

ANNUAL REPORT



ROVIO

10 YEARS OF ANGRY BIRDS

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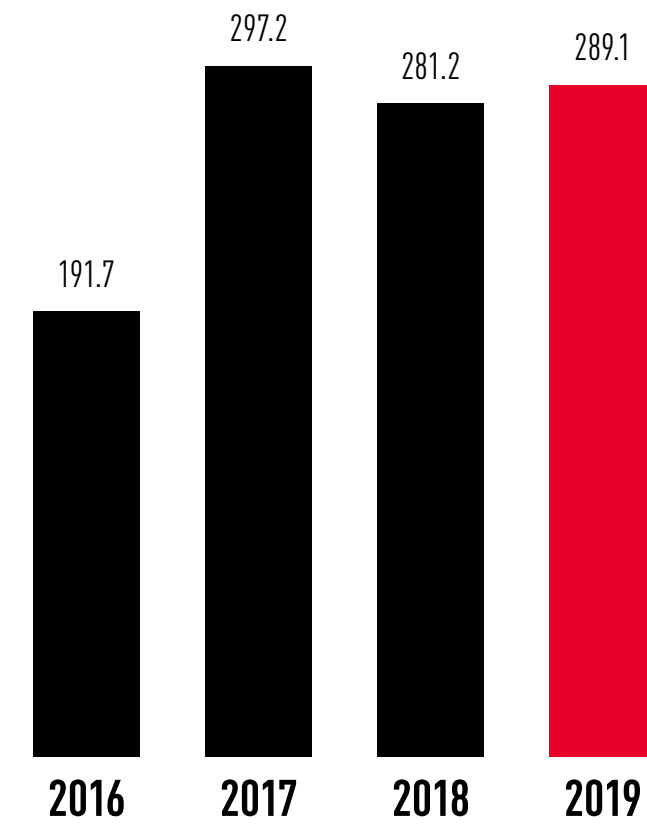
ROVIO IN BRIEF

Rovio Entertainment Corporation is a global, games-first entertainment company that creates, develops and publishes mobile games, which have been downloaded over 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

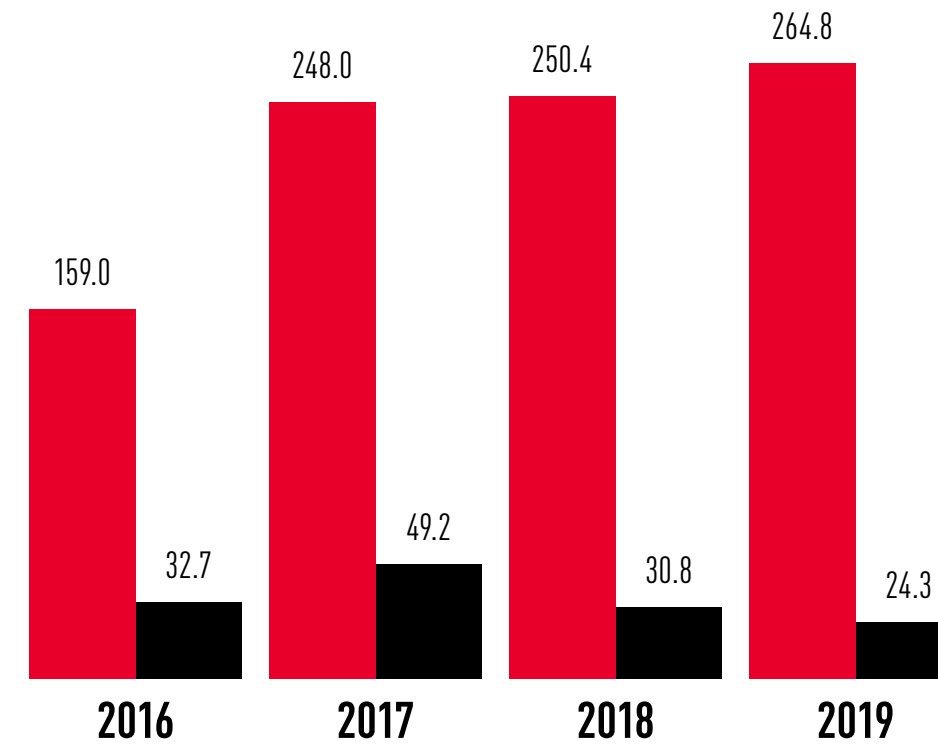


Revenue, EUR million

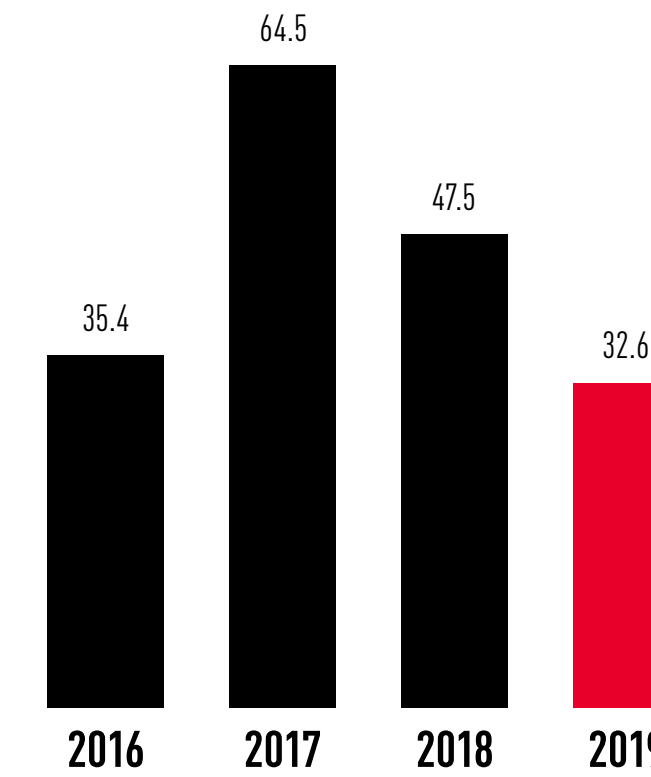


Revenue, EUR million

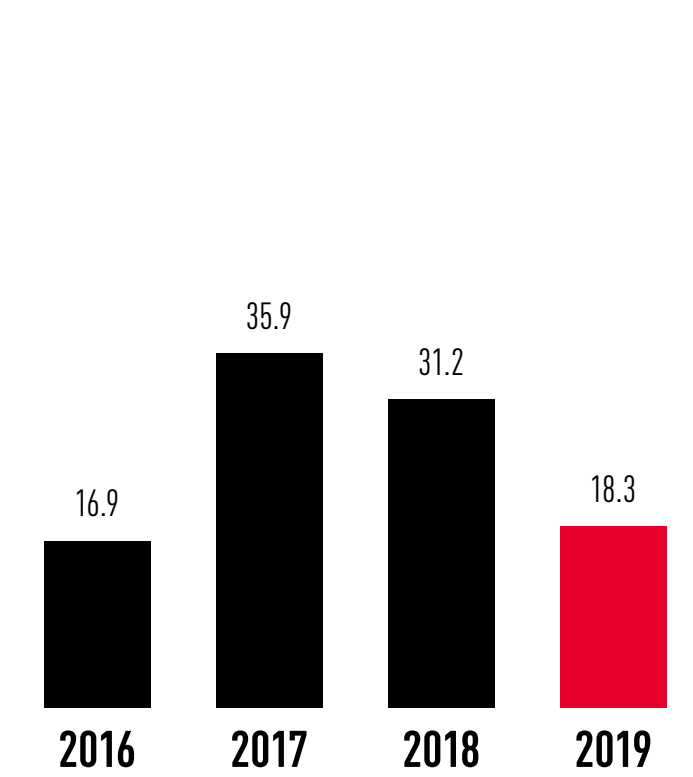
- Games
- Brand Licensing



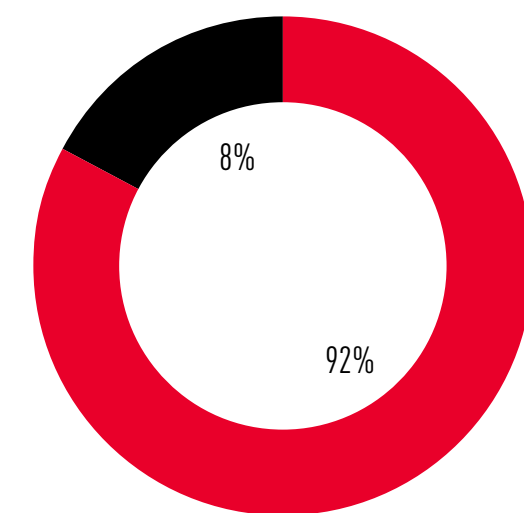
Adjusted EBITDA, EUR million



Adjusted EBIT, EUR million



Revenue per segment, EUR million



Segment	Revenue (EUR million)
Games	264.8
Brand Licensing	24.3
Total	289.1

27

73

Employees, %
Female / Male

466

Number of employees

50

50

Leadership team, %
Female / Male

47

Number of nationalities

Earnings per share, EUR (EPS)

0.17€

Dividend per share*

0.09€

*Board's proposal for Dividend

HIGHLIGHTS OF THE 2019

Successful launch of Angry Birds Dream Blast

Angry Birds Dream Blast was launched in January and the game has received a great reception from the market. About one million people play the game daily and game revenue was EUR 57.6 million in 2019. Angry Birds Dream Blast was chosen as one of Google Play's Best Games of 2019.



The Angry Birds Movie 2

Second Angry Birds Movie was released in 76 countries to critical acclaim. Movie production, distribution and marketing was carried out by Sony Pictures Entertainment Inc with subsidiaries.



Games revenue continued to grow

Rovio games revenue reached a new record of EUR 264.8 million in 2019. Growth 5.7% year-on-year.



Angry Birds 2 game success continued

The cumulative gross sales of Angry Birds 2 game surpassed EUR 360 million during 2019 and the game is still Rovio's largest game. Angry Birds 2 is an example of great live operations creating revenue and profit generation over several years



Game portfolio expanded with new IP, new games in development

Rovio's game portfolio grew with two new games, Angry Birds Dream Blast and new IP Sugar Blast. In addition, four new games were soft launched, three of which being games with new IP. In 2020 Rovio's goal is to launch 1-3 new games.



10 years of Angry Birds!

First Angry Birds game was launched on December 11, 2009 and to date, all Angry Birds games have been downloaded more than 4.5 billion times. The

original Angry Birds game is one of the most popular video games. Also, more than 1.8 billion Angry Birds consumer products have been sold (since 2010), two

Angry Birds movies have released and hundreds of Angry Birds animated videos have received over 10 billion views on digital channels.

NEW RECORD FOR GAMES REVENUE IN ANGRY BIRDS 10TH ANNIVERSARY YEAR

Kati Levoranta
CEO

The mobile gaming market as well as Rovio's games revenue continued to grow in 2019. Mobile games as a segment has established itself as the largest within the overall game market, representing 46% and USD 69 billion revenue in 2019^[1]. The growth is expected to continue also in 2020 and the most important drivers include increased consumer time spent playing mobile games and growth in average revenue from paying users.

Further technological developments will enable richer gaming and entertainment experiences, as well as accessibility to content at any time and place. Such developments will enable greater innovation within the mobile gaming space, while presenting further opportunities for brands to grow. After all, the overall game market is more driven by innovation than economic cycles.

Strategic focus on Casual and Mid-Core games

The mobile game market can be divided into four main categories (Casual, Mid-Core, Casino and Sport). Rovio's product development and user acquisition are focused on the two largest categories, Casual and Mid-Core. These categories represented about 83% of the entire mobile gaming market in 2019^[2]. Rovio's target markets are North America and Europe, hence the majority of our revenues are coming from there.

Mobile gaming market is expected to continue to grow also in 2020.

[1] Newzoo 2019

[2] App Annie 2019



The continually expanding Casual game category experienced 16% annual growth and represented about 37% of the mobile game market in 2019^[3]. It is the main category for our Angry Birds brand games.

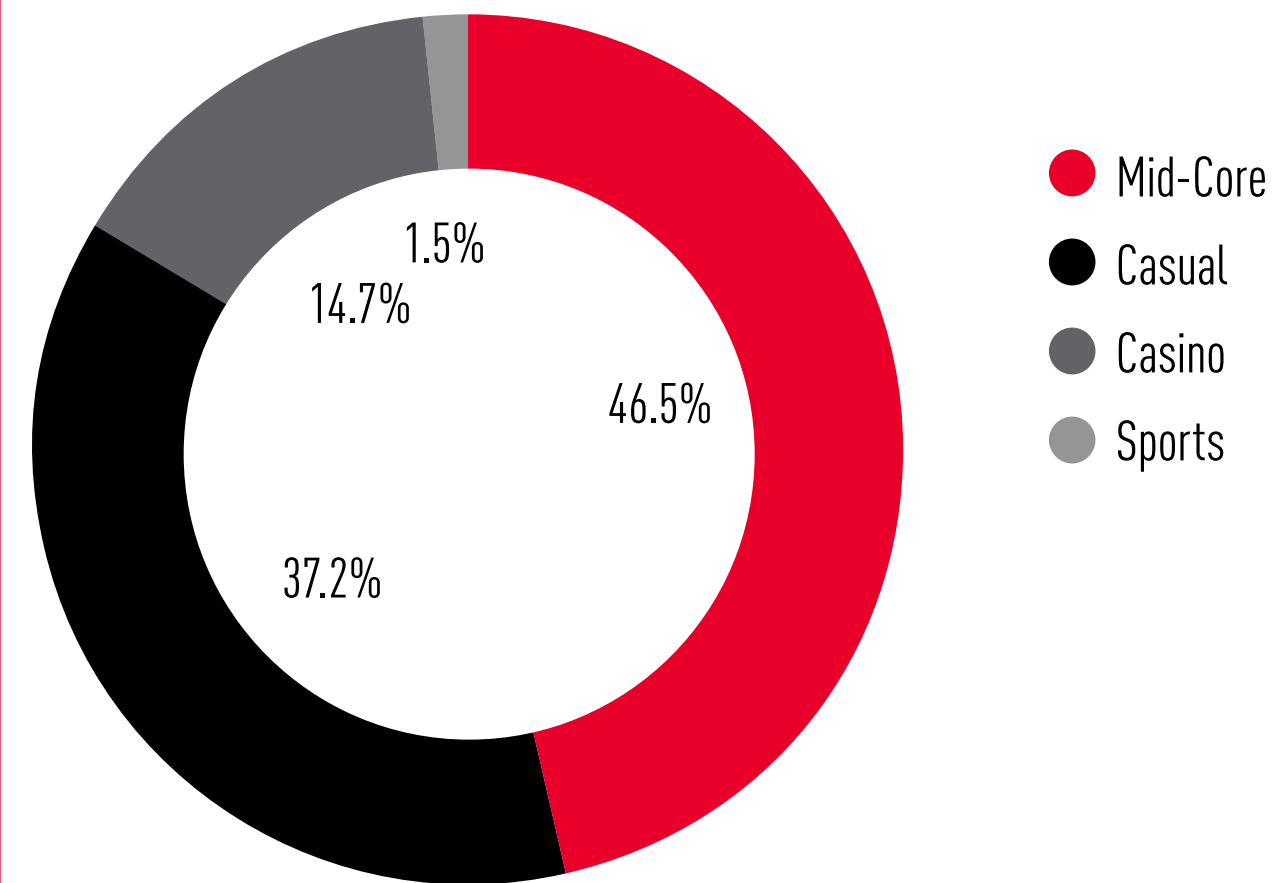
During 2019, we launched two new games in this category: Angry Birds Dream Blast and Sugar Blast. The latter has the same codebase as Angry Birds Dream Blast, but does not use the Angry Birds characters and has a different target group. Our Casual game Small Town Murders, a puzzle game in which players solve murder mysteries, reached the soft launch stage at the end of 2019. During that phase, we follow and analyse player behavior and make changes needed for optimal financial results.

The market size of Mid-Core category, which consists of Strategy and RPG (Role Playing Game) genres, represented approximately 47% of mobile gaming market in 2019^[4] and experienced 25% annual growth. The PlayRaven team, who became part of Rovio through acquisition has been actively developing a new strategy game within the attractive strategy genre. Rovio's Stockholm studio is developing the game World Quest, and idle RPG genre that reached soft launch during the summer 2019. Additionally, our Espoo game studio soft launched a puzzle RPG game called Phoenix Rangers in late 2019.

[3] App Annie 2019

[4] App Annie 2019

Mobile gaming market 2019 by categories



Top 500 games by categories in the USA, both iOS and Android. Excluding top Chinese, Japanese and Korean games. Source: App Annie 2019



Rovio's Games business unit revenue continued to grow

Rovio's games revenue was larger than ever in 2019, reaching a record of EUR 264.8 million. This is mainly because of Rovio's diverse Angry Birds games portfolio and the rapid growth of Angry Birds Dream Blast, which was launched at the beginning of 2019. Angry Birds Dream Blast was one of the most successful game launches in western markets in 2019.

The ability to make paid user acquisition investments continues to be an important success factor in the mobile gaming market. Rovio has world class knowledge, skills and also financial resources to invest in user acquisition. These are key competitive advantages for Rovio, which is standing on a stable financial foundation. In 2019, Rovio's user acquisition investments continued to grow. The investments were EUR 99.7 million equaling to 37.7% of games revenue. The corresponding figures a year earlier were EUR 78.6 million and 31.4% respectively. Free-to-play games usually generate revenues for years and our user acquisition investments aim for an average payback time of one year on a portfolio level

Angry Birds brand

Our iconic Angry Birds brand marked its 10-year anniversary in December. Angry Birds games have been downloaded over 4.5 billion times and the two theatrical movies (released 2016 and 2019) have had a very large global audience. Meanwhile, Angry Birds animations have been viewed over 10 billion times and consumer product sales total over 1.8 billion units.

The box office revenues of the two Angry Birds movies have exceeded half a billion USD and are continuing to produce revenue from streaming platforms, digital downloads, broadcasting and DVD distribution.

The Angry Birds Movie 2 released in 2019 was based on a licensing model. We licensed the movie production to Sony-owned Columbia Pictures Inc and according to our agreement, Columbia Pictures was also responsible for movie marketing and distribution.

Our brand licensing segment revenue in 2019 was EUR 24.3 million, representing 8% of Rovio group revenue and decline of 21.1% year-on-year and thus it did not meet our financial expectations for the year. At the end of 2019 we streamlined the Brand Licensing business unit and our brand licensing activities were merged with Rovio's marketing organization.

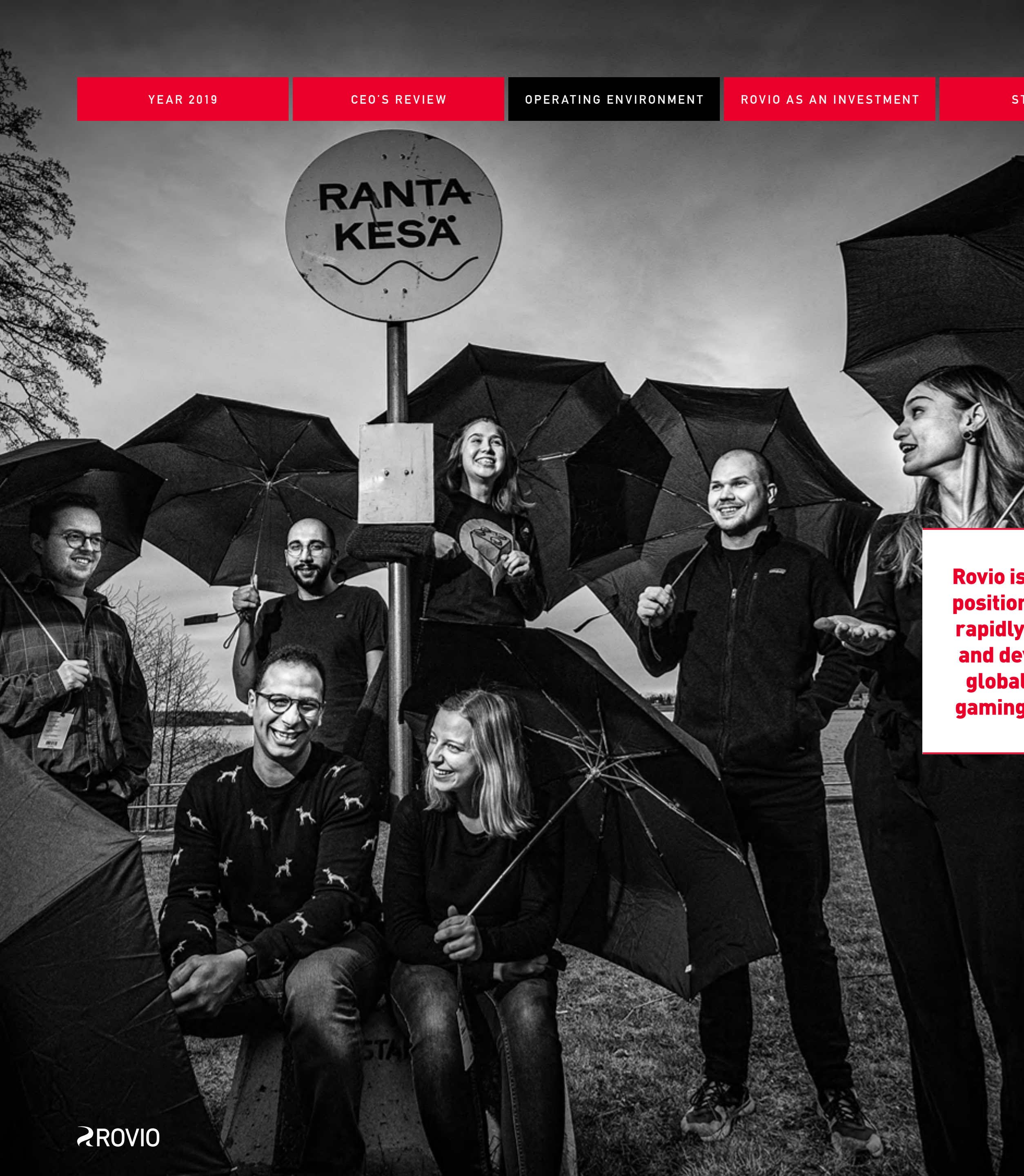
Future of gaming

As part of Rovio's "future of gaming" strategy, we have invested in the game streaming service Hatch Entertainment Ltd., which is 80% owned by Rovio. Important pillars of our strategy are also Artificial Intelligence (AI) and more precisely Machine Learning (ML) technologies. They already enable for example a more efficient game development and we believe that in the future AI and ML will play a significant role in all different phases of game development. Further, we have explored extended realities through licensing the Angry Birds brand into the worlds of Augmented Reality (AR) and Virtual Reality (VR). The renowned financial media outlet Forbes ranked Angry Birds VR: Isle of Pigs game as one of the best VR games of the year.^[5]

As a whole, year 2019 was an inspiring year for Rovio. The game business continued to grow, we launched one of the largest games in western markets and The Angry Birds Movie 2 was released.

Finally, I would like to thank all Rovians and everyone else who has been with us during our journey in 2019. We have a new and exciting year ahead of us with many new opportunities!

[5] www.forbes.com/sites/jessedamiani/2020/01/15/the-top-50-vr-games-of-2019/#1f668707322d



OPERATING ENVIRONMENT

Rovio operates in two large but very different entertainment markets. The mobile gaming market is very dynamic while the entertainment and character licensing market is more traditional and cyclical in nature.

A dynamic, fast-growing market full of opportunities

Gaming has become mainstream entertainment, generating USD 149 billion revenue in 2019 across PC, console and mobile. This is more than movie box office, video streaming and recorded music combined.^[1] Today gaming is very popular regardless of age, gender or geography and Newzoo estimates there were over 2.5 billion players globally at the end of 2019.

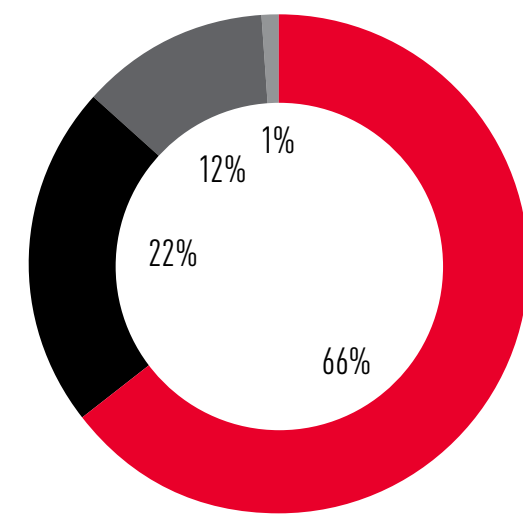
Out of the three key categories (mobile, console and PC), mobile gaming is the largest and fastest growing market. The global mobile gaming market size in end-user generated revenue was estimated to be USD 69 billion in 2019, which represented 9.7% year-on-year growth. However, this growth was slower than earlier, mainly due to the performance Asian markets. In 2020, revenue is estimated to grow to USD 76 billion, meaning 11.6% year-on-year growth.^[2]

Rovio is strongly positioned in the rapidly growing and developing global mobile gaming market.

[1] Box Office = 42 BUSD (Box Office Mojo, Jan 2020), Video streaming = 38 MUSD (PwC, May 2019), Recorded music = 19 BUSD (IFPI, April 2019)

[2] Newzoo 2019

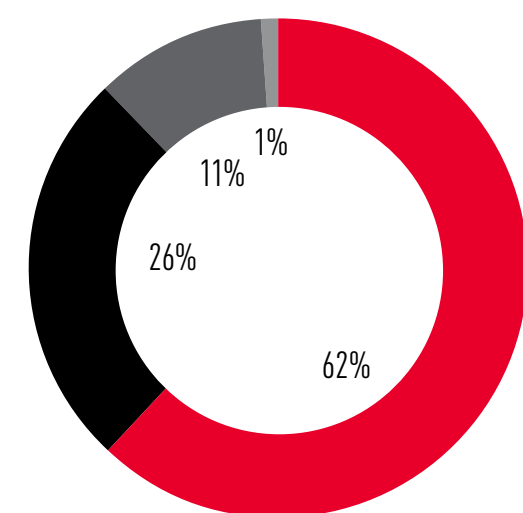
Rovio Games segment revenue per geographic area, EUR million



2019

North America	169.6
Europe, Middle East and Africa	59.5
Asia and Pacific	33.0
Latin America	2.7

Total 264.8



2018

North America	156.1
Europe, Middle East and Africa	64.2
Asia and Pacific	26.8
Latin America	3.4

Total 250.4

In the long-term, the global mobile gaming market is expected to continue its double-digit growth of 10.8% Compound Annual Growth Rate CAGR during 2018–2022. Rovio's focus is mostly on the western markets, which are expected to grow at 9.2% CAGR during 2018–2022.^[3]

Even though the mobile gaming market is fast moving and ever-growing, certain trends are clearly solidified. One of them is heavy reliance on user acquisition. To reach and sustain a top grossing chart position requires strong capabilities in user acquisition, including player audience understanding and financial resources. In addition, the competitive user acquisition landscape may change suddenly based on a competitor's changes in their user acquisition strategy. Hence it's important to have a diversified games portfolio to address different genres and audiences and capitalise upon the most attractive growth opportunities.

