

Rovio Entertainment Corporation

Financial Statement Bulletin

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FINANCIAL STATEMENT BULLETIN FOR JANUARY-DECEMBER 2019

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Games revenue grew 5.7% in 2019. Angry Birds Dream Blast continued to grow in Q4.

October-December 2019 highlights

- Rovio group revenue was EUR 71.6 million (72.7) and declined -1.4% year-on-year
- Games revenue grew by 2.3% year-on-year to EUR 66.7 million (65.2). In comparable currencies, games revenue grew approximately by 1%. The Games gross bookings were EUR 67.0 million (66.7) or 0.5% growth year-on-year. In comparable currencies the gross bookings declined by approximately 1%.
- Angry Birds Dream Blast, launched on 24th January 2019, gross bookings grew to EUR 18.8 million and the gross bookings of Rovio's largest game Angry Birds 2 stabilized at EUR 24.9 million.
- User acquisition investments were EUR 27.5 million (23.3), or 41.3% of the Games segment's revenue (35.7%)
- Brand Licensing revenue was EUR 4.9 million (7.5) and declined -34.4% year-on-year
- Group adjusted operating profit was EUR 0.2 million (5.3) and adjusted operating profit margin 0.3% (7.2%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 3.2 million (8.2) and adjusted operating profit margin 4.5% (11.2%)
- Operating cash flow was EUR 3.1 million (19.2)
- Earnings per share was EUR -0.01 (0.05)

January-December 2019 highlights

- Rovio's revenue was EUR 289.1 million (281.2) and grew 2.8% year-on-year
- Games revenue grew 5.7% to EUR 264.8 million (250.4). In comparable currencies, the revenue growth was approximately 3%. The Games gross bookings were EUR 263.2 million (253.3) and grew 3.9% growth year-on-year. In comparable currencies the gross bookings were approximately stable year-on-year.
- Angry Birds Dream Blast, launched on 24th January 2019, accumulated gross bookings of EUR 57.6 million during the review period and Rovio's largest game Angry Birds 2 reached total gross bookings of EUR 108.4 million (117.3)
- User acquisition investments were EUR 99.7 million (78.6), or 37.7% of the Games segment's revenue (31.4%)
- Brand Licensing revenue was EUR 24.3 million (30.8) and declined -21.1% year-on-year
- Group adjusted operating profit was EUR 18.3 million (31.9) and adjusted operating profit margin 6.3% (11.1%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 29.2 million (38.4) and adjusted operating profit margin 10.1% (13.7%)
- Operating cash flow was EUR 10.5 million (42.6)
- Earnings per share was EUR 0.17 (0.31)

Key figures

EUR million	10-12 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Revenue	71.6	72.7	-1.4%	289.1	281.2	2.8%
EBITDA*	2.6	9.3	-71.6%	32.3	47.8	-32.4%
EBITDA margin*	3.7%	12.8%	-	11.2%	17.0%	-
Adjusted EBITDA*	2.9	8.6	-66.2%	32.6	47.5	-31.3%
Adjusted EBITDA margin, %*	4.1%	11.9%	-	11.3%	16.9%	-
Operating profit*	-0.1	5.9	-101.6%	18.1	31.5	-42.7%
Operating profit margin, %*	-0.1%	8.1%	-	6.3%	11.2%	-
Adjusted operating profit*	0.2	5.3	-96.5%	18.3	31.2	-41.2%
Adjusted operating profit margin, %*	0.3%	7.2%	-	6.3%	11.1%	-
Profit before tax	-0.7	6.2	-111.1%	17.7	32.2	-45.0%
Capital expenditure	0.8	0.9	-9.2%	3.1	1.3	134.3%
User acquisition	27.5	23.3	18.2%	99.7	78.6	26.9%
Return on equity (ROE), %	10.8%	21.5%	-	10.8%	21.5%	-
Net gearing ratio, %*	-65.7%	-75.3%	-	-65.7%	-75.3%	-
Equity ratio, %*	80.5%	83.7%	-	80.5%	83.7%	-
Earnings per share, EUR	-0.01	0.05	-116.3%	0.17	0.31	-46.5%
Earnings per share, diluted EUR	-0.01	0.05	-116.4%	0.17	0.31	-46.0%
Net cash flows from operating activities*	3.1	19.2	-83.6%	10.5	42.6	-75.3%
Employees (average for the period)	468	401	16.7%	450	388	15.9%

*Not fully comparable due to IFRS 16 adoption in 2019. See Note 1 for details.

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-appurchases in United States and global ad network sales.

Dividend Proposal

The parent company's distributable funds on 31.12.2019 amount to EUR 165,584,072.51, of which the profit for the period is EUR 20,693,929.04. The Board of Directors proposes to the Annual General Meeting to be held on March 31, 2020 that a dividend of EUR 0.09 per share be paid (EUR 0.09 for 2018).

Based on the number of shares outstanding as of the balance sheet date, December 31, 2019, the total amount of the dividend is EUR 7,165,035.27.

Kati Levoranta, CEO:

Rovio's group revenue in the fourth quarter of 2019 was EUR 71.6 (72.7) million which was -1.4% lower year-on-year. Rovio Games revenue and gross bookings reached a new record and were EUR 66.7 million (65.2) and EUR 67.0 million (66.8), respectively. Angry Birds Dream Blast, which was released in January 2019, continued to grow and reached EUR 18.8 million gross bookings. The 2019 full year gross bookings of Angry Birds Dream Blast were EUR 57.6 million and it was Rovio's fastest growing free-to-play game ever. In an increasingly competitive market this is a great achievement from the team and shows both Rovio's ability to bring innovative games to a broad audience and the continuing success of the Angry Birds franchise in mobile games.

Group full year revenue was EUR 289.1 million and grew 2.8%. The adjusted operating profit was EUR 18.3 million and the adjusted operating profit margin 6.3% landing within the guidance range 5-8%. The full year revenue was slightly lower than the guidance range EUR 295 - 310 million mainly due to lower Brand Licensing Unit revenues in Q4. The Brand Licensing Unit revenues in Q4 amounted to EUR 4.9 million (7.5) and declined -34.4% year-on-year.

During Q4, the Brand Licensing Unit was restructured and merged with the marketing organization to improve efficiency and profitability. Consumer products licensing will focus on our top licensees, product categories, and territories. In content licensing, Angry Birds Movie 2 is now available on-demand and will be coming to TV distribution starting Q1/2020, and a new long-form Angry Birds animated series slated for release in H2/2021.

The Group adjusted operating profit in the reporting period was EUR 0.2 (5.3) million and the adjusted operating profit margin 0.3% (7.2%). The lower operating margin in this quarter was as expected due to the increased investments in user acquisition.

In September 2019, Rovio released a new game called Sugar Blast, which is a spin-off of Angry Birds Dream Blast with a new IP. While Sugar Blast has not scaled its revenue as fast as the original game, this has been a good learning on how Rovio can be agile and fast in bringing new IP to the market and reaching out to new audiences. During Q4, Sugar Blast reached a yearly gross booking run-rate of nearly EUR 10 million and the team continues to improve the game during 2020.

The user acquisition investments in the reporting period were EUR 27.5 million (23.3) or 41.3% of games revenues. The user acquisition investments were mostly directed to the growth games i.e. Angry Birds Dream Blast and Sugar Blast. During the end of the year we scaled down user acquisition investments significantly as the returns on those investments were not meeting our payback model expectations. Our user acquisition investments in the beginning of 2020 are at much lower level than during Q3 and Q4 last year. We naturally will invest more in user acquisition if we see an opportunity in the market, improvement in live games performance or when we launch a new game.

Our games roadmap continues to be very exciting. At the moment, we have three games with a new IP in soft launch. One of the games in soft launch in 2019, Angry Birds Pop Blast, was discontinued during January as based on the soft launch data we did not see an opportunity to scale the game to a satisfactory level with user acquisition. While it is too early to estimate exact global launch dates for new games, given the current progress we aim to launch 1-3 new games in 2020.

In 2019 we announced that we would explore alternative financial structures and partnerships for Hatch Entertainment Ltd., Rovio's 80% owned subsidiary developing a cloud-based game streaming service in order to accelerate its growth. We have decided to end the 2019 financing round and we are evaluating strategic alternatives for Hatch.

The competition in game streaming has intensified during 2019 while 5G networks and devices rollout has been slower than expected. Due to the changes in the operating environment Hatch Entertainment decided to focus its strategy. Going forward, Hatch will focus on Hatch Kids, a subscription and streaming based digital entertainment and edutainment service tailored for children and families. Hatch Kids is in soft launch in Finland and Sweden on Android and we have seen positive early performance. Hatch is planning to restructure its operations to align with the updated strategy and this is planned to lead to an annualized cost savings of approximately EUR 6 million.

Outlook for 2020

During 2020 we aim to launch 1-3 new games. The timing of new game launches depends on how the games progress in soft launch. Therefore, we do not give a full year 2020 revenue guidance. We start the year at a lower user acquisition level than we ended last year. Due to lower user acquisition investments and the planned cost savings in Hatch Entertainment Ltd., our adjusted operating profit improves.

