

Rovio Entertainment Corporation

Interim Report

October 30, 2019

Q3

INTERIM REPORT - JANUARY-SEPTEMBER 2019

19

 ROVIO

# Games grew 5.2% year-on-year in Q3, profit margin lower due to increased user acquisition to drive growth of new games

## July-September 2019 highlights

- Rovio's revenue grew 5.4% year-on-year to EUR 74.8 million (71.0)
- Games revenue in Q3 grew by 5.2% year-on-year to EUR 66.4 million (63.1). In comparable currencies, the revenue increased approximately by 3%. The Games gross bookings were EUR 65.1 million (63.2) or 3.0% growth year-on-year and in comparable currencies the gross bookings were at similar level.
- Angry Birds Dream Blast, launched on 24<sup>th</sup> January 2019, had gross bookings of EUR 17.8 million and grew from Q2 gross bookings of EUR 14.0 million
- Rovio launched a new IP game, Sugar Blast on 5th September
- User acquisition investments were EUR 27.1 million (17.8), or 40.8% of the Games segment's revenue (28.2%)
- Brand Licensing revenue was EUR 8.4 million (7.9) and grew 6.2% year-on-year
- The sequel to the Angry Birds Movie was released in August 2019
- Group adjusted operating profit was EUR 5.4 million (10.4) and adjusted operating profit margin 7.2% (14.6%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 8.6 million (12.0) and adjusted operating profit margin 11.5% (16.9%)
- Operating cash flow was EUR -0.7 million (11.1)
- Earnings per share was EUR 0.06 (0.10)

## January-September 2019 highlights

- Rovio's revenue was EUR 217.5 million (208.5) or 4.3% growth year-on-year
- Angry Birds Dream Blast, launched on 24<sup>th</sup> January 2019, accumulated gross bookings of EUR 38.7 million during the review period and is trending close to EUR 60 million for the full year and in September, reached a yearly run-rate of nearly EUR 80 million.
- Games revenue grew 7.0% to EUR 198.1 million (185.2). In comparable currencies, the revenue growth was approximately 4%. The Games gross bookings were EUR 196.1 million (186.6) or 5.1% growth year-on-year and in comparable currencies the growth was approximately 1%.
- User acquisition investments were EUR 72.2 million (55.3), or 36.4% of the Games segment's revenue (29.9%)
- Brand Licensing revenue was EUR 19.4 million (23.3) or 16.8% lower year-on-year
- Group adjusted operating profit was EUR 18.2 million (25.9) and adjusted operating profit margin 8.4% (12.4%)
- Group adjusted operating profit excluding Hatch Entertainment was EUR 26.0 million (30.3) and adjusted operating profit margin 11.9% (14.5%)
- Operating cash flow was EUR 7.4 million (23.4)
- Earnings per share was EUR 0.17 (0.25)

## Key figures

EUR million	7-9 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	1-12/ 2018
Revenue	74.8	71.0	5.4%	217.5	208.5	4.3%	281.2
EBITDA*	9.6	15.0	-35.9%	29.7	38.6	-23.0%	47.8
EBITDA margin*	12.8%	21.1%	-	13.7%	18.5%	-	17.0%
Adjusted EBITDA*	9.6	15.0	-35.9%	29.7	38.9	-23.6%	47.5
Adjusted EBITDA margin, %*	12.8%	21.1%	-	13.7%	18.7%	-	16.9%
Operating profit*	5.4	10.4	-48.1%	18.2	25.6	-29.0%	31.5
Operating profit margin, %*	7.2%	14.6%	-	8.4%	12.3%	-	11.2%
Adjusted operating profit*	5.4	10.4	-48.1%	18.2	25.9	-30.0%	31.2
Adjusted operating profit margin, %*	7.2%	14.6%	-	8.4%	12.4%	-	11.1%
Profit before tax	6.1	10.2	-40.8%	18.4	26.0	-29.3%	32.2
Capital expenditure	0.6	0.1	-	2.2	0.4	-	1.3
User acquisition	27.1	17.8	52.2%	72.2	55.3	30.5%	78.6
Return on equity (ROE), %	14.9%	25.4%	-	14.9%	25.4%	-	21.5%
Net gearing ratio, %*	-64.9%	-67.0%	-	-64.9%	-67.0%	-	-75.3%
Equity ratio, %*	79.8%	84.6%	-	79.8%	84.6%	-	83.7%
Earnings per share, EUR	0.06	0.10	-36.8%	0.17	0.25	-31.5%	0.31
Earnings per share, diluted EUR	0.06	0.10	-36.2%	0.17	0.25	-31.2%	0.31
Net cash flows from operating activities*	-0.7	11.1	-106.1%	7.4	23.4	-68.5%	42.6
Employees (average for the period)	463	387	19.6%	444	384	15.6%	388

\*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-app-purchases in United States and global ad network sales.

## Kati Levoranta, CEO:

Rovio's revenue in the third quarter of 2019 was EUR 74.8 (71.0) million and grew 5.4% year-on-year. Rovio's Games unit revenue was EUR 66.4 million (63.1) and grew 5.2% year-on-year. Angry Birds Dream Blast, which was released in January this year, continued to grow and reached EUR 17.8 million gross bookings. The gross bookings of Angry Birds Dream Blast are thus trending close to EUR 60 million for the full year of 2019 and in September the yearly run-rate of gross bookings reached nearly EUR 80 million. This shows our ability to launch and scale up a game quickly when the opportunity arises, i.e. when the game KPIs are good and the user acquisition performance is according to our targets.

The gross bookings of Angry Birds 2, Rovio's largest game, was EUR 25.0 million as the month of July was quite soft for the game although the Angry Birds Movie 2 release boosted the game during the August and September. We continue to work on improving the games retention and monetization to enable us to increase user acquisition investments and grow the game.

In September, we launched a new game, Sugar Blast, that is based on the Angry Birds Dream Blast core gameplay, but with a new IP. The game was launched late in the quarter and thus did not significantly contribute to the quarter's financials. We are ramping up the game gradually through user acquisition as we gain more data.

The user acquisition investments in the reporting period grew to EUR 27.1 million (17.8). Most of the investments were directed to Angry Birds Dream Blast to drive its growth. During the quarter the largest user acquisition investments were made in August, around the release of the Angry Birds Movie 2, which gave us a good opportunity to boost our key games.

The adjusted operating profit of Rovio in the reporting period was EUR 5.4 (10.4) million and the adjusted operating profit margin 7.2% (14.6%). The lower operating margin in this quarter was mostly due to increased investments in user acquisition.

Our game portfolio continues its transition, with new games clearly playing an increasing role and replacing older games in the portfolio. We've launched two new games in 2019, as we had planned, and currently we have three games in soft launch out of which one is an Angry Birds game and two are with new IP. Our newest game which was soft launched in October is called Small Town Murders, a narrative puzzle game with a new IP. We've stated that our aim is to increase our top line growth rate, and thus we aim to keep user acquisition investments at a high level for the rest of 2019.

The Brand Licensing unit's revenue in the third quarter was EUR 8.4 million which was a bit higher than last year (7.9). The growth was mainly due to higher consumer products revenues boosted by The Angry Birds Movie 2, which released in August. The sequel opened in a very competitive landscape and regardless of great critics' reviews and high audience score, the theatrical box office traction has been much softer than what we had hoped for. As communicated earlier in connection with the 1H/2019 financial report we somewhat lowered our revenue expectations for the Brand Licensing unit due to the highly competitive landscape for consumer products. Consequently, we have started employee cooperation negotiations in the Brand Licensing unit and are planning to restructure the unit to seek efficiencies and improve profitability.