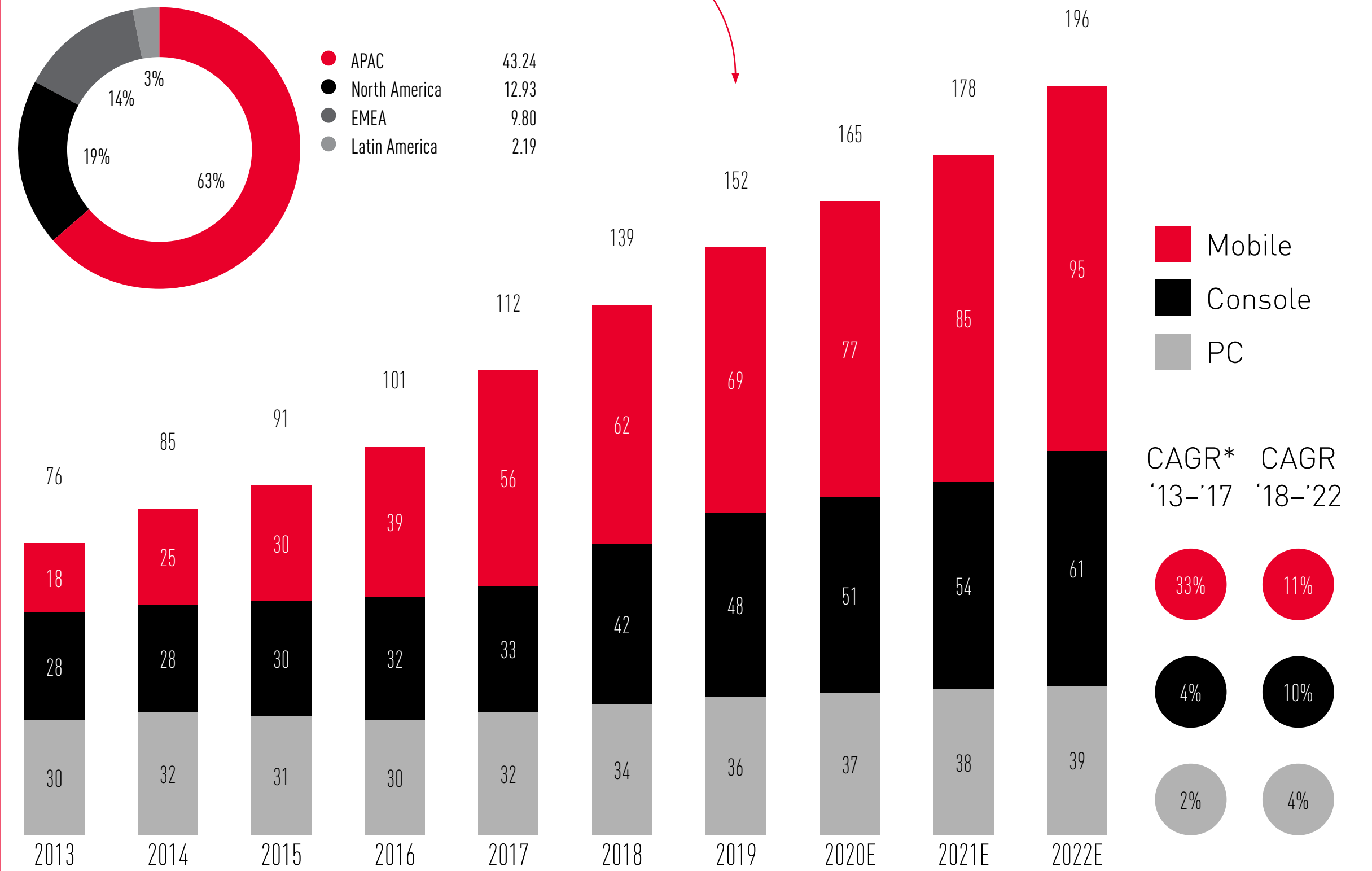
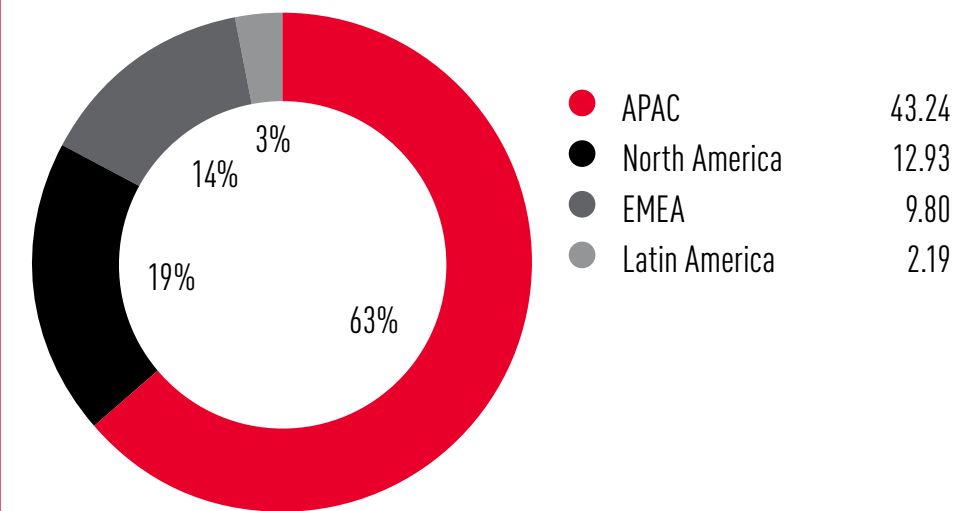
Another major market trend is that the growth in the western market corresponds to increasing consumer spend, rather than increasing number of downloads. Only a small portion of published mobile games reach significant scale. Only a small portion of published mobile games reach significant scale. For example, only 28 of the new games released between the second half of 2018 and first half of 2019 reached the US Top 100 grossing chart on iOS and Google Play in that same time period^[4] – Rovio's Angry Birds Dream Blast being one of them. The US top grossing charts in 2019 continued to be dominated mostly by established long-term mobile game franchises, as seen with Rovio's two best performing games: Angry Birds 2 and Angry Birds Dream Blast.

Rovio has responded to these market trends by diversifying its game portfolio, strengthening its user acquisition capabilities and focusing on three main genres (Puzzle, RPG, Strategy) to build genre mastery. Rovio has also built strong live operations to provide better features to the players to keep them engaged through regular game content updates.

[3] Newzoo 2019
[4] App Annie 2019

Global gaming revenue by device type (USD in bn)

Mobile gaming segment revenue per geographic area, USD billion



Device Type	CAGR* '13-'17	CAGR '18-'22
Mobile	33%	11%
Console	4%	10%
PC	2%	4%

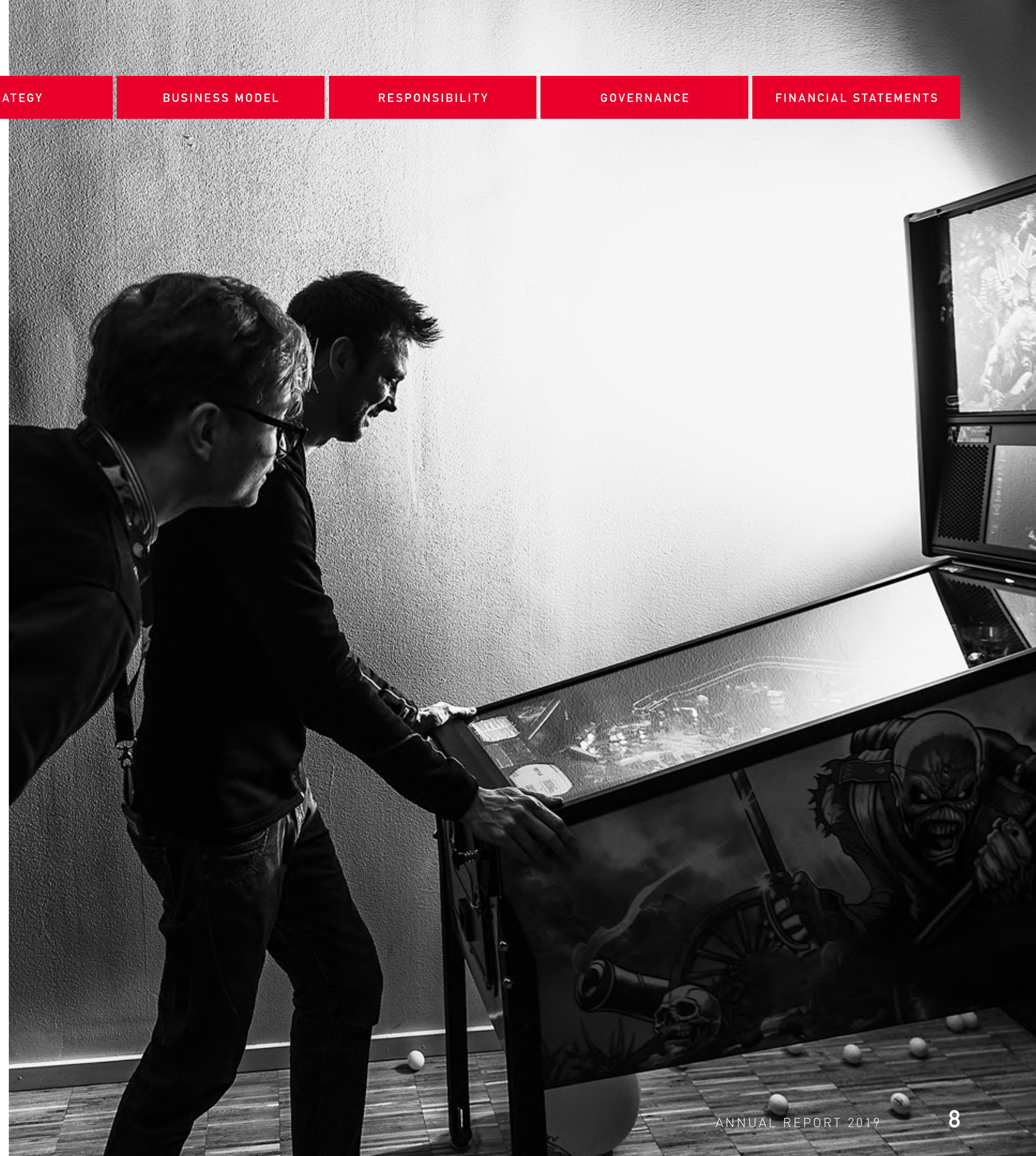
*CARG: Compound annual growth rate
Source: App Annie, Newzoo

Licensing and entertainment market

According to LIMA, the licensing industry's global association, the size of the entertainment & character licensing market was USD 7.5 billion in 2018, calculated in terms of reported royalties received by licensors. Brand licensors typically receive approximately 6% of the retail sales as royalties. North America and EMEA (Europe, Middle-East and Africa) accounted for 75% of the market in 2018, but China and the rest of Asia are growing at the fastest rate. The growth of the global market is typically on par with GDP growth and historical CAGR was 3.5% during 2012–2018.

The market is dominated by global brands with high brand awareness and affinity. The Angry Birds brand gets visibility through movies, animated series and games. Rovio has released two Angry Birds movies (2016, 2019), which have together grossed over USD 500 million in global box office revenue. Our first-ever Angry Birds long-form animation series is planned for 2021.

According to Box Office Mojo, the size of the movie box office market was USD 42.5 billion in 2019. The market is dominated by large budget movies and sequels from the biggest Hollywood studios. 2019 was the record-breaking movie year for animated and non-animated family movies in terms of box office revenue and number of movie premiers, creating a fierce competitive landscape.



ROVIO AS AN INVESTMENT:

1 Rovio has reached a strong competitive position in the growing and ever-developing mobile games market

- Mobile games market is estimated to grow at CAGR of 10.8% between 2018 and 2022.
- The amount of money spent on mobile games is constantly growing in Rovio's key markets North America and Europe.
- Rovio has a diverse game portfolio and large player base.

2 Rovio has demonstrated the ability to develop, launch and grow new games

- Rovio's game portfolio is large, and it is continuously being developed. In 2019 the company launched two new games and is planning to launch one to three new games in 2020.
- Rovio expedited its access to the attractive strategy game segment through the acquisition of PlayRaven studio.

3 Positive cash flow and strong financial base for growth

- Regardless of significant investments into user acquisition and product development, Rovio has the ability to generate positive cash flow.
- The strong cash reserves enable Rovio to be nimble in M&A and invest in user acquisition and product development.

4 Rovio Games revenue has grown consistently for 10 years

- Rovio transitioned to the free-to-play business model successfully.
- Games are run as a service that are sustained for years through data-driven live operations.
- Cross promotion between Rovio's games drives additional revenues.



5 Angry Birds brand, a unique asset with global reach

- In 2019 Rovio games downloads surpassed 4.5 billion.
- Angry Birds brand has an extremely high [94%]^[1] worldwide brand awareness.
- Angry Birds brand has demonstrated longevity and versatility. The brand turned 10 years old in 2019 and over 1.8 billion Angry Birds consumer product units have been sold.
- The two Angry Birds movies, premiered in 2016 and 2019, have grossed worldwide over USD 500 million in box office revenue. The movies continue to generate steady revenues from on-demand, TV and DVD distribution.

6 Talented and motivated personnel

- Rovio personnel turnover is low and employee satisfaction is high.
- Rovio is one of the most attractive employers in the Finnish IT sector. The company has consistently ranked among the top 10 employers in Finland.

[1] Panel study June 2019, conducted by Rovio



More information for investors

More information on Rovio as an investment can be found in www.rovio.com/investors/investor-relations.

The role of Rovio Investor Relations is to provide information to shareholders, analysts, investors and financial media.



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PASSIONATE AND SKILLFUL TEAMS ARE A CORNERSTONE OF OUR STRATEGY

We focus on growing our games business and aim to grow Angry Birds franchise in the long-term.

ROVIO'S STRATEGY

Rovio specified its previous four pillar strategy in autumn 2019, to focus on growing its core Games business. We identified two major market trends in the Free-to-Play (F2P) mobile gaming market: heavy reliance on user acquisition and growth coming from increasing consumer spend, rather than from increasing number of downloads. To drive growth in the core F2P games business, we have recognized four ways for Rovio to win in today's dynamic mobile gaming market: diversified portfolio, user acquisition, genre mastery and live operations.

Considering the above, we strive for a diversified portfolio and strong user acquisition capabilities. We aim to balance our portfolio by considering four different areas: game genre, new intellectual property (IP), audience and market novelty. We develop games within the Puzzle, Role Playing Game (RPG) and Strategy genres, based on both Angry Birds and other IP, for both adult female and male audiences. Our aim is to create a balanced games portfolio with different game IPs that have different levels of risk and innovation. We have strong user acquisition capabilities for both paid and organic user acquisition (e.g. cross-promotion in Angry Birds games).

The market growth trend of increasing spend but fewer downloads per user requires us to focus on genre mastery and strong live operations. We take learnings from our previous game projects to develop better games in the future. This is what we call genre mastery and have dedicated game studios for each genre (Puzzle, RPG, Strategy). To maximize the long-term revenue generation of our free-to-play games we have strong live operations capabilities with a proven track record to build and operate games for years.

Business intelligence (BI) and machine learning (ML) play an essential role in growing our games business. We have built an in-house technology platform, which we see as a tremendous asset for us in all areas related to developing,

operating and growing games. In addition, we see ML impacting the whole value chain in gaming.

While we focus on organic growth, we see M&A as a way of providing additional growth opportunities within the F2P games business. We believe we can find synergies and deliver benefits through our genre specific know-how and expertise in live operation, marketing, UA and analytics. With our M&A activities we seek to strengthen our current game genres, but we are also open to investigating other genres and opportunities for portfolio diversification.

Focus on growing our Games business.

Angry Birds – our globally renowned brand

We aim to grow the Angry Birds franchise in the long-term. Today, Angry Birds has a strong brand awareness globally (94%) and has a broad audience. Our Angry Birds strategy is based on four consumer touchpoints: play, watch, consume and engage.

Angry Birds games revenues have grown for 10 consecutive years and two of our games reached the US Top 100 grossing chart in 2019: Angry Birds 2 and Angry Birds Dream Blast. We had three new Angry Birds mobile games in development at the end of 2019. Our renowned Angry Birds brand makes us an attractive partner when it comes to new platforms and technologies, for example working with third parties to create augmented reality (AR) and virtual reality (VR) experiences.

Our Angry Birds licensing business consists of two main categories: content licensing and consumer product licensing. We work with our licensees either directly or indirectly through agents. At the end of 2019 we had over 300 licensees globally.

In content licensing we have an extensive animation content library with world-class production partners. Our content ranges from movies and licensed animation productions to short-form content produced in-house. This enables

multiple revenue streams, from distributing animations for linear broadcasting, as well as developing new content directly for Angry Birds YouTube channel. We are planning a new long-form animation series to be released in 2021.

With our consumer products offering we focus on top territories Europe, USA and China; our top product categories including food & beverages, promotions and location-based entertainment.

Furthermore, we provide different ways to engage with the Angry Birds brand – for example our social media channels and commercial partnerships. By providing multiple consumer touchpoints on different channels we can build the brand further and also support our core Games business through increased visibility.

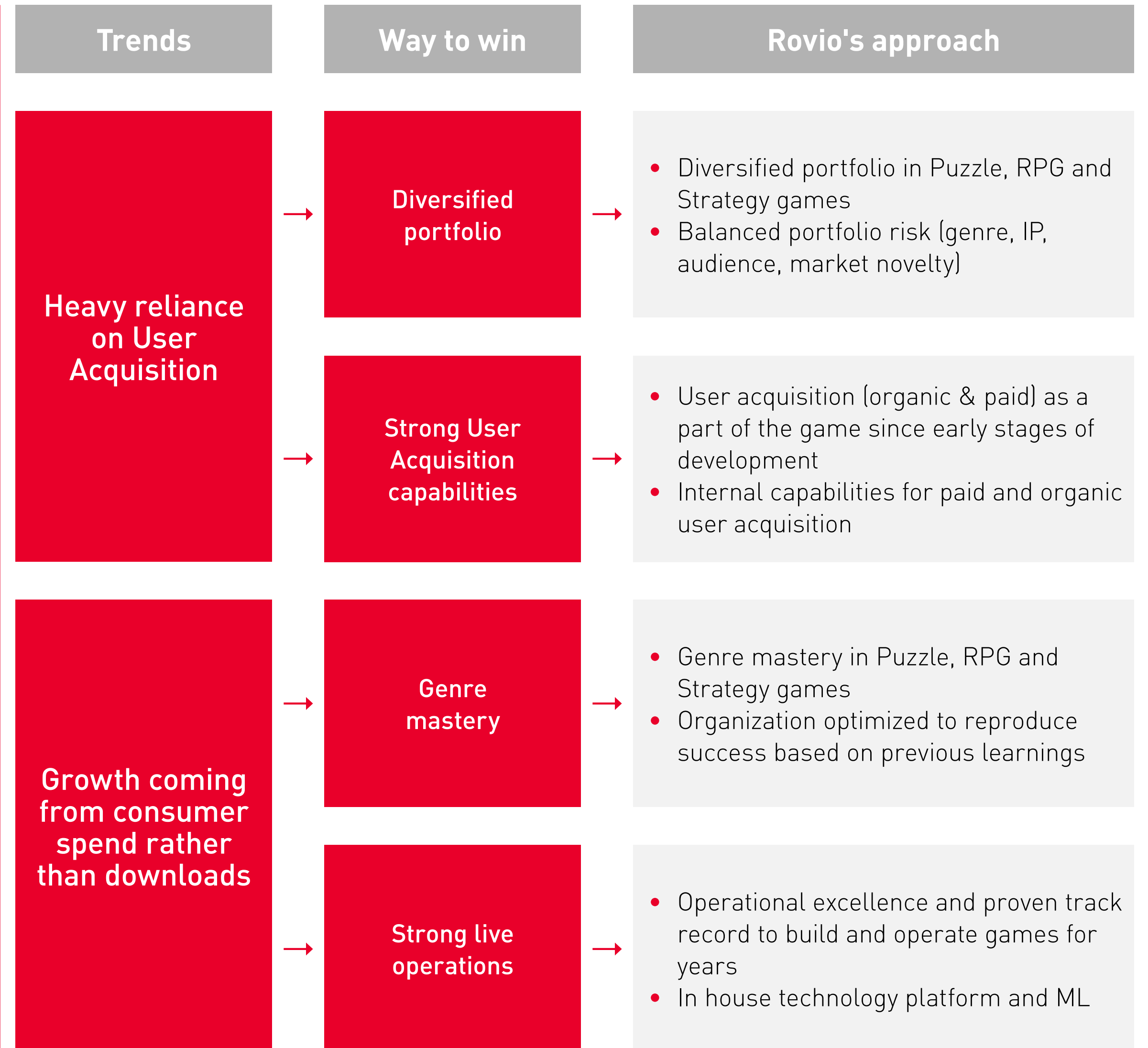
Hatch – mobile gaming streaming service

As part of our future of gaming initiatives we have invested in Hatch Entertainment Ltd., Rovio's 80% owned subsidiary, which is a mobile gaming streaming service. In 2019 Hatch produced two services: Hatch and Hatch Kids. Hatch offers over 150 high-quality collection of games to be streamed instantly without the need to download. Hatch business model is based on paid subscription or a free service featuring advertising. Hatch Kids is a subscription-based entertainment and edutainment streaming services tailored for children and families. It offers 80 educational and fun games for children to enjoy in a safe environment

2019 Rovio explored alternative financial structures and partnerships for Hatch. In February 2020 Rovio announced that it is ending the 2019 financing round and is evaluating strategic alternatives for Hatch. In February 2020 Rovio also announced that Hatch Entertainment Ltd. is focusing its strategy and shifting its service development towards Hatch Kids.

Passionate & skillful teams and corporate responsibility as cornerstones

Our passionate and skillful people guided by our values – be bold, embrace innovation and act with integrity – are really the ones who will make a difference. We are also actively focusing on corporate responsibility in areas such as safe and responsible gaming, responsibility of licensed products, promoting equal opportunities and fighting against climate change.



ROVIO STRATEGY: FOCUS ON GAMES GROWTH

GAMES

Our unique approach to drive growth in core F2P games

Diversified portfolio

User acquisition

Genre mastery

Live operations

Our growth enablers

Technology & Machine Learning

M&A

Mobile gaming streaming service  HATCH

ANGRY BIRDS BRAND

PLAY

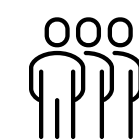
WATCH

CONSUME

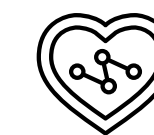
ENGAGE



Our cornerstones:



Passionate & skillful teams



Corporate responsibility

Our values:



Be bold



Embrace innovation



Act with integrity

Sources: Rovio

GAMES WITH HEART

We focus on growing games business through continuously improving our key live games and developing new and innovative gaming experiences.



OUR BUSINESS AREAS

Rovio's operations are divided into two business models: Games and Brand Licensing. Games business unit creates, develops and publishes mobile games. Through brand licensing Rovio licenses Angry Birds brand and its characters to partners. Brand Licensing is part of Rovio's marketing organization.

Both Games and Brand Licensing have their own business models. At the end of 2019, approximately 92% of Rovio's group revenue came from games, and 8% from licensing.



Free to play business model of Games

Rovio develops games and runs paid and organic user acquisition campaigns in digital media channels.

Players download games from application stores for free.

Players make in-application purchases

85%

of Games revenue*

Players watch ads in the game

14%

of Games revenue*

Brand Licensing business model

Rovio licenses Angry Birds brand to product manufacturers and content creators directly or through agents.

Manufacturers make the products and are responsible for distribution. Content creators create content and are responsible for distribution.

Royalties from content licensing

67%

of Licensing revenue*

Royalties from product licensing

33%

of Licensing revenue*

*Q4 2019. 1% in 2019 games revenue came from customer contracts.

ROVIO USES THE ANGRY BIRDS BRAND IN GAMES AND BRAND LICENSING BUSINESSES

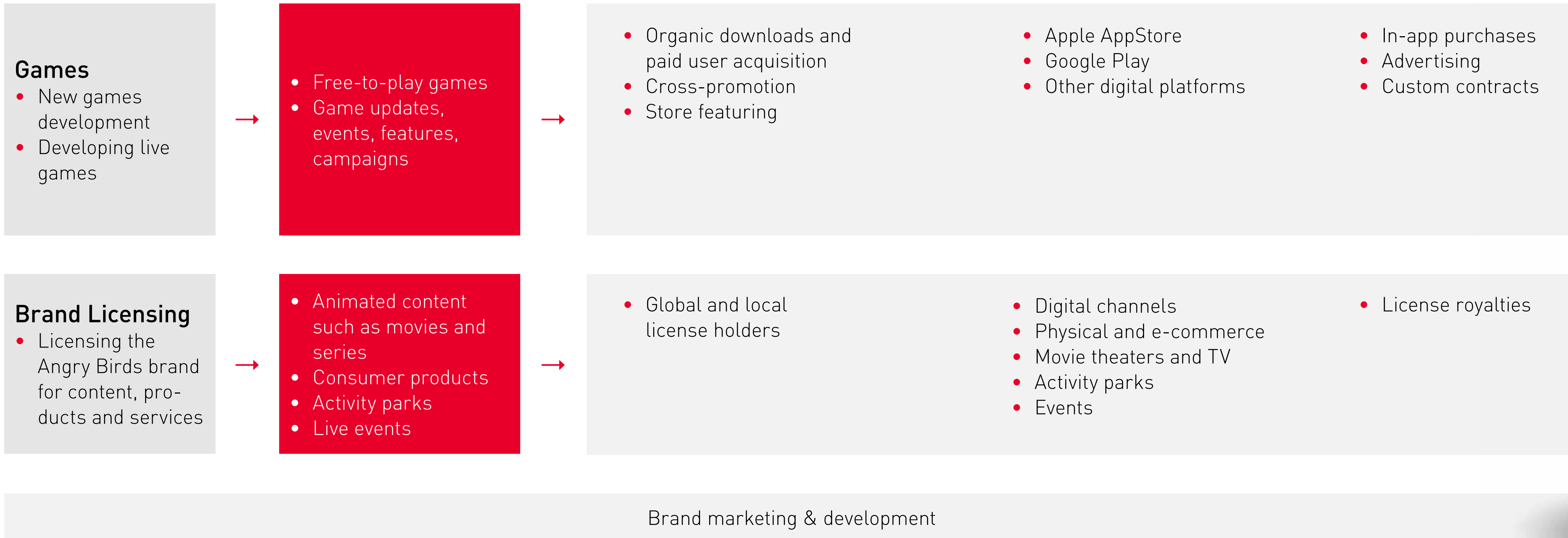
BUSINESS AREAS

PRODUCTS & SERVICES

MARKETING

DISTRIBUTION

MONETIZATION



DRIVING GAMES GROWTH WITH GENRE MASTERY

Our organization and the three game studios are optimized to reproduce success based on previous learnings. Genre mastery is an important driver for growth in our Puzzle, RPG and Strategy games.



GAMES BUSINESS UNIT

Alexandre Pelletier-Normand
Head of Games

Rovio is a strong player in the rapidly growing global mobile gaming market, which grew to over USD 69 billion in 2019. The market is highly competitive, and the playing field is dominated by established companies. Developers need to also know how to reach their audiences, and in this area the widely recognized Angry Birds brand is a valuable asset to Rovio.

Mobile gaming market is dominated by the Free-to-Play (F2P) model. F2P games can be downloaded and played for free and players can make optional in-game purchases to speed up their progress or gain access to additional features. In addition, players can choose to view in-game advertising in exchange for in-game benefits. In 2019, approximately 85% of Rovio's Games business revenue was derived from in-game purchases and about 14% from advertising. All Rovio games are Free-to-Play.

In 2019, Rovio launched two new games Angry Birds Dream Blast in January, and Sugar Blast, a new IP, in September. The Angry Birds Dream Blast launch was very successful, and the game grew faster than expected and became Rovio's second game in terms of revenues in 2019. In fact, it was one of the largest new games released by western game developers in 2019. In addition, our game studios focused on continuously improving previously released games.

At the end of 2019 Rovio had nine new games in various stages of development, out of which four were in soft launch. We release our games globally only when we see a potential to reach a large audience, significant revenue, and a long life-cycle. Three of the games in soft launch at the end of 2019 were based on new IP and one was an Angry Birds themed game.

**In 2019
Rovio launched
two new games -
Angry Birds Dream
Blast and
Sugar Blast.**



Game development and life cycle

Rovio has a systematic game development process with clear stages. Game development starts from a concepting phase, where a small group of developers produce game ideas. Concepts that are showing potential are cleared to move to pre-production where more resources and budget is allocated. Games that show good improvements and market demand are greenlit for production and they eventually release in soft launch. During this phase, the game releases in the selected markets, with players acquired through targeted user acquisition.

The game continues to be developed and iterated upon quickly, where new versions are released at least monthly to adhere to user feedback and increase KPIs. Only the games showing strong KPIs and market demand are globally released and usually user acquisition investments are increased.

The game is constantly improved during its life cycle and more in-game content is developed to increase the player retention and game performance. Performing games are expected to thrive in this "live-operations" phase for several years. When the game finally reaches a declining stage, and it is no longer justified to make further investments, the game moves to an automated maintenance phase. Finally the game is removed from the app stores when there is not a financial justification to keep the game live. The whole game life cycle can last for many years.

