prepayments	-2.9	3.0	-2.1	5.7	0.3
Change in trade and other payables	-0.8	9.4	-5.4	2.4	-1.1
Interest received	0.1	0.0	0.2	0.0	0.0
Interest paid	-0.0	-0.3	-0.4	-0.9	-1.3
Income tax paid (received)	-1.5	-0.3	-10.2	-0.5	-1.0
Net cash flows from operating activities	11.1	18.0	23.4	53.7	59.6
Investing activities					
Purchase of tangible and intangible assets	-0.1	-1.5	-0.4	-7.4	-8.5
Proceeds from sales of tangible and intangible assets	0.0	0.0	0.0	0.3	0.3
Net cash flows used in investing activities	-0.1	-1.5	-0.4	-7.1	-8.1
Financing activities					
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0
Finance lease repayments	-0.1	0.0	-0.2	0.0	-0.1
Proceeds from and repayments of borrowings	0.0	0.0	0.0	-8.3	-16.7
Share subscriptions based on option rights	0.1	1.2	0.9	1.2	5.7
Acquisition of treasury shares	-0.6	0.0	-0.6	0.0	0.0
Proceeds of share issue	0.0	30.0	0.0	30.0	30.0
Share issue transaction costs	0.0	-0.6	0.0	-0.6	-1.3
Dividends paid to equity holders of the parent	0.0	-0.1	-7.1	-4.5	-4.5
Net cash flows from/(used in) financing activities	-0.5	30.5	-7.0	17.7	13.1
Change in cash and cash equivalents	10.5	47.0	16.0	64.4	64.6
Net foreign exchange difference	-0.1	-1.1	0.6	-2.7	-2.7
Cash and cash equivalents at beginning of period	97.0	44.9	90.8	28.9	28.9
Cash and cash equivalents at the end of the period	107.4	90.7	107.4	90.7	90.8

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

Rovio adopted IFRS 8 in 2017 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.

Rovio did not during the interim period have customers that would require disclosure (i.e. 10% or more of revenues from transactions with a single customer).

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 7-9/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	63.1	7.9	0.0		71.0
Other operating income	0.0	0.0	0.1		0.1
Materials and services	20.1	0.3	0.0		20.5
Employee benefits expense	6.7	0.9	1.5	0.6	9.7
User acquisition	17.8	0.0	0.0		17.8
Other operating expenses	4.4	0.9	1.4	1.4	8.1
Allocations	1.3	0.3	0.3	-2.0	0.0
EBITDA	12.7	5.6	-3.2	0.0	15.0
Depreciation and amortization	0.5	4.0	0.1		4.6
Operating profit	12.1	1.6	-3.4		10.4
EBITDA	12.7	5.6	-3.2		15.0
Adjustments	0.0	0.0	0.0		0.0
Adjusted EBITDA	12.7	5.6	-3.2		15.0
Operating profit	12.1	1.6	-3.4		10.4
Adjustments	0.0	0.0	0.0		0.0
Adjusted operating profit	12.1	1.6	-3.4		10.4

Segment Capital expenditure 7-9/2018

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

Segment assets Sep 30, 2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.5	32.2	5.9	45.6

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

Segment 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 Sep 30, 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 1-9/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	185.2	23.3	0.0		208.5
Other operating income	0.0	0.0	0.1		0.1
Materials and services	58.1	1.3	0.0		59.4
Employee benefits expense	22.0	2.8	4.5	2.0	31.2
User acquisition	55.3	0.0	0.0		55.3
Other operating expenses	13.6	2.5	3.7	4.2	24.0
Allocations	4.0	0.9	1.3	-6.1	0.0
EBITDA	32.2	15.8	-9.4	0.0	38.6
Depreciation and amortization	1.7	11.0	0.3		13.0
Operating profit	30.6	4.7	-9.7		25.6
EBITDA	32.2	15.8	-9.4		38.6
Adjustments	0.3	0.0	0.0		0.3
Adjusted EBITDA	32.5	15.8	-9.4		38.9
Operating profit	30.6	4.7	-9.7		25.6
Adjustments	0.3	0.0	0.0		0.3
Adjusted operating profit	30.9	4.7	-9.7		25.9

Segment Capital expenditure 1-9/2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.3	0.0	0.1	0.4

Segment assets Sep 30, 2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.5	32.2	5.9	45.6

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

Segment 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 Sep 30, 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 1-12/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	248.0	49.2	0.0		297.2
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
EBITDA	43.2	30.1	-13.2	0.0	60.0
Depreciation and amortization	4.7	23.6	0.3		28.6
Operating profit	38.4	6.4	-13.5		31.4
EBITDA	43.2	30.1	-13.2		60.0
Adjustments	0.1	1.9	2.6		4.5
Adjusted EBITDA	43.2	31.9	-10.7		64.5
Operating profit	38.4	6.4	-13.5		31.4
Adjustments	0.1	1.9	2.6		4.5
Adjusted operating profit	38.5	8.3	-11.0		35.9

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 Sep 30, 2018	At Sep 30, 2017	At December 31, 2017
Equipment lease commitments			
Due within one year	0.2	0.1	0.1
Due in subsequent years	0.1	0.1	0.1
Total	0.3	0.2	0.3
Office rental commitments			
Due within one year	2.2	2.5	2.5
Due in subsequent years	2.0	4.1	3.7
Total	4.1	6.6	6.1
Other commitments			
Enterprise mortgages	0.0	30.0	30.0
Total	0.0	30.0	30.0

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.

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

In August 2018, the company sold to Mikael Hed a US patent relating to a remotely controllable vehicle invention of which Mikael was the original inventor. Rovio did not anticipate any meaningful value from the patent to the company and thus it was sold for EUR 38 thousand covering the costs of the patent application process. In addition, Rovio would receive a share of potential future net revenue arising from the patent. Mikael Hed is a minority owner of Trema International Holdings B.V. and he exercises significant influence on the company.

5. Mergers, acquisitions and divestments

In the first quarter 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

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Earnings per share, EUR	0.10	-0.01	0.25	0.17	0.27
Earnings per share, diluted, EUR	0.10	-0.01	0.25	0.16	0.27
Shares outstanding at the end of the period (thousands)	79,315	77,921	79,315	77,921	79,171
Weighted average adjusted number of shares outstanding during the financial period, basic (thousands)	79,403	75,080	79,352	74,992	75,795
Weighted average adjusted number of shares outstanding during the financial period, diluted (thousands)	80,308	77,183	80,259	76,450	77,370