In the third quarter, Rovio continued exploring alternative financial structures and partnerships to accelerate the growth of Hatch Entertainment, Rovio's 80% owned subsidiary, which is developing a cloud-based game streaming service for mobile and smart TVs.

### **Outlook for 2019 (updated September 12, 2019 in a separate release)**

In 2019, Rovio expects group revenues to grow to EUR 295 – 310 million (2018: EUR 281 million) and adjusted operating profit margin to be between 5 and 8 per cent (2018: 11.1 per cent).

#### **Basis for outlook**

The lower adjusted EBIT margin boundary is associated with the upper revenue boundary, which is a result of higher user acquisition investments, and vice versa.

In 2019, Rovio Games business continues developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and development of new games. Rovio has launched two new games during the first three quarters of 2019: Angry Birds Dream Blast was launched on January 24th and Sugar Blast on September 5th, 2019.

The user acquisition investments are expected to be 35-40 percent of Games' revenues for the full year with an average payback time of 12 months. The amount of user acquisition may vary depending on the development of the games' monetization and the level of competition in the market.

The Brand Licensing segment revenues are expected to be at a similar or slightly higher level in 2019 with focus on the second half of the year after the release of the Angry Birds Movie sequel.

On group level the largest revenue growth is expected during the second half of 2019. The profit margin excluding Hatch Entertainment is expected to be between 8 and 11 per cent for the full year.

## **Audiocast and conference call:**

Rovio will host an English language audiocast and conference call on the third quarter 2019 results, including a Q&A session for analysts, media and institutional investors at 14:00-15:00 EEST on October 30, 2019. 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:**

PIN: 27830997#

FI: +358 981 710 310

SE: +46 856 642 651

UK: +44 333 300 08 04

US: +1 855 857 06 86

### **More information:**

Kati Levoranta, CEO, tel. +358 207 888 300

René Lindell, CFO, tel. +358 207 888 300

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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](http://www.rovio.com))

# Rovio Entertainment Corporation Interim Report 1-9/2019

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 June 2019, the global mobile gaming market size in end-user generated revenue was estimated to be USD 62.1 billion in 2018 which represented 10% year-on-year growth. In 2019, Newzoo estimates the global mobile gaming market to grow by 10% to USD 68.5 billion.

The global growth rate was somewhat reduced from their previous report due to the lower market growth especially in China, Middle East and Africa. The Chinese market growth is still recovering from the ending of the 9-month hiatus in approving new game launches for both foreign and domestic game developers at the end of 2018.

In the long-term, the global mobile gaming market is expected to continue its double-digit growth of 11% CAGR during 2018-2022. The Western market is expected to grow at 9% CAGR during 2018-2022.

## Revenue and result

### July-September 2019

In the third quarter 2019, Rovio group revenue grew 5.4% year-on-year to EUR 74.8 million (71.0).

The Games segment revenue grew 5.2% year-on-year and amounted to EUR 66.4 million (63.1); in comparable currencies, games revenue grew by approximately 3%. In the reporting period, the gross bookings of Rovio's largest game Angry Birds 2 declined slightly from the second quarter as expected due to a low start of the quarter in July although it saw an uplift in August and September during the release of the Angry Birds Movie 2. Rovio's second largest game Angry Birds Dream Blast continued to grow in the reporting period. In September, Rovio launched its second new game of the year, Sugar Blast, although it had negligible impact on the revenues in the reporting period due to launching late in the quarter.

The revenue of the Brand Licensing -segment was EUR 8.4 million (7.9) and grew 6.2% year-on-year due to additional bookings of the movie sequel revenues as well as consumer products related to movie launch. The revenue consisted of EUR 5.6 million (6.4) from Content Licensing, the majority of which was income from the two Angry Birds movies, and EUR 2.8 million (1.5) from Consumer Products.

The Group's adjusted EBITDA was EUR 9.6 million (15.0), or 12.8% (21.1%) of revenues.

The Group's adjusted operating profit was EUR 5.4 million (10.4) and adjusted operating profit margin 7.2% (14.6%). Excluding Hatch Entertainment operating expenses, the Group's adjusted profit was EUR 8.6 million (12.0) and adjusted operating profit margin 11.5% (16.9%). There were no adjustments in the reporting period.

The Games segment's adjusted EBITDA was EUR 8.3 million (12.7) or 12.4% (20.1%) of revenues. Games EBITDA margin was lower compared to last year due to much higher user acquisition investments in the reporting period: EUR 27.1 million (17.8) or 40.8% of revenues (28.2%). The increase in user acquisition was mainly due to investments into growing Angry Birds Dream Blast.

The Brand Licensing segment's adjusted EBITDA was EUR 6.0 million (5.6) and adjusted EBITDA margin was 72.0% (70.3%).

The Group's profit before taxes was EUR 6.1 million (10.2) and earnings per share EUR 0.06 (0.10).

### January-September 2019

In the review period Rovio group revenue was EUR 217.5 million (208.5) and grew 4.3% year-on-year.

The Games segment revenue was EUR 198.1 million (185.2) and increased 7.0% year-on-year; In comparable currencies, the games segment revenue growth was approximately 4%.

The revenue of the Brand Licensing -segment was EUR 19.4 million (23.3) or 16.8% decline year-on-year, as expected. The revenue consisted of EUR 14.1 million (17.6) from Content Licensing, the majority of which was income from the first Angry Birds Movie, and EUR 5.3 million (5.7) from Consumer Products.

The Group's adjusted EBITDA was EUR 29.7 million (38.9), or 13.7% (18.7%) of revenues.

The Group's adjusted operating profit was EUR 18.2 million (25.9) and adjusted operating profit margin 8.4% (12.4%). Excluding Hatch Entertainment operating expenses, the Group's adjusted operating profit was EUR 26.0 million (30.3) and adjusted operating profit margin 11.9% (14.5%). The adjustments in January-September 2018 amounted to EUR 0.3 million and were related to the closing of Rovio's games studio in London. There were no adjustments in the reporting period January-September 2019.

The Games segment's adjusted EBITDA was EUR 29.9 million (32.5) or 15.1% (17.6%) of revenues. The user acquisition investments in the reporting period were EUR 72.2 million (55.3) or 36.4% of revenues (29.9%). The increase in user acquisition investments were mainly targeted to drive growth in the new game Angry Birds Dream Blast.

The Brand Licensing segment's adjusted EBITDA was EUR 12.2 million (15.8) and adjusted EBITDA margin was 63.3% (67.8%). The decline in EBITDA from last year was due to lower revenues.

The Group's profit before taxes was EUR 18.4 million (26.0) and earnings per share EUR 0.17 (0.25).

### Financing and investments

Rovio's capital expenditure was EUR 0.6 million (0.1) in the third 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 0.3 million (0.0) in the third quarter and related to external game development. Brand Licensing Unit capital expenditure was EUR 0.1 million and related mainly to external development of Angry Birds Explore application. The Other-segment's investments were EUR 0.1 million (0.0) for the quarter and consisted mainly of machinery and equipment.

Cash flow from financing amounted to EUR 3.8 million (-0.5) in the third quarter and consisted share subscription payments of EUR 4.5 million and 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 the third quarter, Rovio's total interest-bearing loans and financial liabilities amounted to EUR 15.5 million (2.5) consisting of EUR 3.6 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 8.7 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 127.9 million (107.4).

## Development per business segment

### Games

#### July-September 2019

The Games segment's revenue in the reporting period amounted to EUR 66.4 million (63.1), which corresponds to a year-on-year growth of 5.2%. In comparable currencies, the revenue increased approximately by 3%.