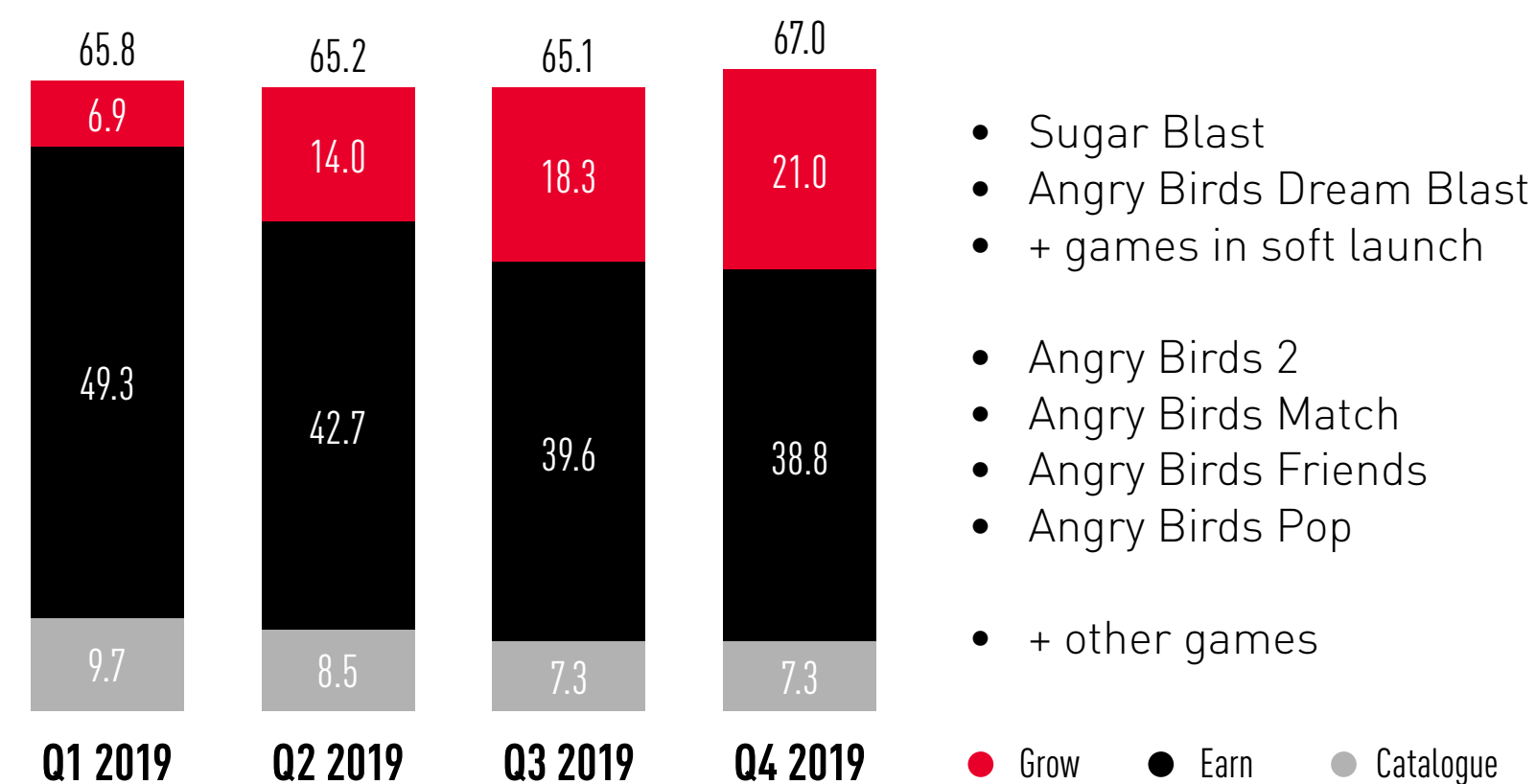
Game life cycle at Rovio is categorized into three categories, from a financial point of view:

Grow: Games that grow future earnings. In this phase, user acquisition investments are significantly scaled up to drive players to the game and the game is assigned a larger development team. At this stage the game has low or negative profit margin.

Earn: Games that earn profit today and may have potential for future growth. User acquisition investments may still be significant for games in this category, but typically lower than the revenue generated. New content is continuously developed, with the clear objective to return to the 'Grow' category again. Games in the 'Earn' category have moderate or high profit margin.

Catalogue: At this stage the game is no longer actively developed, the team size is small and the user acquisition investments are low or completely stopped. Revenues are expected to decline, but the profit margin is very high.

Games gross bookings,
EUR million



Focus on growth

The goal of user acquisition is to bring more paying players to the game. Organic growth is driven by our strong Angry Birds IP, cross-promotion between Rovio games, and featuring we get through partners like Apple and Google. Paid user acquisition is mostly targeted marketing in digital channels such as Facebook and Google. Rovio continuously monitors each game's life-time value (LTV) of its players with sophisticated machine learning algorithms.

Rovio's user acquisition investments amounted to 37.7% of games revenues in 2019. User acquisition investments in 2019 were mostly directed to Rovio's grow games Angry Birds Dream Blast and Sugar Blast and for Angry Birds 2 game. Rovio is aiming at 100% return on user acquisition investment after 12 months within its portfolio.

User Acquisition in practice

Rovio gets players to its games with three types of user acquisition:

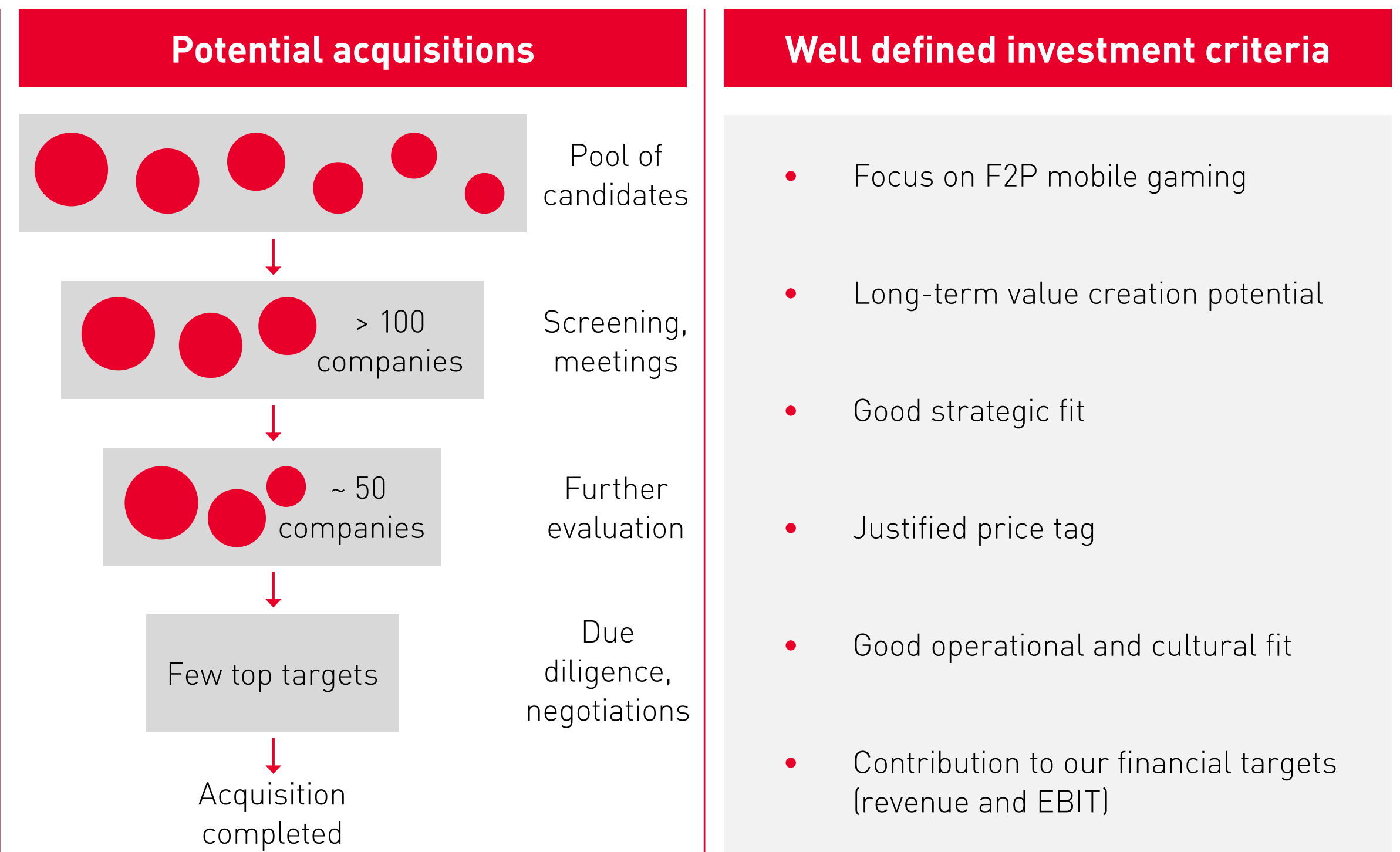
Paid: every game install is registered as an user acquisition install after a person has seen or clicked on an ad Rovio paid for in digital marketing channels (in a specific time window).

Cross promotion inside Rovio games: Installing the game after seeing and/or clicking an Rovio's in-game ad in other Rovio games (in a specific time window).

All other game installs are considered as **organic installs**. It includes word of mouth, finding the game on the app stores due to the strength of the Angry Birds brand, or from top app lists in app stores.

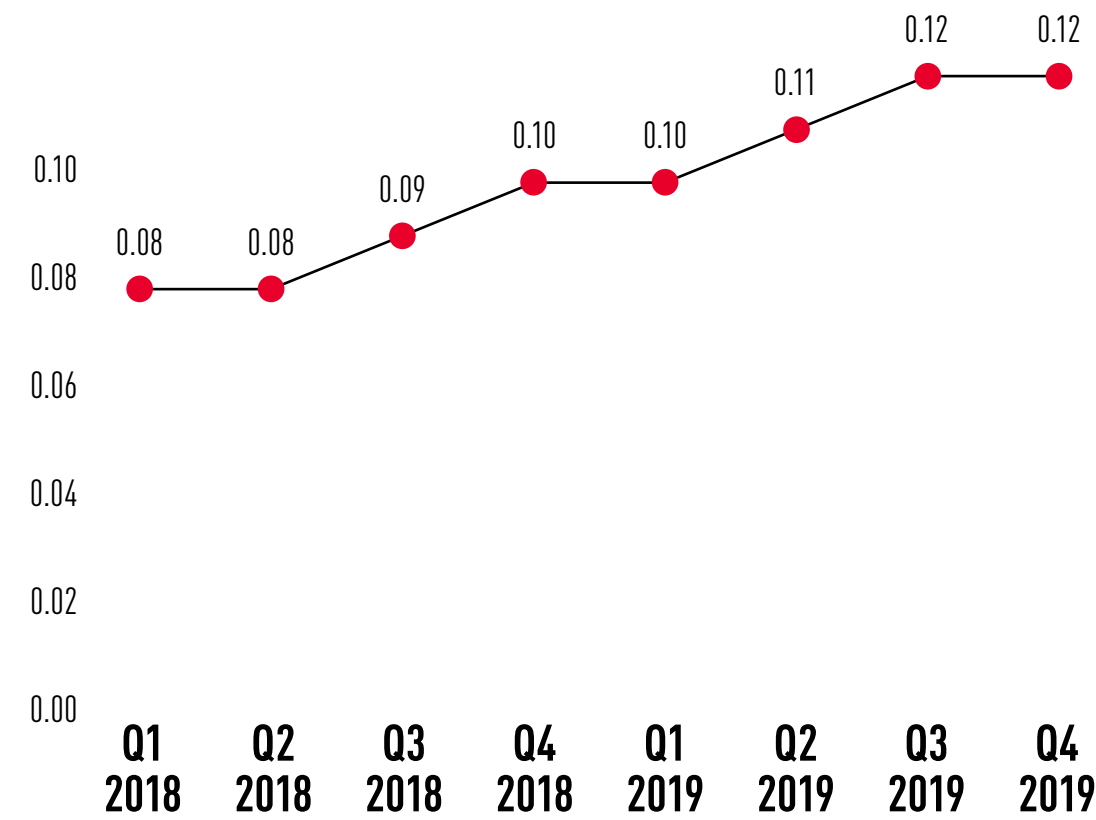
M&A part of growth strategy

The mobile gaming market is consolidating but progress is slow. In 2019 only 31 acquisitions were made and only 12 deals exceeding the value of EUR 10 million were closed. In 2019, as a part of its growth strategy, Rovio continued to actively scout F2P mobile gaming studio acquisition targets, with the aim of strengthening Rovio's in-house capabilities and existing genres and/or expanding to new genres.

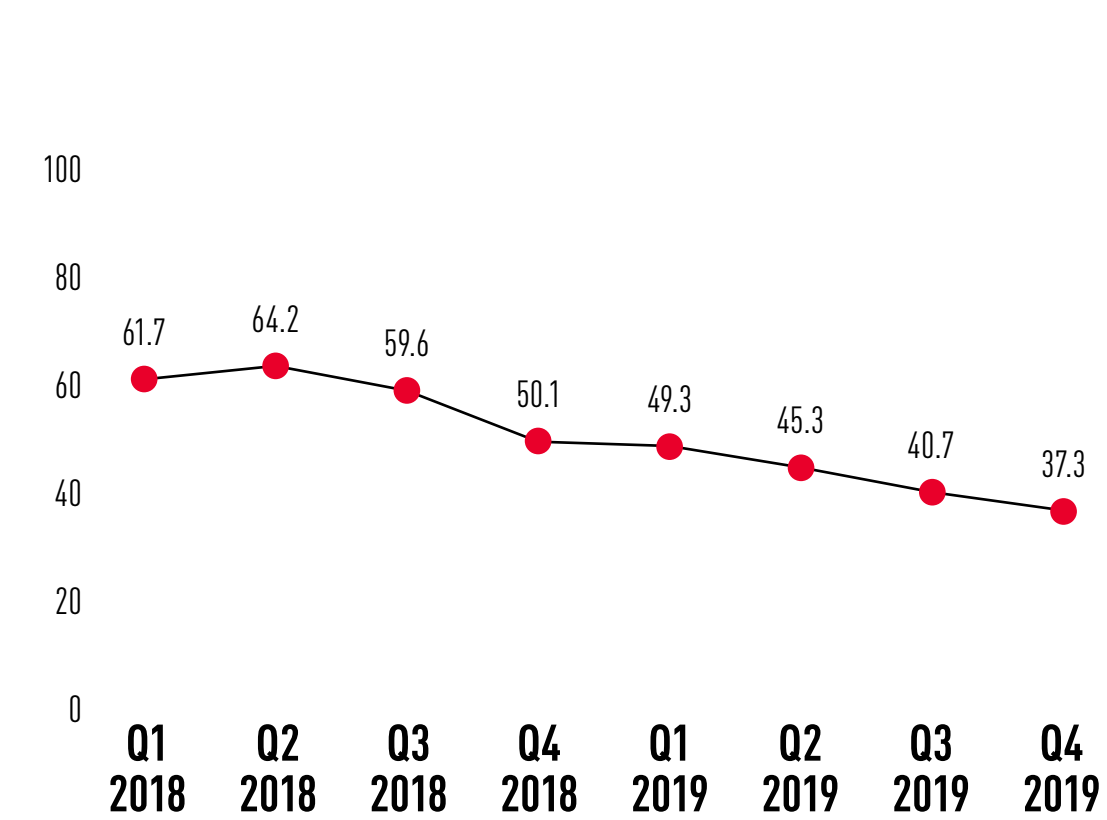


Development of Rovio's games key performance indicators

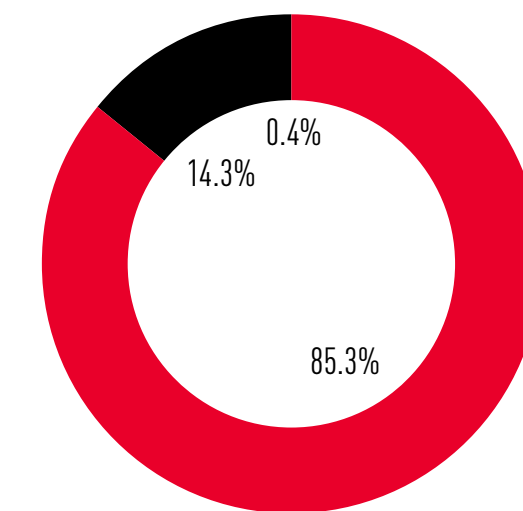
Average revenue per daily active user (ARPDau), EUR



Monthly active users (MAU), Millions



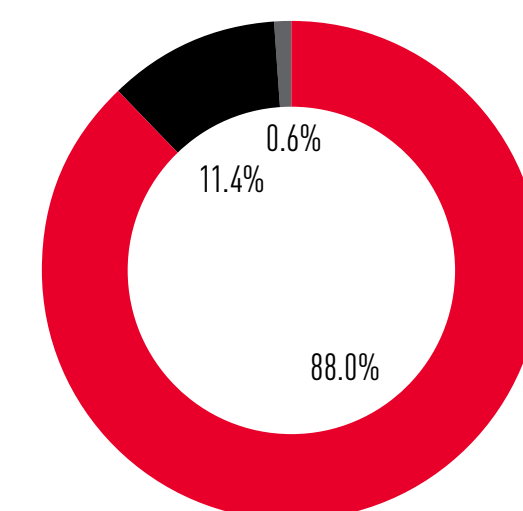
Games revenue disaggregation, EUR million



2019

- In-application purchases: 255.9
- Advertising: 37.9
- Customer contracts: 1.0

Total 264.8

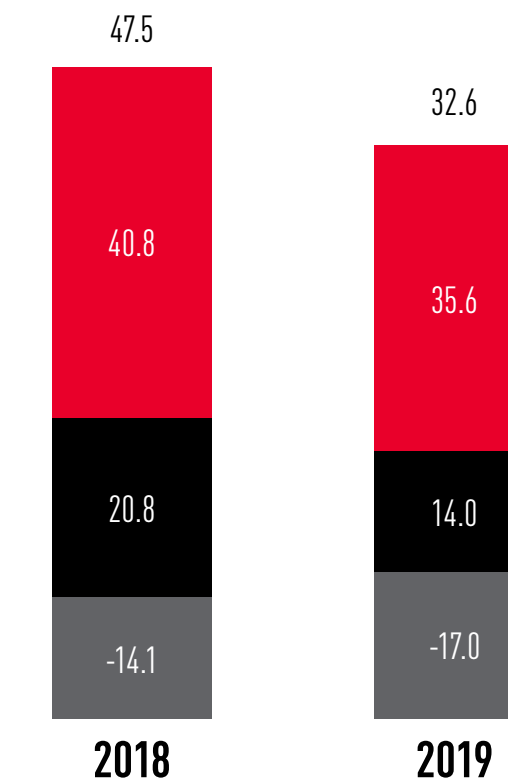


2018

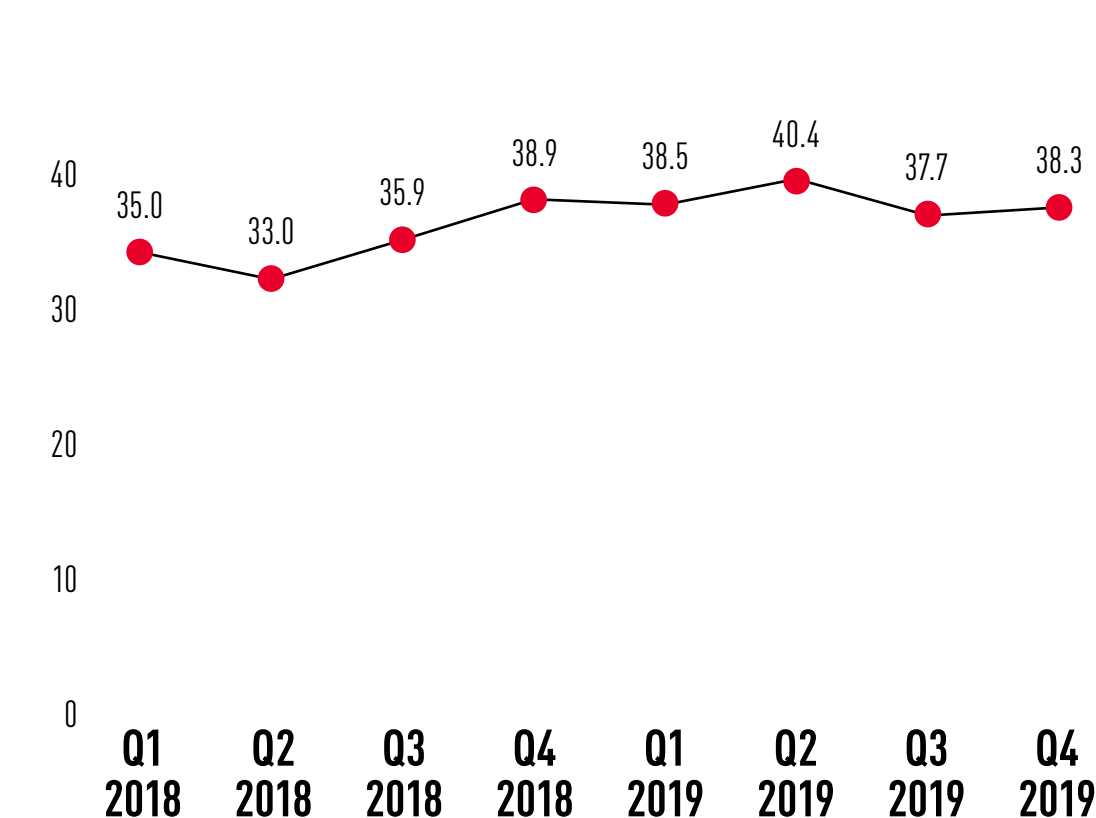
- In-application purchases: 220.3
- Advertising: 28.6
- Customer contracts: 1.5

Total 250.4

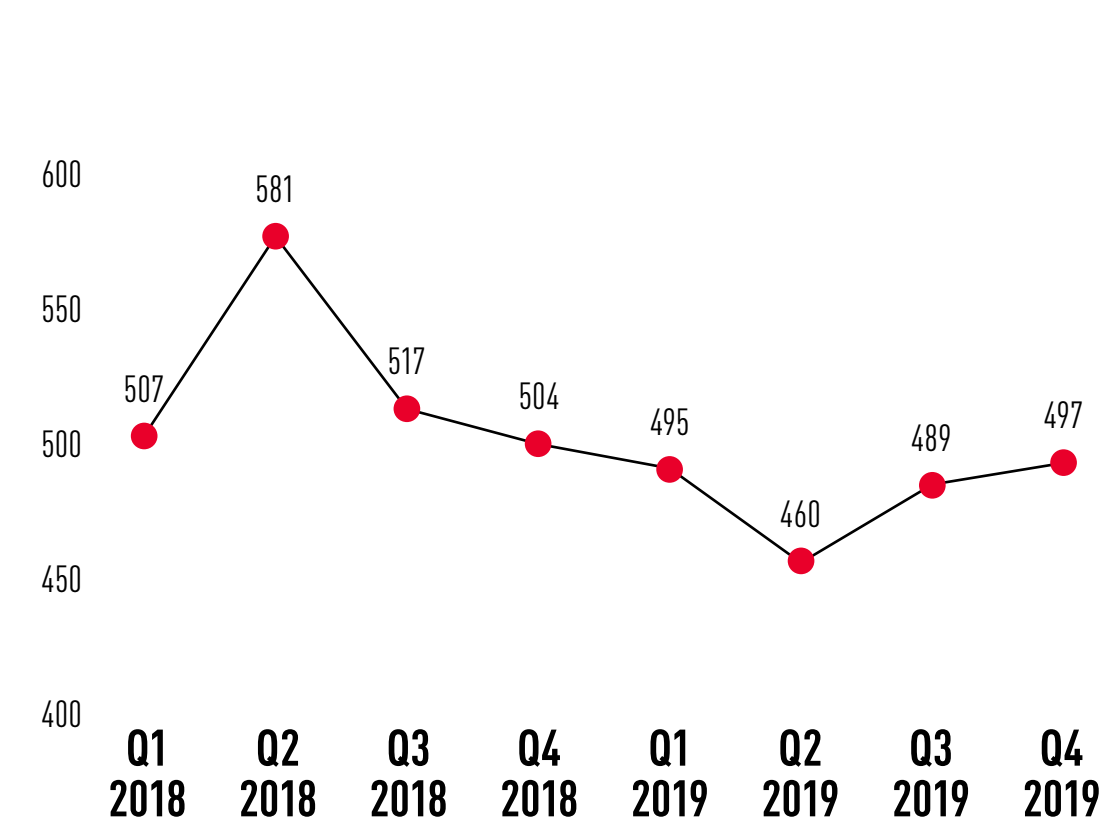
Adjusted EBITDA development and revenue, EUR million



Monthly average revenue per unique payer (MARPPU), EUR



Monthly unique players (MUP), Thousands



ANGRY BIRDS 2

Genre:

Slingshot

Stars*:

4.7

Launch:

July 2015

Cumulative gross sales:

362M€

Gross bookings 2019:

108M€



Description

Play the world's best bird flinging, pig popping game!

Use the slingshot to fling birds at the Piggies' towers and bring them crashing down – all to save the precious eggs.

New to the world of Angry Birds? Angry Birds 2 is the best way to get to know all of the iconic characters and experience the fun gameplay that has captured the hearts (and spare time) of millions of players.

Decorated Angry Birds veteran? Everything you love about classic Angry Birds games is here with some awesome new additions. Choose which bird to fling when, play with friends, take on multistage levels, and compete and collaborate with players around the globe.

Features

- **Choose your bird.** Choose which bird to put in the slingshot and defeat the pigs with strategy
- **Multi-stage levels.** Play fun, challenging levels with multiple stages – just watch out for those Boss Pigs
- **Daily challenges.** Have a minute? Complete a daily challenge and earn some quick rewards
- **Level up** your birds with feathers and up their scoring power. Build the ultimate flock
- **Join a clan** to take down the pigs with friends and players around the world
- **Impress the Mighty Eagle** in Mighty Eagle's Bootcamp and earn coins to use in his exclusive shop
- **Compete in the arena.** Compete with other players for some friendly bird flinging fun and prove who is the best
- **Collect silly hats.** Collect hats with different fun themes and level up your birds' fashion game
- **Bad piggies.** The green baddies are back, stronger, badder, and even greener
- **Lots of levels.** Play hundreds of levels with more added in regular updates and limited time events
- **Leader boards.** Prove who is the best in the world on the global leader boards

*Stars for current version in the United States' Apple App Store as of January 2020.

ANGRY BIRDS DREAM BLAST

Genre:

Puzzle

Stars*:

4.7

Launch:

**January
2019**

Cumulative gross sales:

58M€

Gross bookings 2019:

58M€



Description

Life is a bubble-popping dream in Angry Birds Dream Blast, a challenging new puzzle game with fun gameplay and content from The Angry Birds Movie 2! Join the movie celebrations and solve puzzles and have a relaxing experience with plenty of laughs. With so many unique puzzles to solve — and more added every week — you'll be living the dream!

Angry Birds Dream Blast is a breeze to pick up and play. Pop groups of similarly colored dream bubbles with a simple tap — pop enough bubbles at once and you'll earn a Red booster! One Red can take out a row of bubbles, and two Reds combine to make a Chuck, which pops bubbles in four directions. Combine two Chucks to make the extra powerful Bomb booster! Baby Bomb may look funny and cute, but his explosive energy can even clear an entire screen of bubbles! Combine more bubbles at once to create more powerful boosters. It's a blast!

Features

- A great time killer that's easy to pick up and play
- Tap to pop groups of dream bubbles in a flash to solve challenging but fun puzzles
- Pop many bubbles at once to unleash special powers of your favorite funny Angry Birds friends

*Stars for current version in the United States' Apple App Store as of January 2020.

ANGRY BIRDS FRIENDS

Genre:

Slingshot

Stars*:

4.5

Launch:

**February
2012**

Cumulative gross sales:

146M€

Gross bookings 2019:

26M€



Description

Compete against the World in 20 NEW Angry Birds levels every week! Or take your chances in the Star Cup as you go head-to-head against individual opponents! Compete with your friends, come out on top, and climb the leader boards to become the BEST Angry Birds player in the World!

Tournament Features

- NEW Competitive Tournaments starting every Monday, Thursday and Saturday
- Play 20 NEW levels every week
- Challenge opponents and win to advance to higher leagues
- Take hold of the top position for amazing rewards
- Special Themed Tournaments every other week

Star Cup Features

- Challenge other Angry Birds players one-on-one
- Free Power Ups, Level Effects and Special Slingshots on every level
- Collect Feathers to level up your Birds and gain more scoring power
- Win streaks! Win multiple matches in a row to increase your Rewards

*Stars for current version in the United States' Apple App Store as of January 2020.

ANGRY BIRDS MATCH

Genre:

Puzzle

Stars*:

4.6

Launch:

**August
2017**

Cumulative gross sales:

50M€

Gross bookings 2019:

24M€



Description

Explore worlds and collect Hatchlings in this adorable match 3 puzzle game! Decorate scenes, win new outfits and dress up the Hatchlings to express your style!

Beat levels to help rescue the chicks from the Piggies and grow your flock of adorable Hatchlings now – they are waiting for you...

Features

- Unique and entertaining match 3 gameplay with challenging puzzles
- Collect adorable Hatchlings to nurture and unlock new worlds for them to explore
- Match 4 or more items to bring out the BIG BIRDS – Red, Bomb, and Chuck
- Decorate scenes by finding new objects to entertain your flock
- Participate in special themed events throughout the year
- Visit your Hatchlings to try out new outfits, or just say hello
- Warning: Critical levels of cuteness

*Stars for current version in the United States' Apple App Store as of January 2020.

