

Rovio Entertainment Corporation
Financial Statement Bulletin
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FINANCIAL STATEMENT BULLETIN FOR JANUARY-DECEMBER 2017

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 **ROVIO**

Rovio's Q4 2017: revenue growth continued, operating profit more than doubled

October–December 2017 highlights

- Rovio's revenue increased by 17.0% to EUR 73.9 million (63.2)
- Games: revenue grew 42.3 percent to 66.1 million euros (46.5)
- Brand Licensing: revenue declined 53.3 percent 7.8 million euros (16.7)
- The Group's adjusted EBITDA was EUR 14.1 million (15.9)
- EBITDA was EUR 14.0 million (15.9)
- Operating profit was EUR 10.4 million (4.9)
- Profit before taxes was EUR 9.9 million (5.1)
- Earnings per share were EUR 0.10 (0.04)
- Diluted earnings per share were EUR 0.10 (0.04)
- Net cash flows from operating activities decreased to EUR 5.8 million (8.3)
- Games global quarterly ARPDAU increased to EUR 8 cents (4). TOP 5 games quarterly ARPDAU increased to EUR 14 cents (7).
- User acquisition investments totaled EUR 15.9 million (7.7), or 24.0% of the Games segment's revenue (16.5%)

January–December 2017 highlights

- Rovio's revenue increased by 55% to EUR 297.2 million (191.7)
- Games: revenue grew 55.9 percent to 248.0 million euros (159.0)
- Brand Licensing: revenue grew 50.5 percent to 49.2 million euros (32.7)
- Adjusted EBITDA increased to EUR 64.5 million (35.4)
- EBITDA increased to EUR 60.0 million (35.4)
- Operating profit increased to EUR 31.4 million (16.9) and adjusted operating profit to EUR 35.9 million (16.9)
- Profit before taxes increased to EUR 26.6 million (15.4)
- Earnings per share were EUR 0.27 (0.14)
- Diluted earnings per share were EUR 0.27 (0.14)
- Net cash flows from operating activities increased to EUR 59.6 million (22.8)
- User acquisition investments totaled EUR 69.6 million (18.2), or 28.1% of the Games segment's revenue (11.5%)
- Rovio restructured the Brand Licensing unit in the first half of 2017. As a result, Rovio's average number of personnel in 2017 decreased to 416 (476)
- Rovio signed a production and publishing agreement with Columbia Pictures (Sony Pictures) for the sequel to the Angry Birds Movie. The movie is planned for release in September 2019
- Rovio launched three new games in 2017: Battle Bay, Angry Birds Evolution and Angry Birds Match
- Rovio was listed on the Nasdaq Helsinki main list on September 29, 2017

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period in the previous year (reference period).

Key figures

EUR million	10-12/ 2017	10-12/ 2016	Change, [%]	1-12/ 2017	1-12/ 2016	Change, [%]
Revenue	73.9	63.2	17.0%	297.2	191.7	55.0%
EBITDA	14.0	15.9	-11.7%	60.0	35.4	69.6%
EBITDA margin	19.0%	25.1%		20.2%	18.5%	
Adjusted EBITDA	14.1	15.9	-11.3%	64.5	35.4	82.3%
Adjusted EBITDA margin, %	19.0%	25.1%		21.7%	18.5%	
Operating profit	10.4	4.9	112.0%	31.4	16.9	85.8%
Operating profit margin, %	14.1%	7.8%		10.6%	8.8%	
Adjusted operating profit	10.5	4.9	113.2%	35.9	16.9	112.5%
Adjusted operating profit margin, %	14.2%	7.8%		12.1%	8.8%	
Profit before tax	9.9	5.1	93.3%	26.6	15.4	73.2%
Capital expenditure	1.1	4.8	-77.6%	8.5	23.3	-63.7%
User acquisition cost	15.9	7.7	107.4%	69.6	18.2	281.7%
Return on equity (ROE), %	23.4%	19.1%	-	23.4%	19.1%	-
Net gearing ratio, %	-62.9%	-11.5%	-	-62.9%	-11.5%	-
Equity ratio, %	77.9%	64.1%	-	77.9%	64.1%	-
Earnings per share, EUR	0.10	0.04	152.5%	0.27	0.14	92.9%
Earnings per share, diluted EUR	0.10	0.04	149.4%	0.27	0.14	90.4%
Net cash flows from operating activities	5.8	8.3	-30.1%	59.6	22.8	160.8%
Employees (average for the period)	397	472	-15.9%	416	476	-12.6%

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

Outlook for 2018

Rovio Group revenue is expected to be 260–300 million euros in 2018 (297 million euros in 2017). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 9 to 11 percent (10.6 percent in 2017).

Basis for outlook

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

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

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

Dividend proposal

The parent company's distributable funds amount to EUR 129,800,550.68, of which the profit for the period is EUR 19,577,177.06. The Board of Directors proposes to the Annual General Meeting to be held on April 16, 2018 that a dividend of EUR 0.09 per share be paid (EUR 0.06 for 2016). No dividend will be paid on any treasury shares held by the Company. Based on the number of shares as of the balance sheet date, December 31, 2017, the total amount of the dividend is EUR 7,125,414.75.

Kati Levoranta, CEO:

"The year 2017 was the best year in Rovio's history. The performance indicators of the Company's top games improved and Games revenue grew by 56%. Group revenue increased by 55%, and both the adjusted operating profit and earnings per share doubled. I therefore wish to thank all our employees for this great achievement!

During the year the key figures of Games segment showed strong development due to the improved monetization of the top games. However, in the last quarter of the year our new games, Angry Birds Match, Angry Birds Evolution and Battle Bay landed short of our expectations. Competition in the market intensified, which led to a significant increase in the unit costs of user acquisition, especially in the puzzle genre. Due to this development, Rovio reduced its relative investments in user acquisition to 24% of Games segment revenues in the last quarter. Measured by EBITDA, the unit's profitability was at a good level of 21 percent.

Although Rovio's business has a healthy foundation, we are not satisfied with the current performance. Our intention is to return to a higher growth path. We seek to grow our Games business through continuous development, renewal, and improved monetization of our current top live games, and through profitable user acquisition. This Games-as-a-Service model was well proven by our top game Angry Birds 2 as it grew its gross bookings by 83% in 2017. Likewise Angry Birds Friends, launched in 2012, still goes strong. While we see a lot of potential in our existing live game portfolio, Rovio also continues to invest in the development of new games. In response to the increased competition we want to raise our game development and operations to the next level.

The revenue of the Brand Licensing business decreased in the fourth quarter as expected by the declining revenue profile of the Angry Birds Movie. In spite of the decrease in revenues, the unit's EBITDA amounted to nearly 50% of revenues. Rovio will continue to strengthen the Angry Birds brand in 2018 by, e.g., bringing new video content to the market in cooperation with partners, licensing the brand for new activity parks, and preparing the launch of the Angry Birds Movie sequel, set for release in September 2019.