Angry Birds Dream Blast, that was launched in January 2019 continued to grow and has become Rovio's best free-to-play game launch measured in quarterly gross bookings for the first year. Rovio's top five games remained unchanged since 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 8.3 million (12.7) which represents a decrease of 34.8% 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.

The Games segment's user acquisition investments increased to EUR 27.1 million (17.8), or 40.8% (28.2%) of the Games segment's revenue in the reporting period. The increase was driven by Angry Birds Dream Blast and Angry Birds 2, with additional increased investment being directed to Sugar Blast, that was launched in the third quarter. During the reporting period, most of the user acquisition investments were directed to Angry Birds Dream Blast and Angry Birds 2, especially during the August movie launch in USA.

The Games segment's capital expenditure in the reporting period amounted to EUR 0.3 million (0.0).

#### January-September 2019

In January-September 2019, the Games segment's revenue amounted to EUR 198.1 million (185.2), and increased by 7.0%; In comparable currencies, the revenue growth was approximately 4%.

The Games segment's adjusted EBITDA decreased by 8.0% to EUR 29.9 million (32.5) in the reporting period. The EBITDA decrease was primarily driven by the significantly increased UA investment, which was 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.

In January-September 2019, Games segment's user acquisition amounted to EUR 72.2 million (55.3), or 36.4% (29.9%) of Games segment's revenue. The growth in user acquisition was due to investments into Angry Birds Dream Blast's global launch in the first quarter of 2019 as well as third quarter investments into Angry Birds Dream Blast, Angry Birds 2 and Sugar Blast.

The Games segment's capital expenditure during January-September 2019 amounted to EUR 0.6 million (0.3).



<b>EUR million</b>	<b>7-9/ 2019</b>	<b>7-9/ 2018</b>	<b>Change, %</b>	<b>1-9/ 2019</b>	<b>1-9/ 2018</b>	<b>Change, %</b>	<b>1-12/ 2018</b>
Gross bookings	65.1	63.2	3.0%	196.1	186.6	5.1%	253.3
Revenue	66.4	63.1	5.2%	198.1	185.2	7.0%	250.4
Adjusted EBITDA	8.3	12.7	-34.8%	29.9	32.5	-8.0%	40.8
Adjusted EBITDA margin, %	12.4%	20.1%		15.1%	17.6%		16.3%
EBITDA	8.3	12.7	-34.8%	29.9	32.2	-7.1%	40.5
EBITDA margin, %	12.4%	20.1%		15.1%	17.4%		16.2%
User acquisition	27.1	17.8	52.2%	72.2	55.3	30.5%	78.6
User acquisition share of revenue, %	40.8%	28.2%		36.4%	29.9%		31.4%
Capital expenditure	0.3	0.0	-	0.6	0.3	141.5%	0.3

### Key performance indicators of the Games segment

The key performance indicators of the Games segment's use gross bookings in place of revenue as it gives a more accurate view of Rovio's operating performance at a specific point in time. Gross bookings represent in-app purchases and in-app advertising sales in the given calendar month, reported based on the date of purchase/sale. Gross bookings do not include revenue from custom contracts, revenue deferrals or accounting adjustments due to, for example, foreign exchange rate differences between revenue accruals and actual payments, and thus differ from the reported revenue. The reconciliation of gross bookings to revenue is presented in the notes.

In the third quarter 2019, the Games segment's gross bookings increased by 3.0% to EUR 65.1 million (63.2) and in comparable currencies was stable year-on-year.

During the reporting period the amount of daily active users (DAU) for top 5 games increased quarter-on-quarter from 3.4 to 3.8 million for the top 5 games. The total amount of daily active users had a one-off decline from 6.6 million to 5.9 million due to stopping tracking of daily active users for part of the old game portfolio as some of the legacy back-end systems became obsolete. The comparable total DAU would have been approximately 6.5 million.

The increase in daily active users for top games was reflected also in the amount of monthly unique payers (MUP) that improved from 394 to 428 thousand for the top 5 games and 460 to 489 for the whole portfolio. The large increase in users during the movie sequel launch, especially for Angry Birds 2, had an impact on the average monetization and, consequently, both monthly average revenue per paying unique user (MARPPU) and the average revenue per daily active user (ARPDau) declined from the previous quarter for the top 5 games. The ARPDau for all games grew to 12 cents from previous quarter's 11 cents due to stopping tracking of active users in some of the old games.

<b>EUR million</b>	<b>7-9/2019</b>	<b>4-6/2019</b>	<b>1-3/2019</b>	<b>10-12/2018</b>	<b>7-9/2018</b>	<b>4-6/2018</b>
Gross bookings top 5	57.3	56.7	56.1	57.7	54.3	54.8
Gross bookings total	65.1	65.2	65.8	66.7	63.2	64.8
<b>Million</b>	<b>7-9/2019</b>	<b>4-6/2019</b>	<b>1-3/2019</b>	<b>10-12/2018</b>	<b>7-9/2018</b>	<b>4-6/2018</b>
DAU top 5	3.8	3.4	3.5	3.5	3.8	4.0
DAU all	5.9	6.6	7.0	7.0	8.0	8.8
MAU top 5	20.7	16.2	17.1	18.0	20.2	22.2
MAU all	40.7	45.3	49.3	50.1	59.6	64.2
<b>Thousand</b>	<b>7-9/2019</b>	<b>4-6/2019</b>	<b>1-3/2019</b>	<b>10-12/2018</b>	<b>7-9/2018</b>	<b>4-6/2018</b>
MUP top 5	428	394	422	444	451	497
MUP all	489	460	495	504	517	581
<b>EUR</b>	<b>7-9/2019</b>	<b>4-6/2019</b>	<b>1-3/2019</b>	<b>10-12/2018</b>	<b>7-9/2018</b>	<b>4-6/2018</b>
ARPDau top 5	0.16	0.18	0.18	0.18	0.16	0.15
ARPDau all	0.12	0.11	0.10	0.10	0.09	0.08
MARPPU top 5	38.0	41.5	39.0	38.7	36.0	33.5
MARPPU all	37.7	40.4	38.5	38.9	35.9	33.0

### Game-specific performance in the Games segment

Angry Birds 2, released in July 2015, remained as the largest game in Rovio's portfolio. Its gross bookings amounted to EUR 25.0 million (30.8) or 19% lower than previous year mainly due to 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 were EUR 17.8 million (-) and is trending towards EUR 60 million gross bookings for the full year and in September, reached a yearly run-rate close to EUR 80 million.

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 6.2 million (8.2).

Angry Birds Match, a match-3 game released in August 2017, reached gross bookings of EUR 5.7 million (6.5), and was Rovio's fourth biggest game in the quarter. The fall in revenue in Angry Birds Match was mainly 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 (3.6).

The other games, that include less actively maintained titles of Rovio's game portfolio, generated total gross bookings of EUR 7.8 million (14.1) and declined 45% year-on-year. Angry Birds Evolution, Angry Birds Blast and Battle Bay are included in the other games category. The other games also include Sugar Blast, which was launched in September 2019 and did not have time to significantly contribute to the quarter's revenues.