Basis for outlook

Our strategy is to seek growth in the Games business through improving the performance of our key games and developing new games.

Brand Licensing segment is optimized for profit at a lower revenue which is expected to decline approximately 50% year-on-year in 2020.

Hatch Entertainment annualized expenses are expected to be approximately EUR 5 million (2019: EUR 10.9 million) on an adjusted basis after restructuring and aligning with its new strategy.

More detailed outlook per games category is given below:

Grow: We believe Angry Birds Dream Blast will grow on an annual basis but starts the year at a lower quarterly run-rate compared to the end of 2019. The game has a strong feature roadmap focusing on improvements to long term retention and monetization. We are continuing to develop Sugar Blast through live operations for its core audience and improve retention and monetization in order to scale the game up.

Earn: The revenues of Angry Birds 2 stabilized despite much lower user acquisition investments y-on-y. We further focus on improving the performance of the game through introducing new updates that increase engagement with our core users. The revenue of other games (Angry Birds Match, Angry Birds Friends and Angry Birds Pop) is expected to continue decline at a steady slow pace. We have lowered or stopped user acquisition investments into these three games.

Catalogue: We expect these games to continue declining over time. They still receive substantial organic downloads, but the active user base and revenues are expected to decline over time as we do not develop these games further.

New games: We aim to launch 1-3 new games in 2020. Currently we have three games in soft launch and several games in other phases of production.

Games in soft launch are available in a selected number of countries and operated with a limited number of gamers. Soft launch games have advanced far in the game development process. They are being tested and developed in order to verify their commercial potential and scalability. There is no guarantee that games in soft launch will be published.

Audiocast and conference call:

Rovio will host an English language audiocast and conference call on the fourth quarter and full year 2019 financial results, including a Q&A session for analysts, media and institutional investors at 14:00-15:00 EET on February 12, 2020. The audiocast can be viewed live at: <http://www.rovio.com/investors-investor-calendar> , and later on the same day as a recording.

Conference call details:

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Rovio in brief

Rovio Entertainment Corporation is a global, games-first entertainment company that creates, develops and publishes mobile games, which have been downloaded 4.5 billion times so far. Rovio 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, Rovio offers multiple mobile games, animations and has produced The Angry Birds Movie, which opened number one in theatres in 50 countries. Its sequel, The Angry Birds Movie 2, released worldwide in August 2019. 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. (www.rovio.com)

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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 January 2020, the global mobile gaming market size in end-user generated revenue was estimated to be USD 68.2 billion in 2019 which represented 9.7% year-on-year growth. In 2020, Newzoo estimates the global mobile gaming market to grow by 11.6% to USD 76.1 billion. The higher growth rate in 2020 compared to 2019 is driven by higher growth expectations for the North America, Middle East and China. Especially the Chinese market is expected to grow faster and return to double-digit annual growth. In the long-term, the global mobile gaming market is expected to continue its double-digit growth of 10.8% CAGR during 2018-2022. The Western market is expected to grow at 9.2% CAGR during 2018-2022.

Revenue and result

October-December 2019

In the fourth quarter 2019, Rovio group revenue declined -1.4% year-on-year to EUR 71.6 million (72.7).

The Games segment revenue grew 2.3% year-on-year and amounted to EUR 66.7 million (65.2). In comparable currencies, games revenue grew by approximately 1%. In the reporting period, the gross bookings of Rovio's largest game Angry Birds 2 stabilized to EUR 24.9 million (2019 Q3: EUR 25.0 million). Rovio's second largest game Angry Birds Dream Blast continued to grow in the reporting period and reached gross bookings of EUR 18.8 million (2019 Q3: EUR 17.8 million).

The revenue of the Brand Licensing segment was EUR 4.9 million (7.5) and declined -34.4% year-on-year. The revenue consisted of EUR 2.1 million (4.6) from Content Licensing, the majority of which was income from the two Angry Birds movies, and EUR 2.8 million (2.8) from Consumer Products.

The Group's adjusted EBITDA was EUR 2.9 million (8.6), or 4.1% (11.9%) of revenues.

The Group's adjusted operating profit was EUR 0.2 million (5.3) and adjusted operating profit margin 0.3% (7.2%). Excluding Hatch Entertainment expenses, the Group's adjusted profit was EUR 3.2 million (8.2) and adjusted operating profit margin 4.5% (11.2%). The adjustments in October-December 2019 amounted to EUR 0.3 million and were related to the restructuring of Brand Licensing unit. The adjustment in October-December 2018 was related to EUR -0.7 million bargain profit from the acquisition of PlayRaven mobile games studio.

The Games segment's adjusted EBITDA was EUR 5.7 million (8.3) or 8.5% (12.7%) of revenues. Games EBITDA margin was lower compared to last year due to higher user acquisition investments in the reporting period: EUR 27.5 million (23.3) or 41.3% of revenues (35.7%). The increase in user acquisition was mainly due to investments into the growth category games Angry Birds Dream Blast and Sugar Blast.

The Brand Licensing segment's adjusted EBITDA was EUR 1.8 million (5.0) and adjusted EBITDA margin was 36.5% (66.4%). The lower adjusted EBITDA margin was due to lower revenues.

The Group's profit/loss before taxes was EUR -0.7 million (6.2) and earnings per share EUR -0.01 (0.05).

January-December 2019

In the review period Rovio group revenue was EUR 289.1 million (281.2) and grew 2.8% year-on-year.

The Games segment revenue was EUR 264.8 million (250.4) and increased 5.7% year-on-year. In comparable currencies, the games segment revenue growth was approximately 3%.

The revenue of the Brand Licensing segment declined -21.1% to EUR 24.3 million (30.8). The revenue consisted of EUR 16.2 million (22.2) from Content Licensing, the majority of which was income from the first Angry Birds Movie, and EUR 8.1 million (8.6) from Consumer Products.

The Group's adjusted EBITDA was EUR 32.6 million (47.5), or 11.3 % (16.9%) of revenues.

The Group's adjusted operating profit was EUR 18.3 million (31.5) and adjusted operating profit margin 6.3% (11.2%). Excluding Hatch Entertainment operating expenses, the Group's adjusted operating profit was EUR 29.2 million (38.4) and adjusted operating profit margin 10.1% (13.7%). The adjustments in the January-December 2019 amounted to EUR 0.3 million and were related to the restructuring of Brand Licensing unit. Adjustments in January-December 2018 were in total EUR -0.3 million of which EUR 0.3 million were related to the closure of Rovio's game studio in London and EUR -0.7 million related to bargain profit from the acquisition of mobile game developer PlayRaven.

The Games segment's adjusted EBITDA was EUR 35.6 million (40.8) or 13.4% (16.3%) of revenues. The user acquisition investments in the reporting period were EUR 99.7 million (78.6) or 37.7% of revenues (31.4%). The increase in user acquisition was mainly due to investments into the growth category games Angry Birds Dream Blast and Sugar Blast. The Brand Licensing segment's adjusted EBITDA was EUR 14.0 million (20.8) and adjusted EBITDA margin was 57.8% (67.5%). The decline in EBITDA from last year was due to lower revenues.

The Group's profit before taxes was EUR 17.7 million (32.2) and earnings per share EUR 0.17 (0.31).

Financing and investments

Rovio's capital expenditure was EUR 0.8 million (0.9) in the fourth quarter of 2019. 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 about a year.

The Games segment's capital expenditure was EUR 0.4 million (0.0) in the fourth quarter and related to external game development. Brand Licensing Unit capital expenditure was EUR 0.1 million (0.2) and related to external application development. The Other-segment's investments were EUR 0.3 million (0.8) for the quarter and consisted mainly of machinery and equipment.

Cash flow from financing amounted to EUR -5.1 million (-2.4) in the fourth quarter and consisted mainly of proceeds from share subscriptions of EUR 4.5 million, acquisition costs of treasury shares of EUR 5.1 million and of EUR 0.7 million of finance lease repayments, mostly reclassified from operating cash flows as required by the IFRS 16-standard.

At the end of 2019, Rovio's total interest-bearing loans and financial liabilities amounted to EUR 14.4 million (3.6) consisting of EUR 3.1 million product development loans from Business Finland (the Finnish Funding Agency for Innovation), EUR 3.0 million convertible note to Hatch Entertainment from NTT DoCoMo Ventures as well as EUR 8.0 million leasing liabilities recognized on the balance sheet as required by the IFRS 16 -standard.

Rovio's cash and cash equivalents at the end of the review period amounted to EUR 124.7 million (123.6).

Development per business segment

Games

October-December 2019

The Games segment's revenue in the reporting period amounted to EUR 66.7 million (65.2), an all-time high quarterly revenue, which corresponds to a year-on-year growth of 2.3%. In comparable currencies, the revenue increased approximately by 1%.