Rovio continued to finance the beta phase product testing and go-to-market of its subsidiary Hatch Entertainment Oy by approximately EUR 5 million in 2017. The increasing investments in Hatch during 2018 supports Rovio's strategy of exploring the future of mobile gaming in addition to the development of free-to-play games. Rovio will also continue to actively assess potential acquisition targets."

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Briefing and webcast:

Rovio will organize an English-language briefing on the result for the financial year for media, analysts, and institutional investors on March 2, 2018 from 14:00 to 15:00 EET at the Rovio office located at Keilaranta 7, Espoo. Registration for attendance should be made in advance by e-mail to comms@rovio.com. The event can be viewed as a real-time webcast and subsequently as a recording on the Company's website at www.rovio.com/investors.

ROVIO ENTERTAINMENT CORPORATION

Board of Directors

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Rovio in brief

Rovio is a games-first entertainment company that creates, develops, and publishes mobile games and acts as a brand licensor in various entertainment and consumer product categories. The Company is best known for the global Angry Birds brand, which started from a popular mobile game in 2009. Today, the Company offers multiple mobile games, has produced The Angry Birds Movie, which opened number one in theatres in 50 countries, and licenses the Angry Birds brand to consumer products and other entertainment content. Rovio's operations are divided into two business units, Games and Brand Licensing. Rovio is headquartered in Finland and has offices in Sweden, Great Britain, China, and the United States.

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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 financial statement bulletin, 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 January 2018, the total market size in end-user generated revenue was USD 40 billion in 2016. According to the same report, the mobile gaming market size in 2017 grew to USD 50.4 billion, or 23% year-on-year. The rate of growth was five percentage points higher than Newzoo's previous estimate published in April 2017.

According to Newzoo's January 2018 report, the global market is estimated to grow by 15% in 2018. The main driver of growth is China, where the market is expected to grow by 19% year-on-year in 2018. In 2017, China already accounted for 35% of the total mobile gaming market, a larger share than North America and Western Europe combined. Growth in China has been driven particularly by locally developed games, such as Tencent's hit game Honor of Kings, which was also the global number one in 2017 in terms of revenue.

According to the same report, the compound annual growth rate (CAGR) in 2017–2020 is expected to be 13%. 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 5–6%, whereas China is estimated to grow at 14% CAGR from 2017 to 2020.

Revenue and result

October–December 2017

In the fourth quarter, Rovio's revenue increased by 17% compared to the corresponding period of the previous year and amounted to EUR 73.9 million (63.2). The increase in revenue was mainly driven by the improved monetization performance of Rovio's top games as well as new game launches in 2017 and related user acquisition investments.

The revenue of the Games segment increased by 42.3% to EUR 66.1 million (46.5). The Games segment's growth during the review period was primarily due to higher revenue per paying user. 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 decreased by 53.3% to EUR 7.8 million (16.7). The revenue consisted of EUR 3.8 million (8.5) from the Content Licensing unit's business, the majority of which was income from the Angry Birds Movie, and EUR 4.0 million (8.2) from the Consumer Products unit's business. The decline in the revenue of Consumer Products was attributable to the sales of consumer products peaking in the comparison period in 2016 due to the release of the Angry Birds Movie. Revenue related to the Angry Birds Movie declined in line with expectations.

The Group's EBITDA was EUR 14.0 million (15.9), or 19.0% (25.1%) of revenue. The year-on-year decline in EBITDA was due to the decrease in the Brand Licensing segment's revenue and, in particular, lower revenue from the Angry Birds Movie, which had a direct impact on EBITDA.

The Group's operating profit was EUR 10.4 million (4.9), or 14.1% (7.8%) of revenue.

The Games segment's EBITDA was EUR 14.0 million (10.5). The Brand Licensing segment's EBITDA was EUR 3.7 million (8.7).

The Group's total depreciation and amortization amounted to EUR 3.6 million (10.9), the majority of which was due to amortization of the Angry Birds Movie.

The Group's result before taxes for the fourth quarter was EUR 9.9 million (5.1) and earnings per share were EUR 0.10 (0.04). Diluted earnings per share were EUR 0.10 (0.04)

January–December 2017

Rovio's revenue increased by 55.0% compared to the previous year and amounted to EUR 297.2 million (191.7). The increase in revenue was mainly driven by the continued strong monetization performance of Rovio's top games and related user acquisition investments, new games published in 2017 and revenue from the Angry Birds Movie released in May 2016.

The revenue of the Games segment increased by 55.9% to EUR 248.0 million (159.0).

The revenue of the Brand Licensing segment increased by 50.5% to EUR 49.2 million (32.7). The revenue consisted of EUR 38.0 million (12.2) from the Content Licensing business, the majority of which was income from the first Angry Birds Movie, and EUR 11.2 million (20.5) from the Consumer Products business.

The Group's adjusted EBITDA increased to EUR 64.5 million (35.4), or 21.7% (18.5%) of revenue. EBITDA increased to EUR 60.0 million (35.4), or 20.2% (18.5%) 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 85.8% year-on-year and amounted to EUR 31.4 million (16.9). The adjusted operating profit increased to EUR 35.9 million (16.9).

The EBITDA of the Games segment was EUR 43.2 million (39.8). The EBITDA of the Brand Licensing segment increased to EUR 30.1 million (5.8). The growth in the Brand Licensing segment's EBITDA was particularly attributable to revenue from the first Angry Birds Movie.

The Group's total depreciation and amortization amounted to EUR 28.6 million (18.5), the majority of which was due to amortization of the Angry Birds Movie.

The Group's result before taxes for the review period was EUR 26.6 million (15.4) and earnings per share were EUR 0.27 (0.14). Diluted earnings per share were EUR 0.27 (0.14).

Financing and investments

Rovio's investments decreased by 77.6% to EUR 1.1 million (4.8) in the fourth quarter of 2017. Total investments for January–December 2017 amounted to EUR 8.5 million (23.3), down 63.7%. Rovio refers to the user acquisition costs of the Games segment as investments but, pursuant to accounting regulations, they are recognized as expenses rather than investments due to their average payback period being less than one year.

The Games segment's investments amounted to EUR 0.9 million (1.6) in the fourth quarter and were related to outsourced development projects. The Brand Licensing segment's investments amounted to EUR 0.2 million (3.1) in the fourth quarter and were related to the production of two short form animation series.

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 fourth quarter of 2017.

Rovio paid the third and final installment of a loan from the European Investment Bank during the review period. At the end of 2017, the total remaining borrowings amounted to EUR 2.5 million, consisting of a product development loan from Tekes (the Finnish Funding Agency for Innovation).

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 includes the expenses of Rovio's subsidiary Hatch Entertainment and the Group's other unallocated expenses.

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. Rovio collects royalty payments based on varying percentages of the licensees' revenue. 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 the 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 Senior Vice President in charge of the segment allocates the resources and sets targets for the sub-units at his discretion.

The Other reporting segment includes the expenses of Rovio's subsidiary Hatch Entertainment Oy, 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 contain segment specific additional key performance indicators that are relevant to that segment only.