SUGAR BLAST

Genre:

Puzzle

Stars*:

4.7

Launch:

**September
2019**

Cumulative gross sales:

3M€

Gross bookings 2019:

3M€



Description

Candy lover Maple is dreaming of all of the sweetest treats. Help her match the candies to complete challenges and satisfy your sweet tooth at the same time! Treat yourself to hundreds of fun, confectionary-filled levels with different goals – crush crispy toffee, collect sugary sweets, and unwrap creamy chocolate eggs.

Playing is easy! Tap groups of matching candies to clear them. Four or more candies makes a powerful Choco candy that clears a whole bunch of candies at once! Combine matching Chocos to make a new, more powerful Choco. Strategically set off chains of chocos to clear the board and complete your challenge! Piece of cake!

Features

- Easy to pick up and play any time you need a little treat
- Blast candies to solve puzzles
- Tap matching candies to blast them and more candies rush to fill their place
- Combine more candies at once to create more powerful & tasty boosters
- Every move introduces exciting strategic possibilities and unexpected surprises
- Play thousands of decadently fun levels
- Take on different level types
- Need some help? That's what boosters are for
- Level up and win rewards like boosters and infinite lives
- Win multiple levels in a row and start with Chocos in play
- Take part in sweet limited time events
- Team up with friends and other players – an easy way to earn free lives, free coins, and take part in more events

*Stars for current version in the United States' Apple App Store as of January 2020.



ANGRY BIRDS BRAND

The original Angry Birds mobile game was launched in December 2009 to a fast-growing touchscreen smartphone market, and quickly became the most recognized game associated with the new mobile gaming platform.

Today Angry Birds is more than mobile games. It has blossomed into one of the most beloved entertainment brands in the world. Over a dozen games, hundreds of consumer products, several animated series and two animated movies are based on the brand.

Angry Birds turned 10 on December 11, 2019, and the tenth anniversary year was filled with activity. The Angry Birds Movie 2 released in August 2019, and the latest game in the franchise, Angry Birds Dream Blast, breached the US top 100 grossing iOS Games chart.

With the 10th anniversary, it was a good opportunity to take stock of some of the milestones reached in the past 10 years, including:

- Over 4.5 billion game downloads
- 1.8 billion consumer products sold
- Over USD 500 million box office movie franchise
- 10 billion Angry Birds animation views on digital channels

To Rovio, these huge numbers indicate first and foremost that what we have created in these past 10 years is a ubiquitous entertainment brand around the world.

Today, Angry Birds enjoys a strong global awareness globally (94%), with a broad four-quadrant audience.^[1] The key demographic for Angry Birds games are adult smartphone users, while the movies, animations, and consumer products reach younger audiences.

[1] Four quadrant audience refers to male, female, kids, adults

The consumer touchpoints for Angry Birds brand are focused on four pillars: Play, Watch, Consume and Engage.

Play

Games are the strongest strategic pillar for Rovio, and Angry Birds games revenue has grown year-on-year since the launch of the first Angry Birds game.

At the end of Q4 2019, Rovio had two Angry Birds games in the US top 100 grossing iOS Games chart (Angry Birds 2 and Angry Birds Dream Blast). Rovio currently publishes and operates eight Angry Birds free-to-play mobile games with three new Free-to-Play (FTP) Angry Birds games in development in 2019.

Watch

In August 2019, the Angry Birds Movie 2 was released, and received overwhelmingly positive scores from the movie-going audience. During the year Rovio also released a new Angry Birds mini-series on YouTube, and announced the development of a new long-form animated series.

Angry Birds content ranges from big screen and long-form licensed productions, to short-form streaming content produced in-house. This enables multiple revenue streams, from distributing animation through video-on-demand services and linear broadcasting partners, as well as developing new content directly for Rovio-operated Angry Birds YouTube channel. In various consumer polls, Angry Birds animations have been among some of the most viewed kids' content on Netflix, for example. This demand gives us great confidence for developing new content with world-class partners.

Consume

Our consumer products operations are currently being focused around key territories of Western Europe, US, China and Russia. We see encouraging results in various categories, such as promotions, food & beverage, and location-based entertainment.

Engage

In addition to our games, content, and consumer products, Rovio is continuously engaging with players, viewers, customers and fans via social media channels, and various PR and marketing campaigns and partnerships such as with English football team Everton FC and USA basketball team Chicago Bulls.

For the 10th anniversary of Angry Birds, Rovio built a creative marketing campaign around the theme "Bring The Anger". As is the case in the context of Angry Birds, it's OK to be angry sometimes – and when pointed in the right direction, anger can be a force for good.

We wanted to demonstrate this in a fun and whimsical way true to our brand, and created interactive gadgets that act as an outlet to anger and produce a tangible positive output. The Bring The Anger campaign was based around experiential events in New York City and Los Angeles, with creative campaign material being distributed via an extensive network of lifestyle influencers.

As a true anger-for-good component in this campaign, Rovio engaged players in Angry Birds 2 game to activate a pledged donation by Rovio to UNICEF Finland's Education in Emergencies fund.

FUTURE OF GAMING

Rovio wants to be ready to utilize emerging opportunities in future technologies and initiatives. In 2019 Rovio took several important steps in mobile game streaming, augmented / virtual reality and machine learning.

Hatch Cloud Gaming Service

Hatch Entertainment Ltd. is Rovio's 80% owned cloud gaming subsidiary. Hatch operates two services: Hatch and Hatch Kids. Hatch has a collection of more than 150 premium games, streamed to mobile devices on demand. Hatch monetizes through a combination of advertising and paid monthly subscriptions.

Hatch Kids is a safe place for children to play, create and learn online, with unlimited access to dozens of high-quality games. Intended primarily for kids under eight years, Hatch Kids monetizes entirely through a fixed monthly subscription with no advertising and no in-game purchasing. Hatch Kids standalone app is currently available in soft launch in Finland and Sweden.

During 2019 Rovio explored alternative financial structures and partnerships for Hatch. In February 2020 Rovio announced that it is ending the 2019 financing round and is evaluating strategic alternatives for Hatch. In February 2020 Rovio also announced that Hatch Entertainment Ltd has reassessed its strategy and is focusing its service development on Hatch Kids. Accordingly, Hatch is planning to restructure and align its operations with the focused strategy.

AR, VR and Machine Learning

In 2019, Rovio continued to experiment with augmented reality (AR) and virtual reality (VR). The company collaborated with Stockholm based studio Resolution Games to release Angry Birds AR: Isle of Pigs for iOS and Android and Angry Birds VR: Isle of Pigs. Forbes ranked Angry Birds VR: Isle of Pigs game as one of the best VR games of the year.^[1] In 2019 Rovio, together with UK company Zappar, developed an Angry Birds Explore application that connects — using AR — digital and physical products within the virtual Angry Birds world.

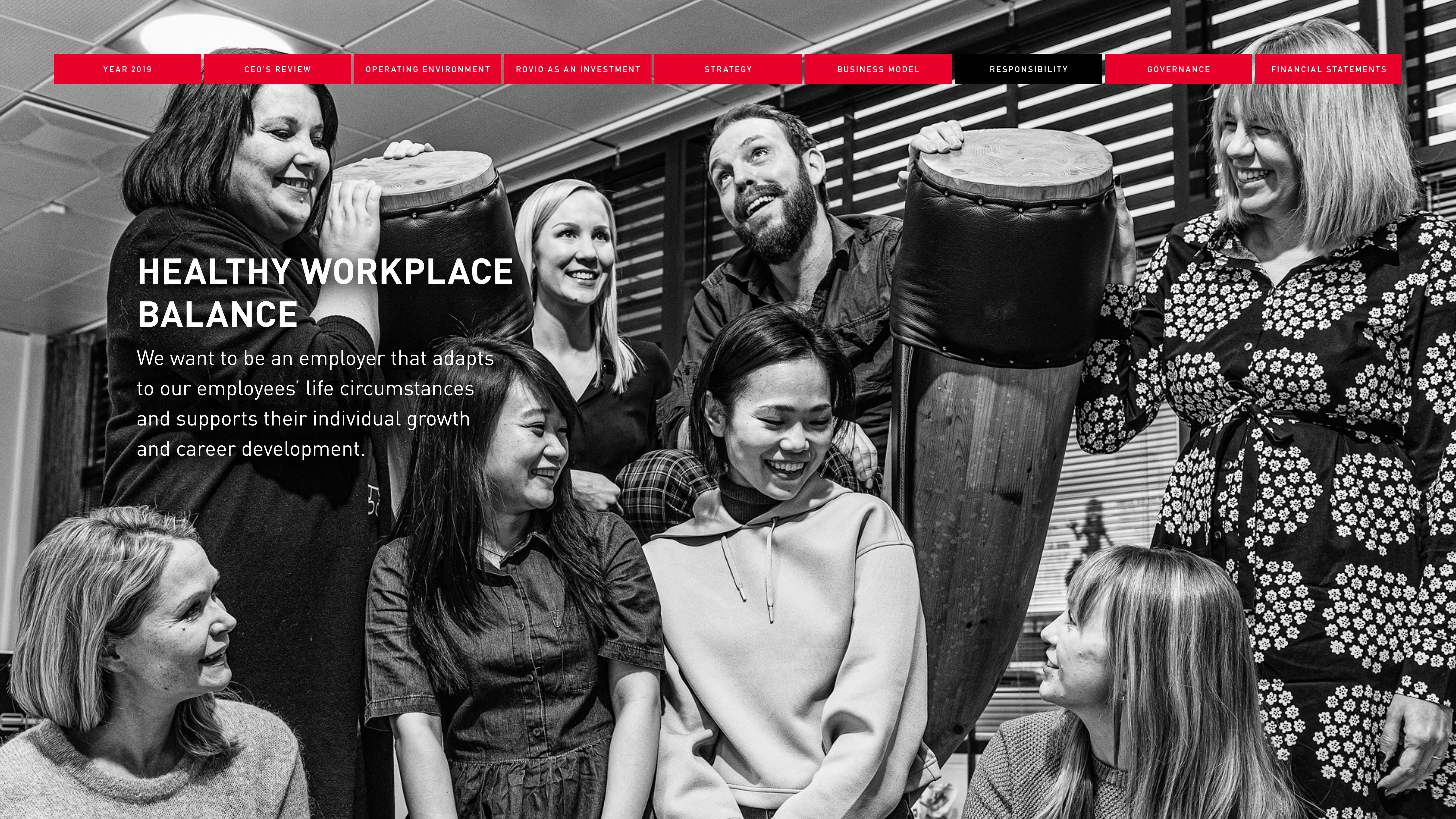
During 2019, Rovio utilized its Machine Learning (ML) expertise in game development. As an example, Rovio uses ML in Angry Birds Dream Blast to improve and automate level optimization and reduce churn i.e. players who stop playing a particular game. Also, typically level design is a time-consuming and manual process, which requires human testing of unreleased game levels. With the aid of machine learning, Rovio has now automated the level difficulty testing process. New levels are better balanced and also our team have more time for creative tasks, both ultimately contributing to better player experience.

The future vision for Rovio's ML work is to for example enable individual game experiences for players.

[1] www.forbes.com/sites/jessedamiani/2020/01/15/the-top-50-vr-games-of-2019/#1cdef0ac322d

HEALTHY WORKPLACE BALANCE

We want to be an employer that adapts to our employees' life circumstances and supports their individual growth and career development.





PEOPLE AND CULTURE

Rovio is a very attractive employer in today's highly competitive talent market for many reasons. Each of our three game studios focuses on a distinctive genre, presenting a wide range of exciting opportunities for seasoned game developers.

Atmosphere of sharing creates opportunities for innovation and operational efficiency alike.

Our approach is to build strong and talented teams with all the crucial talent to run a successful games business, and then allow them to function autonomously. To take full advantage of this, we promote an environment where information, best practices, and good ideas are constantly shared between the studios and game teams, and there is the right balance between listening to each other and challenging each other. Valuable lessons learned from each project are applied and refined throughout the organization to make products and processes even better. This atmosphere of sharing creates opportunities for innovation and operational efficiency alike.

We want to be an employer that adapts to our employees' life circumstances and supports their individual growth and career development. In the international markets for gaming expertise, one of Rovio's competitive advantages as an employer is our workplace culture. We encourage employees to build a healthy work-life balance, which helps to maintain the work ability.

Personnel in figures

Rovio had 466 employees at the end of 2019. Of this, 95% were permanent employees and 5% were fixed-term employees. The typical reasons for fixed-term employment are a substitution for family leave or traineeships. 76% of our employees work in the Games business unit, 6% in the Brand Licensing business unit, and 9% in Hatch Entertainment. The remaining 8% work in other

functions and administration. In 2019, 73% of Rovio were men and 27%. The percentage of women among Rovio's employees is substantially higher than the industry average. Rovio's employees represent 47 different nationalities. Most of our employees were under 45 years of age: 49% are aged under 35, and 51% are between the ages of 35 and 63.

Values and culture

Our work and behavior is guided by our values:

Be bold

- We set ambitious targets, take smart risks, move fast and seek results.
- We're here to leave our mark and be the best at always getting better.
- We celebrate, learn from and share our successes and mistakes.

Embrace innovation

- We remain curious and care deeply for the experience we provide to our players, fans, and partners.
- We challenge conventions.
- We marry data with creativity.
- We direct our passion to inspire others.

Act with integrity

- We take ownership for our own and our shared work.
- We care about and support each other.
- We give and receive valuable feedback to be our best.
- We talk and listen with respect.

Implementing our refined values is a journey. The work for this started in 2018 and continued in 2019 by applying our values to Rovio's business objectives and in our day-to-day work. In 2020 we will focus on value-based leadership development to further strengthen and support our high-performance creative culture.

Our people carry out our strategy

Talented and skillful teams

Craftmanship, creativity and passion

Being the best at getting better, together!

OUR VALUES

Be
BOLD

Embrace
INNOVATION

Act with
INTEGRITY



CORPORATE RESPONSIBILITY

The gaming industry has significant positive social and economic impact due to its entertainment value, innovation, technological know-how and creative work. The most significant environmental impact of the gaming industry relates to energy consumption, both in the game development stage and while gaming, and the manufacturing of gaming hardware. However, the environmental impact of mobile games is considerably lower than that of console and PC gaming.

Rovio has increasingly focused on safe and responsible gaming, which is the company's highest priority with regards corporate responsibility. Other focus areas include licensed products, employee well-being and diversity, responsible business conduct and the environment.

In 2019 Rovio initiated many Corporate Social Responsibility (CSR) related projects, such as a strategic co-operation with UNICEF Finland, as well as being a founding member of the United Nations Playing for the Planet initiative. Also, in FINDIX study of diversity 2020 Rovio was ranked as number one of Finnish public companies in mid-size and consumer goods and services categories. Study includes all companies on the main list of Nasdaq Helsinki. Issues related to responsibility are monitored by the Leadership Team. In 2018, key performance indicators were defined for Rovio's responsibility priorities as part of the development of corporate responsibility.

More detailed descriptions of the measures taken in each focus area and the reporting boundaries are provided in Rovio's separate corporate responsibility report which is published in Rovio's website: www.investors.rovio.com/en/corporate-social-responsibility. In its reporting, Rovio complies with the provisions laid out in accounting legislation despite the fact that the Company is only obligated to provide disclosures of financial information.



CORPORATE RESPONSIBILITY FOCUS AREAS

Safe and responsible gaming		2019
Active involvement in industry development to promote safe and responsible gaming		
Responsibility of licensed products		
New manufacturer commitments*		172
Scope of manufacturer commitments in very high-risk countries		100%
Scope of manufacturer commitments in high-risk countries		100%
New social responsibility audit reports from suppliers		64
Scope of audit reports in very high-risk countries		100%
Scope of audit reports in high-risk countries		41.8%
Employee well-being and diversity		
Diversity and equality: nationalities		47 nationalities
share of women/men among employees		women 27%, men 73%
employee age structure (under 35, 35–50, over 50)		49% under 35 48% 35–50 3% over 50

Responsible business conduct

Coverage of Code of Conduct, Anti-Corruption and Compliance trainings among employees, target is to reach 100% coverage

Trainings are organized regularly and the training coverage is continuously monitored

Environment

Proportion of electricity used for cloud services that is produced from renewable sources**

63%

CO₂ emissions:
Business travel***, total + per person
Offices**** total + per person

Total 765 t, 1.64 t per person
Total 248 t, 0.53 t per person

CO₂ emission offset

100% offset, In total 1,013 t through UN climate carbon offset platform

CO₂ emission offset Playing for the Planet initiative*****

19,476 carbon tons offset (CO₂e / year) through UN Carbon offset platform

* By signing the manufacturer's commitment, manufacturers commit to respecting Rovio's trademarks, complying with the Rovio Code of Conduct for Partners and agree to having relevant audits performed.

** The figure is based on information collected from the cloud service providers used by Rovio, and covers approximately 90% of the providers.

*** The figure is based on data obtained from service providers and includes air travel by employees based in Espoo and Stockholm, representing 98% of the Group's personnel. The figures are not available for the other operating countries.

**** The figure is based on data obtained from the service provider and only includes emissions for the head office in Espoo. The figures are not available for the Group's other offices.

***** Figure is based on the carbon emissions generated by our games' daily active users each charging one top-end mobile device once per day. Calculations are based on Rovio's methodology described in chapter 2.1 safe and responsible gaming.





**OUR BUSINESS IS
DRIVEN BY OUR VALUES**

Being bold, embracing innovation and
acting with integrity.

BOARD OF DIRECTORS

Mika Ihamuotila



Chairman of the Board of Directors

Ph.D. (Econ.)

Born 1964, Finnish citizen

- Chairman of the Board of Directors since 2017
- Member of the Board of Directors since 2013
- Member of Rovio's Audit Committee and Remuneration Committee since 2017
- Independent of the Company and its major shareholders

Primary work experience

- Chairman of the Board of Directors of Marimekko Oyj
- President of Marimekko Oyj 2008–2015 and CEO 2008–2016
- Member of the Board of Directors of Elisa Oyj 2003–2008
- President and CEO of Sampo Pankki Oyj 2001–2007
- Chairman of the Board of Directors of Sampo Pankki Oyj 2001–2005, Member of the Board of Directors thereof 2005–2007, and CEO thereof 2005–2007
- Member of the Board of Directors and CEO of Mandatum Pankki Oyj 1999–2001 and Executive Director thereof 1998–2000

Positions of trust

- Member of the Board of Directors of Sanoma Oyj
- Chairman of the Mannerheim Foundation
- Member of the Supervisory board of Finnish Cultural Foundation

Share ownership (December 31, 2019)

- 245,190 shares owned through PowerBank Ventures Ltd, a company under his control

Kaj Hed

Vice Chairman of the Board of Directors

Electrical engineer, studies of financing

Born 1955, Finnish citizen

- Vice Chairman of Rovio's Board of Directors since 2017
- Chairman of Rovio's Board of Directors in 2005–2006 and 2008–2017
- Independent investor

Primary work experience

- Chairman of the Board of Kiosked Oy Ab 2012–2014
- Deputy Member of the Board of Directors and CEO of Global Inter Partners Ab since 2009
- CEO and the Chairman of the Board of Trema Group 1992–2003

Positions of trust

- A Member of the Board of Directors of Oivor AB
- Chairman of the Board of Hatch Entertainment Oy
- Chairman of the Board of Moor Holding AB
- Chairman of the Board of Moor&Moor AB
- Chairman of the Board of MobiTizer Ltd

Share ownership (December 31, 2019)

- 12,919,011 shares owned through Oivor AB. Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 40% of the shares of Oivor AB are controlled by Kaj Hed.



Camilla Hed-Wilson



Member of the Board of Directors

BBA (Human resource management and Arts Management)
Born 1983, Finnish citizen

- Member of Rovio's Board of Directors since 2011
- Member of Rovio's Remuneration Committee since 2019

Positions of trust

- Founder and Chairman of the Board of Directors of Fiilinki Oy
- Chairman of the Board of Directors of Wild Sloths Oy
- CEO and Chairman of the Board of Directors of Brilliant Problems Oy
- Member of the Board of Directors of Oivor AB
- Member of the Board of Directors of New Nordic School Oy

Share ownership (December 31, 2019)

- 6,459,505 shares owned through Oivor AB. Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 20% of the shares of Oivor AB are controlled by Camilla Hed-Wilson.

Kim Ignatius



Member of the Board of Directors

BSc (Econ.), Helsinki School of Economics and Business Administration
Born 1956, Finnish citizen

- Member of Rovio's Board of Directors since 2017
- Chairman of Rovio's Audit Committee and Remuneration Committee since 2017
- Independent of the Company and its major shareholders

Primary work experience

- Executive Vice President and Member of the management team of Sanoma Corporation 2017
- Chief Financial Officer of Sanoma Corporation 2008–2016
- Member of the Board of Directors and the Chairman of the Audit Committee of Millicom International Cellular S.A. 2011–2014
- Executive Vice President and CFO of TeliaSonera AB 2003–2008
- Executive Vice President and CFO of Sonera 2000–2003
- CFO of Tamro 1997–2000
- Various domestic and international management positions with Amer Oyj 1984–1997

Positions of trust

- Member of the Board of Directors and Chairman of the Audit and Risk Committee of Fortum Oyj
- Member of the Board and Audit Committee of Elisa Oyj
- Member of the Board and Chairman of the Audit Committee of Yliopiston Apteekki
- Member of the Board of Directors' Institute Finland

Share ownership (December 31, 2019)

- 9,000 shares

Fredrik Löving



Member of the Board of Directors

Master of E-Commerce, E-Commerce, Project Management,
Bachelor of Information Technology, Information Systems
Born 1979, Swedish citizen

- Member of Rovio's Board of Directors since 2019
- Independent of the Company and its major shareholders

Primary work experience

- EVP, Digital & Interactive at Psyop
- Founder & Head of Studio at Goodbye Kansas LA
- Head of Studio and General Manager at EA DICE LA 2013–2017
- Producer and Development Director at DICE Sweden 2007–2013
- Online Business Project Manager at Eniro 2005–2007

Positions of trust

- Member of the Board of Directors of Swedish Chamber of Commerce

Share ownership (December 31, 2019)

- 0 shares

Jeferson Valadares



Member of the Board of Directors

MSc, Computer Science, Artificial Intelligence
BS, Computer Science
Born 1975, Brazilian citizen

- Member of Rovio's Board of Directors since 2019
- Independent of the Company and its major shareholders

Primary work experience

- Co-founder and CEO of Doppio
- General Manager, Mobile and Vice President of Product Development at Bandai Namco Entertainment America 2014–2018
- Studio General Manager and Executive Producer at BioWare/Electronic Arts 2012–2014
- General Manager, Games at Flurry 2011–2012
- Studio Director at Playfish/Electronic Arts 2009–2011
- Creative Director, EA Mobile UK at Electronic Arts 2007–2009
- Development Director at Sumea Studio/Digital Chocolate 2005–2007
- Producer at Cinemaware 2004–2005
- CEO of Jynx Playware 2000–2004

Share ownership (December 31, 2019)

- 0 shares

Jenny Wolfram



Member of the Board of Directors

LL.M

Born 1990, Finnish citizen

- Member of Rovio's Board of Directors since 2017
- Member of Rovio's Audit Committee and Remuneration Committee since 2017
- Independent of the Company and its major shareholders

Primary work experience

- CEO, Member of the Board of Directors and founder of BrandBastion Ltd
- Chairman of the Board of Directors of Oy Group Dash Ab
- Member of the Board of Directors and CEO of Jenny Wolfram Ab
- Chairman of the Board of Directors and CEO of Oy Wolfram Ab

Positions of trust

- Member of the Board of Directors of GV Finland Oy
- Recognized by Forbes 30 under 30 in Marketing in 2017

Share ownership (December 31, 2019)

- 0 shares

Niklas Zennström

Member of the Board of Directors until April 9, 2019

Dual degrees in Business and M.Sc. (Eng.)

Born 1966, Swedish citizen

- Member of Rovio's Board of Directors 2011–2019
- Independent of Rovio and its major shareholders



LEADERSHIP TEAM

Kati Levoranta



CEO

LL.M (in Finland and Columbia University School of Law, the United States),
MBA (Econ.)

Born 1970, Finnish citizen

- Joined Rovio in 2012
- CEO since 2016
- Member of Rovio's Leadership Team since 2012
- Head of Sales, EMEA at Rovio 2015
- Chief Legal Officer at Rovio 2012–2015

Primary work experience

- Several positions at Nokia Oyj and Nokia Siemens Networks Oy 2005–2011, latest Head of Global Commercial Transactions

Positions of trust

- Member of the Board of Directors of Finland Chamber of Commerce
- Member of the Board of Directors of OP Cooperative (as of January 1, 2020)

Share ownership (December 31, 2019)

- 37,653 shares

Number of options (December 31, 2019)

- 90,000 from option program 2019, 90,000 from option program 2018 and 90,000 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 31,195

Ville Heijari

CMO

Undergraduate Student of Philosophy

Born 1978, Finnish citizen

- Joined Rovio in 2010
- CMO since 2018
- Member of Rovio's Leadership Team since 2018
- CMO of Games Business Unit 2016–2018
- SVP Brand Marketing at Rovio 2012–2013
- VP Franchise Development at Rovio 2010–2012

Primary work experience

- General Manager at Two Men and a Dog Oy 2015–2016
- Head of Supply, Europe at Vungle 2014–2015
- General Manager, Europe at PlayHaven 2013–2014
- Documentation Designer at Idean 2008–2009

Share ownership (December 31, 2019)

- 44,841 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019, 30,000 from option program 2018 and 17,500 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 10,000



Simo Hämäläinen



Head of Brand Licensing (until January 31, 2020)

M.Sc. (Eng.)

Born 1980, Finnish citizen

- Joined Rovio in 2013
- Head of Brand Licensing since 2017
- Member of Rovio's Leadership Team since 2017
- Various roles at Rovio 2013–2017, latest Head of Marketing and Promotions

Primary work experience

- Member of the Board of Directors at Alberga Brewing Company Oy since 2016
- Various international sales, marketing and brand management positions at Oy Hartwall Ab and Heineken N.V. 2007–2013

Share ownership (December 31, 2019)

- 11,070 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019, 40,000 from option program 2018 and 40,000 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 15,000

Heini Kaihu



Head of HR (since February 1, 2019)

M.A. (English Translation, Communication, Interactive and Digital Media)

Born 1973, Finnish citizen

- Joined Rovio 2012
- Head of HR since 2019
- Member of Rovio's Leadership Team since 2019
- Head of Studio, Games 2014–2019
- Director Games Portfolio 2012–2014

Primary work experience

- EVP Product and Member of Leadership Team at Sulake 2011–2012, various Product and Team management and leadership positions at Sulake 2005–2011

Share ownership (December 31, 2019)

- 34,761 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019, 17,500 from option program 2018 and 17,500 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 7,500

René Lindell



CFO

Ph.D. (Tech.), M.Sc. (Econ.)

Born 1976, Finnish citizen

- Joined Rovio in 2014
- Chief Financial Officer at Rovio since 2017
- Member of Rovio's Leadership Team since 2016
- Chief Strategy Officer and Strategy and Business Development Officer at Rovio 2014–2017

Primary work experience

- Strategy Director at Nokia Oyj 2011–2014
- Management Consultant at the Boston Consulting Group 2006–2011

Share ownership (December 31, 2019)

- 15,578 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019, 40,000 from option program 2018 and 40,000 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 15,500

Alexandre Pelletier-Normand



Head of Games

B.Sc. (Computer Science)

Born 1980, Canadian citizen

- Joined Rovio January 2019
- Head of Games since 2019
- Member of Rovio's Leadership Team since 2019

Primary work experience

- Several leadership positions at Gameloft SE 2003–2012 and 2014–2018, latest Executive Vice President, Games
- Co-Founder of Execution Labs

Positions of trust

- Member of the Board of Directors of Execution Labs

Share ownership (December 31, 2019)

- 2,490 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 100,000

Minna Raitanen



General Counsel

LL.M.

Born 1974, Finnish citizen

- Joined Rovio in 2012
- General Counsel at Rovio since 2016
- Member of Rovio's Leadership Team since 2016
- Senior Legal Counsel at Rovio 2012–2016

Primary work experience

- Senior Legal Counsel at Nokia Siemens Networks Oy and Nokia Oyj 2005–2012
- Attorney-at-law at Veikko Palotie & co 2000–2004

Share ownership (December 31, 2019)

- 6,150 shares

Number of options (December 31, 2019)

- 40,000 from option program 2019, 40,000 from option program 2018 and 40,000 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2019)

- 12,500

Marjo Kuosmanen

Head of HR until January 31, 2019

CORPORATE GOVERNANCE STATEMENT 2019

Introduction

Rovio Entertainment Corporation ("Rovio" or "Company") is listed on Nasdaq Helsinki Ltd. Rovio complies with Finnish legislation, in particular the Limited Liability Companies Act, Accounting Act and Securities Markets Act, as well as Rovio's Articles of Association and corporate governance principles ratified by the Company's Board of Directors. Rovio complies fully with the Corporate Governance Code for Finnish Listed Companies 2015 and the new Corporate Governance Code 2020 entered into force on January 1, 2020. Rovio complies with the Corporate Governance Code 2020 applying the transitional provisions regarding the remuneration reporting. The Corporate Governance Codes are available at www.cgfinland.fi/en/corporate-governance-code/.