Angry Birds Dream Blast continued its growth and has become Rovio's best free-to-play game launch ever measured in quarterly gross bookings for the first year. Rovio's top five games remained unchanged from the previous quarter and were Angry Birds 2, Angry Birds Dream Blast, Angry Birds Friends, Angry Birds Match and Angry Birds Pop.

The Games segment's EBITDA was EUR 5.7 million (8.3) which represents a decrease of 31.8% year-on-year. The year-on-year EBITDA decrease is mainly due to a significant increase in user acquisition investments in the reporting period, partially offset by a higher gross profit following a higher share of internally developed games in the portfolio as well as a higher share of advertising revenue compared to last year. Advertising revenue share of total games revenues grew to 14.5% (12.4) in the fourth quarter

The Games segment's user acquisition investments increased to EUR 27.5 million (23.3), or 41.3% (35.7%) of the Games segment's revenue in the reporting period. The increase was driven by investments into the "Grow"-category games Angry Birds Dream Blast, released in January 2019, and Sugar Blast, which was launched in September 2019. The user acquisition investments in the fourth quarter were divided between the different category of games as follows: 76.8% into the "Grow" games (Angry Birds Dream Blast and Sugar Blast) and 23.1% into the "Earn" games (Angry Birds 2, Angry Birds Match, Angry Birds Friends and Angry Birds Pop), of which majority into Angry Birds 2.

The Games segment's capital expenditure in the reporting period amounted to EUR 0.4 million (0.0).

January-December 2019

For the full year 2019, the Games segment's revenue amounted to EUR 264.8 million (250.4) and increased by 5.7%. In comparable currencies, the revenue growth was approximately 3%.

The Games segment's adjusted EBITDA decreased by 12.8% to EUR 35.6 million (40.8) in the reporting period. The EBITDA decrease was primarily driven by significantly increased UA investments, which were partially offset by an increased gross margin as a result of a higher share of internally developed games in the portfolio as well as a higher share of advertising revenue compared to previous year. Advertising revenue share of total games revenues grew to 14.3% (11.4) for the full year.

In January-December 2019, Games segment's user acquisition investments amounted to EUR 99.7 million (78.6), or 37.7% (31.4%) of Games segment's revenue. The growth in user acquisition investments was due to Angry Birds Dream Blast's global launch in the first quarter of 2019 as well as third and fourth quarter investments into Angry Birds Dream Blast, Angry Birds 2 and Sugar Blast. The user acquisition investments for the full year 2019 were divided between the different category of games as follows: 67.2% into the "Grow" games (Angry Birds Dream Blast and Sugar Blast) and 32.1% into the "Earn" games (Angry Birds 2, Angry Birds Match, Angry Birds Friends and Angry Birds Pop), of which majority into Angry Birds 2. The Games segment's capital expenditure in 2019 amounted to EUR 1.1 million (0.3).

EUR million	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Gross bookings	67.0	66.7	0.5%	263.2	253.3	3.9%
Revenue	66.7	65.2	2.3%	264.8	250.4	5.7%
Adjusted EBITDA	5.7	8.8	-35.9%	35.6	40.8	-12.8%
Adjusted EBITDA margin, %	8.5%	12.7%		13.4%	16.3%	
EBITDA	5.7	8.3	-31.8%	35.6	40.5	-12.1%
EBITDA margin, %	8.5%	12.7%		13.4%	16.2%	
User acquisition	27.5	23.3	18.2%	99.7	78.6	26.9%
User acquisition share of revenue, %	41.3%	35.7%		37.7%	31.4%	
Capital expenditure	0.4	0.0	-	1.1	0.3	304.7%

Key performance indicators of the Games segment

The key performance indicators of the Games segment 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. The reconciliation of gross bookings to revenue is presented in the notes.

In the fourth quarter 2019, the Games segment's gross bookings increased by 0.5% to EUR 67.0 million (66.7) and decreased by 1% year-on-year in comparable currencies.

The number of active users increased largely due to the marketplace visibility of the year-end Angry Birds 10th year anniversary, especially for Angry Birds 2 and the top 5 games. The amount of daily active users (DAU) for the top 5 games increased from Q3 to Q4 from 3.8 to 4.1 million. The total amount of daily active users remained on the level of the previous quarter, at 5.9 million. The amount of monthly unique payers (MUP) increased slightly during the fourth quarter from 489 thousand to 497 thousand for the whole portfolio but stayed on the Q3 level for the top 5 games at 426 thousand (428 thousand).

The growth in player base impacted the monetization KPI's and the average revenue per daily active user (ARPDau) declined from the previous quarter for the top 5 games from 16 cents to 15 cents. The ARPDau for all games remained at 12 cents versus the previous quarter.

EUR million	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
Gross bookings top 5	57.6	57.3	56.7	56.1	57.7	54.3
Gross bookings total	67.0	65.1	65.2	65.8	66.7	63.2

Million	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
DAU top 5	4.1	3.8	3.4	3.5	3.5	3.8
DAU all	5.9	5.9	6.6	7.0	7.0	8.0
MAU top 5	21.0	20.7	16.2	17.1	18.0	20.2
MAU all	37.3	40.7	45.3	49.3	50.1	59.6

Thousand	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
MUP top 5	426	428	394	422	444	451
MUP all	497	489	460	495	504	517

EUR	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
ARPDau top 5	0.15	0.16	0.18	0.18	0.18	0.16
ARPDau all	0.12	0.12	0.11	0.10	0.10	0.09
MARPPU top 5	38.3	38.0	41.5	39.0	38.7	36.0
MARPPU all	38.3	37.7	40.4	38.5	38.9	35.9

Game-specific performance in the Games segment

Angry Birds 2, released in July 2015, remained the biggest game in Rovio's portfolio. Its gross bookings stabilized at EUR 24.9 million to the level of the previous quarter's EUR 25.0 million. The year-on-year decline of 29% was due to much lower user acquisition investments during 2019.

Rovio's second biggest game in the reporting period was Angry Birds Dream Blast, released in January 2019. The gross bookings of Angry Birds Dream Blast in the fourth quarter were EUR 18.8 million (0.5) and 57.6 million for the full year.

Rovio's third biggest game in the reporting period was Angry Birds Friends, that was released already in 2012. Angry Birds Friends gross bookings were EUR 5.9 million (7.9).

Angry Birds Match, released in August 2017, reached gross bookings of EUR 5.3 million (6.7), and was Rovio's fourth biggest game in the quarter. The fall in revenue in Angry Birds Match was due to lower user acquisition investments.

Angry Birds Pop, released in March 2015, remained as Rovio's fifth biggest game in the reporting period. The gross bookings of Angry Birds Pop were EUR 2.7 million (3.8) and was stable quarter-on-quarter.

Sugar Blast, which was launched in September 2019, generated EUR 2.2 million gross bookings in the fourth quarter and was Rovio's sixth largest game.

The other games, that include less actively maintained titles of Rovio's game portfolio, generated total gross bookings of EUR 7.3 million during the quarter (12.7) and declined 43% year-on-year but was stable quarter-on-quarter. For example, Angry Birds Evolution, Angry Birds Blast and Battle Bay are included in the other games' category.

Gross bookings, EUR million	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
AB 2	24.9	25.0	26.5	32.0	35.2	30.8
AB Dream Blast	18.8	17.8	14.0	6.9	0.5	
AB Friends	5.9	6.2	6.6	7.2	7.9	8.2
AB Match	5.3	5.7	6.6	6.8	6.7	6.5
AB Pop	2.7	2.7	3.0	3.3	3.8	3.6
Sugar Blast	2.2	0.5				
Other games	7.3	7.3	8.5	9.7	12.7	14.1
Total	67.0	65.1	65.2	65.8	66.7	63.2

Brand Licensing

October-December 2019

The revenue of the Brand Licensing segment in the reporting period declined -34.4% to EUR 4.9 million (7.5) year-on-year. The revenue consisted of EUR 2.1 million (4.6) from Content Licensing, the majority of which was income from the two Angry Birds movies, and EUR 2.8 million (2.8) revenues from Consumer Products.

The sequel to the Angry Birds Movie was released in August 2019. Although the movie received good audience scores and reviews, the box office sales have been significantly lower than for the first movie. The overall business case for the sequel has been lowered. As the Angry Birds Movie 2 is done with a very different business model, the estimated impact on Rovio is small: around EUR 5 million lower cumulative revenues for content licensing in the span of next 10 years. For the first movie, the amortization as percentage of revenues was raised from 55% to 67% during the reporting period to match the remaining life-time EUR based revenue. Historically, the cumulative USD based revenues from the first movie have flown as expected but due to lower USD to EUR exchange rate, the cumulative EUR based revenues are lower than expected.

The Brand Licensing segment's adjusted EBITDA was 1.8 million (5.0) and adjusted EBITDA margin was 36.5% of revenues (66.4%). The lower EBITDA margin was due to lower revenues. During the fourth quarter, brand licensing unit was restructured to improve efficiency and profitability and the total reduction in roles amounted to 16.