Games

October–December 2017

The Games segment achieved strong growth in October–December 2017. Revenue increased by 42.3% year-on-year and amounted to EUR 66.1 million (46.5). 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, Angry Birds Match, and Battle Bay. Rovio's top five games in the fourth quarter were Angry Birds 2, Angry Birds Evolution, Angry Birds Friends, Angry Birds Blast, and Angry Birds Match. Angry Birds Pop and Battle Bay were outside the top five.

User acquisition investments in the fourth quarter totaled EUR 15.9 million, or 24.0% of the Games segment's revenue (EUR 7.7 million, 16.4%). The payback period of the user acquisition investments is expected to be 8–10 months. The competitive landscape for relevant digital advertising has intensified over 2017, showing a steep increase especially late in the year. Average overall Cost Per Install (CPI) rates paid by top publishers of top mobile games increased by close to 50% over the year and Puzzle CPI rates close to doubled over the year, with steepest increase in Q3 and Q4.

The Games segment's EBITDA increased to EUR 14.0 million (10.5), up 32.8% year-on-year. The increase in EBITDA was due to revenue from previous user acquisition investments and successful in-game events in December. A non-recurring adjustment to specify deferred revenue from in-app purchases had a positive effect of approximately EUR 1.9 million on the Games segment's revenue and approximately EUR 1.2 million on the segment's EBITDA.

January–December 2017

The Games segment's revenue increased by 55.9% year-on-year in January–December 2017 and amounted to EUR 248.0 million (159.0). The strong growth was mainly driven by new releases and 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 during the review period: 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 69.6 million, or 28.1% of the Games segment's revenue (EUR 18.2 million, 11.5%).

The Games segment's EBITDA increased by 8.5% year-on-year in January–December 2017 and amounted to EUR 43.2 million (39.8).

The Games segment's investments declined to EUR 4.1 million (7.3) in January–December 2017 due to a decrease in investments in game projects by external game studios and the Games segment focusing more on internal game development.

The depreciation of the US dollar against the euro in 2017 reduced the euro-denominated revenue from the movie by approximately 3%.

EUR million	10-12/ 2017	10-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Revenue	66.1	46.5	42.3%	248.0	159.0	55.9%
Adjusted EBITDA	14.0	10.5	32.8%	43.2	39.8	8.7%
EBITDA	14.0	10.5	32.8%	43.2	39.8	8.5%
User acquisition cost	15.9	7.7	107.4%	69.6	18.2	282.0%
User acquisition share of revenue, %	24.0%	16.5%	-	28.1%	11.5%	-
Capital expenditure	0.9	1.6	-46.3%	4.1	7.3	-43.1%

Key performance indicators of the Games segment

The key performance indicators of the Games segment shown below use gross bookings in place of gross revenue. The reconciliation of gross bookings to gross revenue is provided in the 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 fourth quarter of 2017, the Games segment continued to focus on improving monetization and profitable customer acquisition. Daily average users (DAU) declined by 14% for the game portfolio as a whole and by 13% for the top games during the review period. This was due to drops in daily users following peaks in downloads for the three games launched in 2017 as well as lower user volumes for the old portfolio. The monthly average revenue per paying customer (MARPPU) for the entire game portfolio increased to EUR 35.2, up 5% from the previous quarter. For Rovio's top games, MARPPU rose to EUR 35.6, up 10% from the previous quarter. The growth in average revenue per paying customer was evidence of successful campaigns and in-game events.

Game-specific performance in the Games segment

Angry Birds 2, released in July 2015, was Rovio's top game in the fourth quarter with gross bookings of EUR 19.9 million, and also the top game for the year with gross bookings of EUR 78.7 million. The gross bookings of Angry Birds 2 increased by 83% year-on-year thanks to successful updates and user acquisition. Together with newly launched games, it was Rovio's most significant engine of growth in 2017. Released in December 2016, Angry Birds Blast was Rovio's second-biggest game in 2017 with gross bookings of EUR 39.6 million. It was also Rovio's biggest game in the puzzle game category. Angry Birds Friends, released back in 2012, was third with gross bookings of EUR 32.7 million after 5% growth in 2016–2017 thanks to successful updates. Released in June 2017, Angry Birds Evolution emerged as Rovio's second-biggest game in the second half of 2017 and

generated gross bookings of EUR 21.6 million for the year. It was also Rovio's most successful game in the role playing category. Released in August 2017, Angry Birds Match is Rovio's newest game. Its gross bookings for the year were EUR 10.1 million and it was Rovio's fifth-biggest game in the fourth quarter. The real-time multiplayer game Battle Bay, launched in May, reached gross bookings of EUR 12.7 million for the year. The growth of Rovio's new games, namely Angry Birds Match, Angry Birds Evolution and Battle Bay, did not, however, meet the expectations set for them due to the substantially intensified competition in the markets.

Other games, which include the less actively maintained components of Rovio's game portfolio, generated combined gross bookings of EUR 31.1 million in 2017. This was 35% lower than in 2016 (EUR 48.5 million) due to user acquisition investments being allocated to the top games.

EUR million	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
Gross bookings Top 5	51.8	50.6	50.6	47.9	37.2	32.3	28.0
Gross bookings total	66.1	64.3	61.9	56.3	45.9	40.1	36.6

Million	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
DAU Top 5	4.0	4.6	4.9	5.0	6.0	6.2	6.7
DAU All	9.2	10.7	10.6	11.2	11.1	12.6	13.5
MAU Top 5	20.3	24.0	25.6	25.4	40.2	41.4	46.4
MAU All	64.8	79.5	79.7	83.1	88.5	102.8	112.7

Thousand	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
MUP Top 5	447	469	479	495	382	354	341
MUP All	555	571	563	550	456	435	440

EUR	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
ARPDau Top 5	0.14	0.12	0.11	0.11	0.07	0.06	0.05
ARPDau All	0.08	0.07	0.06	0.06	0.04	0.03	0.03
MARPPU Top 5	35.6	33.7	32.6	29.8	28.2	26.7	23.7
MARPPU All	35.2	34.1	32.4	30.0	27.8	25.7	22.6

Gross bookings, EUR million	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
Top 5 games							
AB 2	19.9	18.3	20.6	19.9	15.5	12.3	9.2
AB Friends	7.9	7.9	8.6	8.3	9.5	8.0	7.7
AB Blast	7.9	9.3	11.3	11.0	0.8	-	-
AB Evolution	8.7	10.1	2.7	-	-	-	-
AB Match	7.4	2.7	-	-	-	-	-
AB Pop	4.5	5.0	5.9	6.9	8.3	8.1	6.9
Battle Bay	3.8	4.6	4.3	-	-	-	-
Other	6.0	6.7	8.6	10.0	11.8	11.7	12.8
Total	66.1	64.7	62.0	56.3	45.9	40.1	36.6

Brand Licensing

October–December 2017

In October–December 2017, the Brand Licensing segment's revenue decreased to EUR 7.8 million (16.7), down 53.3% year-on-year. The year-on-year decline was due to a peak in revenue in 2016 created by the release of the Angry Birds Movie, particularly in the 2016 Christmas sales season. Revenue from the Angry Birds Movie decreased in line with expectations, which also contributed to the decrease in revenue in the fourth quarter. The Brand Licensing segment's EBITDA was EUR 3.7 million (8.7). Investments totaled EUR 0.2 million (3.1). The decrease in investments was due to Rovio switching to the licensing model in the production of the sequel to the Angry Birds Movie, with Rovio no longer investing in the movie itself.