<b>Gross bookings, EUR million</b>	<b>7-9/2019</b>	<b>4-6/2019</b>	<b>1-3/2019</b>	<b>10-12/2018</b>	<b>7-9/2018</b>	<b>4-6/2018</b>
AB 2	25.0	26.5	32.0	35.2	30.8	29.7
AB Dream Blast	17.8	14.0	6.9	0.5		
AB Friends	6.2	6.6	7.2	7.9	8.2	8.0
AB Match	5.7	6.6	6.8	6.7	6.5	6.8
AB Pop	2.7	3.0	3.3	3.8	3.6	3.8
Other games	7.8	8.5	9.7	12.7	14.1	16.4
<b>Total</b>	<b>65.1</b>	<b>65.2</b>	<b>65.8</b>	<b>66.7</b>	<b>63.2</b>	<b>64.8</b>

## Brand Licensing

### July-September 2019

The revenue of the Brand Licensing segment in the reporting period was EUR 8.4 million (7.9) and grew 6.2% year-on-year. The revenue consisted of EUR 5.6 million (6.4) from Content Licensing, the majority of which was income from the two Angry Birds movies, and EUR 2.8 million (1.5) revenues was from Consumer Products.

The sequel to the Angry Birds Movie was released in August. Although the movie received good audience scores and reviews, the box office sales have been significantly lower than the first movie had at similar point in time. The revenues from the first movie have continued to flow in according to expectations, however, for the sequel the overall business case has been lowered. As the sequel 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. As stated in the 1H/2019 report, the expectations of movie uplift for consumer products for 2nd half of 2019 has been somewhat reduced and, therefore, the revenue accruals for the third quarter were somewhat lower than expected. The Brand Licensing segment's adjusted EBITDA was 6.0 million (5.6) and adjusted EBITDA margin was 72.0% of revenues (70.3%).

### January-September 2019

The revenue of the Brand Licensing segment in the reporting period was EUR 19.4 million (23.3) and declined 16.8% year-on-year. The revenue consisted of EUR 14.1 million (17.6) from Content Licensing, the majority of which was income from the first Angry Birds Movie, released in 2016, and EUR 5.3 million (5.7) from Consumer Products.

The Brand Licensing segment's adjusted EBITDA was 12.2 million (15.8) and EBITDA margin was 63.3% of revenues (67.8%). The lower EBITDA margin was due to lower revenues compared to last year

EUR million	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	1-12/ 2018
Revenue	8.4	7.9	6.2%	19.4	23.3	-16.8%	30.8
Consumer products	2.8	1.5	84.0%	5.3	5.7	-7.1%	8.6
Content licensing	5.6	6.4	-12.6%	14.1	17.6	-20.0%	22.2
Adjusted EBITDA	6.0	5.6	8.8%	12.2	15.8	-22.4%	20.8
Adjusted EBITDA margin, %	72.0%	70.3%		63.3%	67.8%		67.5%
EBITDA	6.0	5.6	8.8%	12.2	15.8	-22.4%	20.8
EBITDA margin, %	72.0%	70.3%		63.3%	67.8%		67.5%
Capital expenditure	0.1	0.0	-	0.6	0.0	-	0.2
Amortization	3.0	4.0	-24.8%	8.0	11.0	-27.8%	13.7

## 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 operating expenses during the third quarter of 2019 were EUR 3.2 million (1.6) and during January-September 2019 reporting period EUR 7.8 million (4.4). The increased expenses in the reporting period were due to expansion to new markets.

During 2019, Rovio is exploring alternative financial structures and partnerships to accelerate Hatch's growth and is prepared to reduce its ownership below 50 percent.

### Consolidated statement of financial position

<b>Consolidated statement of financial position. EUR million</b>	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>	<b>31 Dec 2018</b>
Non-current assets	46.6	45.6	45.4
Current receivables	54.3	44.3	34.2
Cash and cash equivalents	127.9	107.4	123.6
<b>Total assets</b>	<b>228.8</b>	<b>197.4</b>	<b>203.2</b>
Equity	173.3	156.7	159.4
Financial liabilities	15.5	2.5	3.6
Advances received and deferred income	11.7	12.1	12.7
Other payables	28.3	26.2	27.4
<b>Total equity and liabilities</b>	<b>228.8</b>	<b>197.4</b>	<b>203.2</b>

Rovio's consolidated statement of financial position amounted to EUR 228.8 million on September 30, 2019 (197.4), with equity representing EUR 173.3 million (156.7) of the total. Cash and cash equivalents amounted to EUR 127.9 million (107.4). The cash deposits amounted to EUR 57.8 million and the cash equivalents to EUR 70.1 million, consisting of investments in money market funds. The increase in cash and cash equivalents during the first three quarters was mainly attributable to cash flows from operating activities and share subscriptions based on stock option program offset by dividends paid in second quarter.

Total advances received, and deferred income were 11.7 million (12.1).

On September 30, 2019 Rovio's non-current assets were EUR 46.6 million (45.6).

Rovio's net debt on September 30, 2019 amounted to negative EUR 112.4 million. Rovio's debt consisted of loans from Business Finland (the Finnish Funding Agency for Innovation) of EUR 3.6 million, Hatch Entertainment's convertible note from NTT DoCoMo of EUR 3.0 million, as well as EUR 8.5 million in leasing debt.

## Cash flow and financing

### Consolidated statement of cash flows, EUR

million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Cash flow from operating activities	-0.7	11.1	7.4	23.4	42.6
Cash flow from investing activities	-0.6	-0.1	-3.0	-0.4	-1.2
Cash flow from financing activities	3.8	-0.5	-1.0	-7.0	-9.4
<b>Change in cash and cash equivalents</b>	<b>2.5</b>	<b>10.5</b>	<b>3.4</b>	<b>16.0</b>	<b>32.0</b>
Net foreign exchange difference	0.8	-0.1	1.0	0.6	0.8
Cash and cash equivalents at the beginning of the period	124.6	97.0	123.6	90.8	90.8
<b>Cash and cash equivalents at the end of the period</b>	<b>127.9</b>	<b>107.4</b>	<b>127.9</b>	<b>107.4</b>	<b>123.6</b>

Rovio's net cash flow from operating activities amounted to EUR -0.7 million (11.1) in the third quarter. The decrease quarter on quarter was mainly due to the increase in working capital and decrease in profit as well as an increase in taxes paid.

Cash flows used in investing activities amounted to EUR -0.6 million (-0.1) in the third quarter. The increase is mostly attributable to capital expenditure in Brand Licensing - segment of EUR 0.1 million mainly in Angry Birds Explore application, as well as investments in Games of EUR 0.3 million and Other-segment of EUR 0.2 million.

Cash flows used in financing activities amounted to EUR 3.8 million (-0.5) in the third quarter. The increase was driven by the share subscriptions based on stock option program of EUR 4.5 offset by EUR 0.7 million of lease repayments, which since the beginning of 2019 are shown in financing cash flows as opposed to the earlier presentation in operating cash flows due to adoption of IFRS 16 accounting standard.

## Personnel

From July to September 2019, Rovio's average number of employees was 463 (387). The Games business unit employed 348 people (295), the Brand Licensing business unit 33 people (32), and other operations, including Hatch Entertainment and administrative functions employed 82 people (60).

	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	1-12/ 2018
Employees (average for the Period)	463	387	19.6%	444	384	15.6%	388
Employees (end of period)	466	390	19.5%	466	390	19.5%	418

## Flagging notifications

Rovio received the following flagging notification during the third quarter:  
On July 25, Rovio Entertainment Corporation (the "Company") received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Swedbank Robur Fonder AB.

According to the notification the holding of Swedbank Robur Fonder AB and its subsidiaries in the Company's shares and votes has fallen below 10 per cent on 24 July 2019.

Swedbank Robur Fonder AB holds 8,000,000 shares. Each share entitles its holder to one (1) vote.