January-December 2019

The revenue of the Brand Licensing segment in the reporting period was EUR 24.3 million (30.8) and declined -21.1% year-on-year. The revenue consisted of EUR 16.2 million (22.2) from Content Licensing, the majority of which was income from the first Angry Birds Movie, released in 2016, and EUR 8.1 million (8.6) from Consumer Products.

The Brand Licensing segment's adjusted EBITDA was 14.0 million (20.8) and adjusted EBITDA margin was 57.8% of revenues (67.5%). The lower EBITDA margin was due to lower revenues compared to last year.

EUR million	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Revenue	4.9	7.5	-34.4%	24.3	30.8	-21.1%
Consumer products	2.8	2.8	-2.1%	8.1	8.6	-5.4%
Content licensing	2.1	4.6	-54.2%	16.2	22.2	-27.1%
Adjusted EBITDA	1.8	5.0	-69.6%	14.0	20.8	-32.4%
Adjusted EBITDA margin, %	36.5%	66.4%		57.8%	67.5%	
EBITDA	1.5	5.0	-69.6%	13.8	20.8	-33.7%
EBITDA margin, %	30.8%	66.4%		56.7%	67.5%	
Capital expenditure	0.1	0.2	-61.5%	0.7	0.2	324.8%
Amortization	1.5	2.7	-45.8%	9.4	13.7	-31.4%

Other segment

Hatch Entertainment

Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80 percent stake, is developing a cloud-based game streaming service for mobile and smart TVs. Today, more than 150 titles are currently live in the service and more than 150 developers and publishers have signed up to bring more than 400 premium games to Hatch, which is now available on the Samsung's Galaxy Store in South Korea and USA and on Google Play in Japan and 18 European countries. Hatch Premium, a paid subscription that removes ads and offers additional content and features such as Android TV support, is also now available in South Korea, USA, Japan, UK, Spain, Italy and with more markets to follow. Hatch Kids, a stand-alone service targeted for children and families is currently in soft launch in Finland and Sweden.

Hatch expenses during the fourth quarter of 2019 were EUR 3.1 million (2.9) and for full year 2019 EUR 10.9 million (7.3). The increased expenses in the reporting period were due to expansion to new markets.

In 2019, Rovio explored alternative financial structures and partnerships to accelerate Hatch's growth. The results of the financing process were inconclusive during the reporting period.

Consolidated statement of financial position

Consolidated statement of financial position. EUR million	31 Dec 2019	31 Dec 2018
Non-current assets	44.9	45.4
Current receivables	47.6	34.2
Cash and cash equivalents	124.7	123.6
Total assets	217.3	203.2
Equity	168.0	159.4
Financial liabilities	14.4	3.6
Advances received and deferred income	8.6	12.7
Other payables	26.3	27.4
Total equity and liabilities	217.3	203.2

Rovio's consolidated statement of financial position amounted to EUR 217.3 million on December 31, 2019 (203.2), with equity representing EUR 168.0 million (159.4) of the total. Cash and cash equivalents amounted to EUR 124.7 million (123.6). The cash deposits amounted to EUR 54.6 million and the cash equivalents to EUR 70.2 million, consisting of investments in money market funds. The increase in cash and cash equivalents during the year 2019 was mainly attributable to cash from operating activities, proceeds received from share subscriptions based on stock option program that were negatively offset by dividends paid and by acquisition of treasury shares.

Total advances received, and deferred income were 8.6 million (12.7).

On December 31, 2019 Rovio's non-current assets were EUR 44.9 million (45.4).

Rovio's net debt on December 31, 2019 amounted to negative EUR 110.4 million. Rovio's debt consisted of loans from Business Finland (the Finnish Funding Agency for Innovation) of EUR 3.1 million, Hatch Entertainment's convertible note from NTT DoCoMo of EUR 3.0 million, as well as EUR 8.0 million in leasing debt.

Cash flow and financing

Consolidated statement of cash flows, EUR million	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Cash flow from operating activities	3.1	19.2	10.5	42.6
Cash flow from investing activities	-0.8	-0.8	-3.9	-1.2
Cash flow from financing activities	-5.1	-2.4	-6.1	-9.4
Change in cash and cash equivalents	-2.7	16.0	0.6	32.0
Net foreign exchange difference	-0.4	0.2	0.5	0.8
Cash and cash equivalents at the beginning of the period	127.9	107.4	123.6	90.8
Cash and cash equivalents at the end of the period	124.7	123.6	124.7	123.6

Rovio's net cash flow from operating activities amounted to EUR 3.1 million (19.2) in the fourth quarter and EUR 10.5 million (42.6) for the full year 2019. The decrease year-on-year was mainly due to larger change in working capital and decrease in net profit.

Cash flows used in investing activities amounted to EUR -0.8 million (-0.8) in the fourth quarter and EUR -3.9 million (-1.2) for the whole year. The increase is mostly attributable to capital expenditure in Brand Licensing - segment of EUR 0.6 million mainly in Angry Birds Explore application, as well as investments in Games of EUR 1.1 million and Other-segment of EUR 1.4 million.

Cash flows used in financing activities amounted to EUR -5.1 million (-2.4) in the fourth quarter and EUR -6.1 million (-9.4) for the whole year 2019. The cash flows used in financing activities in the fourth quarter 2019 were driven by acquisition of treasury shares of the amount EUR 5.1 million. The full year 2019 financing cash outflows mainly consisted of EUR 7.1 million dividends paid, EUR 5.1 million acquisition of treasury shares and EUR 2.7 million, finance lease repayments, mostly reclassified from operating cash flows as required by the IFRS 16-standard.

The main financing cash inflows consisted of EUR 5.1 million received share subscription payments based on stock option program and EUR 3.0 million convertible note to Hatch Entertainment from NTT DoCoMo Ventures.

Personnel

From October to December 2019, Rovio's average number of employees was 468 (401). The Games business unit employed 355 people (307), the Brand Licensing business unit 32 people (32), administrative functions employed 37 (35) and 45 (27) worked in Hatch Entertainment.

	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Employees (average for the Period)	468	401	16.7%	450	388	15.9%
Employees (end of period)	466	418	11.5%	466	418	11.5%

Flagging notifications

On November 15, Rovio Entertainment Corporation (the "Company") received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Odey Asset Management LLP. According to the notification the holding of Odey Asset Management LLP in the Company's shares and votes has risen above 5% on November 14, 2019. Odey Asset Management LLP holds 4,234,500 Company's shares. Each share entitles its holder to one (1) vote.

Shares and shareholders

On December 31, 2019, Rovio's share capital amounted to EUR 0.7 million and the number of shares was 81,268,111.

The shareholdings of the 10 largest shareholders are presented in the table below (nominee-registered holdings excluded). Oivor AB's shareholding is nominee-registered and not explicitly shown in the table.

On December 31, 2019 Rovio Entertainment Corporation held 1,656,608 of its own shares.

Shareholder	Number of Shares	Percentage of shares and votes
Hed Niklas Peter	1,921,746	2.4%
Ilmarinen Mutual Pension Insurance Company	1,700,000	2.1%
Rovio Entertainment Oyj	1,656,608	2.0%
Vesterbacka Jan-Peter Edvin	1,264,579	1.6%
Elo Pension Company	1,250,000	1.5%
Danske Invest Finnish Institutional Equity Fund	1,140,000	1.4%
The State Pension Fund	1,000,000	1.2%
Sijoitusrahasto Aktia Capital	875,074	1.1%
Sijoitusrahasto Aktia Nordic Small Cap	534,196	0.7%
Säästöpankki Kotimaa	506,567	0.6%
Total	11,848,770	14.6%
Other shareholders	69,419,341	85.4%
Number of shares total	81,268,111	100%

A monthly updated table of Rovio's shareholders is available online at <https://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. 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 May 2 -31, 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during May 2 -31, 2019.

A total of 853,150 options were allocated under the 2017 option program as of December 31, 2019, a total of 984,250 options were allocated under the 2018 option program as of December 31, 2019 and a total of 1,168,500 options were allocated under the 2019 option program as of December 31, 2019.

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 maximum number of shares that can be distributed through the restricted share plan is 1,300,000. Once the maximum number of shares has been allocated, the Board of Directors can decide on a new maximum number. A total of 425,845 rights entitling to shares had been allocated under the restricted share plan as of December 31, 2019.

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 ability to develop new successful games. 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. Changes in governmental regulations in different countries can have both short- and long-term implications for the business.

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 www.rovio.com and in the most recent published financial statements.

Outlook for 2020

During 2020 we aim to launch 1-3 new games. The timing of new game launches depends on how the games progress in soft launch. Therefore, we do not give a full year 2020 revenue guidance. We start the year at a lower user acquisition level than we ended last year. Due to lower user acquisition investments and the planned cost savings in Hatch Entertainment Ltd., our adjusted operating profit improves.

Basis for outlook

Our strategy is to seek growth in the Games business through improving the performance of our key games and developing new games.