January–December 2017

The Brand Licensing segment's revenue increased by 50.5% in January–December and amounted to EUR 49.2 million (32.7). 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 first Angry Birds Movie generated EUR 36.0 million in revenue during the 2017 financial year. The depreciation of the US dollar against the euro in 2017 reduced the euro-denominated revenue from the movie by approximately 10%.

The Consumer Products unit's revenue for the review period was EUR 11.2 million (20.5), down 45.5% 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 3.9 million (15.3), a significant decrease from the previous year. In January–December 2016, the Angry Birds movie's production expenses were still significant, while Rovio's decision to not finance the movie sequel itself significantly reduced investments in January–December 2017. The investments of EUR 3.9 million in January–December 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 was finalized at the end of the review period. 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 2017.

EUR million	10–12/2017	10–12/2016	Change, %	1–12/2017	1–12/2016	Change, %
Revenue	7.8	16.7	-53.3%	49.2	32.7	50.5%
Consumer products	4.0	8.2	-51.9%	11.2	20.5	-45.5%
Content licensing	3.8	8.5	-54.6%	38.0	12.2	211.7%
Adjusted EBITDA	3.7	8.7	-57.0%	31.9	5.8	450.5%
EBITDA	3.7	8.7	-57.0%	30.1	5.8	418.0%
Capital expenditure	0.2	3.1	-93.5%	3.9	15.3	-74.5%
Amortization	2.6	5.0	-47.6%	23.6	7.5	213.1%

Other segment

Hatch Entertainment

Hatch Entertainment Oy, a subsidiary in which Rovio holds an 80% stake, is developing a game streaming service for mobile devices. The product entered the open beta phase in the fourth quarter and is now free to download for Android phones on the Google Play Store in sixteen European countries. The purpose of the beta phase is to test the technical performance of the service, collect consumer feedback, and optimize its KPIs, such as user retention. The service, which already includes more than 100 games, will be monetized in the early stages through advertising.

Rovio financed the operations of Hatch Entertainment Oy by approximately EUR 5 million in 2017. Hatch did not generate any revenue during the review period.

Consolidated statement of financial position

Consolidated statement of financial position, EUR million	31 Dec 2017	31 Dec 2016
Non-current assets	57.4	76.9
Current assets	132.8	72.8
Current receivables	42.0	43.9
Cash and cash equivalents	90.8	28.9
Total assets	190.2	149.7
Equity	140.4	86.8
Financial liabilities	2.5	19.4
Advances received and deferred income	9.9	14.3
Other payables	37.5	29.2
Total equity and liabilities	190.2	149.7

Rovio's consolidated statement of financial position amounted to EUR 190.2 million on December 31, 2017 (December 31, 2016: 149.7), with total equity representing EUR 140.4 million (86.8) of this total. Total cash and cash equivalents amounted to EUR 90.8 million (28.9) at the end of the quarter. The significant increase in cash and cash equivalents during the financial year was attributable to funds raised by the IPO as well as business revenue. Total advances received and deferred income amounted to EUR 9.9 million (14.3). The decrease in advances received was mostly attributable to a higher amount of expired Consumer Products license agreements and associated recognized revenues in the comparison period as compared to new signed agreements and associated advance payments. The accrual of sales revenue was also reduced by a non-recurring adjustment to deferred revenue from in-app purchases.

On December 31, 2017, Rovio's non-current assets totaled EUR 57.4 million (76.9). The change was primarily due to the amortization of intangible assets, particularly in relation to the development expenses of the first Angry Birds Movie. Rovio recognizes amortization on the movie in each reporting period in an amount that corresponds to 55% of the Angry Birds Movie's revenue for the period in question. In addition, non-current deferred tax assets increased by approximately EUR 1.8 million.

Rovio's net debt on December 31, 2017, stood at EUR -88.3 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.

Consolidated statement of cash flows, EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Cash flow from operating activities*	5.8	8.3	59.6	22.8
Cash flow from investing activities*	-1.1	-4.8	-8.1	-23.3
Cash flow from financing activities	-4.6	-8.0	13.1	-5.6
Change in cash and cash equivalents	0.2	-4.5	64.6	-6.0
Net foreign exchange difference	0.0	0.9	-2.7	0.5
Cash and cash equivalents at the beginning of the period	90.7	32.5	28.9	34.4
Cash and cash equivalents at the end of the period	90.8	28.9	90.8	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 5.8 million (8.3) in the final quarter and EUR 59.6 million (22.8) in the twelve-month period that ended on December 31, 2017. The decrease in the fourth quarter was due to a change in EBITDA and taxes paid during the review period. The increase for the full year was attributable to higher EBITDA, boosted by movie-related revenue, as well as changes in working capital. 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 sequels instead of investing in the production itself, as was the case for the first movie.

Cash flow from financing in the financial year that ended on December 31, 2017, amounted to EUR 13.1 million (-5.6) and consisted of inflows of EUR 35.7 million in investments in the Initial Public Offering and stock option subscriptions, offset by EUR 1.3 million of share issue transaction costs, and outflows of EUR 16.7 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 January to December 2017, Rovio's average number of employees was 416 (476) in terms of full-time employees. The Games business unit employed 304 people (265), the Brand Licensing business unit 62 people (135), and other operations and administrative functions 50 people (77).

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 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.

	10-12/ 2017	10-12/ 2016	Change, (%)	1-12/ 2017	1-12/ 2016	Change, (%)
Employees (average for the period)	397	472	-15.9%	416	476	-12.6%

Listing on the Helsinki stock exchange

On September 5, 2017, Rovio Entertainment Corporation announced its intention to apply to have its shares 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. Trading in the Rovio share (trading code ROVIO, ISIN code FI4000266804) commenced on the main list of Nasdaq Helsinki on October 3, 2017.

The total expenses incurred by the Company from the listing amounted to EUR 3.9 million. Of this total, EUR 2.6 million is recognized in other operating expenses, EUR 0.6 million is recognized in the Group's financial expenses, and EUR 0.7 million (before taxes) is deducted from equity.

Flagging notices

Rovio received the following flagging notices in the fourth quarter related to the Company's listing process:

On October 3, 2017, Trema International Holdings B.V. issued a flagging notice indicating that its direct holding of the shares in the Company had decreased to 36.64% and that its holding through financial instruments had increased above the threshold of 5%. The change was related to a share lending agreement by which Trema and Silavano Investments S.à.r.l lent 4,638,000 Rovio shares to Danske Bank. The arrangement did not affect Trema's aggregate total holdings of Rovio shares.

On October 30, 2017, Trema International Holdings B.V. issued a flagging notice indicating that its direct holding of Rovio's shares had increased to 41.45% and that its holding through financial instruments had decreased below the threshold of 5%.