## Shares and shareholders

On September 30, 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 September 30, 2019 Rovio Entertainment Corporation held 482,691 of its own shares.

<b>Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of shares and votes</b>
Hed Niklas Peter	1,921,746	2.4%
Ilmarinen Mutual Pension Insurance Company	1,700,000	2.1%
Vesterbacka Jan-Peter Edvin	1,264,579	1.6%
Elo Pension Company	1,250,000	1.6%
The State Pension Fund	1,000,000	1.2%
Sijoitusrahasto Aktia Capital	875,074	1.1%
Danske Invest Finnish Institutional Equity Fund	710,000	0.9%
Sijoitusrahasto Aktia Nordic Small Cap	534,196	0.7%
Säästöpankki Kotimaa	506,567	0.6%
Rovio Entertainment Oyj	482,691	0.6%
<b>Total</b>	<b>10,244,853</b>	<b>12.8%</b>
Other shareholders	71,023,258	86.2%
<b>Number of shares total</b>	<b>81,268,111</b>	<b>100%</b>

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 985,150 options were allocated under the 2017 option program as of September 30, 2019, a total of 1,168,500 options were allocated under the 2018 option program as of September 30, 2019 and a total of 1,181,750 options were allocated under the 2019 option program as of September 30, 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 544,495 rights entitling to shares had been allocated under the restricted share plan as of September 30, 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](http://www.rovio.com) and in the most recent published financial statements.

## Outlook for 2019 (updated on September 12, 2019 in a separate release)

In 2019, Rovio expects group revenues to grow to EUR 295 – 310 million (2018: EUR 281 million) and adjusted operating profit margin to be between 5 and 8 per cent (2018: 11.1 per cent).

### Basis for outlook

The lower adjusted EBIT margin boundary is associated with the upper revenue boundary, which is a result of higher user acquisition investments, and vice versa.

In 2019, Rovio Games business continues developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and development of new games. Rovio has launched two new games during the first three quarters of 2019: Angry Birds Dream Blast was launched on January 24th and Sugar Blast on September 5th, 2019.

The user acquisition investments are expected to be 35-40 percent of Games' revenues for the full year with an average payback time of 12 months. The amount of user acquisition may vary depending on the development of the games' monetization and the level of competition in the market.

The Brand Licensing segment revenues are expected to be at a similar or slightly higher level in 2019 with focus on the second half of the year after the release of the Angry Birds Movie sequel.

On group level the largest revenue growth is expected during the second half of 2019. The profit margin excluding Hatch Entertainment is expected to be between 8 and 11 per cent for the full year.

## **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.

## **Share subscriptions with stock options**

During the third quarter a total of 1,590,469 Rovio Entertainment Corporation's new shares were subscribed for with stock options. The entire subscription price of EUR 4,476,142.44 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 81,268,111 shares. The shares subscribed for under the stock options were registered in the Trade Register on July 24 and August 16 April 2019, as of which date the new shares established shareholder rights.



## **Dividend distribution**

The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.09 per share, EUR 7,117,416.45 in total. The record date of the dividend distribution was April 11, 2019 and the dividend were paid on April 18, 2019.

## **Events after the review period**

After the review period Rovio Entertainment Corporation on October 3, 2019 transferred without consideration a total of 45 508 Company's own shares to Company's key personnel and management based on the 2017-2019 earning period of the Company's share-based incentive scheme. Following the transfer, Company holds a total of 437 183 of its own shares.

On October 7, 2019 Rovio Entertainment Corporation announced entering into employee cooperation negotiations and is planning to restructure its Brand Licensing Unit. The restructuring plan concerns 32 employees of the Brand Licensing Unit globally. According to the preliminary estimates, the planned measures could lead to maximum redundancy of 20 roles globally. The negotiations started on October 14, 2019.

ROVIO ENTERTAINMENT CORPORATION

Board of Directors

## Performance measures

EUR million	7-9 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	1-12/ 2018
Revenue	74.8	71.0	5.4%	217.5	208.5	4.3%	281.2
EBITDA*	9.6	15.0	-35.9%	29.7	38.6	-23.0%	47.8
EBITDA margin*	12.8%	21.1%	-	13.7%	18.5%	-	17.0%
Adjusted EBITDA*	9.6	15.0	-35.9%	29.7	38.9	-23.6%	47.5
Adjusted EBITDA margin, %*	12.8%	21.1%	-	13.7%	18.7%	-	16.9%
Operating profit*	5.4	10.4	-48.1%	18.2	25.6	-29.0%	31.5
Operating profit margin, %*	7.2%	14.6%	-	8.4%	12.3%	-	11.2%
Adjusted operating profit*	5.4	10.4	-48.1%	18.2	25.9	-30.0%	31.2
Adjusted operating profit margin, %*	7.2%	14.6%	-	8.4%	12.4%	-	11.1%
Profit before tax	6.1	10.2	-40.8%	18.4	26.0	-29.3%	32.2
Capital expenditure	0.6	0.1	-	2.2	0.4	-	1.3
User acquisition	27.1	17.8	52.2%	72.2	55.3	30.5%	78.6
Return on equity (ROE), %	14.9%	25.4%	-	14.9%	25.4%	-	21.5%
Net gearing ratio, %*	-64.9%	-67.0%	-	-64.9%	-67.0%	-	-75.3%
Equity ratio, %*	79.8%	84.6%	-	79.8%	84.6%	-	83.7%
Earnings per share, EUR	0.06	0.10	-36.8%	0.17	0.25	-31.5%	0.31
Earnings per share, diluted EUR	0.06	0.10	-36.2%	0.17	0.25	-31.2%	0.31
Net cash flows from operating activities*	-0.7	11.1	-106.1%	7.4	23.4	-68.5%	42.6
Employees (average for the period)	463	387	19.6%	444	384	15.6%	388

\*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	7-9/2019	Income statement	
		Items affecting comparability	excluding items affecting comparability
<b>Revenue</b>	<b>74.8</b>		<b>74.8</b>
Other operating income	0.1		0.1
Materials and services	-19.0		-19.0
Employee benefits expense	-9.5		-9.5
Depreciation and amortization	-4.2		-4.2
Other operating expenses	-36.9		-36.9
<b>Operating profit</b>	<b>5.4</b>		<b>5.4</b>

EUR million	7-9/2018	Income statement	
		Items affecting comparability	excluding items affecting comparability
<b>Revenue</b>	<b>71.0</b>		<b>71.0</b>
Other operating income	0.1		0.1
Materials and services	-20.5		-20.5
Employee benefits expense	-9.7		-9.7
Depreciation and amortization	-4.6		-4.6
Other operating expenses	-25.9		-25.9
<b>Operating profit</b>	<b>10.4</b>		<b>10.4</b>

EUR million	1-9/2019	Income statement	
		Items affecting comparability	excluding items affecting comparability
<b>Revenue</b>	<b>217.5</b>		<b>217.5</b>
Other operating income	0.1		0.1
Materials and services	-57.7		-57.7
Employee benefits expense	-31.4		-31.4
Depreciation and amortization	-11.6		-11.6
Other operating expenses	-98.8		-98.8
<b>Operating profit</b>	<b>18.2</b>		<b>18.2</b>

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

EUR million	1-12/2018	Income statement	
		Items affecting comparability	excluding items affecting comparability
<b>Revenue</b>	<b>281.2</b>		<b>281.2</b>
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
<b>Operating profit</b>	<b>31.5</b>	<b>-0.3</b>	<b>31.2</b>