Brand Licensing segment is optimized for profit at a lower revenue which is expected to decline approximately 50% year-on-year in 2020.

Hatch Entertainment annualized expenses are expected to be approximately EUR 5 million (2019: EUR 10.9 million) on an adjusted basis after restructuring and aligning with its new strategy.

More detailed outlook per games category is given below:

Grow: We believe Angry Birds Dream Blast will grow on an annual basis but starts the year at a lower quarterly run-rate compared to the end of 2019. The game has a strong feature roadmap focusing on improvements to long term retention and monetization. We are continuing to develop Sugar Blast through live operations for its core audience and improve retention and monetization in order to scale the game up.

Earn: The revenues of Angry Birds 2 stabilized despite much lower user acquisition investments y-on-y. We further focus on improving the performance of the game through introducing new updates that increase engagement with our core users. The revenue of other games (Angry Birds Match, Angry Birds Friends and Angry Birds Pop) is expected to continue decline at a steady slow pace. We have lowered or stopped user acquisition investments into these three games.

Catalogue: We expect these games to continue declining over time. They still receive substantial organic downloads, but the active user base and revenues are expected to decline over time as we do not develop these games further.

New games: We aim to launch 1-3 new games in 2020. Currently we have three games in soft launch and several games in other phases of production.

Games in soft launch are available in a selected number of countries and operated with a limited number of gamers. Soft launch games have advanced far in the game development process. They are being tested and developed in order to verify their commercial potential and scalability. There is no guarantee that games in soft launch will be published.

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 9, 2019. The Annual General Meeting approved the financial statements for the financial year 2018 and discharged the members of the Board of Directors and the CEO from liability for the 2018 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 11, 2019 and the dividend were paid on April 18, 2019.

The Annual General Meeting decided that the Board of Directors shall comprise seven (7) members. Mr. Kaj Hed, Ms. Camilla Hed-Wilson, Mr. Kim Ignatius, Mr. Mika Ihamuotila, Mr. Fredrik Löving, Mr. Jeferson Valadares and Ms. Jenny Wolfram were elected members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting in 2020. 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 7 946 474 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 7 946 474 shares (approximately 10 percent of all the current shares of the company). In addition to the authorization to issue new shares, the Board of Directors may decide on the conveyance of an aggregate maximum of 7,946,474 own shares held by the company.

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2020.

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), Ms. Camilla Hed-Wilson, Mr. Mika Ihamuotila and Ms. Jenny Wolfram as members of the Remuneration Committee.

Dividend Proposal

The parent company's distributable funds on 31.12.2019 amount to EUR 165,584,072.51, of which the profit for the period is EUR 20,693,929.04. The Board of Directors proposes to the Annual General Meeting to be held on March 31, 2020 that a dividend of EUR 0.09 per share be paid (EUR 0.09 for 2018).

Based on the number of shares outstanding as of the balance sheet date, December 31, 2019, the total amount of the dividend is EUR 7,165,035.27.

Annual General Meeting

Rovio Entertainment Corporation's Annual General Meeting will be held in Helsinki on March 31, 2020. More information is available online at <https://www.rovio.com/investors/governance/corporate-governance/general-meeting-2020>.

Events after the review period

Rovio Entertainment Corporation has on January 7, 2020 transferred without consideration a total of 19 685 Company's own shares to Company's management team member based on the Company's share-based incentive scheme.

On January 24, 2019 Rovio Entertainment Corporation announced that the Company has decided to establish a performance share plan for key employees including CEO and members of the leadership team. The objective of the Performance Share Plan is to motivate the key employees to work to increase shareholder value in the long term by offering them a share-based reward for achieving the set performance criteria established by the Board of Directors of Rovio. The Performance Share Plan consists of three (3) annually commencing performance periods, covering the consecutive calendar years of 2020, 2021 and 2022. Each performance period is directly followed by a one-year waiting period. Waiting periods cover calendar years 2021, 2022 and 2023. The Performance Share Plan offers the participants a possibility to earn shares for reaching the required levels set for the performance criteria.

The performance criteria for the plan are Rovio's Adjusted Operating Profit (EBIT, %, Hatch Entertainment Ltd. excluded) and Relative Games Revenue Growth (%). The required performance levels will be decided by the Rovio Board of Directors on annual basis for each performance period at a time. The potential rewards will be paid partly in shares and partly in cash after the end of each relevant waiting period in spring 2022, 2023 and 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment. The rewards to be paid on the basis of the performance period 2020 correspond to the value of an approximate maximum total of 738,000 Rovio Entertainment Corporation shares, including the proportion to be paid in cash.

On January 24, 2019 Rovio Entertainment Corporation announced that the Company establishes an Employee Share Savings (ESS) program. The objective of the ESS Plan is to motivate employees to invest in Rovio shares by offering them additional shares in relation to their investment after a designated holding period.

The ESS Plan consists of annually commencing plan periods, each one consisting of a 12-month savings period and a holding period following the savings period. The ESS plan is offered to approximately 460 Rovio employees, excluding employees in China, United States, United Kingdom and Hatch Entertainment Ltd.

The employees will have an opportunity to save a proportion of their salaries and invest those savings in Rovio shares. The savings will be used for acquiring Rovio shares quarterly after the publication dates of the respective interim reports. Dividends paid for the shares will be reinvested in additional shares to be purchased from the market on the next potential acquisition date. As a reward for the commitment, Rovio grants the participating employees one free matching share (gross) for every two savings shares acquired with their savings, including the proportion to be paid in cash to cover applicable taxes and tax-related costs. The prerequisites for receiving the matching shares are continued employment and holding of savings shares until the end of the holding period. In the first plan period, the savings shares and the matching shares will be acquired by purchasing shares from the market.

Participation in the ESS plan is voluntary and the employees will be invited to participate in one plan period at a time. The first plan period commences on April 1, 2020 and ends on August 31, 2022. The holding period of the first plan period ends on August 31, 2022, after which matching shares will be paid out as soon as practicably possible. The total amount of all savings during the plan period may not exceed 2,100,000 euros. The Board of Directors will decide on potential following plan periods and their details separately.

On February 12, 2020 Rovio announced that Rovio's subsidiary Hatch Entertainment Ltd. is focusing its strategy and shifting its service development towards Hatch Kids, a subscription-based entertainment and edutainment cloud streaming service tailored for children and families. Accordingly, Hatch is planning to restructure and align its operations with the focused strategy. The planned annualized cost savings are approximately EUR 6 million. In 2019, Rovio announced that during the year Rovio will explore alternative financial structures and partnerships for Hatch. Rovio has decided to end the 2019 financing round and is evaluating strategic alternatives for Hatch.

ROVIO ENTERTAINMENT CORPORATION

Board of Directors

Performance measures

EUR million	10-12 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Revenue	71.6	72.7	-1.4%	289.1	281.2	2.8%
EBITDA*	2.6	9.3	-71.6%	32.3	47.8	-32.4%
EBITDA margin*	3.7%	12.8%	-	11.2%	17.0%	-
Adjusted EBITDA*	2.9	8.6	-66.2%	32.6	47.5	-31.3%
Adjusted EBITDA margin, %*	4.1%	11.9%	-	11.3%	16.9%	-
Operating profit*	-0.1	5.9	-101.6%	18.1	31.5	-42.7%
Operating profit margin, %*	-0.1%	8.1%	-	6.3%	11.2%	-
Adjusted operating profit*	0.2	5.3	-96.5%	18.3	31.2	-41.2%
Adjusted operating profit margin, %*	0.3%	7.2%	-	6.3%	11.1%	-
Profit before tax	-0.7	6.2	-111.1%	17.7	32.2	-45.0%
Capital expenditure	0.8	0.9	-9.2%	3.1	1.3	134.3%
User acquisition	27.5	23.3	18.2%	99.7	78.6	26.9%
Return on equity (ROE), %	10.8%	21.5%	-	10.8%	21.5%	-
Net gearing ratio, %*	-65.7%	-75.3%	-	-65.7%	-75.3%	-
Equity ratio, %*	80.5%	83.7%	-	80.5%	83.7%	-
Earnings per share, EUR	-0.01	0.05	-116.3%	0.17	0.31	-46.5%
Earnings per share, diluted EUR	-0.01	0.05	-116.4%	0.17	0.31	-46.0%
Net cash flows from operating activities*	3.1	19.2	-83.6%	10.5	42.6	-75.3%
Employees (average for the period)	468	401	16.7%	450	388	15.9%

*Not fully comparable due to IFRS 16 adoption in 2019. See Note 1 for details.