Shares and shareholders

On December 31, 2017, Rovio's share capital amounted to EUR 0.7 million and the number of shares was 79,171,275. According to information provided by Euroclear, the Company's five largest shareholders were Trema International Holdings B.V. with 40.79%, Varma Mutual Pension Insurance Company with 3.43%, Silavano Investments S.a.r.l. with 2.76%, Niklas Hed with 2.52%, and Ilmarinen Mutual Pension Insurance Company with 2.26%. The five largest shareholders held 51.77% of the Company's shares. The shareholdings of the 10 largest shareholders are presented in the table below (nominee-registered holdings excluded).

Shareholder	Number of shares	Percentage of shares and votes
1. Trema International Holdings B.V.	32,297,528	40.79%
2. Varma Mutual Pension Insurance Company	2,715,022	3.43%
3. Silavano Investments S.Á.R.L.	2,183,734	2.76%
4. Hed Niklas Peter	1,996,746	2.52%
5. Ilmarinen Mutual Pension Insurance Company	1,792,500	2.26%
6. Vesterbacka Jan-Peter Edvin	1,456,229	1.84%
7. Elo Mutual Pension Insurance Company	1,200,000	1.52%
8. The State Pension Fund	1,000,000	1.26%
9. Aktia Capital investment fund	875,074	1.11%
10. Mandatum Life Insurance Company Limited	720,000	0.91%
Ten largest, total	46,236,833	58.40%
Other shareholders	32,934,442	41.60%
Total	79,171,275	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 option plan provides for the issuance of up to 5,000,000 options. Each option entitles its holder to subscribe for one share.

The option plan includes three lots of options that can be allocated to 2017, 2018, and 2019. The 2017 options have a vesting period of two years. The 2018 and 2019 options have a vesting period of three years. The subscription price for the 2017 options is the share price in Rovio's Initial Public Offering. The subscription price for the 2018 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during September 1 through September 30, 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during September 1 through September 30, 2019. A total of 1,312,650 options were allocated under the 2017 option program on December 31, 2017.

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

The restricted share plan is constructed as a restricted share pool from which a predetermined number of Rovio shares can be allocated to a limited number of selected key employees. The Company's Board of Directors decides for each participant separately the length of the restricted period (1–3 years) relating to the shares allocated to the employee under the restricted share plan. The restricted share plan participants must be working at Rovio when the shares are transferred. The initial maximum number of shares that can be distributed through the restricted share plan is 500,000. Once the maximum number of shares has been allocated, the Board of Directors can decide on a new maximum number. A total of 303,800 rights entitling to shares had been allocated under the restricted share plan as of December 31, 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 accountants 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 and in Rovio's interim report for January–September 2017.

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 Ihamuotila 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.

Outlook for 2018

Rovio Group revenue is expected to be 260–300 million euros in 2018 (297 million euros in 2017). Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 9 to 11 percent (10.6 percent in 2017).

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

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

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

Dividend proposal

The parent company's distributable funds amount to EUR 129,800,550.68, of which the profit for the period is EUR 19,577,177.06. The Board of Directors proposes to the Annual General Meeting to be held on April 16, 2018 that a dividend of EUR 0.09 per share be paid (EUR 0.06 for 2016). No dividend will be paid on any treasury shares held by the Company. Based on the number of shares as of the balance sheet date, December 31, 2017, the total amount of the dividend is EUR 7,125,414.75.

There have been no significant changes in the Company's financial position after the end of the financial year. In the Board of Directors' view, the proposed distribution dividend does not compromise the Company's solvency.

Annual Review and Corporate Governance Statement

The estimated time of publication of Rovio's Annual Review 2017 is latest during the week 13, 2018. The Annual Review will be published online at www.rovio.com. The Annual Review will include the Report by the Board of Directors and the financial statements for 2017. Rovio's Corporate Governance Statement and Remuneration Statement will be issued as separate documents from the financial statements and will become available for download at www.rovio.com.

Annual General Meeting

Rovio Entertainment Corporation's Annual General Meeting will be held in Helsinki on April 16, 2018. More information is available online at

<https://www.rovio.com/investors/governance/corporate-governance/general-meeting-2018>

Events after the review period

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

On March 1st, 2018, Rovio decided on a plan that would see its game studio in London closed and the functions of the games business centralized in Espoo and Stockholm. Should the plan be implemented, the operations of the London studio will be discontinued by the end of March and the employment of the seven people working at the London studio will be terminated. Rovio plans to utilize the work done at the London studio in the MMO game genre at the Battle studio in Espoo, particularly in real-time player vs. player and team vs. team games (such as Battle Bay).

After the review period, a total of 214,267 Rovio Entertainment Corporation's new shares have been subscribed for with the stock options. The entire subscription price of EUR 688,744.98 shall be recorded into the invested unrestricted equity reserve.

As a result of the share subscriptions, the number of Rovio Entertainment Corporation's shares increased to 79,385,542 shares.

The shares subscribed for under the stock options have been registered in the Trade Register on 22 February 2018, as of which date the new shares will establish shareholder rights.

Performance measures

EUR million	10-12 / 2017	10-12 / 2016	Change, [%]	1-12 / 2017	1-12 / 2016	Change, [%]
Revenue	73.9	63.2	17.0%	297.2	191.7	55.0%
EBITDA	14.0	15.9	-11.7%	60.0	35.4	69.6%
EBITDA margin	19.0%	25.1%		20.2%	18.5%	
Adjusted EBITDA	14.1	15.9	-11.3%	64.5	35.4	82.3%
Adjusted EBITDA margin, %	19.0%	25.1%		21.7%	18.5%	
Operating profit	10.4	4.9	112.0%	31.4	16.9	85.8%
Operating profit margin, %	14.1%	7.8%		10.6%	8.8%	
Adjusted operating profit	10.5	4.9	113.2%	35.9	16.9	112.5%
Adjusted operating profit margin, %	14.2%	7.8%		12.1%	8.8%	
Profit before tax	9.9	5.1	93.3%	26.6	15.4	73.2%
Capital expenditure	1.1	4.8	-77.6%	8.5	23.3	-63.7%
User acquisition cost	15.9	7.7	107.4%	69.6	18.2	281.7%
Return on equity (ROE), %	23.4%	19.1%	-	23.4%	19.1%	-
Net gearing ratio, %	-62.9%	-11.5%	-	-62.9%	-11.5%	-
Equity ratio, %	77.9%	64.1%	-	77.9%	64.1%	-
Earnings per share, EUR	0.10	0.04	152.5%	0.27	0.14	92.9%
Earnings per share, diluted EUR	0.10	0.04	149.4%	0.27	0.14	90.4%
Net cash flows from operating activities	5.8	8.3	-30.1%	59.6	22.8	160.8%
Employees (average for the period)	397	472	-15.9%	416	476	-12.6%

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

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	10-12/2017	Items affecting comparability	Income statement excluding items affecting comparability	10-12/2016* IFRS
Revenue	73.9		73.9	63.2
Other operating income	0.0		0.0	0.0
Materials and services	-22.1		-22.1	-16.5
Employee benefits expense	-13.7	0.0	-13.7	-14.2
Depreciation and amortization	-3.6		-3.6	-10.9
Other operating expenses	-24.2	0.1	-24.1	-16.5
Operating profit	10.4	0.1	10.5	4.9

EUR million	1-12/2017	Items affecting comparability	Income statement excluding items affecting comparability	10-12/2016* IFRS
Revenue	297.2		297.2	191.7
Other operating income	0.8		0.8	0.1
Materials and services	-81.8		-81.8	-52.9
Employee benefits expense	-51.9	1.8	-50.1	-49.5
Depreciation and amortization	-28.6		-28.6	-18.5
Other operating expenses	-104.2	2.7	-101.5	-53.9
Operating profit	31.4	4.5	35.9	16.9

*There were no items affecting comparability in the financial periods 10-12/2016 and 1-12/2016.