## Reconciliation of adjusted operating profit

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
<b>Operating profit</b>	<b>5.4</b>	<b>10.4</b>	<b>18.2</b>	<b>25.6</b>	<b>31.5</b>
Income from Bargain Purchase					-0.7
Restructuring costs arising from employee benefits expenses				0.3	0.3
Restructuring costs in Other operating expenses				0.1	0.1
Restructuring costs in Depreciation and amortization				0.0	0.0
<b>Adjusted operating profit</b>	<b>5.4</b>	<b>10.4</b>	<b>18.2</b>	<b>25.9</b>	<b>31.2</b>

## Reconciliation of EBITDA and Adjusted EBITDA

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
<b>Operating profit</b>	<b>5.4</b>	<b>10.4</b>	<b>18.2</b>	<b>25.6</b>	<b>31.5</b>
Depreciation and amortization	4.2	4.6	11.6	13.0	16.3
<b>EBITDA</b>	<b>9.6</b>	<b>15.0</b>	<b>29.7</b>	<b>38.6</b>	<b>47.8</b>
Income from Bargain Purchase					-0.7
Restructuring costs arising from employee benefits expenses				0.3	0.3
Restructuring costs in Other operating expenses				0.1	0.1
<b>Adjusted EBITDA</b>	<b>9.6</b>	<b>15.0</b>	<b>29.7</b>	<b>38.9</b>	<b>47.5</b>

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

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
<b>Equity ratio, %</b>	<b>79.8%</b>	<b>84.6%</b>	<b>79.8%</b>	<b>84.6%</b>	<b>83.7%</b>
Equity	173.3	156.7	173.3	156.7	159.4
Advances received	6.4	7.9	6.4	7.9	6.5
Deferred revenue	5.3	4.2	5.3	4.2	6.2
Total assets	228.8	197.4	228.8	197.4	203.2
<b>Return on equity, %</b>	<b>14.9%</b>	<b>25.4%</b>	<b>14.9%</b>	<b>25.4%</b>	<b>21.5%</b>
Profit/loss before tax	24.6	36.0	24.6	36.0	32.2
Shareholder's equity beginning of period	156.7	127.2	156.7	127.2	140.4
Shareholder's equity end of period	173.3	156.7	173.3	156.7	159.4
<b>Net gearing ratio, %</b>	<b>-64.9%</b>	<b>-67.0%</b>	<b>-64.9%</b>	<b>-67.0%</b>	<b>-75.3%</b>
Total interest-bearing debt	15.5	2.5	15.5	2.5	3.6
Cash and cash equivalents	127.9	107.4	127.9	107.4	123.6
Equity	173.3	156.7	173.3	156.7	159.4
Non-current interest-bearing loans and borrowings	9.5	2.5	9.5	2.5	3.4
Current interest-bearing loans and borrowings	6.0	0.0	6.0	0.0	0.1
Cash and cash equivalents	127.9	107.4	127.9	107.4	123.6
<b>Net debt</b>	<b>-112.4</b>	<b>-104.9</b>	<b>-112.4</b>	<b>-104.9</b>	<b>-120.0</b>

## Gross bookings

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

### Reconciliation of gross bookings to revenue

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Gross bookings	65.1	63.2	196.1	186.6	253.3
Change in deferred revenue	0.4	-0.4	0.9	-2.5	-4.7
Custom contracts	0.3	0.4	0.8	1.2	1.5
Other adjustments	0.7	0.0	0.3	0.0	0.3
<b>Revenue</b>	<b>66.4</b>	<b>63.1</b>	<b>198.1</b>	<b>185.2</b>	<b>250.4</b>

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

## Calculation principles of alternative performance measures

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

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

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

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

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

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

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

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

**User acquisition**, 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.

# Interim Report January 1–September 30, 2019

## - Tables

The figures in the interim report are unaudited

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

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
<b>Revenue</b>	<b>74.8</b>	<b>71.0</b>	<b>217.5</b>	<b>208.5</b>	<b>281.2</b>
Other operating income	0.1	0.1	0.1	0.1	1.1
Materials and services	19.0	20.5	57.7	59.4	79.8
Employee benefits expense	9.5	9.7	31.4	31.2	42.6
Depreciation and amortization	4.2	4.6	11.6	13.0	16.3
Other operating expenses	36.9	25.9	98.8	79.4	111.9
<b>Operating profit</b>	<b>5.4</b>	<b>10.4</b>	<b>18.2</b>	<b>25.6</b>	<b>31.5</b>
Finance income and expenses	0.7	-0.1	0.2	0.4	0.7
Share of profit of associates	0.0	0.0	0.0	0.0	0.0
<b>Profit (loss) before tax</b>	<b>6.1</b>	<b>10.2</b>	<b>18.4</b>	<b>26.0</b>	<b>32.2</b>
Income tax expense	1.0	2.4	4.5	5.8	7.7
<b>Profit for the period</b>	<b>5.1</b>	<b>7.9</b>	<b>13.9</b>	<b>20.3</b>	<b>24.6</b>
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Equity holders of the parent company	5.1	7.9	13.9	20.3	24.6
<b>Other comprehensive income/expense</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Translation differences	0.0	-0.0	0.0	-0.0	0.0
<b>Total comprehensive income for the period net of tax</b>	<b>5.1</b>	<b>7.9</b>	<b>13.9</b>	<b>20.2</b>	<b>24.6</b>
Attributable to: Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Equity holders of the parent company</b>	<b>5.1</b>	<b>7.9</b>	<b>13.9</b>	<b>20.2</b>	<b>24.6</b>
<b>Earnings per share for net result attributable to owners of the parent:</b>					
Earnings per share, EUR	0.06	0.10	0.17	0.25	0.31
Earnings per share, diluted EUR	0.06	0.10	0.17	0.25	0.31

## Consolidated statement of financial position

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>46.6</b>	<b>45.6</b>	<b>45.4</b>
Property, plant and equipment	9.2	0.5	0.6
Intangible assets	30.3	40.7	39.0
Investments	0.8	0.0	0.0
Non-current receivables	0.7	0.8	0.8
Deferred tax assets	5.5	3.6	4.9
<b>Current assets</b>	<b>182.2</b>	<b>151.8</b>	<b>157.8</b>
Trade receivables	35.6	31.4	23.0
Prepayments and accrued income	15.2	12.4	10.1
Other current financial assets	3.5	0.6	1.1
<b>Cash and cash equivalents</b>	<b>127.9</b>	<b>107.4</b>	<b>123.6</b>
<b>Total assets</b>	<b>228.8</b>	<b>197.4</b>	<b>203.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	0.7	0.7	0.7
Reserves	41.8	36.7	36.7
Translation differences	-0.5	-0.6	-0.5
Treasury shares	-2.2	-0.6	-2.7
Retained earnings	119.5	100.2	100.7
Profit for the period	13.9	20.3	24.6
<b>Equity holders of the parent company</b>	<b>173.3</b>	<b>156.7</b>	<b>159.4</b>
Non-controlling interests	0.0	0.0	0.0
<b>Total equity</b>	<b>173.3</b>	<b>156.7</b>	<b>159.4</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>9.5</b>	<b>2.7</b>	<b>3.6</b>
Interest-bearing loans and borrowings	3.5	2.5	3.4
Other non-current financial liabilities	6.0	0.1	0.1
Deferred tax liabilities	0.0	0.1	0.1
<b>Current liabilities</b>	<b>46.0</b>	<b>38.0</b>	<b>40.1</b>
Trade and other payables	15.7	8.7	10.9
Interest-bearing loans and borrowings	3.2	0.0	0.1
Other current financial liabilities	3.1	0.2	0.3
Advances received	6.4	7.9	6.5
Deferred revenue	5.3	4.2	6.2
Income tax payable	0.3	0.4	1.2
Provisions	0.3	0.5	0.6
Accrued liabilities	11.6	16.1	14.3
<b>Total liabilities</b>	<b>55.5</b>	<b>40.7</b>	<b>43.7</b>
<b>Total equity and liabilities</b>	<b>228.8</b>	<b>197.4</b>	<b>203.2</b>