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	10-12/2019	Income statement	
		Items affecting comparability	excluding items affecting comparability
Revenue	71.6		71.6
Other operating income	0.5		0.5
Materials and services	-19.6		-19.6
Employee benefits expense	-10.3	0.3	-10.0
Depreciation and amortization	-2.7		-2.7
Other operating expenses	-39.6	0.0	-39.6
Operating profit	-0.1	0.3	0.2

EUR million	10-12/2018	Income statement	
		Items affecting comparability	excluding items affecting comparability
Revenue	72.7		72.7
Other operating income	1.0	-0.7	0.3
Materials and services	-20.4		-20.4
Employee benefits expense	-11.4		-11.4
Depreciation and amortization	-3.4		-3.4
Other operating expenses	-32.6		-32.6
Operating profit	5.9	-0.7	5.3

EUR million	1-12/2019	Income statement	
		Items affecting comparability	excluding items affecting comparability
Revenue	289.1		289.1
Other operating income	0.6		0.6
Materials and services	-77.3		-77.3
Employee benefits expense	-41.7	0.3	-41.4
Depreciation and amortization	-14.3		-14.3
Other operating expenses	-138.3	0.0	-138.3
Operating profit	18.1	0.3	18.3

EUR million	1-12/2018	Income statement	
		Items affecting comparability	excluding items affecting comparability
Revenue	281.2		281.2
Other operating income	1.1	-0.7	0.4
Materials and services	-79.8		-79.8
Employee benefits expense	-42.6	0.3	-42.4
Depreciation and amortization	-16.3	0.0	-16.3
Other operating expenses	-111.9	0.1	-111.9
Operating profit	31.5	-0.3	31.2

Reconciliation of adjusted operating profit

EUR million	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Operating profit	-0.1	5.9	18.1	31.5
Income from Bargain Purchase		-0.7		-0.7
Restructuring costs arising from employee benefits expenses	0.3		0.3	0.3
Restructuring costs in Other operating expenses	0.0		0.0	0.1
Restructuring costs in Depreciation and amortization				0.0
Adjusted operating profit	0.2	5.3	18.3	31.2

Reconciliation of EBITDA and Adjusted EBITDA

EUR million	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Operating profit	-0.1	5.9	18.1	31.5
Depreciation and amortization	-2.7	-3.4	-14.3	-16.3
EBITDA	2.6	9.3	32.3	47.8
Income from Bargain Purchase		-0.7		-0.7
Restructuring costs arising from employee benefits expenses	0.3	0.0	0.3	0.3
Restructuring costs in Other operating expenses	0.0	0.0	0.0	0.1
Adjusted EBITDA	2.9	8.6	32.6	47.5

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

EUR million	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Equity ratio, %	80.5%	83.7%	80.5%	83.7%
Equity	168.0	159.4	168.0	159.4
Advances received	3.4	6.5	3.4	6.5
Deferred revenue	5.2	6.2	5.2	6.2
Total assets	217.3	203.2	217.3	203.2
Return on equity, %	10.8%	21.5%	10.8%	21.5%
Profit/loss before tax	17.7	32.2	17.7	32.2
Shareholder's equity beginning of period	159.4	140.4	159.4	140.4
Shareholder's equity end of period	168.0	159.4	168.0	159.4
Net gearing ratio, %	-65.7%	-75.3%	-65.7%	-75.3%
Total interest-bearing debt	14.4	3.6	14.4	3.6
Cash and cash equivalents	124.7	123.6	124.7	123.6
Equity	168.0	159.4	168.0	159.4
Non-current interest-bearing loans and borrowings	7.7	3.4	7.7	3.4
Current interest-bearing loans and borrowings	6.7	0.1	6.7	0.1
Cash and cash equivalents	124.7	123.6	124.7	123.6
Net debt	-110.4	-120.0	-110.4	-120.0

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	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Gross bookings	67.0	66.7	263.2	253.3
Change in deferred revenue	0.2	-2.1	1.2	-4.7
Custom contracts	0.2	0.4	1.0	1.5
Other adjustments	-0.9	0.3	-0.6	0.3
Revenue	66.7	65.2	264.8	250.4

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

User acquisition 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 cash equivalents 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 differs from the actual reported revenue.

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.

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, 2019 - Tables

The Financial Statement Bulletin is based on the audited financial statements for the year 2019

Statement of consolidated profit or loss and other comprehensive income

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Revenue	71.6	72.7	289.1	281.2
Other operating income	0.5	1.0	0.6	1.1
Materials and services	19.6	20.4	77.3	79.8
Employee benefits expense	10.3	11.4	41.7	42.6
Depreciation and amortization	2.7	3.4	14.3	16.3
Other operating expenses	39.6	32.6	138.3	111.9
Operating profit	-0.1	5.9	18.1	31.5
Finance income and expenses	-0.6	0.3	-0.3	0.7
Share of profit of associates	0.0	0.0	0.0	0.0
Profit (loss) before tax	-0.7	6.2	17.7	32.2
Income tax expense	-0.0	1.9	4.5	7.7
Profit for the period	-0.7	4.3	13.2	24.6
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0
Equity holders of the parent company	-0.7	4.3	13.2	24.6
Other comprehensive income/expense				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Translation differences	0.0	0.0	0.0	0.0
Total comprehensive income for the period net of tax	-0.7	4.4	13.2	24.6
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0
Equity holders of the parent company	-0.7	4.4	13.2	24.6
Earnings per share for net result attributable to owners of the parent:				
Earnings per share, EUR	-0.01	0.05	0.17	0.31
Earnings per share, diluted EUR	-0.01	0.05	0.17	0.31

Consolidated statement of financial position

EUR million	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets	44.9	45.4
Property, plant and equipment	1.0	0.6
Intangible assets	29.0	39.0
Right-of-Use assets	7.9	0.0
Investments	0.8	0.0
Non-current receivables	0.7	0.8
Deferred tax assets	5.6	4.9
Current assets	172.4	157.8
Trade receivables	32.5	23.0
Prepayments and accrued income	10.7	10.1
Other current financial assets	4.5	1.1
Cash and cash equivalents	124.7	123.6
Total assets	217.3	203.2
EQUITY AND LIABILITIES		
Equity		
Issued capital	0.7	0.7
Reserves	41.8	36.7
Translation differences	-0.5	-0.5
Treasury shares	-7.1	-2.7
Retained earnings	119.8	100.7
Profit for the period	13.2	24.6
Equity holders of the parent company	168.0	159.4
Non-controlling interests	0.0	0.0
Total equity	168.0	159.4
Liabilities		
Non-current liabilities	7.7	3.6
Interest-bearing loans and borrowings	2.1	3.4
Lease liabilities	5.6	0.1
Deferred tax liabilities	0.0	0.1
Current liabilities	41.6	40.1
Trade and other payables	15.2	10.9
Interest-bearing loans and borrowings	4.2	0.1
Lease liabilities	2.4	0.0
Other current financial liabilities	0.7	0.3
Advances received	3.4	6.5
Deferred revenue	5.2	6.2
Income tax payable	0.0	1.2
Provisions	0.2	0.6
Accrued liabilities	10.2	14.3
Total liabilities	49.3	43.7
Total equity and liabilities	217.3	203.2

Consolidated statement of changes in equity

Attributable to the equity holders of the parent on December 31, 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
Balance at Jan 1, 2018	0.7	35.8	0.0	104.6	-0.5	140.5	0.0	140.6
Profit for the period				24.6		24.6		24.6
Option subscriptions		0.9				0.9		0.9
Treasury shares acquisition			-3.0			-3.0		-3.0
Other comprehensive income					0.0	0.0		0.0
Share-based payments			0.3	3.2		3.5		3.5
Cash dividends				-7.1		-7.1		-7.1
December 31, 2018	0.7	36.7	-2.7	125.3	-0.5	159.4	0.0	159.4

Attributable to the equity holders of the parent on December 31, 2019

EUR million	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at Jan 1, 2019	0.7	36.7	-2.7	125.3	-0.5	159.4	0.0	159.4
Profit for the period				13.2		13.2		13.2
Option subscriptions		5.1				5.1		5.1
Treasury shares acquisition			-5.1			-5.1		-5.1
Other comprehensive income					0.0	0.0		0.0
Share-based payments			0.8	1.6		2.4		2.4
Cash dividends				-7.1		-7.1		-7.1
December 31, 2019	0.7	41.8	-7.1	133.0	-0.5	168.0	0.0	168.0