This statement includes descriptions of Rovio's Corporate Governance and internal control procedures, as well as the main features of its risk management systems. This statement has been prepared separately from the Report of the Board of Directors.

Rovio's Board of Directors and the Board's Audit Committee have reviewed this Corporate Governance Statement. Rovio's auditor, Ernst & Young Oy, has verified that the statement has been issued, and that the description of the main features of the internal control and risk management systems related to the financial reporting process contained herein are consistent with the Financial Statements. Rovio's Board of Directors has approved this Corporate Governance Statement in its meeting on February 11, 2020.

The Corporate Governance Statement 2019 and Rovio's Annual Report for 2019 were published on [March 10, 2020], and they are available at www.investors.rovio.com/en/financials/reports-and-presentations/year/2020.

Corporate governance

The ultimate responsibility for the management and operations of the Rovio and its subsidiaries ("Rovio Group") lies with the governing bodies of the parent entity Rovio; the General Meeting of Shareholders, the Board of Directors and the CEO, supported by the Leadership Team.

General meeting of shareholders

The shareholders take part in the supervision and governance of Rovio through the resolutions of General Meetings of Shareholders. The General Meeting of Shareholders is the Company's highest decision-making body.

The General Meeting of Shareholders is generally convened by the Board of Directors. In addition to this, a General Meeting of Shareholders shall be held if Rovio's auditor or shareholders representing a minimum of one-tenth of all outstanding shares in Rovio demand in writing that a General Meeting be convened.

The general meetings of Rovio are held in Helsinki, Espoo or Vantaa. The Annual General Meeting shall be held annually within six (6) months of the end of the financial year.

The notice convening the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting, but no later than nine (9) days before the record date of the General Meeting. The notice shall be delivered to the shareholders by means of a notice published on Rovio's website or at least in one national daily newspaper designated by the Board of Directors.

In order to be entitled to attend the General Meeting, a shareholder must notify Rovio of their attendance by the date specified in the notice convening the General Meeting, which date may not be earlier than ten (10) days prior to the General Meeting.

General meetings of shareholders in 2019

Rovio's Annual General Meeting was held on April 9, 2019 at Tennispalatsi in Helsinki. No other general meetings of shareholders were held in 2019.

Board of Directors

According to Rovio's Articles of Association, the Board of Directors consists of a minimum of three and a maximum of nine ordinary members. The Annual General Meeting elects the Chairman and the Vice Chairman of the Board of Directors.

The duties and operating principles of the Board of Directors are based on Finnish legislation, in particular the Finnish Limited Liability Companies Act and the Securities Market Act, as well as on the company's Articles of Association, the rules of Nasdaq Helsinki and the Finnish Corporate Governance Code for companies listed on Nasdaq Helsinki.

The general objective of the Board of Directors is defining and directing strategy for the Rovio Group and duly arranging the business, administration and operations of the entire Rovio Group. The Board of Directors has a quorum when more than half of the members are present.

The Board Charter specifies the duties of the Board of Directors as well as the methods of working at a practical level. In accordance with the Board Charter, the Board of Directors shall decide on the basic strategies of the Rovio Group's business units' business plans and budgets and monitor their implementation, review and adopt the financial statements and interim reports and the stock exchange releases, decide on the conditions and boundaries concerning the Group's capital expenditure, decide on the principles related to authorization, approval and signing rights and monitor their implementation, decide on any major individual investment or expenditure as well as on any other major and strategically significant investments and financing arrangements, and decide on business acquisitions and divestments by any of the Rovio Group companies. The Board of Directors shall also decide on the dividend policy, Rovio Group's ethical values, evaluate and monitor issues pertaining to significant risks and risk management activities and risk management policies.

In addition, the Board of Directors shall decide on appointment and dismissal of the Chief Executive Officer, his/her possible deputy and on the appointment and dismissal of other members of the Leadership Team, monitoring issues relating to top management resources, significant changes in the business organization of the Rovio Group, as well as decide on the overall remuneration principles and overall framework within the Rovio Group, including the short and long term incentive plans and review and adopt the remuneration reports and remuneration policies.

The Board of Directors is also responsible for calling the annual General Meeting of the Shareholders and providing all necessary proposals to the General Meeting.

Rovio does not have a Board nomination committee, and thus the Board of Directors prepares and presents to the General Meetings the proposals for the compilation and the remuneration (in accordance with the Remuneration Policy) of the Board of Directors.

The Board of Directors conducts an annual self-assessment in order to further develop its work. The Board also annually evaluates the independence of its members in accordance with the recommendations of the Finnish Corporate Governance Code.

Board of Directors meetings in 2019

Until the Annual General Meeting held on April 9, 2019, the Board of Directors comprised of the following six (6) members: Chairman Mika Ihamuotila, Vice Chairman Kaj Hed, Camilla Hed-Wilson, Kim Ignatius, Jenny Wolfram and Niklas Zennström.

The Annual General Meeting on April 9, 2019 resolved that the Board of Directors comprises seven (7) members and re-elected Mika Ihamuotila as Chairman, Kaj Hed as Vice Chairman, and Camilla Hed-Wilson, Kim Ignatius and Jenny Wolfram as members and Fredrik Löving and Jeferson Valadares were elected as new members until the end of the Annual General Meeting in 2020.

Among the members of the Board of Directors, Kim Ignatius, Mika Ihamuotila, Fredrik Löving, Jeferson Valadares and Jenny Wolfram are independent of Rovio and its significant shareholders. Kaj Hed and Camilla Hed-Wilson are beneficial owners of Oivor AB, Rovio's largest shareholder, and thus they are deemed not independent from Rovio's major shareholders.

The Board of Directors met or held a teleconference 16 times in 2019. The average attendance of members at Board meetings was 95%. The main focus of the Board of Directors in 2019 was the monitoring and supervision of the Company's financial reporting, carrying out the governance duties pertaining to listed companies, Games and Brand Licensing business strategies, strategy and the funding round for Hatch Entertainment Oy, strengthening the games portfolio and development of new games and understanding the major changes within the industry, the evaluation and preparation and the balancing of risks and financing of potential M&A activities, reviewing and deciding on remuneration models for personnel and management and the balancing of risk and financing of the Rovio Group.

Attendance in 2019	Meetings of the Board of Directors
Mika Ihamuotila	16/16
Kaj Hed	16/16
Camilla Hed-Wilson	16/16
Kim Ignatius	16/16
Fredrik Löving (member as of April 9, 2019)	11/11
Jeferson Valadares (member as of April 9, 2019)	11/11
Jenny Wolfram	16/16
Niklas Zennström (member until April 9, 2019)	3/5

The fees paid to the Board of Directors in 2019 totaled EUR 519,000.00.

Members of the Board of Directors in 2019

- **Mika Ihamuotila**, Chairman of the Board of Directors
- **Kaj Hed**, Vice Chairman of the Board of Directors
- **Camilla Hed-Wilson**, Member of the Board of Directors
- **Kim Ignatius**, Member of the Board of Directors, Chairman of Rovio's Audit Committee and Remuneration Committee since 2017
- **Fredrik Löving**, Member of the Board of Directors
- **Jeferson Valadares**, Member of the Board of Directors
- **Jenny Wolfram**, Member of the Board of Directors
- **Niklas Zennström**, Member of the Board of Directors until April 9, 2019

Performance evaluation of the Board of Directors

The Board of Directors conducted a self-assessment of its work and working methods in 2019. The key objective of the assessment is to evaluate the operations of the Board during the year and to function as basis for the development of the work of the Board and the diversity. The Board discussed the self-assessment results both within the Board and together with the management.

Principles concerning the diversity of the Board of Directors

The Board of Directors has laid out its principles concerning diversity in its Charter as well as in its Principles of Diversity policy issued in 2017. In accordance with the policy, the following diversity principles are taken into account when preparing the proposal for the election of the members of the Board of Directors to the General Meeting: ensure that the Board of Directors as a whole possess the necessary knowledge and experience on the business, social and cultural conditions in the most significant markets to Rovio's business; ensure that the Board of the Directors have a fair and balanced combination of professional experience, skills, gender, nationality, knowledge, and variety of opinions and backgrounds considering Rovio's current and future needs and thus the capability to positively influence the long-term strategic direction and performance of Rovio; ensure that both genders are represented on the Board of Directors.

The Annual General Meeting held on April 9, 2019 confirmed the number of Board members as seven and re-elected five of the members who served on the Board in the preceding year and elected two new members. Five of the Board members are men and two are women. The Board members have degrees in four different fields of study, with a majority of the degrees in economics and technology. All of the members have professional experience in various types of positions and from various industries and are from various countries: Finland, Brazil and Sweden. The members represent different ages between 29 and 64 years, and the duration of their service on the Rovio Board of Directors is 1–14 years.

Board committees

Rovio has two Board committees: Audit Committee and Remuneration Committee.

Audit Committee

The Board's Audit Committee assists the Board of Directors ("Board") in matters relating to financial reporting, internal control and risk management systems and related party transactions in accordance with the duties specified for audit committees in the Finnish Corporate Governance Code. The purpose of the Committee is to assist the Board in ensuring the appropriate arrangement of the governance, controls and risk management and to release the Board's time for strategic matters by providing the Board with a regular update on matters reviewed and evaluated by the Committee.

The Board of Directors has confirmed the Audit Committee's key duties and operating principles in the Audit Committee Charter.

The Audit Committee consists of the Chairman and at least two members. The Committee meets regularly at least four times per year. The term of office of the members is one year. The majority of the Committee members shall be independent of the company and at least one member shall be independent of significant shareholders. The members of the Committee must have sufficient expertise and experience with respect to the Committee's area of responsibility and the mandatory tasks relating to auditing. Due to the mandatory auditing

duties, at least one member of the Committee must have expertise specifically in accounting, bookkeeping or auditing. A person participating in the day-to-day management of the Company (such as the Chief Executive Officer) cannot be appointed as a member of the Committee.

In its organizational meeting held on April 9, 2019, Rovio's Board of Directors appointed Kim Ignatius as the Chairman of the Audit Committee, with Mika Ihamuotila and Jenny Wolfram as members.

In 2019, the Audit Committee met four times to discuss the following matters: approval of the Audit Committee's annual plan, reviewing interim financial reports and the related external reporting, reviewing the audit plan and audit-related fees, reviewing audit reports, reviewing impairment calculations, approving plans related to internal auditing and internal control and handling reports related to these functions, reviewing finance and cash flow, evaluating the risk management process and reviewing the risk analysis, approval of Rovio's corporate governance system, reviewing the disclosures of non-financial information, supervising the effectiveness and development of Compliance processes, discussing changes to IFRS standards, discussing dividends, share buy-back programs, the outlook for 2019 and submitting a proposal to the Board of Directors regarding the selection of auditors. The Audit Committee carries out a self-evaluation of its performance.

The meeting attendance of the members of the Audit Committee in 2019 is shown below:

Attendance in 2019	Meetings of the Audit Committee
Kim Ignatius	4/4
Mika Ihamuotila	3/4
Jenny Wolfram	4/4

Other members of the Board of Directors also attended the meetings occasionally.

Remuneration Committee

The Board's Remuneration Committee is responsible for preparing matters pertaining to the remuneration and appointment of the Chief Executive Officer (CEO) and the members of the Leadership Team, evaluating the performance of the CEO and making recommendations to the Board on Company's remuneration framework. The Committee also prepares the remuneration policy and the remuneration reports.

The Board of Directors has confirmed the Remuneration Committee's main duties and operating principles in the Remuneration Committee Charter.

The Remuneration Committee consists of the Chairman and at least two members. The Committee meets regularly at least four times per year. The term of office of the members is one year. The majority of the Committee members shall be independent of the company and at least one member shall be independent of significant shareholders. Neither the CEO nor a member of the Leadership Team may be appointed as a member of the Committee.

In its organizational meeting held on April 9, 2019, Rovio's Board of Directors appointed Kim Ignatius as the Chairman of the Remuneration Committee, with Camilla Hed-Wilson, Mika Ihamuotila and Jenny Wolfram as members.

In 2019, the Remuneration Committee met five times to discuss the following matters: evaluating the Leadership Team's compensation models and levels, evaluating short-term and long-term incentive programs and preparing a proposal for the Board, discussing the talent management process, reviewing the succession plans and activities concerning key individuals, reviewing and evaluating the results of personnel surveys and monitoring recruitment processes. The Remuneration Committee carries out a self-evaluation of its performance.

The meeting attendance of the members of the Remuneration Committee in 2019 is shown below:

Attendance in 2019	Meetings of the Remuneration Committee
Kim Ignatius	5/5
Camilla Hed-Wilson	5/5
Mika Ihamuotila	4/5
Jenny Wolfram	5/5

Other members of the Board of Directors also attended the meetings occasionally.

Chief Executive Officer (CEO) and the Leadership Team

CEO

The Chief Executive officer (CEO) is responsible for managing and controlling Rovio's business and day-to-day operations in accordance with the directions and instructions by the Board of Directors. It is the duty of the CEO to ensure that the Rovio's operations are in compliance with the laws and regulations applicable at the time. The CEO is the chairman of the Leadership Team.

The CEO reports on his/her actions to the Board of Directors. The Board of Directors decides on the appointment and dismissal of the CEO. The CEO may have a deputy who will attend to the duties of the CEO in the event that the CEO is prevented from doing so him/herself.

On November 30, 2015, Rovio's Board of Directors appointed Ms. Kati Levoranta as the CEO of Rovio. She assumed the duties of CEO on January 1, 2016.

Leadership Team

In 2019 the Leadership Team consisted of the CEO, CFO, Head of Games, Head of Brand Licensing, General Counsel, CMO and Head of HR. The Leadership Team assists the CEO in planning operations and operative management, as well as

prepares matters for discussion by the Board of Directors. Leadership Team meetings are convened by the CEO on a regular basis.

The Leadership Team prepares Rovio Group's strategic and annual planning, supervises the implementation of plans and financial reporting, and prepares significant investments as well as mergers and acquisitions.

The Leadership Team members have authority within their individual areas of responsibility and have the duty to develop the company's operations in accordance with the targets set by the Board of Directors and the CEO. In addition to their main duties, the Leadership Team members may also be members in the Boards of subsidiaries.

In 2019, the Leadership Team worked on clarifying the Company's growth strategy with a focus on defining the Games portfolio strategy to support the growth of Games business. In the second half of the year, the Brand Licensing business unit was structured to be aligned with the overall Company strategy. Furthermore, the Leadership Team worked on employee incentive plans and remuneration framework and talent strategy. In the fall of 2019, the Leadership Team presented the clarified strategy in the Company's first Capital Markets Day.

In 2019, the Leadership Team was comprised of the following members:

- **Kati Levoranta**, CEO
- **Ville Heijari**, CMO
- **Simo Hämäläinen**, Head of Brand Licensing (until January 31, 2020)
- **Heini Kaihu**, Head of HR since February 1, 2019
- **René Lindell**, CFO
- **Alexandre Pelletier-Normand**, Head of Games
- **Minna Raitanen**, General Counsel

The following former member of the Leadership Team left their position in 2019:

- **Marjo Kuosmanen**, Head of HR until January 31, 2019

The main features of Rovio's risk management and internal control

Risk management

Purpose

The Rovio risk management policy defines the objectives and principles, organization, responsibilities and practices of risk management within Rovio.

Risk management is an important part of the Rovio Group business management and corporate governance. The objective of Rovio's risk management is to support the entire organization in achieving its strategic, operational and financial targets. In order to meet the objectives Rovio has incorporated procedures to recognize, assess and manage risks and their consequences. The risk management objective is reached when the Group has identified the uncertainties, risks and opportunities related to the targets and is able to effectively assess and manage the risks.

Rovio's enterprise risk management

Risk management in Rovio aims at ensuring a Group wide risk recognition, assessment, management and control. Risk management is a part of Rovio's day-to-day decision-making and operations. Risk management is handled both centrally and in business units to ensure efficiency and visibility across the organization. Key risks are regularly and systematically recognized, assessed and reported to the Board of Directors as a part of the business operations at a Group and business unit level.

Risk definition and risk categories

Rovio divides risks into external and internal risks and further into strategic, operational and financial risks.

Strategic risks are uncertainties mainly related to changes in Rovio's operating environment and the ability to respond to these changes or to prepare

for them. These can be related to e.g. changes in the macro-economic situation, legislative environment, technologies, consumer behaviors and competitive environment.

The purpose of assessing strategic risks and opportunities is to identify the measures that can and should be taken to achieve objectives by taking controllable risks. Failure to identify or take advantage of opportunities also constitutes a risk.

Operational risks are circumstances or events which can prevent or hinder the achievement of objectives or cause damage to people, property, business or information. The goal is to avoid or reduce operational risks to an extent, where the cost of measures is in a reasonable proportion to the extent of the risk.

Financial risks are risks related to Rovio's financial position. These include currency risk, liquidity and funding risk, interest rate risk, credits and counterparty risk. The management of financial risks is based on the Group's finance policy, confirmed by the Board of Directors.

Risk assessments consider also other aspects than purely financial impacts. Reputational risks arise if Rovio's operations are inconsistent with the expectations of different stakeholder groups, such as the end consumers for Rovio's products, services, business partners or authorities. Preventing reputational risks requires compliance with Rovio's internal guidelines and corporate governance. The management of reputational risks relies especially on providing timely and appropriate external communication.

The risks are further divided into group level and business unit (i.e. Games and Brand licensing) level risks.

Risk management in 2019

Rovio continued the development and streamlining of its risk management process in 2019. The identification and reporting of risks has been formalized and established as a regular activity to ensure efficiency and compliance.

In 2019, special attention continued to be paid to topics such as privacy matters and the Angry Birds Brand. Also game portfolio risks were identified and mitigating actions taken to enable continued success.

Internal control

The goal of Rovio's Internal Control is to ensure profitable and efficient operations, reliable financial reporting, and compliance with applicable laws, regulations, policies and practices.

Rovio's strategic and business objectives as well as Rovio's Corporate Governance set the foundation for the Internal Control processes. Rovio's internal controls are designed to manage, eliminate and mitigate the relevant operational, financial, and compliance risks, and thereby ensure reliable financial reporting, and efficient and compliant operations.

The Board's Audit Committee monitors the efficiency and functioning of the internal control process, Rovio management is responsible for establishing and maintaining adequate internal controls and for monitoring the effectiveness as part of operative management.

Rovio's internal control is determined to be effective, when the Leadership Team and the Board of Directors have reasonable assurance, that the organization:

- Operates effectively
- Reports in conformity with applicable rules, regulations, and standards or with the entity's specified reporting objectives; and
- Complies with applicable laws, rules, regulations, and external standards.

Internal audit

The objective of Rovio's internal audit is to advise and provide assurance on the functionality of Rovio's Internal Control, internal audit and risk management systems and processes.

Rovio does not have its own internal audit team; the Internal Audit at Rovio is more a process than a function. Internal Audit is led by the Audit Committee, who ultimately decides the procedures and activities to be performed. Some of these may be delegated within Rovio, for instance to the CEO, CFO or General Counsel or outsourced to an external party, if that is more efficient and/or adequate. Internal

Audit may work closely together also with external auditors, especially in areas where they mutually support each other's objectives.

Internal Audit is responsible for the development and the approval of an audit plan. The plan typically details proposed approach over the next 12 months. The Audit Committee reviews and approves the Internal Audit plans, which are executed either by Rovio internally or outsourced to reliable partners, especially in areas that require fully independent and/or specialized knowledge and capabilities.

Internal audit in 2019

The previously prepared internal audit plan was followed in 2019. In accordance with the plan, various audit areas were presented to the Board of Directors, which selected the User Acquisition and its processes and operating methods as the focus area for 2019. Rovio's internal audit partner KPMG carried out the process assessment and validation. Based on the internal audit performed by KPMG, no material areas requiring immediate action were identified.

Auditing

Rovio Entertainment Corporation has one external auditor, who shall be an auditing firm approved by the Finnish Patent and Registration Office. The term of the auditor shall be until the conclusion of the first Annual General Meeting following the election. The Annual General Meeting elects the auditor and decides on their fees.

The Annual General Meeting of April 9, 2019, elected the audit firm Ernst & Young Oy, a firm of Authorized Public Accountants, as Rovio's auditor. The auditor with principal responsibility is Mikko Rytillahti. Ernst & Young Oy has been Rovio's auditor since 2013.

In 2019, Rovio paid a fee of EUR 367,136.77 for auditing services. Additionally, Rovio paid the auditor EUR 5,300 for other non-audit related services.

Insider management

Rovio observes the Market Abuse Regulation (EU 596/2014, "MAR") and the regulations and guidance given under it, including the insider guidelines of Nasdaq Helsinki Ltd. In addition to this, Rovio has prepared supplementing internal Rovio Insider Guidelines.

Rovio has defined the members of the Board of Directors, the CEO and other members of the Leadership Team as persons discharging managerial responsibilities ("managerial persons"). The managerial persons and their closely associated persons are required to notify Rovio and the FIN-FSA of every transaction conducted on their own account relating to the Financial Instruments of (or linked to) Rovio without delay and at the latest within three business days after transactions in question were conducted. Rovio discloses via stock exchange releases and its website information on transactions by managerial persons and their closely associated persons.

The managerial persons may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to Rovio's shares or other financial instruments during a closed period of thirty (30) calendar days before the announcement of an interim financial report, half-year report or a year-end report, including the day of publication of said report. Rovio has further expanded the trading restrictions during the closed period to cover such employees and other persons, who are not managerial persons but may have access to information on the interim financial report(s) or the year-end report or otherwise have regular access to essential financial information of Rovio due to their position or duties at Rovio (so-called "closed period employees").

Rovio's insider list comprises one or more project-based insider lists. Rovio may also create a list of "permanent insiders" who, due to the nature of their role or position, continuously have access to all inside information within the company. Rovio maintains a list of employees and service providers who have access to inside information.

Trading in the shares or other financial instruments of Rovio is always prohibited when holding inside information relating to Rovio or its financial instruments, regardless of whether the person has been entered into an insider list.

Rovio's General Counsel is responsible for insider guidelines and general insider management within the Company.

Related party transactions

Rovio complies with the applicable laws, the Corporate Governance Code and the rules of Nasdaq Helsinki Ltd. regarding related party transactions.

Rovio has a Related Party Transactions Policy approved by the Board of Directors, which describes the process of monitoring, assessing and identifying potential related party transactions and the decision-making process and the disclosure of the related party transactions. The Audit Committee monitors and assesses related party transactions at Rovio and if a transaction is potentially identified as a related party transaction, the transaction will be referred for the decision making at the Board of Directors.

Rovio has defined the parties that are related to the company and maintains a list of individuals and legal persons who are considered as related parties and is monitoring the list regularly. Rovio reports its principles regarding the related party transactions annually in the Governance Statement and reports the actual related party transactions in its financial statements. Related party transactions that are material to shareholders and that deviate from normal business operations or are not made according to ordinary business terms and conditions, shall be published in accordance with the Securities Market Act and the Nasdaq Helsinki rules of the Exchange.

Disclosure policy

In its communications, Rovio complies with EU and Finnish legislation, the Market Abuse Regulation (EU No 596/2014) and regulations based on it, the rules and guidelines of Nasdaq Helsinki Ltd, the guidelines of ESMA (European Securities and Markets Authority) and the Finnish Financial Supervisory Authority, the Finnish Corporate Governance Code for listed companies as well as Rovio's Disclosure Policy.

Rovio's Disclosure Policy describes the key principles and practices according to which Rovio communicates with the different capital market participants. The principles set out in the disclosure policy apply to the entire Rovio Group.

The objective of Rovio's financial and investor communications is to ensure that all market participants have simultaneously and without delay an access to equal, fair, sufficient and simultaneous information on the material factors relating to Rovio and its business, which factors may have an effect on the value of Rovio's financial instruments, and that the information disclosed gives correct and sufficient information on Rovio's operations.

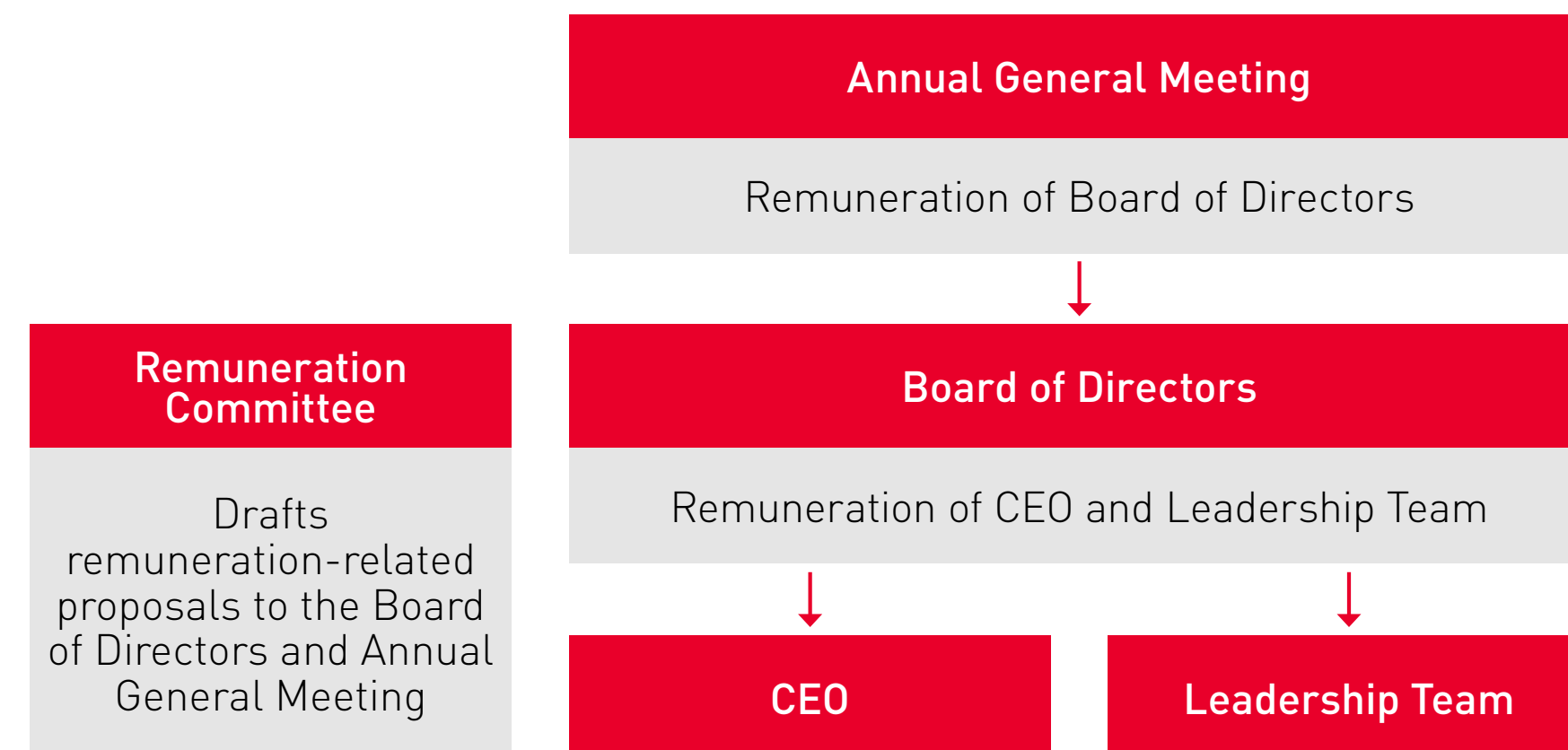
In accordance with a pre-announced schedule, Rovio discloses information on its financial performance and financial position in its financial statements and reports of the Board of Directors, financial statements releases, half year releases and interim reports.

Rovio discloses to the public primarily the information regarding the group and its reporting segments (Games, Brand Licensing and Other). As a general rule, financial information or key performance indicators of the Company's other units or legal persons are not published.

REMUNERATION REPORT

Part A Decision-making procedure concerning the remuneration

Remuneration decision-making procedure



The remuneration of the Board of Directors: According to the Finnish Limited Liability Companies Act, the Annual General Meeting decides on the fees payable to the members of Rovio's Board of Directors. The Remuneration Committee is responsible for preparing proposal on remuneration of the Board of Directors to the Annual General Meeting.

The remuneration of the CEO and the Leadership Team: The Remuneration Committee is responsible for making recommendations to the Board of Directors on compensation matters of the CEO and the members of the Leadership Team.