Reconciliation of adjusted operating profit

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Operating profit	10.4	4.9	31.4	16.9
Restructuring costs arising from employee benefits expenses	0.0	0.0	1.8	0.0
Restructuring costs in Other operating expenses	0.0	0.0	0.1	0.0
Listing-related expenses	0.1	0.0	2.5	0.0
Adjusted operating profit	10.5	4.9	35.9	16.9

Reconciliation of EBITDA and Adjusted EBITDA

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Operating profit	10.4	4.9	31.4	16.9
Depreciation and amortization	3.6	10.9	28.6	18.5
EBITDA	14.0	15.9	60.0	35.4
Restructuring costs arising from employee benefits expenses	0.0	0.0	1.8	0.0
Restructuring costs in Other operating expenses	0.0	0.0	0.1	0.0
Listing-related expenses	0.1	0.0	2.5	0.0
Adjusted EBITDA	14.1	15.9	64.5	35.4

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

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Equity ratio, %	77.9%	64.1%	77.9%	64.1%
Equity	140.4	86.8	140.4	86.8
Advances received	8.3	11.5	8.3	11.5
Deferred revenue	1.6	2.8	1.6	2.8
Total assets	190.2	149.7	190.2	149.7
Return on equity, %	23.4%	19.1%	23.4%	19.1%
Profit/loss before tax	26.6	15.4	26.6	15.4
Shareholder's equity beginning of period	86.8	74.4	86.8	74.4
Shareholder's equity end of period	140.4	86.8	140.4	86.8
Net gearing ratio, %	-62.9%	-11.5%	-62.9%	-11.5%
Total interest bearing debt	2.5	19.0	2.5	19.0
Cash and short-term deposits	90.8	28.9	90.8	28.9
Equity	140.4	86.9	140.4	86.9
Non-current interest-bearing loans and borrowings	2.5	2.5	2.5	2.5
Current interest-bearing loans and borrowings	0.0	16.5	0.0	16.5
Cash and short-term deposits	90.8	28.9	90.8	28.9
Net debt	-88.3	-10.0	-88.3	-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 table sets out reconciliation of gross bookings used in key operational metrics and reported revenue:

Reconciliation of gross bookings to revenue

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Gross bookings	66.1	45.9	248.7	151.9
Change in deferred revenue	0.3	0.5	1.0	-0.6
Custom contracts	0.7	0.0	1.4	8.5
Other adjustments	-1.0	0.1	-3.1	-0.8
Revenue	66.1	46.5	248.0	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. 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 net result for the period, quarterly reports adjusted to correspond with 12 months, by the average of total equity in the opening and closing balance sheet.

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

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

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

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

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

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

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

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

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

Financial Statement Bulletin January 1–December 31, 2017 – Tables

The Financial Statement Bulletin is based on the audited financial statements for the year 2017

Statement of consolidated profit or loss and other comprehensive income

EUR million	10–12/ 2017	10–12/ 2016	Change, (%)	1–12/ 2017	1–12/ 2016	Change, (%)
Revenue	73.9	63.2	17.0%	297.2	191.7	55.0%
Other operating income	0.0	0.0	-233.9%	0.8	0.1	1,430.8%
Materials and services	22.1	16.5	33.8%	81.8	52.9	54.5%
Employee benefits expense	13.7	14.2	-3.7%	51.9	49.5	4.9%
Depreciation and amortization	3.6	10.9	-67.4%	28.6	18.5	54.7%
Other operating expenses	24.2	16.5	46.2%	104.2	53.9	93.3%
Operating profit	10.4	4.9	112.0%	31.4	16.9	85.7%
Finance income and expenses	-0.4	0.4	-223.8%	-4.7	-1.4	235.1%
Share of profit of associates	-0.1	-0.1	-59.0%	-0.1	-0.1	-59.0%
Profit (loss) before tax	9.9	5.1	93.3%	26.6	15.4	72.9%
Income tax expense	1.9	2.1	-8.4%	6.0	4.8	25.7%
Profit for the period	8.0	3.0	163.4%	20.6	10.6	94.3%
Attributable to: Non-controlling interests	0.0	0.0		0.0	-	
Equity holders of the parent company	8.0	3.0	163.4%	20.6	10.6	94.3%
Other comprehensive income/expense						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Translation differences	0.0	0.1		-0.4	0.0	
Total comprehensive income for the period, net of tax	8.0	3.1	156.8%	20.2	10.6	90.3%
Attributable to: Non-controlling interests	0.0	-0.1		0.0	0.0	
Equity holders of the parent company	8.0	3.2	149.5%	20.2	10.6	90.3%
Earnings per share for net result attributable to owners of the parent:						
Earnings per share, EUR	0.10	0.04	152.5%	0.27	0.14	92.9%
Earnings per share, diluted EUR	0.10	0.04	149.4%	0.27	0.14	90.4%

Consolidated statement of financial position

EUR million	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets	57.4	76.9
Property, plant and equipment	0.5	0.7
Intangible assets	53.1	73.8
Investment in associates and joint ventures	0.0	0.1
Non-current receivables	0.8	1.1
Deferred tax assets	3.0	1.2
Current assets	132.8	72.8
Trade receivables	29.1	28.0
Prepayments and accrued income	10.6	15.2
Other current financial assets	2.3	0.7
Cash and short-term deposits	90.8	28.9
Total assets	190.2	149.7
EQUITY AND LIABILITIES		
Equity		
Issued capital	0.7	0.7
Reserves	35.8	0.8
Translation differences	-0.5	-0.1
Retained earnings	83.7	74.9
Profit for the period	20.6	10.6
Equity holders of the parent company	140.4	86.9
Non-controlling interests	0.0	0.0
Total equity	140.4	86.8
Liabilities		
Non-current liabilities	2.7	2.6
Interest-bearing loans and borrowings	2.5	2.5
Other non-current financial liabilities	0.1	0.0
Deferred tax liabilities	0.1	0.1
Current liabilities	47.1	60.2
Trade and other payables	8.9	7.9
Interest-bearing loans and borrowings	0.0	16.5
Other current financial liabilities	1.9	0.4
Advances received	8.3	11.5
Deferred revenue	1.6	2.8
Income tax payable	4.4	0.0
Provisions	0.8	0.8
Accrued liabilities	21.2	20.4
Total liabilities	49.8	62.9
Total equity and liabilities	190.2	149.7