Consolidated statement of cash flows

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Operating activities				
Profit (loss) before tax	-0.7	6.2	17.7	32.2
Adjustments:				
Depreciation and amortization on tangible and intangible assets	2.7	2.7	14.3	15.7
Net foreign exchange differences	0.4	-0.2	-0.5	-0.8
Gain on disposal of property, plant and equipment	0.0	0.0	-0.0	-0.0
Finance costs	0.2	-0.1	0.8	0.1
Share of profit of an associate and a joint venture	0.0	0.0	0.0	0.0
Other adjustments	0.0	-0.1	0.0	-0.1
Other non-cash items	0.1	0.3	2.1	3.0
Change in working capital:				
Change in trade and other receivables and prepayments	7.5	9.8	-9.8	7.6
Change in trade and other payables	-6.3	1.1	-3.4	-4.3
Interest received	0.1	0.1	0.5	0.3
Interest paid	-0.2	0.1	-1.1	-0.3
Income tax paid (received)	-0.7	-0.6	-10.1	-10.9
Net cash flows from operating activities	3.1	19.2	10.5	42.6
Investing activities				
Purchase of tangible and intangible assets	-0.8	-0.9	-3.1	-1.3
Other investments	0.0	0.0	-0.8	0.0
Proceeds from sales of tangible and intangible assets	0.0	0.0	0.0	0.0
Proceeds from sale of investments	0.0	0.0	0.0	0.0
Acquisition of subsidiaries, net of cash acquired	0.0	0.0	0.0	0.0
Proceeds from sale of investments in associates and joint ventures	0.0	0.0	0.0	0.0
Net cash flows used in investing activities	-0.8	-0.8	-3.9	-1.2
Financing activities				
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0
Finance lease repayments	-0.7	-0.0	-2.7	-0.2
Proceeds from and repayments of borrowings	0.0	-0.2	3.0	-0.2
Share subscriptions based on option rights	0.0	0.0	5.1	0.9
Acquisition of treasury shares	-5.1	-2.4	-5.1	-3.0
Share-based payments	0.8	0.3	0.8	0.3
Proceeds of share issue	0.0	0.0	0.0	0.0
Share issue transaction costs	0.0	0.0	0.0	0.0
Dividends paid to equity holders of the parent	0.0	0.0	-7.1	-7.1
Net cash flows from/(used in) financing activities	-5.1	-2.4	-6.1	-9.4
Change in cash and cash equivalents	-2.7	16.0	0.6	32.0
Net foreign exchange difference	-0.4	0.2	0.5	0.8
Cash and cash equivalents at beginning of period	127.9	107.4	123.6	90.8
Cash and cash equivalents at the end of the period	124.7	123.6	124.7	123.6

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 2019.

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, 2019.

1.1 Changes in key accounting principles

Rovio adopted the IFRS 16 Leases-standard as it became effective, on January 1, 2019 using the modified retrospective approach, which means that the comparative figures will not be adjusted for the period ending 31 December 2018. Rovio has used the short-term exemption and the low-value exemption. The adoption of the standard has required significant management judgment. Critical management judgements and material estimates at the time of adoption of the standard are mainly related to the length of the lease term as well as discount rate determination.

Rovio has several lease agreements for both office space as well as machinery and equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by the Company. The lease liabilities are recorded at a present value of future lease payments. Lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using incremental borrowing rate.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Rovio's right-of-use assets are amortized over a 1-5-year period, depending on the lease agreement. The short-term exemption is used on leases shorter than 12 months, which are recorded as expenses in equal monthly instalments. During the interim period EUR 17 thousand was recorded as lease expense.

IFRS 16 related lease payments and interest payments are presented as part of financing cash flow in the Company's cash flow statement.

The IFRS 16 -standard was adopted as of 1 January 2019 and resulted in an increase in right of use assets of approximately EUR 5.6 million and an increase in financial liabilities of approximately EUR 6.0 million in Rovio's opening balance of 2019. In addition, approximately EUR 4.2 million were recognized based on lease agreements that commenced in the first quarter of 2019.

The impact of the adoption in the opening 2019 balance has been presented in the table below.

Consolidated statement of financial position, EUR million	Closing balance 31 Dec 2018	Impact of IFRS 16 implementation	Opening balance 1 Jan 2019
Non-current assets	45.4	5.6	51.0
Current receivables	34.2		34.2
Cash and cash equivalents	123.6		123.6
Total assets	203.2	5.6	208.8
Equity	159.4		159.4
Financial liabilities	3.6	6.0	9.7
Advances received and deferred income	12.7		12.7
Other payables	27.4	-0.4	27.0
Total equity and liabilities	203.2	5.6	208.8

The impact of the adoption in the fourth quarter Profit and Loss Statement has been presented in the table below.

EUR million	Reported 10-12/2019	IFRS 16 Impact	Adjusted with IFRS 16 impact 10-12/2019
Revenue	71.6		71.6
Other operating income	0.5		0.5
Materials and services	19.6		19.6
Employee benefits expense	10.3		10.3
Depreciation and amortization	2.7	-0.6	2.1
Other operating expenses	39.6	0.7	40.2
Operating profit	-0.1	-0.1	-0.2
Finance income and expenses	-0.6	0.1	-0.5
Profit (loss) before tax	-0.7		-0.7

The impact of the adoption in the period January-December 2019 Profit and Loss Statement has been presented in the table below.

EUR million	Reported 1-12/2019	IFRS 16 Impact	Adjusted with IFRS 16 impact 1-12/2019
Revenue	289.1		289.1
Other operating income	0.6		0.6
Materials and services	77.3		77.3
Employee benefits expense	41.7		41.7
Depreciation and amortization	14.3	-2.3	11.9
Other operating expenses	138.3	2.6	140.9
Operating profit	18.1	-0.3	17.8
Finance income and expenses	-0.3	0.3	-0.1
Profit (loss) before tax	17.7		17.7

1.2 IFRS 16 adoption impact in key figures

The IFRS 16 -standard impact in Key Figures is presented in the table below.

EUR million	Reported 10-12/2019	IFRS 16 Impact	Adjusted with IFRS 16 impact 10-12/2019
Revenue	71.6		71.6
EBITDA	2.6	-0.6	2.0
EBITDA margin	3.7%		2.8%
Adjusted EBITDA	2.9	-0.6	2.3
Adjusted EBITDA margin, %	4.1%		3.2%
Operating profit	-0.1	-0.1	-0.2
Operating profit margin, %	-0.1%		-0.2%
Adjusted operating profit	0.2	-0.1	0.1
Adjusted operating profit margin, %	0.3%		0.2%
Net gearing ratio, %	-65.7%		-70.4%
Equity ratio, %	80.5%		83.7%
Net cash flows from operating activities	3.1	-0.7	2.5

EUR million	Reported 1-12/2019	IFRS 16 Impact	Adjusted with IFRS 16 impact 1-12/2019
Revenue	289.1		289.1
EBITDA	32.3	-2.3	30.0
EBITDA margin	11.2%		10.4%
Adjusted EBITDA	32.6	-2.3	30.3
Adjusted EBITDA margin, %	11.3%		10.5%
Operating profit	18.1	-0.3	17.8
Operating profit margin, %	6.3%		6.2%
Adjusted operating profit	18.3	-0.3	18.1
Adjusted operating profit margin, %	6.3%		6.3%
Net gearing ratio, %	-65.7%		-70.4%
Equity ratio, %	80.5%		83.7%
Net cash flows from operating activities	10.5	-2.0	8.5

2. Notes to the statement of profit or loss

2.1 Segment disclosures

Rovio has defined its operating segments as Games, Brand Licensing (BLU) and Other.

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 10-12/2019

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	66.7	4.9	0.0		71.6
Other operating income	0.4	0.0	0.0		0.5
Materials and services	18.9	0.7	0.0		19.6
Employee benefits expense	7.7	0.7	1.3	0.6	10.3
User acquisition	27.5	0.0	0.1		27.6
Other operating expenses	6.3	1.7	2.8	1.1	12.0
Allocations	1.1	0.2	0.3	-1.7	0.0
EBITDA	5.7	1.5	-4.6	0.0	2.6
Depreciation and amortization	1.1	1.5	0.1		2.7
Operating profit	4.5	0.0	-4.7		-0.1
EBITDA	5.7	1.5	-4.6		2.6
Adjustments	0.0	0.3	0.0		0.3
Adjusted EBITDA	5.7	1.8	-4.6		2.9
Operating profit	4.5	0.0	-4.7		-0.1
Adjustments	0.0	0.3	0.0		0.3
Adjusted operating profit	4.5	0.3	-4.7		0.2

Segment Capital expenditure 10-12/2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.4	0.1	0.3	0.8

Segment assets December 31,2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	6.9	21.2	16.8	44.9

Segment profit and loss 10-12/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	65.2	7.5	0.0		72.7
Other operating income	0.3	0.0	0.7		1.0
Materials and services	19.9	0.5	0.0		20.4
Employee benefits expense	7.7	0.9	2.1	0.7	11.4
User acquisition	23.3	0.0	0.0		23.3
Other operating expenses	4.8	0.9	2.2	1.4	9.3
Allocations	1.4	0.3	0.4	-2.1	0.0
EBITDA	8.3	5.0	-4.0	0.0	9.3
Depreciation and amortization	0.6	2.7	0.1		3.4
Operating profit	7.8	2.3	-4.1		5.9
EBITDA	8.3	5.0	-4.0		9.3
Adjustments	0.0	0.0	-0.7		-0.7
Adjusted EBITDA	8.3	5.0	-4.7		8.6
Operating profit	7.8	2.3	-4.1		5.9
Adjustments	0.0	0.0	-0.7		-0.7
Adjusted operating profit	7.8	2.3	-4.8		5.3

Segment Capital expenditure 10-12/2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.0	0.2	0.8	0.9

Segment assets December 31, 2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.9	29.7	7.8	45.4