The Remuneration Committee also prepares general remuneration principles, short- and long-term incentive schemes and the compensation policy of Rovio Entertainment Oyj, which the Board of Directors approves. The Board of Directors appoints the CEO and approves his/her compensation as well as the nomination and compensation of other members of the Leadership Team.

Part B Leadership Team and main remuneration principles

The Leadership Team consisted of seven people (including the CEO) in 2019 who are all located in Finland. The remuneration of the CEO and the members of the Leadership Team consists of a fixed monthly salary, fringe benefits and both long- and short-term incentive programs. The Board of Directors determines the incentive plan rules, according to which possible incentives are determined and paid.

CEO and Leadership Team in 2019

Name	Role	Appointment date
Kati Levoranta	CEO	1 January 2016
Alex Pelletier-Normand	Head of Games	1 January 2019
Simo Hämäläinen	Head of Brand Licensing	1 April 2017
Rene Lindell	CFO	1 May 2017
Minna Raitanen	General Counsel	1 January 2016
Heini Kaihu	Head of HR	1 February 2019
Ville Heijari	Head of Marketing	11 April 2018

Marjo Kuosmanen acted as Head of HR until January 31, 2019.

Remuneration elements of the CEO and the members of the Leadership Team in 2020

The remuneration of the CEO and Leadership Team consists of the base salary and fringe benefits, short-term incentives, stock options and restricted shares. The CEO and the members of the Leadership Team do not have any supplemental pension arrangements. The CEO's agreement shall expire by the end of the month of the CEO's 63rd birthday.

Remuneration element	Purpose	Description
Base salary	To offer an appropriate base salary based on the role.	Fixed monthly salary and fringe benefits according to company policy.
Short-term incentives (STI)	To support the business strategy by rewarding and incentivizing the CEO and members of the Leadership Team for improvements on short-term performance.	<p>The CEO is eligible for the Leadership Team Short-term incentive plan (STI 2020). The bonus is determined by the Group's weighted revenue and adjusted EBIT margin. The maximum bonus is 100% of the base salary.</p> <p>The Leadership Team members are eligible for the Leadership Team Short-term incentive plan (STI 2020). The bonus is determined by the Group's weighted revenue and adjusted EBIT margin. The maximum bonus for the Leadership Team members is 100% of the base salary.</p>
Long-term incentives (LTI)	To align interests of the shareholders and employees, and reward employees for increasing the value of the company.	<p>Rovio has established an employee share savings plan (ESS plan) in January 2020. The employees will have an opportunity to save a proportion of their salaries (2-8% of the Gross Salary) and invest those savings in Rovio shares. 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.</p> <p>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.</p> <p>The CEO and the members of the Leadership Team and selected key employees are entitled to the Performance Share Plan. PSP 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 an annual basis for each performance period at a time. The Performance Share Plan consists of three 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.</p> <p>The CEO and the members of the Leadership Team and selected key employees are also entitled to a restricted share plan, in which pre-determined number of shares is paid after restriction period, which can differ from 12 months to 36 months based on the business needs.</p> <p>During the years 2017–2019 Rovio had a stock option plan for all employees, including the CEO and the Leadership Team. All employees were entitled to stock option plans. The number of options granted depended on the person's position. Exercise prices vary depending on the option program. The price is based on either the fair value of stock at the grant date or the volume weighted average price in the previous month the options were granted. Exercise periods vary depending on plans. Last options were allocated in 2019 and vesting periods last until June 2021.</p>
Pension	To provide the CEO and the members of the Leadership Team security for their retirement.	The CEO and the Leadership Team members participate in the statutory Finnish pension system, the Finnish TyEL, which provides for a retirement benefit based on years of service and earnings according to prescribed rules and regulations. No supplemental pension arrangements are provided.

Remuneration element	Purpose	Description
Terms and conditions	To ensure business continuity of Rovio and to provide financial security and competitive terms of employment to the CEO and the members of the Leadership Team.	The CEO's service agreement can be terminated by the CEO or the company with a notice period of six months. If the company terminates the CEO's service agreement for reasons not attributable to the CEO, the company is obligated to pay the CEO as a severance pay an amount corresponding to twelve months of the CEO's salary, provided that the CEO performs his/her duties under the agreement during the notice period. If the company cancels the CEO's service agreement due to the CEO materially violating the terms and conditions of the agreement, the agreement is terminated immediately, and the Company does not have any severance payment obligation. For the other members of the company's Leadership Team, the notice period is four to six months irrespective of which party terminates the agreement.
Pay mix for the CEO and Leadership Team	To align interests of the CEO, the members of the Leadership Team, and the shareholders by rewarding executives appropriately based on achieving short-, and long-term targets of the company.	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>CEO</p> <p>37% 10% 53%</p> </div> <div style="text-align: center;"> <p>Leadership Team</p> <p>36% 10% 53%</p> </div> </div> <p>● Base salary ● STI-target ● LTI-target</p>

Incentive plans in 2020

There is one short-term incentive plan in place in 2020

In order to support the business strategy by rewarding and incentivizing Leadership Team members and other employees for improvements on short-term performance, Rovio has a unified short-term incentive plan in place for all employees. The bonus pool is capped to 50% of total employee salary expense and the pool size varies between 0–50% depending on Group's revenue and pre-bonus adjusted EBIT margin. In addition, the maximum individual bonus is 100% of base salary.

There are three long-term incentive plans in place in 2020

The Board of Directors of Rovio Entertainment Corporation has decided on January 23, 2020 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 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 an 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.

A member of the Leadership Team must hold 50% of the net shares received within the Performance Share Plan until the member's total shareholding in the company corresponds to the value of 50% of the member's annual gross salary as long as the membership in the Leadership Team continues.

The Board of Directors of Rovio Entertainment Corporation has decided on January 23, 2020 to establish **an employee share savings plan (ESS plan)**.

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.

Rovio's Restricted Share Unit (RSU) Plan will continue as published on May 17, 2018. The aim of the restricted share plan is to commit the Company's key persons and to link the long-term interests of the participants and the shareholders. The plan offers selected key personnel an opportunity to receive a predetermined number of company's shares after specific restriction period, which differs from 12 to 36 months based on needs of business. The plan's reward will be paid to the participant as soon as possible after the restriction period. The payment of the reward requires that the participant's employment contract is valid, has not been discontinued or terminated, and it will continue until the end of the restriction period. The payment will be made in company shares and taxes and tax-related costs arising from the reward are deducted from the gross reward. The value of share shall be determined based on volume weighted average share price at the payment date. No payment shall be paid if the employment contract is terminated before the end of the restriction period.

In order to retain key personnel in Rovio, the number of RSUs to be allocated in the RSU Plan during the following 12 months is a maximum total of 644,000. At this moment, the rewards to be paid on the basis of the RSU Plan correspond to the value of an approximate maximum total of 1,097,195 Shares, including also the proportion to be paid in cash.

	Restriction period	Max number of shares	Shares outstanding	Unique Holders
Restricted share plan*	12–36 months	1,300,000	425,845	45

*as of December 31, 2019

Rovio's Board of Directors approved on July 27, 2017 a long-term incentive program consisting of an **option plan for all employees**, including the CEO and the Leadership Team.

The option plan provided 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 were allocated to 2017, 2018, and 2019. **Last options from the plan were allocated in 2019.**

Stock option plans are intended to reward personnel from the positive change in company's share value and to align the interest of the employees and shareholders.

Option plan	Exercise period	Exercise price	Options granted	Max number of options	Holders
2017A	October 1, 2019–September 30, 2021	11.32 EUR	827,650	1,616,667	240
2017B	October 1, 2019–September 30, 2021	11.50 EUR	25,500	50,000	2
2018A	June 1, 2021–May 31, 2022	5.17 EUR	973,750	1,616,667	275
2018B	June 1, 2021–May 31, 2022	5.26 EUR	10,500	50,000	1
2019A	June 1, 2022–May 31, 2023	7.13 EUR	1 15,500	1,616,666	357
2019B	June 1, 2022–May 31, 2023	7.13 EUR	10,000	50,000	1

Remuneration of the Board of Directors in 2019

The Annual General Meeting on April 9, 2019 resolved that the members of the Board of Directors are entitled to the following monthly compensations:

- Chairman of the Board of Directors: EUR 9,500 per month (EUR 114,000 per year)
- Vice chairman of the Board of Directors: EUR 7,500 per month (EUR 90,000 per year)
- Member of the Board of Directors acting as a Chairman of the Audit Committee: EUR 7,500 per month (EUR 90,000 per year)
- Member of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year)

If the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, no separate remuneration shall be paid. The Company compensates Board members' reasonable travel costs. Board members do not have an employment relationship or service contract with Rovio and they are not covered by any of Rovio's short- or long-term incentive plans. Fees paid to the members of the Board of Directors were 519,000 EUR in 2019.

Board member	Member of the Board since	Board fees (EUR)	Shareholding*
Mika Ihamuotila (Chairman)	Chairman since May 2017, Member since 2013	114,000	245,190 shares owned through PowerBank Ventures Ltd, a company under his control.
Kaj Hed (Vice chairman)	Vice Chairman since May 2017, Chairman in 2005–2006 and 2008–2017	90,000	12,919,011 shares owned through Oivor AB.*** Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 40% of the shares of Oivor AB are controlled by Kaj Hed.
Kim Ignatius (Chairman of the audit and remuneration committees)	Since 2017	90,000	9,000 shares
Camilla Hed-Wilson	Since 2011	60,000	6,459,505 shares owned through Oivor AB.*** Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 20% of the shares of Oivor AB are controlled by Camilla Hed-Wilson.
Jenny Wolfram	Since 2017	60,000	-
Fredrik Loving	Since 2019	45,000	-
Jeferson Valadares	Since 2019	45,000	-
Total		519,000**	19,632,706

*December 31, 2019

**Niklas Zennström acted as a Member of the Board of Directors until April 9, 2019 (paid Board fees EUR 15,000)

***The Rovio shares previously owned by Trema International Holding B.V. have transferred to Oivor AB

Remuneration of the CEO and the members of the Leadership Team in 2019

The remuneration of the CEO and the members of the Leadership Team consists of fixed base salary, fringe benefits, annual short-term incentive plan, stock options and restricted share plan.

In 2019 the total accrual-based cash compensation for the CEO was EUR 368,000. In addition, the CEO received 90,000 options based on the applicable option plans. The total accrual-based cash compensation for the members of the Leadership Team was EUR 1,374,903. In addition, the members of the Leadership Team received 330,000 options based on the applicable option plans.

	Fixed base salary (EUR)	STI* (EUR)	Vested options 2017A**	Unvested options 2018A***	Unvested options 2019A***	Restricted shares received**	Restricted shares receivable***
CEO Kati Levoranta	368,000	0	90,000	90,000	90,000	56,195	31,195
Leadership Team	1,294,103	80,800	155,000	167,500	240,000	106,500	220,500
Total	1,662,103	80,800	245,000	257,500	330,000	162,695	251,695

*Includes the STI program bonuses as well as other possible one-off payments of bonus nature that have been recorded as expense during the financial year.

**Number of options/shares vested and received as December 31, 2019.

***Number of options/shares receivable as December 31, 2019.



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REPORT OF THE BOARD OF DIRECTORS

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.

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

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 year-on-year. 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.

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.

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.

Key financial performance indicators

The key financial performance metrics of Rovio Group and the parent company are:

€ 000	Group			Parent company		
	2019	2018	2017	2019	2018	2017
Revenue	289,084	281,171	297,158	274,094	259,175	260,429
EBITDA	32,347	47,841	59,987	27,198	35,715	33,104
EBITDA margin, %	11.2%	17.0%	20.2%	9.9%	13.8%	12.7%
Operating profit	18,069	31,507	31,378	23,452	31,147	24,878
Operating profit margin, %	6.3%	11.2%	10.6%	8.6%	12.0%	9.6%
Profit for the period	13,216	24,573	20,597	20,694	26,105	19,577
Return on equity, %	10.8%	21.5%	23.4%	15.4%	21.7%	20.9%
Equity ratio, %	80.5%	83.7%	77.9%	87.4%	86.1%	80.0%

Group revenue and results 2019

Rovio's revenue increased by 2.8% compared to the previous year and amounted to EUR 289.1 million (281.2).

The Games segment revenue grew 5.7% to EUR 264.8 million (250.4). In comparable currencies, the year-on-year revenue of Games segment grew by 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 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% (11.1%). 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 were related to the closure of Rovio's game studio in London and 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).

Games Segment

The Games segment's revenue increased by 5.7% in 2019 and amounted to EUR 264.8 million (250.4). In comparable currencies, the revenue growth was approximately 3%. During the year, the Games segment focused on developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and developing new games.

In 2019, Rovio released two new games, Angry Birds Dream Blast, released in January, and Sugar Blast, which is a spin-off of Angry Birds Dream Blast with a new IP in September. Angry Birds Dream Blast continued its growth due to increased user acquisition investments and has become Rovio's best free-to-play game launch ever. Sugar Blast has not scaled its revenue as fast as the Angry Birds Dream Blast.

The gross bookings of Rovio's largest game Angry Birds 2 declined in 2019 from its record year of 2018, due to lower user acquisition investments during 2019. The gross bookings of Angry Birds 2 stabilized during the second half of the year.

In January–December 2019, Games segment's user acquisition investments increased to EUR 99.7 million or 37.7% of Games segment's revenue with target payback time of 12 months. 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 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.

The Games segment's capital expenditure in 2019 amounted to EUR 1.1 million (0.3).

Brand Licensing Segment

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 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.

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.

During the fourth quarter, Brand Licensing unit was restructured to improve efficiency and profitability and the total reduction in roles amounted to 16.

Other segment

Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80% 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 year 2019 were 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.

Changes in Group structure

The operations of the subsidiary Rovio Animation Company Inc were discontinued during the financial period.

Scale of research and development activities

Due to the nature of Rovio's business, a significant part of the group's costs and investments are directly or indirectly related to the development of new products, IP's, and business models. Depending on the nature and phase of the development, the relevant costs are either treated as operational expenses or capital expenditure and amortized according to plan. During the financial year, capitalized product development costs amounted to EUR 1.4 million (2018: EUR 1.0 million).

Assessment of the most significant risks and uncertainties and other business-related issues

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 reporting period.

The most significant risks are related to the financial performance of Rovio's top games in the market, the continuous development of these games, and keeping up player activity. Risks in user acquisition relate to the accuracy of the profit models and the impact on the Group's net profit. New games introduced by competitors and changes in the competitive landscape may also impact the success of Rovio's games, revenues, size of user acquisition investments, and the Group's profit. 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 Rovio.com and in the most recent published financial statements.

Personnel

From January to December 2019, Rovio's average number of employees was 450 (388). The Games business unit employed 341 people (297), the Brand Licensing business unit 32 people (33), and other operations, including Hatch Entertainment and administrative functions employed 77 people (58).

	2019	2018	2017
Average number of employees during the financial year	450	388	416
Wages and salaries paid during the financial year (EUR thousand)	31,350	32,015	40,871

Governance and management

At its meeting on April 9, 2019, Rovio's Board of Directors elected Mika Ihamuotila as the Chairman and Kaj Hed as the Vice Chairman of the Board of Directors. Rovio's Board of Directors also elected an Audit Committee from among its members, with Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members. The Board of Directors also elected a Remuneration Committee from among its members, with Kim Ignatius as the Chairman and Mika Ihamuotila, Jenny Wolfram and Camilla Hed-Wilson as members.

Rovio's management has been presented in a separate Remuneration Statement, that is available for download at www.rovio.com/investors.

Authorized public accountants Ernst & Young Oy was the Company's auditor, with APA Mikko Ryttilahti as the responsible auditor.

Corporate Governance Statement

Rovio's Corporate Governance Statement and Remuneration Statement are issued separately from the financial statements and are available for download at www.rovio.com/investors.

Environmental issues

Rovio recognizes its responsibility as a global company and strives to work with reputable, environmentally and socially responsible parties.

Financing and investments

Total investments for the reporting period January–December 2019 amounted to EUR 3.9 million (1.2). Rovio refers to the user acquisition costs of the Games segment as investments, but they are recognized as expenses rather than investments due to their average payback period being less than one year.

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.

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 8.000 during the 2019 financial year (EUR 10.000 during the 2018 financial year). Ferly has invoiced Rovio for its services in the amount of CAD 20.000 (approximately EUR 13.000) during the 2019 financial year.

Events after the reporting 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, 2020 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, 2020 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 11, 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.

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% 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.

Authorizations

The Board of Directors has the following authorizations granted by the General Meeting.

The Annual General meeting of Rovio held on April 9, 2019, 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 of Rovio held on April 9, 2019, 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% 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.

Option plans and share-based incentive programs

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.

Option programs in effect during the financial year

2012C: 45,000 outstanding options on December 31, 2019. Subscription price EUR 6.00 per share. Subscription period March 1, 2018–February 28, 2020. Each option right entitles its holder to subscribe for one new share. Up to 45,000 shares can be subscribed for based on the option rights, corresponding to 0.1% of the company's share capital and votes.

2015A: No options outstanding on December 31, 2019. Subscription price EUR 2.76 per share. Subscription period August 1, 2017–July 31, 2019.

2015All: No options outstanding on December 31, 2019. Subscription price EUR 3.00 per share. Subscription period August 1, 2017–July 31, 2019.

2015B: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2018–July 31, 2020. Each option right entitles its holder to subscribe for one new share.

2015BII: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2018–July 31, 2020. Each option right entitles its holder to subscribe for one new share.

2015C: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2019–July 31, 2021. Each option right entitles its holder to subscribe for one new share.

2015CII: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2019–July 31, 2021. Each option right entitles its holder to subscribe for one new share.

2017A: 827,650 outstanding options on December 31, 2019. Subscription price EUR 11.32 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 827,650 shares can be subscribed for based on the option rights, corresponding to 1.0% of the company's share capital and votes.

2017B: 25,500 outstanding options on December 31, 2019. Subscription price EUR 11.50 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2018A: 973,750 outstanding options on December 31, 2019. Subscription price EUR 5.17 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 973,750 shares can be subscribed for based on the option rights, corresponding to 1.2% of the company's share capital and votes.

2018B: 10,500 outstanding options on December 31, 2019. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 10,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2019A: 1,158,500 outstanding options on December 31, 2019. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 1,158,500 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.

2019B: 10,000 outstanding options on December 31, 2019. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 10,000 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

Shares

The company has 81,268,111 shares outstanding. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share.

During the fourth quarter Rovio Entertainment started its share repurchase program. The purpose of the share repurchase program is to develop the Company's capital structure and/or to use the shares as consideration in potential acquisitions, as part of the Company's share-based incentive program or otherwise for further transfer, retention or cancellation. The maximum number of shares to be acquired is 3,000,000 corresponding to 3.7% of the total number of shares, and the maximum capital to be used for the repurchase is EUR 18.0 million.

During 2019, Rovio Entertainment granted 164,548 Company's own shares to Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme.

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

PERFORMANCE MEASURES

€ 000	2019	2018	2017
Revenue	289,084	281,171	297,158
EBITDA	32,347	47,841	59,987
EBITDA margin	11.2%	17.0%	20.2%
Adjusted EBITDA	32,627	47,509	64,497
Adjusted EBITDA margin, %	11.3%	16.9%	21.7%
Operating profit	18,069	31,507	31,378
Operating profit margin, %	6.3%	11.2%	10.6%
Adjusted operating profit	18,349	31,193	35,889
Adjusted operating profit margin, %	6.3%	11.1%	12.1%
Profit before tax	17,724	32,233	26,628
Capital expenditure	3,072	1,311	8,450
User acquisition	99,701	78,594	69,599
Return on equity, %	10.8%	21.5%	23.4%
Net gearing ratio, %	-65.7%	-75.3%	-62.9%
Equity ratio, %	80.5%	83.7%	77.9%
Earnings per share, EUR	0.17	0.31	0.27
Earnings per share, diluted EUR	0.17	0.31	0.27
Net cash flows from operating activities	10,512	42,601	59,575
Employees (average for the period)	450	388	416

Per-share indicators

	2019	2018	2017
Earnings per share, EUR	0.17	0.31	0.27
Earnings per share, diluted EUR	0.17	0.31	0.27
Shareholder's equity per share, EUR	2.07	2.02	1.77
Dividend per share, proposed	0.09	0.09	0.09
Dividend payout ratio, %	54.3%	29.0%	33.1%
Effective dividend yield, %	2.0%	2.4%	1.0%
Price/earnings ratio	26.7	12.5	33.9
Highest price	7.59	10.04	12.34
Lowest price	3.77	3.75	8.25
Share price December 31	4.42	3.82	9.03
Market capitalization, EUR million	359.2	303.5	714.9
Share turnover during the financial year, thousands	45,142	44,865	68,906
Share turnover during the financial year, %	55.5%	56.6%	90.9%
Shares outstanding at the end of the period (thousands)	79,612	78,852	79,171
Shares outstanding at the end of the period, diluted (thousands)	79,690	79,381	80,627
Weighted average adjusted number of shares during the financial period, basic (thousands)	79,697	79,282	75,795
Weighted average adjusted number of shares during the financial period, diluted (thousands)	79,886	80,161	77,370

Calculation principles of alternative performance measures

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

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 adjusted 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 reporting period divided by the average number of shares in the reporting period, less treasury shares.

Equity ratio, %, which is calculated by dividing (i) Total equity by (ii) Total equity and liabilities less advances received and deferred revenue.

Return on equity (ROE), which is calculated by dividing profit before tax, quarterly reports adjusted to correspond with 12 months, by the average of total equity in the opening and closing balance sheet.

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

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

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

Equity per share, represents equity at the end of reporting period divided by the number of shares at the end of the reporting period, less treasury shares.

Dividend per share is presented according to the dividend per share proposed to the Annual General Meeting.

Effective dividend yield, % represents the dividend per share divided by the share price at the end of the financial period.

Price/earnings ratio represents the share price at the end of the financial period divided by earnings per share.

Market capitalization represents the number of shares at the end of the financial period multiplied by share price on the last day of the financial period.

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.

Reconciliation of Adjusted EBITDA

€ 000	2019	2018	2017
Operating profit	18,069	31,507	31,378
Depreciation and amortization	14,278	16,334	28,609
EBITDA	32,347	47,841	59,987
Income from Bargain Purchase	-	-653	-
Restructuring costs arising from employee benefits expenses	279	270	1,841
Restructuring costs in Other operating expenses	1	51	125
Listing-related expenses	-	-	2,544
Adjusted EBITDA	32,627	47,509	64,497

Reconciliation of Adjusted Operating Profit

€ 000	2019	2018	2017
Operating profit	18,069	31,507	31,378
Income from Bargain Purchase	-	-653	-
Restructuring costs arising from employee benefits expenses	279	270	1,841
Restructuring costs in Other operating expenses	1	51	125
Restructuring costs in Depreciation and amortization	-	19	-
Listing-related expenses	-	-	2,544
Adjusted operating profit	18,349	31,193	35,889

CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated profit or loss and other comprehensive income

€ 000	Note	2019	2018
Revenue	1.1, 1.2	289,084	281,171
Other operating income	1.3, 4.1	605	1,075
Materials and services	1.4	-77,331	-79,823
Employee benefits expense	1.5, 1.6	-41,675	-42,639
Depreciation and amortization	2.1, 2.3	-14,278	-16,334
Other operating expenses	1.7	-138,336	-111,942
Operating profit		18,069	31,507
Finance income and expenses	1.8	-345	726
Share of profit of associates	4.3	0	0
Profit before tax		17,724	32,233
Income tax expense	5.1, 5.2	-4,508	-7,661
Profit/loss for the period		13,216	24,573
Attributable to:			
Non-controlling interests		0	0
Equity holders of the parent company		13,216	24,573

€ 000	Note	2019	2018
Other comprehensive income/expense			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		33	7
Total comprehensive income for the period, net of tax		13,249	24,580
Attributable to:			
Non-controlling interests		0	0
Equity holders of the parent company		13,249	24,580
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, EUR		0,17	0,31
Earnings per share, diluted EUR		0,17	0,31

Consolidated statement of financial position

€ 000	Note	2019	2018
Assets			
Non-current assets		44,894	45,355
Property, plant and equipment	2.1	964	606
Intangible assets	2.3	28,970	39,028
Right-of-Use Assets	2.1	7,888	0
Investments	3.3	793	0
Non-current receivables	3.3	679	843
Deferred tax assets	5.2	5,601	4,877
Current assets		172,368	157,803
Trade receivables	3.3	32,460	23,038
Prepayments and accrued income	3.3	10,652	10,111
Other current financial assets	3.3	4,521	1,051
Deferred tax assets	5.2	0	0
Cash and short-term deposits	3.4	124,736	123,603
Total Assets		217,262	203,158
EQUITY AND LIABILITIES			
Equity			
Issued capital	3.12	733	733
Reserves	3.12	41,828	36,692
Translation differences	3.12	-478	-515
Treasury shares	3.12	-7,122	-2,730
Retained earnings	3.12	119,773	100,676
Profit for the period	3.12	13,216	24,573
Equity holders of the parent company		167,951	159,429
Non-controlling interests		0	0
Total equity		167,951	159,429

€ 000	Note	2019	2018
Liabilities			
Non-current liabilities		7,700	3,630
Interest-bearing loans and borrowings	3.2	2,084	3,449
Lease liabilities	3.2	5,588	130
Deferred tax liabilities	5.2	27	51
Current liabilities		41,612	40,099
Trade and other payables	3.5	15,169	10,878
Interest-bearing loans and borrowings	3.2	4,282	109
Lease liabilities	3.2	2,428	0
Other current financial liabilities	3.5	677	287
Advances received	3.6	3,432	6,517
Deferred revenue	3.7	5,216	6,216
Income tax payable	5.1	32	1,218
Provisions	3.8	225	562
Accrued liabilities	3.9	10,151	14,312
Total liabilities		49,311	43,729
Total equity and liabilities		217,262	203,158

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent

€ 000	Note	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
Equity as at January 1, 2019		733	36,692	-2,730	125,249	-515	159,430	0	159,430
Profit (loss) for the period					13,216		13,216		13,216
Issue of share capital	3.12								
Share issue transaction costs	3.12								
Option subscriptions	3.12		5,135				5,135		5,135
Treasury share acquisition	3.12			-5,142			-5,142		-5,142
Other comprehensive income						37	37		37
Share-based payments	1.6			750	1,641		2,391		2,391
Cash dividends					-7,117		-7,117		-7,117
Other adjustments									
Equity as at December 31, 2019		733	41,828	-7,122	132,989	-478	167,951	0	167,951
Equity as at December 31, 2017		733	35,826	0	104,348	-521	140,386	0	140,386
Adjustments to opening balance									
IFRS 2 amendment					235		235		235
Equity as at January 1, 2018		733	35,826	0	104,584	-521	140,622	0	140,621
Profit (loss) for the period					24,573		24,573		24,573
Option subscriptions	3.12		867				867		867
Treasury shares acquisition	3.12			-3,003			-3,003		-3,003
Other comprehensive income						6	6		6
Share-based payments	1.6			273	3,237		3,510		3,510
Cash dividends					-7,145		-7,145		-7,145
Equity as at December 31, 2018		733	36,692	-2,730	125,249	-515	159,429	0	159,429

Consolidated statement of cash flows

€ 000	Note	2019	2018
Operating activities			
Profit before tax		17,724	32,233
Adjustments:			
Depreciation and amortization	2.1, 2.3	14,278	15,681
Net foreign exchange differences		-474	-825
Gain on disposal of property, plant and equipment	1.3	-14	-2
Finance costs	1.8	818	99
Share of profit of an associate and a joint venture	4.3	0	0
Other adjustments		0	-77
Other non-cash items		2,108	2,994
		34,442	50,104
Change in working capital:			
Change in trade and other receivables and prepayments		-9,765	7,608
Change in trade and other payables		-3,403	-4,252
		21,274	53,460
Interest received		503	259
Interest paid and other finance costs		-1,129	-255
Income tax paid		-10,137	-10,863
Net cash flows from operating activities		10,512	42,601

€ 000	Note	2019	2018
Investing activities			
Proceeds from sales of tangible and intangible assets	1.3	14	2
Purchase of tangible and intangible assets	2.1, 2.3	-3,072	-1,311
Proceeds from sale of investments		0	37
Other investments	3.3	-793	0
Acquisition of subsidiaries, net of cash acquired	4.1	0	20
Proceeds from sale of investments in associates and joint ventures	4.4	0	40
Net cash flows used in investing activities		-3,851	-1,213
Financing activities			
Repayments of financial lease liabilities*	3.1	-2,676	-201
Share subscriptions based on option rights	3.12	5,135	867
Proceeds from and repayments of borrowings	3.1, 3.2	3,000	-210
Acquisition of treasury shares	3.12	-5,142	-3,003
Share-based payments	1.6, 3.12	750	273
Dividends paid to equity holders of the parent		-7,117	-7,145
Net cash flows from/(used in) financing activities		-6,050	-9,419
Change in cash and cash equivalents		611	31,970
Net foreign exchange difference		522	821
Cash and cash equivalents at beginning of period January 1	3.4	123,603	90,812
Cash and cash equivalents at end of period December 31	3.4	124,736	123,603

*Started from 1 January, 2019 IFRS 16 related lease payments are presented as part of financing cash flow in the Company's cash flow statement. In 2018 finance lease payments were 201 thousand EUR and presented according to the IAS 17.