Consolidated statement of changes in equity

Attributable to the equity holders of the parent on December 31, 2017

EUR million	Issued capital	Unrestricted 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			20.6		20.6		20.6
Issue of share capital		30.0			30.0		30.0
Share issue transaction costs		-0.6			-0.6		-0.6
Option subscriptions		5.7			5.7		5.7
Other comprehensive income				-0.4	-0.4		-0.4
Share-based payments			2.8		2.8		2.8
Cash dividends			-4.5		-4.5		-4.5
December 31, 2017	0.7	35.8	104.3	-0.5	140.4	0.0	140.4

Attributable to the equity holders of the parent on December 31, 2016

EUR million	Issued capital	Unrestricted 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			10.6		10.6		10.6
Other comprehensive income				0.0	0.0		0.0
Share-based payments			1.9		1.9		1.9
Cash dividends							
December 31, 2016	0.7	0.8	85.5	-0.1	86.9	0.0	86.9

Consolidated statement of cash flows

EUR million	10-12/2017	10-12/2016	2017	2016
Operating activities				
Profit (loss) before tax	9.9	5.1	26.6	15.4
Adjustments:				
Depreciation and amortization on tangible and intangible assets	3.6	10.9	28.6	18.5
Net foreign exchange differences	0.1	-0.8	2.7	-0.4
Gain on disposal of property, plant and equipment	0.0	0.0	-0.3	0.0
Finance costs	0.7	0.5	2.0	1.8
Share of profit of an associate and a joint venture	0.1	0.1	0.1	0.1
Other non-cash items	1.3	0.9	3.0	1.9
Change in working capital:				
Change in trade and other receivables and prepayments	-5.3	-4.3	0.3	-10.2
Change in trade and other payables	-3.6	-3.9	-1.1	-2.4
Interest received	0.0	0.0	0.0	0.0
Interest paid	-0.4	-0.9	-1.3	-1.8
Income tax paid (received)	-0.6	0.6	-1.0	-0.1
Net cash flows from operating activities	5.8	8.3	59.6	22.8
Investing activities				
Purchase of tangible and intangible assets*	-1.1	-4.8	-8.5	-23.3
Proceeds from sales of tangible and intangible assets	0.0	0.0	0.3	0.0
Net cash flows used in investing activities	-1.1	-4.8	-8.1	-23.3
Financing activities				
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0
Finance lease repayments	0.0	0.0	-0.1	0.0
Proceeds from and repayments of borrowings	-8.3	-8.0	-16.7	-5.6
Share subscriptions based on option rights	4.5	0.0	5.7	0.0
Proceeds of share issue	0.0	0.0	30.0	0.0
Share issue transaction costs	-0.7	0.0	-1.3	0.0
Dividends paid to equity holders of the parent	0.0	0.0	-4.5	0.0
Net cash flows from/(used in) financing activities	-4.6	-8.0	13.1	-5.6
Change in cash and cash equivalents	0.2	-4.5	64.6	-6.0
Net foreign exchange difference	0.0	0.9	-2.7	0.5
Cash and cash equivalents at beginning of period	90.7	32.5	28.9	34.4
Cash and cash equivalents at the end of the period	90.8	28.9	90.8	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 Financial Statement Bulletin has been drawn up in accordance with IAS 34 and using the same accounting policies and calculation methods as the annual financial statements. The figures in the Financial Statement Bulletin are based on the audited financial statements for 2017.

The company adopted IFRS 8 Operating segments and IAS 33 Earnings per share during the 2017 financial year.

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.

2. Notes to the statement of profit or loss

2.1 Segment disclosures

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

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

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

The Games segment does not have customers that would require disclosure (i.e. 10% or more of revenues from transactions with a single customer). The Brand Licensing segment has one customer that accounts for more than 10% of the Group's total revenue. Sony Pictures and its affiliates and subsidiaries accounted for EUR 36.5 million of revenue in 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 10–12/2017

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	66.1	7.8	0.0		73.9
Other operating income	0.0	0.0	0.0		0.0
Materials and services	21.1	1.1	0.0		22.1
Employee benefits expense	9.5	1.4	2.0	0.8	13.7
User acquisition	15.9	0.0	0.0		15.9
Other operating expenses	4.4	1.2	1.3	1.4	8.3
Allocations	1.3	0.4	0.4	-2.2	0.0
EBITDA	14.0	3.7	-3.7	0.0	14.0
Depreciation and amortization	0.9	2.6	0.1		3.6
Operating profit	13.1	1.1	-3.8		10.4
EBITDA	14.0	3.7	-3.7		14.0
Adjustments	0.0	0.0	0.1		0.1
Adjusted EBITDA	14.0	3.7	-3.7		14.1
Operating profit	13.1	1.1	-3.8		10.4
Adjustments	0.0	0.0	0.1		0.1
Adjusted operating profit	13.1	1.1	-3.8		10.5

Capital expenditure 10–12/2017

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.9	0.2	0.0	1.1

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

Segment profit and loss 10–12/2016

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	46.5	16.7	0.0		63.2
Other operating income	-0.1	0.0	0.0		0.0
Materials and services	14.7	1.8	0.0		16.5
Employee benefits expense	7.0	3.1	1.4	2.8	14.2
User acquisition	7.7	0.0	0.0		7.7
Other operating expenses	3.4	2.4	1.6	1.5	8.9
Allocations	3.1	0.7	0.4	-4.3	0.0
EBITDA	10.5	8.7	-3.3	0.0	15.9
Depreciation and amortization	5.9	5.0	0.1		10.9
Operating profit	4.7	3.7	-3.4		4.9
EBITDA	10.5	8.7	-3.3		15.9
Adjustments	0.0	0.0	0.0		0.0
Adjusted EBITDA	10.5	8.7	-3.3		15.9
Operating profit	4.7	3.7	-3.4		4.9
Adjustments	0.0	0.0	0.0		0.0
Adjusted operating profit	4.7	3.7	-3.4		4.9

Capital expenditure 10–12/2016

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	1.6	3.1	0.1	4.8

Segment assets Dec 31, 2016

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-Current Assets	8.9	63.8	4.2	76.9

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

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

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	0.0	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 Dec 31, 2016

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-Current Assets	8.9	63.8	4.2	76.9

2.3 Geographical distribution of revenue

The Group's business is very international. North America, and the United States in particular, is Rovio's largest market. The geographical distribution of revenue per segment is presented below.

For in-app purchases and advertising revenue, the Games segment's revenue has been allocated to the geographical markets based on gross bookings, which can be monitored on a country-specific basis. Revenue from custom contracts is presented based on the customer's home country. Revenue deferrals and other adjustment items have been allocated to the geographical markets in proportion to gross bookings, as they are estimated to largely follow the same structure.

The licensing revenue of the Brand Licensing segment has been allocated to the geographical markets based on reported royalties and, for terminating contracts, according to the partner's home country. Revenue from content sales (movie, short form animations) has been allocated to the geographical markets based on the home country of the distribution partner or contractual partner. The advertising revenue allocated to the Brand Licensing segment has been allocated to the geographical markets according to the same principle as in the Games segment.