## Consolidated statement of changes in equity

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

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

### Attributable to the equity holders of the parent on September 30, 2019

EUR million	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
<b>Balance at Jan 1, 2019</b>	<b>0.7</b>	<b>36.7</b>	<b>-2.7</b>	<b>125.3</b>	<b>-0.5</b>	<b>159.4</b>	<b>0.0</b>	<b>159.4</b>
Profit for the period				13.9		13.9		13.9
Option subscriptions		5.1				5.1		5.1
Other comprehensive income					0.0	0.0		0.0
Share-based payments			0.5	1.4		1.9		1.9
Cash dividends				-7.1		-7.1		-7.1
<b>September 30, 2019</b>	<b>0.7</b>	<b>41.8</b>	<b>-2.2</b>	<b>133.4</b>	<b>-0.5</b>	<b>173.3</b>	<b>0.0</b>	<b>173.3</b>

## Consolidated statement of cash flows

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
<b>Operating activities</b>					
Profit (loss) before tax	6.1	10.2	18.4	26.0	32.2
<b>Adjustments:</b>					
Depreciation and amortization on tangible and intangible assets	4.2	4.6	11.6	13.0	15.7
Net foreign exchange differences	-0.8	0.1	-0.9	-0.7	-0.8
Gain on disposal of property, plant and equipment	-0.0	0.0	-0.0	-0.0	-0.0
Finance costs	0.1	-0.0	0.7	0.2	0.1
Share of profit of an associate and a joint venture	0.0	0.0	0.0	0.0	0.0
Other adjustments	0.0	0.0	0.0	0.0	-0.1
Other non-cash items	0.7	1.2	2.0	2.7	3.0
<b>Change in working capital:</b>					
Change in trade and other receivables and prepayments	-9.7	-2.9	-17.3	-2.1	7.6
Change in trade and other payables	1.1	-0.8	2.9	-5.4	-4.3
Interest received	0.2	0.1	0.4	0.2	0.3
Interest paid	-0.3	-0.0	-0.9	-0.4	-0.3
Income tax paid (received)	-2.2	-1.5	-9.4	-10.2	-10.9
<b>Net cash flows from operating activities</b>	<b>-0.7</b>	<b>11.1</b>	<b>7.4</b>	<b>23.4</b>	<b>42.6</b>
<b>Investing activities</b>					
Purchase of tangible and intangible assets	-0.6	-0.1	-2.2	-0.4	-1.3
Other investments	0.0	0.0	-0.8	0.0	0.0
Proceeds from sales of tangible and intangible assets	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of investments	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiaries, net of cash acquired	0.0	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	0.0
<b>Net cash flows used in investing activities</b>	<b>-0.6</b>	<b>-0.1</b>	<b>-3.0</b>	<b>-0.4</b>	<b>-1.2</b>
<b>Financing activities</b>					
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0
Finance lease repayments	-0.7	-0.1	-2.0	-0.2	-0.2
Proceeds from and repayments of borrowings	0.0	0.0	3.0	0.0	-0.2
Share subscriptions based on option rights	4.5	0.1	5.1	0.9	0.9
Acquisition of treasury shares	0.0	-0.6	0.0	-0.6	-3.0
Share-based payments	0.0	0.0	0.0	0.0	0.3
Proceeds of share issue	0.0	0.0	0.0	0.0	0.0
Share issue transaction costs	0.0	0.0	0.0	0.0	0.0
Dividends paid to equity holders of the parent	0.0	0.0	-7.1	-7.1	-7.1
<b>Net cash flows from/(used in) financing activities</b>	<b>3.8</b>	<b>-0.5</b>	<b>-1.0</b>	<b>-7.0</b>	<b>-9.4</b>
<b>Change in cash and cash equivalents</b>	<b>2.5</b>	<b>10.5</b>	<b>3.4</b>	<b>16.0</b>	<b>32.0</b>
Net foreign exchange difference	0.8	-0.1	1.0	0.6	0.8
Cash and cash equivalents at beginning of period	124.6	97.0	123.6	90.8	90.8
<b>Cash and cash equivalents at the end of the period</b>	<b>127.9</b>	<b>107.4</b>	<b>127.9</b>	<b>107.4</b>	<b>123.6</b>

## Notes

### 1. Key accounting principles

Rovio's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The interim financial statements are not presented in accordance with IAS 34 standard, as Rovio applies the statutes of the Finnish Securities Markets Act (1278/2015) regarding the regular disclosure requirements. The accounting principles and methods used in the preparation of the interim financial reports are essentially the same as those applied in the consolidated financial statements for the year 2018, except for the impact of adopting the IFRS 16 standard, which is presented below.

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, 2018.

The figures in this report are unaudited.

#### 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 0.0 million 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.

<b>Consolidated statement of financial position, EUR million</b>	<b>Closing balance 31 Dec 2018</b>	<b>Impact of IFRS 16 implementation</b>	<b>Opening balance 1 Jan 2019</b>
Non-current assets	45.4	5.6	51.0
Current receivables	34.2		34.2
Cash and cash equivalents	123.6		123.6
<b>Total assets</b>	<b>203.2</b>	<b>5.6</b>	<b>208.8</b>
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
<b>Total equity and liabilities</b>	<b>203.2</b>	<b>5.6</b>	<b>208.8</b>

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

<b>EUR million</b>	<b>Reported 7-9/2019</b>	<b>IFRS 16 Impact</b>	<b>Adjusted with IFRS 16 impact 7-9/2019</b>
<b>Revenue</b>	<b>74.8</b>		<b>74.8</b>
Other operating income	0.1		0.1
Materials and services	19.0		19.0
Employee benefits expense	9.5		9.5
Depreciation and amortization	4.2	-0.6	3.6
Other operating expenses	36.9	0.7	37.5
<b>Operating profit</b>	<b>5.4</b>	<b>-0.1</b>	<b>5.3</b>
Finance income and expenses	0.7	0.1	0.7
<b>Profit (loss) before tax</b>	<b>6.1</b>		<b>6.1</b>

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

<b>EUR million</b>	<b>Reported 1-9/2019</b>	<b>IFRS 16 Impact</b>	<b>Adjusted with IFRS 16 impact 1-9/2019</b>
<b>Revenue</b>	<b>217.5</b>		<b>217.5</b>
Other operating income	0.1		0.1
Materials and services	57.7		57.7
Employee benefits expense	31.4		31.4
Depreciation and amortization	11.6	-1.7	9.8
Other operating expenses	98.8	1.9	100.7
<b>Operating profit</b>	<b>18.2</b>	<b>-0.2</b>	<b>18.0</b>
Finance income and expenses	0.2	0.2	0.4
<b>Profit (loss) before tax</b>	<b>18.4</b>		<b>18.4</b>

## 1.2 IFRS 16 adoption impact in key figures

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

<b>EUR million</b>	<b>Reported 7-9/2019</b>	<b>IFRS 16 Impact</b>	<b>Adjusted with IFRS 16 impact 7-9/2019</b>
Revenue	74.8		74.8
EBITDA	9.6	-0.6	9.0
EBITDA margin	12.8%		12.1%
Adjusted EBITDA	9.6	-0.6	9.0
Adjusted EBITDA margin, %	12.8%		12.1%
Operating profit	5.4	-0.1	5.3
Operating profit margin, %	7.2%		7.1%
Adjusted operating profit	5.4	-0.1	5.3
Adjusted operating profit margin, %	7.2%		7.1%
Net gearing ratio, %	-64.9%		-69.8%
Equity ratio, %	79.8%		83.1%
Net cash flows from operating activities	-0.7	-0.7	-1.3