Key accounting principles applied in the consolidated financial statements

Basic information about the Group

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.

Rovio Group's parent company is Rovio Entertainment Corporation which is domiciled in Espoo, Finland. Information about the structure of the Group is provided in Note 1. Other related party transactions of the Group are reported in Note 4.

The Board of Directors approved the financial statements for publication on February 11, 2020. In accordance with the Finnish Limited Liability Companies Act, the shareholders may adopt or reject the financial statements at a general meeting of shareholders held after their publication.

Basis of preparation

Rovio's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) valid on December 31, 2019 as adopted by the EU. International Financial Reporting Standards refer to standards and interpretations that have been adopted by the EU under the procedure provided in Regulation (EC) No. 1606/2002 of the European Parliament and Council and are in accordance with the Finnish Accounting Act and the Limited Liability Companies Act that complement the IFRS requirements.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€ 000), except when otherwise indicated below in the other accounting principles or with regards to notes.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

The figures reported in the financial statements have been rounded, so the sum of individual figures may differ from the reported summary figure.

Accounting principles requiring the management's judgment and key uncertainties related to estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities at the closing date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of

causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Such changes include for instance revenue, movie depreciation and capitalization of development expenses.

Effects of standards adopted during 2019

The Group has applied the following new and amended standards and interpretations during the financial period.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a lease liability and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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. In 2019 Rovio paid 2,675 thousand EUR for finance lease repayments and interest of 252 thousand EUR. The short-term exemption is used on leases shorter than 12 months, which are recorded as expenses in equal monthly instalments. During the year 2019 EUR 17 thousand EUR was recorded as lease expense.

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

Consolidated statement of financial position € 000	Closing balance 31 Dec 2018	Impact of IFRS 16 implementation	Opening balance 1 Jan 2019
Non-current assets	45,355	5,646	51,001
Current receivables	34,200		34,200
Cash and cash equivalents	123,603		123,603
Total assets	203,158	5,646	208,804
Equity	159,429		159,429
Financial liabilities	3,630	6,049	9,680
Advances received and deferred income	12,733		12,733
Other payables	27,366	-403	26,963
Total equity and liabilities	203,158	5,646	208,804

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.

At the end of 2015, Rovio signed a new office lease and accrued the free rent months for a total of 797 thousand EUR. These are released over the lease period in equal amounts until 2020. As of January 1, 2019 403 thousand EUR were outstanding at the date of adoption of IFRS 16, and amount have been presented as reduction of right of use assets value and other current liabilities.

Future minimum rentals payable under non-cancelable operating leases and other commitments classified as according to IAS 17 in 2018.

€ 000	
IAS 17 lease commitments as at 31 December 2018	7,455
Add:	
Consideration of longer rental period and options to extend	2,659
Less:	
New agreements that commenced after the date of adoption of IFRS 16	-4,228
Commitments relating short-term lease and low-value assets	-26
Discounting of future lease payments	-214
IFRS 16 lease liabilities 1 January 2019	5,646

Amendments to IAS 28 Long-term Interest in Associates and Joint Ventures

(effective for financial periods beginning on or after 1 January 2019). The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interest in an associate or joint venture to which the equity method is not applied. The amendments will have no impact on the Rovio consolidated financial statements.

Amendment to IAS 19 Plan Amendment, Curtailment or Settlement

(effective for financial periods beginning on or after 1 January 2019). This amendment clarifies the accounting when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to use updated assumptions to determine the current service cost and net interest. The interpretation would have an impact on the Rovio consolidated financial statements in the case of curtailments or settlements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Compensation (effective for financial periods beginning on or after 1 January 2019). Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Without the amendment these financial assets would have had to be measured at FVPL. The amendments will have no impact on the Rovio consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatment (effective for financial periods beginning on or after 1 January 2019). This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The key matter is whether the tax authority will accept the chosen tax treatment. When considering this, the assumption is that tax authorities will have full knowledge of all relevant information in assessing the proposed tax treatment. The interpretation will not have any significant impact on the Rovio consolidated financial statements.

Annual improvements to IFRSs 2015–2017: Annual improvements include smaller amendments to four standards. The improvements are not expected to have an impact on the Rovio consolidated financial statements.

Items in foreign currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rate on a monthly basis. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Current versus non-current classification

Rovio Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Other significant accounting principles

Other significant accounting principles are disclosed as part of the notes specific to statement of income and financial position items.

Standards and interpretations to be applied in future financial periods

Amendments to IFRS 3: Definition of a Business determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Effective for financial periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for financial periods beginning on or after 1 January 2020.

Comparability of the consolidated financial statements

Rovio subsidiary Rovio Animation Company Inc. was discontinued during the financial year. This did not have a material impact on the comparability of the company's financial years. Financial years 2019 and 2018 are comparable.

Adjusted items / Items affecting comparability

Items affecting comparability are items outside 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. Adjusting items are discussed in the Report of the Board of Directors.

Events after the reporting period

Accounting policy

If Rovio Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, Rovio Group will assess if the information affects the amounts that it recognizes in the Group's consolidated financial statements. Rovio Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, Rovio Group will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Events after the reporting 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, 2020 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, 2020 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.

Notes to the consolidated financial statements

1. Segments and result

1.1. Segments

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

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

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

a full licensing model for media content, Rovio has historically financed and produced animated series and the first Angry Birds Movie, and capitalized the development costs. These costs are amortized over the life of the asset in question. The senior operating decision-maker (Rovio's Board of Directors) assesses the Brand Licensing segment's performance as a whole. The Senior Vice President in charge of the segment allocates the resources and sets targets for the sub-units at his discretion.

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

The reported financial figures for the segments include segment revenues, which were fully external revenues for the reporting period, EBITDA, adjusted EBITDA and capital expenditures. Total assets and liabilities are not measured and followed at the segment level. The geographical distribution of revenue is presented in Note 1.2. The company does not monitor non-current assets and liabilities by geographical location.

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 2019

€ 000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	264,783	24,273	28		289,084
Other operating income	589	4	12		605
Materials and services	75,716	1,614	1		77,331
Employee benefits expense	28,724	3,505	6,859	2,587	41,675
User acquisition	99,701	0	110		99,812
Other operating expenses	21,286	4,313	8,785	4,140	38,524
Allocations	4,336	1,084	1,307	-6,727	0
EBITDA	35,609	13,761	-17,023		32,347
Depreciation and amortization	4,275	9,433	571		14,278
Operating profit	31,335	4,328	-17,594		18,069
EBITDA	35,609	13,761	-17,023		32,347
Adjustments	0	280	0		280
Adjusted EBITDA	35,609	14,041	-17,023		32,627
Operating profit	31,335	4,328	-17,594		18,069
Adjustments	0	280	0		280
Adjusted operating profit	31,335	4,608	-17,594		18,349
Segment Capital expenditure 2019					
Capital expenditure	1,066	651	1,356		3,072
Segment assets 31.12.2019					
Non-current assets	6,905	21,204	16,784		44,894

Segment profit and loss 2018

€ 000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	250,403	30,767	0		281,171
Other operating income	277	0	798		1,075
Materials and services	78,025	1,796	1		79,823
Employee benefits expense	29,705	3,663	6,607	2,663	42,639
User acquisition	78,594	0	0		78,594
Other operating expenses	18,458	3,340	5,935	5,614	33,347
Allocations	5,374	1,210	1,693	-8,277	0
EBITDA	40,523	20,757	-13,439		47,841
Depreciation and amortization	2,207	13,747	380		16,334
Operating profit	38,316	7,010	-13,818		31,507
EBITDA	40,523	20,757	-13,439		47,841
Adjustments	321	0	-653		-333
Adjusted EBITDA	40,843	20,757	-14,092		47,509
Operating profit	38,316	7,010	-13,818		31,507
Adjustments	339	0	-653		-314
Adjusted operating profit	38,655	7,010	-14,472		31,193
Segment Capital expenditure 2018					
Capital expenditure	263	153	895		1,311
Segment assets 31.12.2018					
Non-current assets	7,878	29,671	7,806		45,355

1.2. Revenue

Accounting principle

Rovio Group recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, Rovio Group recognizes as revenue the amount of the transaction price (which excludes estimates of variable consideration) that is allocated to that performance obligation.

Rovio Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which Rovio Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Rovio Group does not have a significant financing components in its contracts with customers or sales with a right of return.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration, or an amount of consideration is due, from the customer. Rovio Group has identified advances received and deferred revenue as contract liabilities. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. Rovio Group has identified accrued licensing revenue as contract assets.

Revenue from the main revenue streams:

1. Games

In-application purchases (IAP) through Application Marketplaces such as Apple App Store, Google Play and Amazon App Store: Following the industry practice, Rovio presents in-application revenue on Gross basis and accounts for the variable consideration by deducting possible discounts and refunds from the revenue. Market place revenue share is presented as materials and services.

There are two different kinds of in-application purchases in Rovio games: consumables and durables. Consumables benefit the user immediately, while benefits from durables last across user lifetime. Consumable in-application purchases satisfy the performance obligation "at a point in time". Durable in-application purchases revenue is recognized "over time", i.e. across the estimated player lifetime.

Rovio divides the goods purchased game-specifically into consumables and durables and recognizes the purchases as revenue based on actual virtual currency consumption. Because consumables account for the majority of purchases in Rovio's games, they are recognized as revenue at the time of purchase. With regard to durables, the estimate of the player lifetime is based on the player lifetime value model commonly used in the industry. Rovio updates the assumptions used in the model monthly based on actual player behavior.

Subscription payments through Application Marketplaces: Subscription payment refers to revenue that a user pays in advance for a certain period of time. As subscription payments are handled through Application Marketplaces, they fulfill the same contractual requirements as in-application purchases. Because subscription payments are made monthly and they mainly entitle the customer to durables, Rovio recognizes them as revenue over the period that the player is estimated to play the game, similarly to durables.

The Application Marketplaces report Rovio's revenue monthly for the previous month and make the payment within the agreed term of payment.

Custom contracts: In custom contracts, Rovio delivers a custom build to be pre-installed in partner's devices, or for distribution via partner's own channel, and receives a pre-defined minimum compensation. The related revenue is recognized "over time". Since operation of the game takes place throughout the contract period and Rovio does not have an obligation to return the minimum guarantee, Rovio recognizes corresponding minimum guarantee revenue over the contract period. In case there are incremental costs related to fulfillment of Rovio's obligations (e.g., penalties, success fees), they are accrued throughout the contract period as well. Revenue related to provision of virtual goods and services is recognized like for in-app purchases, based on the revenue share reports provided by the partner. In case comprehensive data from a partner is not available, both consumable and durable revenues are recognized in the month of purchase.

2. Advertising

Rovio's advertising revenues are generated by displaying advertisements against a fee during gameplay or games animation episodes. Revenue recognition is based on delivery of the advertisement product, which can for example be a viewed impression or clicked advertisement. Advertising network revenue is recognized as net in the month of purchase ("at a point in time"), based on revenue reports from the ad network indicating the number of products sold and payables due to Rovio. Simultaneously to sending the revenue report, the advertisement network also commits to paying the money to Rovio, and collection can be reasonably assured.

3. IP Licensing and Tangible Sales

Rovio has licensed the Angry Birds brand to hundreds of partners. Partners contracts include licensing IPs for tangible goods, promotional campaigns and location-based entertainment (e.g., activity parks). Partners pay royalties based on the reported net sales. Partners pay minimum guarantees for the contract period royalties. Rovio recognizes the minimum guarantees over the contract period equally, if more royalties are received, the excess amount will be recognized as revenue. Revenue recognition on minimum guarantees has been simplified compared to the earlier treatment, where revenue was recognized based on royalties reported. This did not have a material impact on the revenues reported for the financial year or the previous year. The revenue recognition follows the IP licensing principles. Any up-front or brand usage fees are recognized over the lifetime of the agreement.

4. Animation Broadcasting and Distribution Revenues

Rovio has developed and retains ownership to two types of animation productions: short form TV animation and The Angry Birds Movie. There are three types of revenue streams for the short form TV animation: Ad sales, direct broadcasting deals and sales through distributors. In all TV animation productions, revenue is recognized on a gross basis with any distributors' fees reported as materials and services.

The Angry Birds Movie is distributed in all channels (Theaters, DVD/Blu-ray/VOD/TV) by Columbia Pictures and Sony's subsidiaries. Columbia Pictures acts as a paymaster and manages all money flows in the value chain. Columbia Pictures recoups its agreed costs, including box office -based bonuses and commissions, from the purchase transaction it receives from the distributor,

customer or end user, and pays the residual to Rovio. Columbia Pictures reports to Rovio and Rovio recognizes its revenue based on this reporting.

The sequel to the Angry Birds Movie was released in August 2019. Rovio agreed the sequel's production and distribution rights to Columbia Pictures company. Columbia Pictures pays royalties based on the movie net sales and royalty reporting. Rovio recognized the revenue based on the movie net sales royalty reporting.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount to be recovered from the tax authority or payable to the tax authority is stated in the statement of financial position as a receivable from the tax authority or payable to the tax authority.

Disaggregation of revenue from contracts with Customers

Revenues from contracts with customers are recognized as follows over time and at a point in time disaggregated by revenue type and segment.

€ 000	Timing of revenue recognition	2019	2018
Games			
In-application purchases	At a point in time and over time	225,862	220,266
Subscription payments	Over time	0	0
Custom contracts	Over time	1,022	1,522
Advertising	At a point in time	37,899	28,615
Games total revenue		264,783	250,403
Brand Licensing			
IP Licensing and tangible sales	At a point in time and over time	8,091	8,556
Animation broadcasting and distribution	At a point in time and over time	15,820	21,940
Advertising	At a point in time	362	271
Brand Licensing total revenue		24,273	30,767
Other total revenue		28	0
Group revenue		289,084	281,171

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 BLU 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 BLU segment has been allocated to the geographical markets according to the same principle as in the Games segment.

€ 000	2019			
	Games	BLU	Other	Total
North America	169,582	15,712	0	185,294
Latin America	2,747	1,258	0	4,005
Europe, Middle East and Africa	59,476	5,408	28	64,912
Asia Pacific	32,977	1,895	0	34,872
Total	264,783	24,273	28	289,084

€ 000	2018			
	Games	BLU	Other	Total
North America	156,053	21,776	0	177,829
Latin America	3,393	576	0	3,969
Europe, Middle East and Africa	64,176	4,937	0	69,112
Asia Pacific	26,780	3,479	0	30,259
Total	250,403	30,767	0	281,171

1.3. Other operating income

The majority of other operating income in 2019 is related to the Business Finland's decision to waive the existing loan to a subsidiary. As a result EUR 445 thousand was recognized as other income.

€ 000	2019	2018
Government grants	129	276
Net gains on disposal of property, plant and equipment	14	2
Other operating income	462	797
Total other operating income	605	1,075

1.4. Materials and services

Materials and services include sales commissions paid to marketplaces and agents.

€ 000	2019	2018
Purchases of materials, supplies and goods	0	8
External services	77,331	79,815
Total materials and services	77,331	79,823

1.5. Employee benefits expense

Accounting policy

Employee benefits expense includes short-term employee benefits, benefits paid upon termination and post-employment benefits. Short-term employee benefits include salaries and fringe benefits, annual holidays and bonuses. Benefits paid upon termination refer to benefits arising from termination of employment, not performance of work. Post-employment benefits comprise benefits paid after employment, such as healthcare. Benefits are classified into defined contribution and defined benefit benefits. The Group has no defined benefit pension plans. Expenses based on previous work performance are expensed through profit or loss at the earlier of the following times: either when the restructuring or downsizing takes place or when the entity recognizes the related restructuring costs or benefits related to the termination of employment.

€ 000	2019	2018
Wages and salaries	31,350	32,015
Social security costs	2,101	1,874
Pension costs, defined contribution	4,688	4,981
Share-based payments	3,536	3,769
Total employee benefits expense	41,675	42,639

Information on the Board of Directors and Chief Executive Officer remuneration is presented in Note 4.5 Related party disclosures.

1.6. Share-based payments

Accounting policy

Key staff employed by Rovio Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, Black-Scholes. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

During the year 2019 Rovio has three main types of incentive schemes; (1) cash bonuses based on the company's annual financial performance and (2) option schemes for long-term incentives for key personnel as well as (3) long-term Restricted Share Plan for key personnel.

Share-based incentive programs

Information about option schemes and the Restricted Share Plan is presented below.

Valuation parameters for instruments granted during period

	2019			2018	
	2019B	2019A	2018A	2017A	2018A /2018B
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair value December 31, EUR thousands	14	1,946	66	14	1,117
Main assumptions:					
Expected volatility	38%	38%	54%	35%	27%
Share price at the valuation date	7,30	7,13	5,26	11,50	5,26
Forfeiture rate	10%	10%	10%	10%	10%

The expected volatility is an estimate based on a typical representative volatility of similar listed companies.

Current stock option programs

	Changes in the 2018 reporting period					Changes in the 2019 reporting period					
	Number of options Jan 1	Granted	Forfeited	Exercised	Expired	Number of options Dec 31	Granted	Forfeited	Exercised	Expired	Number of options Dec. 31
2012A	0					0					0
2012A(II)	0					0					0
2012B	45,000			13,000	32,000	0					0
2012B(II)	0					0					0
2012C	45,000					45,000					45,000
2012Sb	0					0					0
2015A	1,683,867			246,467		1,437,400			1,424,869	12,531	0
2015AII	394,500			11,000		383,500			383,500		0
2017A	1,284,150	10,000	279,500			1,014,650		187,000			827,650
2017B	28,500		3,000			25,500					25,500
2018A	0	1,206,500	63,500			1,143,250	53,000	222,500			973,750
2018B	0	26,250	750			25,500		15,000			10,500
2019A	0					0	1,243,000	84,500			1,158,500
2019B	0					0	15,000	5,000			10,000
Weighted average sub-scription price, €		5.31	10.35	3.07	6.13		7.05			2.81	
Total	3,481,017	1,242,755	346,500	270,467	32,000	4,074,800	1,311,000	514,000	1,808,369	12,531	3,050,900

Restricted Share Plan

	Changes in the 2018 reporting period				Number of RSUs Dec. 31	Changes in the 2019 reporting period			
	Number of RSUs Jan. 1	Granted	Forfeited	Exercised		Granted	Forfeited	Exercised	Number of RSUs Dec. 31
RSU 2017–2018	148,400		36,000	112,400	0				0
RSU 2017–2019	155,400	5,000	43,500		116,900		24,750	92,150	0
RSU 2018–2019	0	276,145	10,000		266,145	45,000	22,500	248,645	40,000
RSU 2018–2020	0	82,845			82,845	5,000	17,500		70,345
RSU 2019–2020	0				0	83,500	7,500		76,000
RSU 2019–2021	0				0	134,500	15,000		119,500
RSU 2020–2021	0				0	60,000			60,000
RSU 2021–2022	0				0	60,000			60,000
Total	303,800	363,990	89,500	112,400*	465,890	388,000	87,250	340,795	425,845

*On October 2, 2018 Rovio Entertainment granted 54,763 and in 2019 total of 164,548 Company's own shares to Company's management and key personnel as a part of the restricted share plan.

Financial impact of share-based incentives during the financial period

€ 000	2019	2018
Expenses recognized for option programs	1,718	1,490
Expenses recognized for the Restricted Share Plan – share component	1,816	2,279
Expenses recognized for the Restricted Share Plan – cash component*	0	0
Total	3,534	3,769

*After adopting the amended IFRS 2 -standard at January 1, 2018, share-based incentives are disclosed and treated as having a share component only.

Authorizations

The Board of Directors has the following authorizations granted by the General Meeting.

The Annual General Meeting held on 9, April 2019 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 held on 9, April 2019 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% 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.

Option programs in effect during the financial year

2012C: 45,000 outstanding options on December 31, 2019. Subscription price EUR 6.00 per share. Subscription period March 1, 2018–February 28, 2020. Each option right entitles its holder to subscribe for one new share. Up to 45,000 shares can be subscribed for based on the option rights, corresponding to 0.1% of the company's share capital and votes.

2015A: No options outstanding on December 31, 2019. Subscription price EUR 2.76 per share. Subscription period August 1, 2017–July 31, 2019.

2015All: No options outstanding on December 31, 2019. Subscription price EUR 3.00 per share. Subscription period August 1, 2017–July 31, 2019.

2015B: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2018–July 31, 2020. Each option right entitles its holder to subscribe for one new share.

2015BII: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2018–July 31, 2020. Each option right entitles its holder to subscribe for one new share.

2015C: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2019–July 31, 2021. Each option right entitles its holder to subscribe for one new share.

2015CII: No options outstanding on December 31, 2019. The subscription price has not been decided. Subscription period August 1, 2019–July 31, 2021. Each option right entitles its holder to subscribe for one new share.

2017A: 827,650 outstanding options on December 31, 2019. Subscription price EUR 11.32 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 827,650 shares can be subscribed for based on the option rights, corresponding to 1.0% of the company's share capital and votes.

2017B: 25,500 outstanding options on December 31, 2019. Subscription price EUR 11.50 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2018A: 973,750 outstanding options on December 31, 2019. Subscription price EUR 5.17 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 973,750 shares can be subscribed for based on the option rights, corresponding to 1.2% of the company's share capital and votes.

2018B: 10,500 outstanding options on December 31, 2019. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 10,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2019A: 1,158,500 outstanding options on December 31, 2019. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option

right entitles its holder to subscribe for one new share. Up to 1,158,500 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.

2019B: 10,000 outstanding options on December 31, 2019. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 10,000 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

1.7. Other operating expenses

€ 000	2019	2018
Legal fees and consulting expenses	3,263	2,900
External development and testing expenses	7,241	6,901
Server expenses	8,207	7,086
Machinery and software expenses	3,896	3,966
Phone, data transfer and office expenses	1,281	3,120
Marketing expenses	108,272	83,140
Other operating expenses	6,176	4,828
Total other operating expenses	138,336	111,942

The marketing expenses are divided as follows:

€ 000	2019	2018
User acquisition costs	99,812	78,594
Other marketing expenses	8,460	4,546
Total marketing expenses	108,272	83,140

Audit fees

€ 000	2019	2018
Audit	430	417
Other services	5	16
Total	435	434

1.8. Finance income and expenses

€ 000	2019	2018
Finance income		
Other interest and finance income	503	271
Foreign exchange gain	661	1,339
Total finance income	1,164	1,609
Finance costs		
Interest on debts and borrowings	916	337
Other finance costs	37	86
Total interest expense	953	423
Foreign exchange loss	556	460
Other finance expenses	0	0
Total finance expenses	556	460
Total finance income and expenses	-345	726

2. Intangible and tangible assets

2.1. Property, plant and equipment

Accounting policy

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. All repair and maintenance costs are recognized in profit and loss as incurred.

Rovio Group calculates depreciation on a straight-line basis over the estimated useful lives of the assets, as follows:

- Machinery and equipment: 3–5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Reconciliation of beginning and ending balances by classes of assets

€ 000	Machinery and equipment
Cost or valuation	
January 1, 2018	5,033
Additions	482
Disposals	-14
Exchange differences	34
January 1, 2019	5,534
Additions	992
Disposals	0
Exchange differences	124
Reclassification	-607*
December 31, 2019	6,043
Depreciation and impairment	
January 1, 2018	-4,555
Depreciation charge for the period	-335
Disposals	0
Exchange differences	-38
January 1, 2019	-4,928
Depreciation charge for the period	-309
Disposals	0
Exchange differences	-128
Reclassification	286*
December 31, 2019	-5,079

Net book value	2019	2018
December 31	964	606

*Machinery and equipment leases classified as finance leases according to IAS 17 in 2018, will be presented as of 1 January, 2019 in the right of use assets according to IFRS 16 presented below.

€ 000	Right-of-Use assets		Total
	Property	Machinery and equipment	
Cost			
At January 1, 2019	0	607*	607
Adoption of IFRS 16	5,620	0	5,620
Additions	4,254	263	4,517
At December 31, 2019	9,874	869	10,744
Amortization and impairment			
At January 1, 2019	0	286*	286
Amortization	2,328	243	2,570
At December 31, 2019	2,328	529	2,856
Carrying amount			
At December 31, 2018	0	321*	321
At December 31, 2019	7,547	341	7,888

*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.

At the end of 2015, Rovio signed a new office lease and accrued the free rent months for a total of €797 thousand. These are released over the lease period in equal amounts until 2020. As of January 1, 2019 403 thousand was outstanding at the date of adoption of IFRS 16, and amount have been presented as reduction of right of use assets value and other current liabilities.

2.2 Goodwill and intangible assets with indefinite lives

Accounting policy

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The value in use calculation is based on a DCF model. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments

that will enhance the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further below in this note.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually during the fourth quarter or when circumstances indicate

that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Rovio Group has no goodwill or intangible assets with indefinite useful lives at the current or prior year balance sheet date. Therefore, no impairment testing has been conducted during the fiscal year.

2.3. Intangible Assets

Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period or method. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made retroactively.

The Group's accounting policies related to impairment of goodwill and intangible assets are reviewed in Note 2.2.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- The probability of the asset generating future economic benefits
- The availability of technical, financial and other resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

In general, the Group amortizes capitalized development costs on a straight-line basis over the period of expected future sales from the related project. The amortization schedule of capitalized development expenses related to the Angry Birds Movie, however, is based on the revenue made from the distribution of the movie. This is considered to be justified since there is a strong correlation between income received and consumption of economic benefits related to movies and programs distributed. The economic value of an audiovisual work is very much dependent upon the number of times it is aired, each broadcast causing a greater or lesser public interest for it. This fulfills the 'when it can be demonstrated that revenue and the consumption of the economic benefits embodied in the intangible asset are highly correlated' criteria. During the period of development, the asset is tested for impairment annually.

The Group capitalizes development costs for a project in accordance with its accounting policy. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits expected.

This amount includes investments in the development of games that are expected to be released in the future. The amount does not include any projects that would not be planned to be finalized and launched.

Basic information about intangible assets

	Trademarks	Development costs - Games	Development costs - Movie	Development costs - other
Useful lives	Finite (5 years)	Finite (3 years)	Finite (10 years)	Finite (3–10 years)
Amortization method used	Amortized on a straight-line basis over the useful life of the trademark.	Amortized on a straight-line basis over the period of the expected future sales from the related project.	Amortized based on consumption of economic benefits embodied in the intangible asset.	Amortized on a straight-line basis over the period of the expected future sales from the related project.
Internally generated or acquired	Internally generated/registered	Internally generated/acquired	Internally generated/acquired	Internally generated/acquired

The Group has registered its properties as trademarks. The trademarks have usually been granted for a period of 10 years by the relevant government agency. The trademarks are addressed as having a finite 5-year useful life.

Reconciliation of beginning and ending balances by classes of assets

€ 000	Development costs - Games	Trademarks	Development costs - Movie	Development costs - Other	Total
Cost or valuation					
January 1, 2018	23,452	1,205	62,983	20,119	107,759
Additions	845	37	0	154	1,036
Disposals	0	0	0	0	0
Transfer between classes	0	0	0	0	0
January 1, 2019	24,297	1,242	62,983	20,273	108,795
Additions	686	193	0	734	1,612
Disposals	0	0	0	-136	-136
Transfer between classes	0	75	0	0	75
December 31, 2019	24,983	1,510	62,983	20,871	110,346
Depreciation and impairment					
January 1, 2018	18,771	571	23,817	15,808	58,968
Depreciation and impairment for the financial period	1,937	222	11,423	2,392	15,975
Transfer between classes	0	0	0	0	0
January 1, 2019	20,708	793	35,240	18,200	74,942
Depreciation and impairment for the financial period	2,038	197	7,805	1,390	11,431
Transfer between classes	0	0	0	0	0
December 31, 2019	22,746	990	43,045	19,591	86,373

€ 000	Development costs - Games	Trademarks	Development costs - Movie	Development costs - Other	Total
Carrying amount					
December 31, 2018	3,589	449	27,743	2,073	33,853
December 31, 2019	2,237	520	19,938	1,280	23,974
Advance payments for intangible assets					
January 1, 2018	4,025	271	0	0	4,296
Additions	263	51	0	574	889
Write-downs and other disposals	0	0	0	0	0
Reclassification between asset classes	0	-10	0	0	-10
January 1, 2019	4,288	312	0	574	5,175
Additions	388	43	0	402	832
Write-downs and other disposals	-8	-9	0	-574	-591
Reclassification between asset classes	0	-75	0	-344	-420
December 31, 2019	4,668	271	0	57	4,996

3. Capital structure and capital management

3.1. Financial assets and liabilities

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

The Group initially recognizes trade receivables, trade payables, deposits, loans and borrowings on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset or a liability, except for trade receivables, is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

Financial assets

Rovio Group classifies a financial asset at initial recognition as a financial asset measured at amortized cost, a financial asset measured at fair value through other comprehensive income or a financial asset measured at fair value through profit or loss.