EUR million	10-12/2017			10-12/2016		
	Games	Brand Licensing	Total	Games	Brand Licensing	Total
NAM	40.5	4.0	44.5	30.2	8.5	38.7
LATAM	1.2	1.0	2.1	0.6	1.7	2.3
EMEA	18.5	1.8	20.3	12.0	4.7	16.7
APAC	5.9	1.0	7.0	3.6	1.8	5.4
Total	66.1	7.8	73.9	46.5	16.7	63.2

EUR million	2017			2016		
	Games	Brand Licensing	Total	Games	Brand Licensing	Total
NAM	158.0	38.2	196.2	99.3	12.0	111.3
LATAM	3.7	2.1	5.8	1.9	3.6	5.5
EMEA	64.0	5.9	69.9	39.8	13.4	53.1
APAC	22.3	2.9	25.2	18.0	3.7	21.7
Total	248.0	49.2	297.2	159.0	32.7	191.7

2.4 Disaggregation of revenue from contracts with Customers according to IFRS15

EUR million

Segment and revenue stream	Timing of revenue recognition	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Games					
In-application purchases	At a point in time and over time	58.0	38.9	219.7	122.7
Subscription payments	Over time	0.0	0.0	0.0	0.0
Custom contracts	Over time	0.7	0.0	1.4	8.5
Advertising	At a point in time	7.4	7.6	27.0	27.9
Games total revenue		66.1	46.5	248.0	159.0
Brand Licensing					
IP Licensing and tangible sales	At a point in time and over time	4.0	8.1	11.2	21.3
Animation broadcasting and distribution	At a point in time	3.8	7.4	37.3	8.2
Advertising	At a point in time	0.1	1.2	0.7	3.1
Brand Licensing total revenue		7.8	16.7	49.2	32.7
Group revenue		73.9	63.2	297.2	191.7

3. Notes to the statement of financial position

3.1 Non-Current Assets – Intangible assets

In 2017, the total impairment of intangibles amounted to EUR 2.0 million. The full amount was related to a write-off of an unfinished and unreleased external game production project. The game was not expected to meet Rovio's financial targets and, consequently, it was canceled.

Reconciliation of beginning and ending balances by classes of assets:

EUR million	Development costs - Games	Trademarks	Development costs - Movie	Development costs - Other	Total
Cost					
At January 1, 2016	23.8	2.2	50.3	13.2	89.6
Additions	7.3	0.2	13.4	2.0	22.8
At December 31, 2016	31.1	2.5	63.7	15.2	112.4
Additions	4.1	0.3	1.9	2.0	8.2
Disposals*	0.0	0.0	-0.8	0.0	-0.8
Reclassification	0.0	-1.2	-1.8	3.0	0.0
At December 31, 2017	35.2	1.5	63.0	20.2	119.8
Amortization and impairment					
At January 1, 2016	11.9	1.1	0.9	6.9	20.8
Amortization	4.6	0.2	4.2	3.1	12.1
Impairment	5.8	0.0	0.0	0.0	5.8
At December 31, 2016	22.2	1.4	5.1	10.0	38.7
Amortization	2.3	0.2	20.1	3.4	26.1
Impairment	2.0	0.0	0.0	0.0	2.0
Reclassification	0.0	-1.0	-1.4	2.4	0.0
At December 31, 2017	26.5	0.6	23.8	15.8	66.8
Carrying amount					
At December 31, 2016	8.9	1.1	58.6	5.2	73.8
At December 31, 2017	8.7	0.9	39.2	4.3	53.1

*The Canadian government grants of Eur 0.6 million received for the production of the Angry Birds Movie have been presented as reduction of acquisition value based on IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Development expenses still in production at December 31, 2017, amounted to EUR 4.0 million.

3.2 Non-Current Assets – Tangible assets

There were no material changes in tangible assets during the 2017 financial year.

EUR million	Machinery and equipment
Cost or valuation	
At January 1, 2016	4.7
Additions	0.5
Disposals	-0.1
Translation differences	0.0
At December 31, 2016	5.1
At December 31, 2016	
Additions	0.4
Disposals	-0.3
Translation differences	-0.1
At December 31, 2017	5.0
Amortization and impairment	
At January 1, 2016	-3.6
Depreciation charge for the period	-0.8
Disposals	0.1
Translation differences	0.0
At December 31, 2016	-4.4
At December 31, 2016	
Depreciation charge for the period	-0.5
Disposals	0.1
Translation differences	0.1
At December 31, 2017	-4.6
Carrying amount	
At December 31, 2016	0.7
At December 31, 2017	0.5

4. Changes in contingent liabilities or contingent assets

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

EUR million	At December 31, 2017	At December 31, 2016
Equipment lease commitments		
Due within one year	0.1	0.0
Due in subsequent years	0.1	0.1
Total	0.3	0.1
Office rental commitments		
Due within one year	2.5	2.7
Due in subsequent years	3.7	5.6
Total	6.1	8.2
Other commitments		
Enterprise mortgages	30.0	30.0
Total	30.0	30.0

5. 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. Sunwoo Entertainment Co., Ltd and Fun Academy Oy are associates to the Rovio Group. Kaiken Entertainment Oy is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Trema and he exercises significant influence on the company. He also directly held 0.39% of Rovio's shares as of December 31, 2017.

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 Oy owned by Mikael Hed and part of the shares owned by the other shareholder in Kaiken Publishing Oy for an aggregate purchase price of EUR 2,000. The other shareholder was left with 20% ownership in Kaiken Publishing Oy and the Rovio Group became the owner of 80% of the shares. Soon thereafter, Rovio transferred its publishing business to Kaiken Publishing Oy in a business transfer. Kaiken Publishing Oy 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 Oy 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 Oy, as well as certain non-Angry Birds IP to Kaiken Entertainment Oy. Kaiken Entertainment Oy paid a purchase price of EUR 1 for the shares in Kaiken Publishing Oy and a purchase price of CAD 1 for the shares in Rovio Animation Company Ltd. Further, in connection with the transaction, Kaiken Entertainment Oy repaid Kaiken Publishing Oy'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 Oy 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 Oy, Rovio received licensing income of EUR 18 thousand during the 2017 financial year (EUR 44 thousand during the time period of February 1, 2016 to December 31, 2016).

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 1.2 million (approximately EUR 0.9 million) in accordance with the actual costs during the 2017 financial year.

6. 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 Oy.

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 Oy for EUR 0.1 million. The accounting profit related to the divestment amounted to approximately EUR 0.4 million.

7. Calculation of earnings per share

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Earnings per share, EUR	0.10	0.04	0.27	0.14
Earnings per share, diluted, EUR	0.10	0.04	0.27	0.14
Shares outstanding at the end of the period (thousands)	79,171	74,945	79,171	74,945
Weighted average adjusted number of shares during the financial period, basic (thousands)	78,180	74,945	75,795	74,945
Weighted average adjusted number of shares during the financial period, diluted (thousands)	80,108	75,851	77,370	75,508

Espoo, March 2, 2018

ROVIO ENTERTAINMENT CORPORATION

Board of Directors