<b>EUR million</b>	<b>Reported 1-9/2019</b>	<b>IFRS 16 Impact</b>	<b>Adjusted with IFRS 16 impact 1-9/2019</b>
Revenue	217.5		217.5
EBITDA	29.7	-1.7	28.0
EBITDA margin	13.7%		12.9%
Adjusted EBITDA	29.7	-1.7	28.0
Adjusted EBITDA margin, %	13.7%		12.9%
Operating profit	18.2	-0.2	18.0
Operating profit margin, %	8.4%		8.3%
Adjusted operating profit	18.2	-0.2	18.0
Adjusted operating profit margin, %	8.4%		8.4%
Net gearing ratio, %	-64.9%		-69.8%
Equity ratio, %	79.8%		83.1%
Net cash flows from operating activities	7.4	-2.0	5.4

## 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 7-9/2019

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>66.4</b>	<b>8.4</b>	<b>0.0</b>		<b>74.8</b>
Other operating income	0.1	0.0	0.0		0.1
Materials and services	18.6	0.4	0.0		19.0
Employee benefits expense	6.1	0.9	1.9	0.6	9.5
User acquisition	27.1	0.0	0.0		27.1
Other operating expenses	5.4	0.8	2.5	1.0	9.8
Allocations	1.0	0.3	0.3	-1.6	0.0
<b>EBITDA</b>	<b>8.3</b>	<b>6.0</b>	<b>-4.7</b>	<b>0.0</b>	<b>9.6</b>
Depreciation and amortization	1.1	3.0	0.1		4.2
<b>Operating profit</b>	<b>7.2</b>	<b>3.0</b>	<b>-4.8</b>		<b>5.4</b>
<b>EBITDA</b>	<b>8.3</b>	<b>6.0</b>	<b>-4.7</b>		<b>9.6</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted EBITDA</b>	<b>8.3</b>	<b>6.0</b>	<b>-4.7</b>		<b>9.6</b>
<b>Operating profit</b>	<b>7.2</b>	<b>3.0</b>	<b>-4.8</b>		<b>5.4</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted operating profit</b>	<b>7.2</b>	<b>3.0</b>	<b>-4.8</b>		<b>5.4</b>

### Segment Capital expenditure 7-9/2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.3	0.1	0.2	0.6

### Segment assets Sept. 30, 2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.0	22.5	17.0	46.6

### Segment profit and loss 7-9/2018

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

### Segment Capital expenditure 7-9/2018

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

### Segment assets Sept. 30, 2018

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

### Segment profit and loss 1-9/2019

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>198.1</b>	<b>19.4</b>	<b>0.0</b>		<b>217.5</b>
Other operating income	0.1	0.0	0.0		0.1
Materials and services	56.9	0.9	0.0		57.7
Employee benefits expense	21.0	2.8	5.6	2.0	31.4
User acquisition	72.2	0.0	0.0		72.2
Other operating expenses	15.0	2.6	5.9	3.1	26.6
Allocations	3.3	0.8	1.0	-5.1	0.0
<b>EBITDA</b>	<b>29.9</b>	<b>12.2</b>	<b>-12.5</b>	<b>0.0</b>	<b>29.7</b>
Depreciation and amortization	3.2	8.0	0.4		11.6
<b>Operating profit</b>	<b>26.8</b>	<b>4.3</b>	<b>-12.9</b>		<b>18.2</b>
<b>EBITDA</b>	<b>29.9</b>	<b>12.2</b>	<b>-12.5</b>		<b>29.7</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted EBITDA</b>	<b>29.9</b>	<b>12.2</b>	<b>-12.5</b>		<b>29.7</b>
<b>Operating profit</b>	<b>26.8</b>	<b>4.3</b>	<b>-12.9</b>		<b>18.2</b>
Adjustments	0.0	0.0	0.0		0.0
<b>Adjusted Operating profit</b>	<b>26.8</b>	<b>4.3</b>	<b>-12.9</b>		<b>18.2</b>

### Segment Capital expenditure 1-9/2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Capital expenditure	0.6	0.6	1.0	2.2

### Segment assets Sept. 30, 2019

EUR million	Games	Brand Licensing	Other	Total IFRS segments
Non-current assets	7.0	22.5	17.0	46.6



### Segment profit and loss 1-9/2018

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

### Segment Capital expenditure 1-9/2018

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

### Segment assets Sept. 30, 2018

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

### Segment profit and loss 1-12/2018

EUR million	Games	Brand Licensing	Other	Allocation	Total IFRS segments
<b>Revenue</b>	<b>250.4</b>	<b>30.8</b>	<b>0.0</b>		<b>281.2</b>
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
<b>EBITDA</b>	<b>40.5</b>	<b>20.8</b>	<b>-13.4</b>	<b>0.0</b>	<b>47.8</b>
Depreciation and amortization	2.2	13.7	0.4		16.3
<b>Operating profit</b>	<b>38.3</b>	<b>7.0</b>	<b>-13.8</b>		<b>31.5</b>
<b>EBITDA</b>	<b>40.5</b>	<b>20.8</b>	<b>-13.4</b>		<b>47.8</b>
Adjustments	0.3	0.0	-0.7		-0.3
<b>Adjusted EBITDA</b>	<b>40.8</b>	<b>20.8</b>	<b>-14.1</b>		<b>47.5</b>
<b>Operating profit</b>	<b>38.3</b>	<b>7.0</b>	<b>-13.8</b>		<b>31.5</b>
Adjustments	0.3	0.0	-0.7		-0.3
<b>Adjusted operating profit</b>	<b>38.6</b>	<b>7.0</b>	<b>-14.5</b>		<b>31.2</b>

### 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

### 3. 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 2018 is due to the change in the presentation of lease liabilities on the balance sheet as required by IFRS 16-standard.

EUR million	At September 30, 2019	At September 30, 2018	At December 31, 2018
<b>Equipment lease commitments</b>			
Due within one year	0.0	0.2	0.3
Due in subsequent years	0.0	0.1	0.5
<b>Total</b>	<b>0.0</b>	<b>0.3</b>	<b>0.8</b>
<b>Office rental commitments</b>			
Due within one year	0.0	2.2	2.6
Due in subsequent years	0.0	2.0	4.8
<b>Total</b>	<b>0.0</b>	<b>4.1</b>	<b>7.5</b>
<b>Other commitments</b>			
Enterprise mortgages	0.0	0.0	0.0
Venture Capital investment commitment	1.9	0.0	0.0
<b>Total</b>	<b>1.9</b>	<b>0.0</b>	<b>0.0</b>

### 4. Related party transactions

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

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.

### 5. Calculation of earnings per share

	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Earnings per share, EUR	0.06	0.10	0.17	0.25	0.31
Earnings per share, diluted, EUR	0.06	0.10	0.17	0.25	0.31
Shares outstanding at the end of the period (thousands)	81,268	79,315	81,268	79,315	78,852
Weighted average adjusted number of shares during the financial period, basic (thousands)	80,813	79,403	79,771	79,352	79,282
Weighted average adjusted number of shares during the financial period, diluted (thousands)	80,995	80,308	80,396	80,259	80,161