Segment profit and loss 1-12/2019

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	264.8	24.3	0.0		289.1
Other operating income	0.6	0.0	0.0		0.6
Materials and services	75.7	1.6	0.0		77.3
Employee benefits expense	28.7	3.5	6.9	2.6	41.7
User acquisition	99.7	0.0	0.1		99.8
Other operating expenses	21.3	4.3	8.8	4.1	38.5
Allocations	4.3	1.1	1.3	-6.7	0.0
EBITDA	35.6	13.8	-17.0	0.0	32.3
Depreciation and amortization	4.3	9.4	0.6		14.3
Operating profit	31.3	4.3	-17.6		18.1
EBITDA	35.6	13.8	-17.0		32.3
Adjustments	0.0	0.3	0.0		0.3
Adjusted EBITDA	35.6	14.0	-17.0		32.6
Operating profit	31.3	4.3	-17.6		18.1
Adjustments	0.0	0.3	0.0		0.3
Adjusted Operating profit	31.3	4.6	-17.6		18.3

Segment Capital expenditure 1-12/2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	1.1	0.7	1.4	3.1

Segment assets December 31, 2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	6.9	21.2	16.8	44.9

Segment profit and loss 1-12/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	250.4	30.8	0.0		281.2
Other operating income	0.3	0.0	0.8		1.1
Materials and services	78.0	1.8	0.0		79.8
Employee benefits expense	29.7	3.7	6.6	2.7	42.6
User acquisition	78.6	0.0	0.0		78.6
Other operating expenses	18.5	3.3	5.9	5.6	33.3
Allocations	5.4	1.2	1.7	-8.3	0.0
EBITDA	40.5	20.8	-13.4	0.0	47.8
Depreciation and amortization	2.2	13.7	0.4		16.3
Operating profit	38.3	7.0	-13.8		31.5
EBITDA	40.5	20.8	-13.4		47.8
Adjustments	0.3	0.0	-0.7		-0.3
Adjusted EBITDA	40.8	20.8	-14.1		47.5
Operating profit	38.3	7.0	-13.8		31.5
Adjustments	0.3	0.0	-0.7		-0.3
Adjusted operating profit	38.6	7.0	-14.5		31.2

Segment Capital expenditure 1-12/2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.3	0.2	0.9	1.3

Segment assets December 31, 2018

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.9	29.7	7.8	45.4

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	10-12/2019			10-12/2018		
	Games	Brand Licensing	Total	Games	Brand Licensing	Total
NAM	40.6	2.2	42.7	42.3	4.6	46.9
LATAM	0.7	0.9	1.7	0.7	0.1	0.9
EMEA	15.4	1.1	16.5	15.8	1.7	17.5
APAC	9.9	0.8	10.7	6.3	1.1	7.3
Total	66.7	4.9	71.6	65.2	7.5	72.7

EUR Million	1-12/2019			1-12/2018		
	Games	Brand Licensing	Total	Games	Brand Licensing	Total
NAM	169.6	15.7	185.3	156.1	21.8	177.8
LATAM	2.7	1.3	4.0	3.4	0.6	4.0
EMEA	59.5	5.4	64.9	64.2	4.9	69.1
APAC	33.0	1.9	34.9	26.8	3.5	30.3
Total	264.8	24.3	289.1	250.4	30.8	281.2

2.4 Disaggregation of revenue from contracts with Customers

EUR million

Segment and revenue stream	Timing of revenue recognition	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Games					
In-application purchases	At a point in time and over time	56.7	56.7	225.9	220.3
Subscription payments	Over time	0.0	0.0	0.0	0.0
Custom contracts	Over time	0.2	0.4	1.0	1.5
Advertising	At a point in time	9.7	8.1	37.9	28.6
Games total revenue		66.7	65.2	264.8	250.4
Brand Licensing					
IP Licensing and tangible sales	At a point in time and over time	2.8	2.8	8.1	8.6
Animation broadcasting and distribution	At a point in time	2.0	4.6	15.8	21.9
Advertising	At a point in time	0.1	0.1	0.4	0.3
Brand Licensing total revenue		4.9	7.5	24.3	30.8
Group revenue		71.6	72.7	289.1	281.2

3. Notes to the statement of financial position

3.1 Non-Current Assets – Intangible Assets

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, 2018	35.2	1.5	63.0	20.2	119.8
Additions	1.1	0.1	0.0	0.7	1.9
Disposals*	0.0	-0.0	0.0	0.0	-0.0
Reclassification	-7.7	0.0	0.0	-0.0	-7.7
At December 31, 2018	28.6	1.6	63.0	20.8	114.0
Additions	1.1	0.2	0.0	1.1	2.4
Disposals	-0.0	-0.0	0.0	-0.7	-0.7
Reclassification	0.0	0.1	0.0	-0.3	-0.3
At December 31, 2019	29.7	1.8	63.0	20.9	115.3
Amortization and impairment					
At January 1, 2018	26.5	0.6	23.8	15.8	66.8
Amortization	1.9	0.2	11.4	2.4	16.0
Impairment	0.0	0.0	0.0	0.0	0.0
Reclassification	-7.7	0.0	0.0	0.0	-7.7
At December 31, 2018	20.7	0.8	35.2	18.2	74.9
Amortization	2.0	0.2	7.8	1.4	11.4
Impairment	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0
At December 31, 2019	22.7	1.0	43.0	19.6	86.4
Carrying amount					
At December 31, 2019	6.9	0.8	19.9	1.3	29.0
At December 31, 2018	7.9	0.8	27.7	2.6	39.0

Development expenses still in production at December 31, 2019 amounted to EUR 5.0 million (4.9).

3.2 Non-Current Assets – Tangible Assets

There were no material changes in tangible assets during 2019.

EUR million	Machinery and equipment
Cost	
At January 1, 2018	5.0
Additions	0.5
Disposals	-0.0
Translation differences	0.0
At December 31, 2018	5.5
Additions	1.0
Disposals	0.0
Translation differences	-0.0
Reclassification	-0.6
At December 31, 2019	6.0
Depreciation and amortization	
At January 1, 2018	-4.6
Depreciation charge for the period	-0.3
Disposals	0.0
Translation differences	0.0
At December 31, 2018	-4.9
Depreciation charge for the period	-0.5
Disposals	0.0
Translation differences	0.0
Reclassification	0.3
At December 31, 2019	-5.1
Carrying amount	
At December 31, 2019	1.0
At December 31, 2018	0.5

3.3 Adoption of IFRS 16 – Right of use assets

EUR million	Property	Machinery and equipment	Total
Cost			
At January 1, 2019	0.0	0.6*	0.6
Adoption of IFRS 16	5.6	0.0	5.6
Additions	4.3	0.3	4.5
At December 31, 2019	9.9	0.9	10.7
Amortization and impairment			
At January 1, 2019	0.0	0.3*	0.3
Amortization	2.3	0.2	2.5
At December 31, 2019	2.3	0.5	2.8
Carrying amount			
At December 31, 2019	7.5	0.3	7.9
At December 31, 2018	0.0	0.3	0.3

*Leases classified as finance leases according to IAS 17 in 2018. In transition to IFRS 16 carrying amount of right of use assets is equal to carrying amount of the asset before that date measured applying IAS 17.

4.Changes in contingent liabilities or contingent assets

Future minimum rentals payable under non-cancelable operating leases and other commitments are as follows. The change compared to the ending balance of 2019 is due to the change in the presentation of lease liabilities on the balance sheet as required by IFRS 16-standard.

EUR million	At December 31, 2019	At December 31, 2018
Equipment lease commitments		
Due within one year	0.0	0.3
Due in subsequent years	0.0	0.5
Total	0.0	0.8
Office rental commitments		
Due within one year	0.0	2.6
Due in subsequent years	0.0	4.8
Total	0.0	7.5
Other commitments		
Enterprise mortgages	0.0	0.0
Venture Capital investment commitment	1.9	0.0
Total	1.9	0.0

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.

Oivor AB is an entity, that has significant influence over the Rovio Group. In April 2019, EUR 2.9 million was paid out as dividend between the Rovio Group and Oivor.

Ferly (formerly Kaiken Entertainment) is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Oivor AB and Trema and he exercises significant influence on the company. Rovio recognized licensing income of EUR 8 thousand during the 2019 financial year (EUR 10 thousand during the 2018 financial year). Ferly has invoiced Rovio for its services in the amount of CAD 20 thousand (approximately EUR 13 thousand) during the 2019 financial year.

6.Calculation of earnings per share

	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Earnings per share, EUR	-0.01	0.05	0.17	0.31
Earnings per share, diluted, EUR	-0.01	0.05	0.17	0.31
Shares outstanding at the end of the period (thousands)	79,612	78,852	79,612	78,852
Weighted average adjusted number of shares during the financial period, basic (thousands)	80,445	79,072	79,697	79,282
Weighted average adjusted number of shares during the financial period, diluted (thousands)	80,523	79,780	79,886	80,161