A financial asset is measured at amortized cost when both of the following conditions are met: the asset is held within a business model whose

objective is to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are met: the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

The Group assesses the objective of a business model in which asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, if the strategy focuses on earning contractual cash flows or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group management and
- the risks that affect the performance of the financial assets held within the that business model and how those risks are managed.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Based on analysis of the business model in which the financial assets are held and contractual cash flows of the instruments, financial assets held by the Group comprising of:

- Trade receivables arising from invoiced goods and services
- Other current financial assets
- Cash and cash equivalents (comprising of balances with banks)

Based on the assessment made, with regard to trade receivables, other current financial assets and cash and cash equivalents, the business model is collecting cash flows. The above-mentioned items pass the SPPI test, based on which they can be classified as financial assets at amortized cost using the effective interest rate method (EIR).

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except in situation where the business model for managing financial assets is changed.

Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Trade receivables arising from invoiced goods and services
- Cash and cash equivalents

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL: other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. Lifetime ECL is the portion of ECL that result from all possible default events over the expected life of a financial instrument.

For measurement of ECL for trade receivables the Group uses a provision matrix. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Measurement of ECL for the receivables from financial institutions is based on a credit loss rate approach. The Group has determined that receivables from financial institutions have a low credit risk at the reporting date and therefore 12-month ECL is calculated. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In profit or loss, the amount of ECL (or reversal) is recognized as an impairment gain or loss.

Write-off

Trade receivables and receivables from financial institutions are written off, either partially or full, when there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off can still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings, other financial liabilities, advances received, accrued liabilities and deferred revenue that are classified as measured at amortized cost.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss as financial income or expense when the liabilities are derecognized as well as through the EIR amortization process. The EIR amortization is also presented as finance income or expense in the statement of profit or loss. Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when: the contractual rights to receive cash flows from the asset have expired or the Group has

transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group may retain an interest associated with the transferred assets. When the entity's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the entity could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Reconciliation of financial liabilities

€ 000	2018	Cash flow impact	Changes with no cash flow impact			2019
		Additions / Disposals	Additions / Disposals	Net foreign exchange differences	Changes in fair value	
Non-current financial liabilities	3,449	0	-1,365*	0	0	2,084
Current financial liabilities	109	0	4,173*	0	0	4,282
Lease liabilities	321	-2,676	10,371**	0	0	8,016
Total financial liabilities	3,879	-2,676	13,179	0	0	14,383

€ 000	2017	Cash flow impact	Changes with no cash flow impact			2018
		Additions / Disposals	Additions / Disposals	Net foreign exchange differences	Changes in fair value	
Non-current financial liabilities	2,466	0	983	0	0	3,449
Current financial liabilities	0	-210	319	0	0	109
Lease liabilities	274	-201	247	0	0	321
Total financial liabilities	2,740	-411	1,549	0	0	3,879

*Disposals include 445 thousand EUR loan which was waived according to the Business Finland's decision.

** The IFRS 16 -standard was adopted as of 1 January, 2019 and resulted in an increase in lease liabilities. Lease payments are discounted using interest rate implicit in the lease. Used discount rate for the lease liabilities was 3%.

3.2 Financial liabilities

Financial liabilities: interest-bearing loans and borrowings

€ 000	Capital	Interest, %	Maturity	December 31, 2019	December 31, 2018
Non-current liabilities					
Loan from credit institution	2,109	1.00	2021–2025	2,109	3,449
Lease liabilities					
Machinery and equipment		3.27	2021–2022	38	0
Property		3.00	2021–2022	5,550	136
Total non-current interest-bearing loans and borrowings				7,697	3,585
Current liabilities					
Loan from credit institution	1,120	1.00	2020	1,120	109
Convertible note Docomo	3,162	6.00	2020	3,162	0
Lease liabilities					
Machinery and equipment		3.27	2020	90	0
Property		3.00	2020	2,338	210
Total current interest-bearing loans and borrowings				6,710	319
Total interest-bearing loans and borrowings				14,407	3,904

Fair values of non-current liabilities

€ 000	Capital	December 31, 2019	December 31, 2018
Loan from credit institution	3,204	2,923	3,182

3.3. Investments, non-current receivables, trade receivables and other receivables

Investment in a venture capital fund managed by Play Ventures.

€ 000	December 31, 2019	December 31, 2018
Investments in unlisted shares	793	0
Total investments	793	0

Non-current receivables mainly comprise rent deposits paid.

Non-current receivables

€ 000	December 31, 2019	December 31, 2018
Long-term rental deposits	679	843
Deferred tax assets	5,601	4,877
Total non-current receivables	6,280	5,721

Trade receivables and other receivables

€ 000	December 31, 2019	December 31, 2018
Trade receivables	32,460	23,038
Other current financial assets	4,521	1,051
Prepayments and accrued income	10,652	10,111
Total trade receivables and other receivables	47,632	34,200

Prepayments and accrued income comprise the following items:

€ 000	December 31, 2019	December 31, 2018
Deferred cost of sales and prepayments	2,467	3,555
Mandatory insurance payments	17	181
Tax receivables	67	67
Accrued licensing revenue	445	360
Other accrued income	7,656	5,948
Total	10,652	10,111

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Rovio assesses the credit loss risk before recognizing the receivable and monthly monitors the age breakdown of trade receivables. On each reporting date, any impairment of receivables from material customers is analyzed individually. In addition, minor receivables are classified into a single group and their possible impairment is analyzed as a group.

The Group's policy is to recognize a provision for trade receivables which have been found to involve credit loss risk. Rovio's major customers, such as Apple, Google, Facebook, Amazon and Sony, have not been found to be associated with significant credit loss risk, especially based on the counterparty's credit rating, historical payment behavior and the short term of payment (approximately 30 days) of the receivables.

Credit loss risk and corresponding need for credit loss provision is continuously assessed also with regard to these customers. On December 31, 2019, it was deemed that outstanding balances associated with these parties do not constitute a material risk of credit losses. Credit risk is discussed in more detail in note 3.11.

Aging analysis of trade receivables at December 31:

€ 000	Total	Neither past due nor provision	Past due					>365 days
			<30 days	30-60 days	61-90 days	91-180 days	181-365 days	
2019 Gross	32,867	27,438*	4,737*	57*	295	3	2	335
- Provision for credit loss of receivables	-408	0	-24	-3	-43	-1	-1	-335
December 31, 2019	32,460	27,438	4,714	54	251	2	1	0
2018 Gross	23,364	17,803*	2,949*	1,774*	513	121	69	135
- Provision for credit loss of receivables	-326	0	-16	-8	-77	-48	-41	-135
December 31, 2018	23,038	17,803	2,933	1,766	436	72	28	0

*The balances mainly comprise receivables from Rovio's biggest customers not found to be associated with credit loss risk.

Payments received as checks during the financial year or after the end of the financial year not yet recorded on the bank account have been deducted from the provision for credit loss.

Rovio Group has used its historical credit loss experience for trade receivables to estimate the 12-month or life expected credit losses on trade receivables presented in the following provision matrix:

	Not past due	<30 days	30-60 days	61-90 days	91-180 days	181-365 days	>365 days
Default rate as of January 1, 2018	0,5%	0,5%	0,5%	15%	40%	60%	100%

Provision for credit loss of current trade receivables

€ 000	2019	2018
January 1	326	470
Realized and written-down	-83	-59
Change	165	-85
December 31	408	326

3.4. Cash and short-term deposits

Accounting policy

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

€ 000	December 31, 2019	December 31, 2018
Cash and cash equivalents	54,567	123,603
Short-term deposits	70,169	0
Total	124,736	123,603

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. For the purpose of the statement of cash flows, cash and cash equivalents comprise as stated above.

3.5. Trade and other payables

Trade payables are non-interest bearing and generally have a 30-day payment term.

€ 000	31.12.2019	31.12.2018
Trade payables	15,169	10,878
Other payables	677	287
Advances received	3,432	6,517
Total	19,278	17,682

3.6. Advances received

Advances received relates to IP Licensing revenue, where contracts usually include a non-refundable but recoupable Minimum Guarantee (MG), which Rovio Group is entitled to, despite the actual sales of underlying products.

MG is paid either in advance or in one or more installments during contract period (or any combination of mentioned). Rovio recognizes the minimum guarantees over the contract period equally, if more royalties are received, the excess amount will be recognized as revenue. Revenue recognition on minimum guarantees has been simplified compared to the earlier treatment, where revenue was recognized based on royalties reported. This did not have a material impact on the revenues reported for the financial year or the previous year.

€ 000	2019	2018
January 1	6,517	8,253
Licensing MG's recognized as revenue	-4,254	-6,554
Games MG's recognized as revenue	-492	-474
Other items	1,661	5,292
December 31	3,432	6,517

3.7. Deferred revenue

Deferred revenue is mainly associated with the part of games revenue that is recognized over time.

€ 000	2019	2018
Liabilities		
January 1	6,615	2,387
Deferred during the year	5,662	6,615
Released to the statement of profit or loss	-6,615	-2,387
December 31	5,662	6,615
Current	5,662	6,615
Non-current	-	-
Assets		
January 1	313	604
Deferred during the year	445	313
Released to the statement of profit or loss	-313	-604
December 31	445	313
Current	445	313
Non-current	-	-

3.8. Provisions

Accounting policy

Provisions are recognized when Rovio Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions

Restructuring provisions are recognized only when Rovio Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline and the employees affected have been notified of the plan's main features.

Other provisions

At the end of 2015, Rovio signed a new office lease and accrued the free rent months for a total of €797 thousand. These are released over the lease period in equal amounts until 2020.

Reconciliation of beginning and ending balances by types of provisions

€ 000	Restructuring	Other provisions	Total
January 1, 2018	0	762	762
Additions	0	10	10
Utilized	0	-210	-210
December 31, 2018	0	562	562
Additions	0	0	0
Utilized	0	-337	-337
December 31, 2019	0	225	225

3.9. Accrued liabilities

€ 000	31.12.2019	31.12.2018
Salaries and other personnel costs	6,658	10,251
Accrued costs	1,110	1,012
Revenue share	1,157	1,594
Other accrued liabilities	1,226	1,455
Total	10,151	14,312

3.10. Government grants

Accounting policy

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When Rovio Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on a pattern of consumption of the benefits of the underlying asset by equal annual instalments.

€ 000	2019	2018
January 1	0	0
Received during the year	179	276
Released to the statement of profit or loss	-129	-276
December 31	50	0

3.11. Financial risks

Objectives and methods of financial risk management

The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The Group does not have any derivative instruments. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

Risk management is an important part of the Rovio Group business management and corporate governance. The objective of Rovio's risk management is to support the whole organization in achieving its strategic, operational and financial targets.

The risk management principles are approved and overseen by the Board of Directors and implemented and managed by Rovio's senior management together with the business units. Rovio's finance risk management function focuses on financial risks to minimize the adverse effects caused by fluctuations in the financial markets on Rovio's results. The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that appropriate measures are taken on financial risk management.

The Group's senior management is responsible for the measurement and management of the Group's financial risk activities through appropriate policies and procedures as well as ensuring that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group divides financial risks into market risk, interest rate risk and currency risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Groups' market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by constantly monitoring the sensitivity to adverse changes in floating borrowing interest rates and investing its excess cash to corresponding maturities with similar terms. At December 31, 2019, 100% of the Group's borrowings are at a variable rate of interest (2018: 100% variable rate). On December 31, 2019, the variable rate borrowings were tied to the Ministry of Finance's base rate.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as below.

€ 000		Change, basis points	Effect on profit before tax
2019	Euro	+100	-32
2018	Euro	+100	-36

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group's most significant currencies are the Euro (Functional currency), United States dollar (USD) and Chinese Yuan Renminbi (CNY) and Swedish krona (SEK). The currency risks arise through business transactions, monetary balance sheet items and net investments in foreign subsidiaries.

Rovio Group has not hedged foreign currency transactions in the past, but is actively following up the situation and is prepared to start hedging, if the need arises. The most significant sales currencies in addition to the Euro are the US dollar and the Chinese Yuan Renminbi, which account for over 90% of the foreign currency denominated sales transactions.

Of the group's foreign currency denominated financial assets over 95% are in US dollars, Swedish krona and Chinese Yuan.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in US dollars (USD) exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material. The movement in the pre-tax effect is a result of a change in the monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars. The table factors in cash, accounts receivable, and accounts payable positions.

€ 000	Change in USD rate	Effect on profit
2019	5%	1,393
	-5%	-1,393
2018	5%	1,206
	-5%	-1,206

Funding-related risks

The Board of Directors and management continuously assess short-term and long-term liquidity. Bank overdraft facilities or issue of the company's commercial papers, for example, can be used for short-term funding.

Capital market, leasing or other financing arrangements can be utilized for long-term funding.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Rovio Group has an established policy which forms the foundation of the minimum requirements for the customer credit risk management. The Rovio Group evaluates the customers' and business partners' creditworthiness prior to actively engaging in business transactions with the partner. The credit risk management and credit control is operated jointly between the business units and the finance department. Credit decisions are based on official ratings as well as analysis performed on the partners' financial statements. In some cases where the collection has been determined to be at risk, a prepayment or guarantee has been collected from the customer or the business partner to restrict the amount of risk included.

Open customer receivables are regularly monitored. On December 31, 2019, the Group had seven customers (2018: 7 customers) with over EUR 500,000 of outstanding trade receivables. These customers accounted for approximately 93% (2018: 91%) of the Group's trade receivables. The Group had five customers (2018: six customers) with over EUR 1 million of outstanding trade receivables. These

customers accounted for approximately 89% (2018: 87%) of the Group's trade receivables.

On each reporting date, any impairment of receivables from material customers is analyzed individually. In addition, minor receivables are classified into a single group and their possible impairment is analyzed as a group. The calculation is based on actual incurred historical data. The Group's maximum credit risk on December 31, 2019 and 2018 equals the carrying amounts of the receivables, see note 3.3.

The Group has no guarantees as collateral. The Rovio Group evaluates the concentration of risk with respect to trade receivables as low to medium. Although its customers are in several jurisdictions and industries and operate in largely independent markets, the cash collection from the end-customers is handled to a large extent by agents and the companies that run the application marketplaces.

Credit risk from balances with banks and financial institutions is managed by the Group's finance department in accordance with the Group's credit risk policy.

Liquidity risk

The Group monitors its risk of a shortage of funds using a 24-month liquidity forecasting tool.

The objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans. Of the Group's debts on December 31, 2019, approximately 74% will fall due within one year (2018: 76%) based on the carrying amounts in the statement of financial position. The Group has adequate alternative financing options and strong cash reserves at the end of the financial year.

The table below summarizes the maturity breakdown of the Group's financial liabilities based on contractual undiscounted payments:

€ 000	On demand	Less than 3 months	3-2 months	1-5 years	>5 years	Total
December 31, 2019						
Interest-bearing loans and borrowings	-	3,162	1,159	2,045	0	6,366
Lease liabilities	-	596	1,832	5,588	0	8,016
Trade and other payables	-	15,169	0	0	0	15,169
Total	-	18,927	2,991	7,633	0	29,551

€ 000	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
December 31, 2018						
Interest-bearing loans and borrowings	-	0	109	3,295	154	3,558
Lease liabilities	-	67	124	130	0	321
Trade and other payables	-	10,974	0	0	0	10,974
Total	-	11,041	233	3,425	154	14,853

Capital management

The objective of the Group's capital management is to secure normal preconditions for business and thereby support business operations. In addition, the Group's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

For the purpose of the Group's capital management, capital includes issued capital, share premium, invested unrestricted equity reserve and other equity items attributable to the equity holders of the parent. The primary objective of capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The table below presents indicators and their calculation related to capital management.

€ 000	2019	2018
Equity ratio, %	80.5%	83.7%
Equity	167,951	159,430
Advances received	3,432	6,517
Deferred revenue	5,216	6,216
Total assets	217,262	203,158
Return on Equity, %	10.8%	21.5%
Profit/loss before tax	17,724	32,233
Total equity, beginning of period	159,430	140,386
Total equity, end of period	167,951	159,430
Net gearing, %	-65.7%	-75.3%
Interest-bearing loans and borrowings	14,383	3,558
Cash and short-term deposits	124,736	123,603
Equity	167,951	159,430
Non-current interest-bearing loans and borrowings	7,673	3,449
Current interest-bearing loans and borrowings	6,710	109
Cash and short-term deposits	124,736	123,603
Net debt	-110,354	-120,045

Fair values of financial instruments

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measured at the quoted price in the active market
- Level 2 – Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly
- Level 3 – Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data.

All Rovio Group's financial assets and liabilities are classified to be measured at amortized cost. Rovio Group's financial instruments measured at amortized cost are classified at level 2. With regard to short-term financial assets and short-term financial liabilities, their fair value approximates the carrying amount.

3.12. Equity

Equity comprises issued capital, other reserves and retained earnings. Rovio's issued capital for the financial year ended December 31, 2019 amounted to EUR 733,390 and the number of shares was 81,268,111, Rovio held 1,656,608 of its own shares. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share. No changes in issued capital occurred during the years 2019 and 2018.

An equity instrument is recorded in the shareholders' equity if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer. The subscription proceeds from share issues are booked to invested unrestricted equity fund to the extent that they are not, in accordance with a shareholders' resolution, booked to the share capital. The transaction costs of the share issues are charged to retained earnings net of tax. The acquisition cost of repurchased own shares is charged to equity until the shares are cancelled or reissued. Any dividend proposed by the Board of the Directors is not deducted from distributable shareholders' equity until approved at the Annual General Meeting.

Reconciliation of the number of shares

	Total number of shares	Issued capital, €000	Invested unrestricted equity fund, €000
January 1, 2018	79,171,275	733	35,826
Additions due to share issue	0		0
Additions based on option subscriptions	276,267		867
December 31, 2018	79,447,542	733	36,692
Additions based on option subscriptions	1,820,569		5,135
Acquisition of own shares	0		0
December 31, 2019	81,268,111	733	41,828

Additional information related to the option programs is disclosed in Note 1.6. Additional information related to cash dividends is disclosed in this note below.

Inclusion of the share in the book-entry securities system

The shares are listed in a book-entry securities system. The right to receive funds distributed by the company and the right of subscription when the share capital is increased shall only belong to a person 1) who is registered as a shareholder in the list of shareholders on the record date; 2) whose right to receive payment is recorded on the book-entry account of the shareholder registered in the list of shareholders on the record date and registered in the list of shareholders, or 3) if the share is nominee-registered, on whose book-entry account the share is recorded on the record date and whose custodian of shares is registered in the list of shareholders as the custodian in accordance with section 28 of the Act on

Book-Entry System. If the ownership of a share is registered in the waiting list on the record date, the right to receive distributable funds from the company, and the right to subscribe to shares in conjunction with an increase in the share capital, belongs to the party able to furnish evidence of ownership on the record date.

Treasury shares

During the fourth quarter Rovio Entertainment started its share repurchase program. The purpose of the share repurchase program is to develop the Company's capital structure and/or to use the shares as consideration in potential acquisitions, as part of the Company's share-based incentive program or otherwise for further transfer, retention or cancellation. The share repurchase started on 13 November, 2019 and end by the latest on 27 March, 2020. The maximum number of shares to be acquired is 3,000,000 corresponding to 3.7% of the total number of shares, and the maximum capital to be used for the repurchase is EUR 18.0 million.

During 2019, Rovio Entertainment granted 164,548 Company's own shares to Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme. On December 31, 2019 Rovio Entertainment Corporation held 1,656,608 of its own shares.

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.

Translation differences

The translation differences fund includes translation differences arising from the translation of the financial statements of independent foreign units.

Dividend policy

Rovio's long-term goal is to distribute approximately 30% of annual net results excluding items affecting comparability as dividend and equity returns.

Distributable funds

Calculation of the parent company's distributable equity at December 31, 2019.

€ 000	2019
Retained earnings	109,781
Profit for the period	20,694
Invested unrestricted equity reserve	42,436
Capitalized development expenses	-7,326
Total	165,584

Distributions made and proposed

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share (2018: EUR 0.09 per share) be distributed and the remainder be carried over in equity. The dividend proposal must be approved by the Annual General Meeting. The dividend proposal is not recognized as a liability in the financial statements on December 31, 2019. A total of EUR 7,117 thousand was paid as dividends for 2018.

Accounting policy

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Earnings per share

Undiluted earnings per share are calculated by dividing the net result for the reporting period by the weighted average number of shares during the financial year. Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average of the diluted number of shares during the financial year.

	31.12.2019	31.12.2018
Profit for the period attributable to equity holders of the parent, €000	13,216	24,573
Shares (thousand)		
Weighted average number of outstanding shares	79,697	79,282
Diluted weighted average number of outstanding shares	79,886	80,161
Undiluted earnings per share, EUR	0.17	0.31
Earnings per share adjusted for dilution, EUR	0.17	0.31

4. Consolidation

4.1 Business combinations and acquisition of non-controlling interests

Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets

acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) items through profit or loss.

Changes in the Group structure are disclosed in Note 4.4.

4.2 Group companies

Accounting policy

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries for the reporting period ended December 31, 2019. Control is achieved when Rovio Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Rovio Group controls an investee if, and only if, Rovio Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when Rovio Group has less than a majority of the voting or similar rights of an investee, Rovio Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Rovio Group's voting rights and potential voting rights

Rovio Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Rovio Group obtains control over the subsidiary and ceases when Rovio Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Rovio Group gains control until the date Rovio Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Rovio Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Consolidated companies

The following companies have been consolidated in the consolidated financial statements:

Name of the company	Domicile	Holding (%)	
		2019	2018
Rovio Stars Ltd	Finland	100	100
Rovio Asia Ltd	Hong Kong	100	100
Blue Bird Distribution, Inc	United States	100	100
Rovio (Shanghai) Commerce and Trading Co., Ltd	China	100	100
Rovio Sweden AB	Sweden	100	100
Rovio Animation Ltd	Finland	100	100
Dark Matter Ltd	Finland	100	100
Rovio UK Ltd	United Kingdom	100	100
Rovio Animation Company*	United States	0	100
Rovio IP Management Ltd	Finland	100	100
Pin Bank Ltd	Finland	100	100
Dark Flow Ltd	Finland	100	100
Hatch Entertainment Ltd	Finland	80	80
PlayRaven Ltd	Finland	100	100

*Company dissolved during the 2019 financial year.

4.3. Associates

Accounting policy

An associate is an entity over which Rovio Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Rovio Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount of the investment is adjusted to recognize changes in the group's share of net assets of the associate since the acquisition date. The share of the profit and loss is recognized in the Group's profit and loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the associate arising from changes in the associate's other comprehensive income.

4.4. Changes in group structure

The operations of the subsidiary Rovio Animation Company Inc were discontinued during the financial period.

4.5. Related party transactions

Rovio's related parties include its subsidiaries, associates, persons belonging to the management and entities with significant influence on Rovio. Subsidiaries owned directly or indirectly by the parent company as well as associates and foreign branches are listed in Notes 4.2 and 4.3. Related party transactions between Group companies have been eliminated.

€ 000		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Entity with significant influence over the Group:					
Oivor AB	2019	-	-	-	-
Trema International Holdings B.V.	2018	-	-	-	-
Associates					
Sunwoo Entertainment Co., Ltd. (ownership divested in 2018)	2019	-	-	-	-
	2018	-	-	-	-
Fun Academy Oy (ownership divested in 2018)	2019	-	-	-	-
	2018	-	-	-	-
Other related party companies					
Ferly (formerly Kaiken Entertainment)	2019	8	14	0	-
	2018	10	40	9	-
Group management					
Key management personnel of the Group	2019	-	-	-	-
	2018	-	-	-	-
Members of the Board of Directors	2019	-	-	-	-
	2018	-	-	-	-

Related party transactions

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

Trema International Holding B.V. is an entity, that until December 18, 2018 had significant influence over the Rovio Group. On December 18, Rovio's shares previously owned by Trema were resolved to be transferred to Oivor AB, who after the change in share ownership exercises significant influence over Rovio group. Oivor AB's beneficial ownership is the same as Trema's. 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 International Holdings B.V. and he exercises significant influence on the companies. 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.

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

Compensation of key management personnel of the Group

€ 000	2019	2018
CEO		
Short-term employee benefits	368	406
Post-employment pension and medical benefits*	-	-
Termination benefits	-	-
Share-based payments	398	482
CEO total	766	888
Other key management personnel of the Group		
Short-term employee benefits	1,375	1,209
Post-employment pension and medical benefits*	-	-
Termination benefits	-	309
Share-based payments	998	366
Other key management personnel of the Group, total	2,373	1,884
Total compensation of key management personnel	3,138	2,771

*No supplementary pension plans. The key personnel are included in the Finnish statutory TYEL system, which is a defined contribution pension scheme.

The figures in the table are disclosed on an accrual basis. Short-term employee benefits include wages and salaries expensed for the financial year, costs of the short-term bonus program and any other bonus-like payments made. The amounts for Share-based payment transactions are amounts recognized as expense for each year. Generally, the non-executive directors do not receive pension entitlements from the Group.

Members of the Board of Directors, annual and meeting fees

The remuneration of the Board of Directors presented in the table is disclosed based on an accrual basis.

€ 000		2019	2018
Mika Ihamuotila	Chairman since 2017 Board member since 2013	114	124
Kaj Hed	Vice Chairman since 2017 Chairman 2008–2017	90	100
Kim Ignatius	Chairman of the Audit Committee and Remuneration Committee Board member since 2017	90	90
Camilla Hed-Wilson	Board member since 2011	60	60
Niklas Zennström	Board member until 2019	15	60
Jenny Wolfram	Board member since 2017	60	60
Fredrik Löving	Board member since 2019	45	0
Jeferson Valadares	Board member since 2019	45	0
Total		519	494

4.6 Shareholding

10 Largest shareholders December 31, 2019 (excluding nominee registered)

Shareholder	Number of shares	Percentage of shares and votes
1 Hed Niklas Peter	1,921,746	2.4
2 Ilmarinen Mutual Pension Insurance Company	1,700,000	2.1
3 Rovio Entertainment Oyj	1,656,608	2.0
4 Vesterbacka Jan-Peter Edvin	1,264,579	1.6
5 Elo Pension Company	1,250,000	1.5
6 Danske Invest Finnish Institutional Equity Fund	1,140,000	1.4
7 The State Pension Fund	1,000,000	1.2
8 Sijoitusrahasto Aktia Capital	875,074	1.1
9 Sijoitusrahasto Aktia Nordic Small Cap	534,196	0.7
10 Säästöpankki Kotimaa	506,567	0.6
Ten largest, total	11,848,770	14.6
Other shareholders	69,419,341	85.4
Number of shares total	81,268,111	100.00

Largest shareholders by sector, December 31, 2019

Rank	Shareholders by sector	Number of shareholders	% of shares
1	Nominee registered and non-Finnish holders	51	67.87
2	Households	17,070	13.92
3	Public sector institutions	5	5.84
4	Financial and insurance institutions	49	7.56
5	Corporations	499	4.70
6	Non-profit institutions	9	0.11
	Total	17,683	100.00
	Of which nominee registered	10	67.70

Largest shareholders by share breakdown December 31, 2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	7,403	41.89	423,233	0.52
101-500	7,079	40.06	1,814,564	2.23
501-1000	1,779	10.07	1,444,950	1.78
1001-5000	1,200	6.79	2,573,245	3.17
5,001-10,000	91	0.52	682,591	0.84
10,001-50,000	70	0.40	1,513,496	1.86
50,001-100,000	15	0.09	1,100,280	1.35
10,0001-500,000	23	0.13	6,014,031	7.40
500,001-	13	0.07	65,701,721	80.85
Total	17,673	100.00	81,268,111	100.00
Of which nominee registered	10	0.06	55,021,265	67.70

5. Other notes

5.1. Income taxes

Accounting policy

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized sub-

sequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant judgments relating to deferred taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has EUR 25.5 million of unused tax losses carried forward. The Group expects that future taxable profit will be available against which the unused tax losses can be utilized. The losses will expire in 2023-2029.

Income taxes

The major components of income tax expense for the financial years 2019 and 2018:

Reconciliation of the Group's taxes

€ 000	2019	2018
Taxable income for the period		
Current income tax	5,255	8,407
Adjustments in respect of current income tax of previous year	0	0
Deferred tax:		
Relating to origination and reversal of temporary differences	-747	-746
Income tax expense reported in the statement of profit or loss	4,508	7,661
Accounting profit before tax	17,724	32,233
The Group's statutory income tax rate of 20%	3,545	6,447
Tax for previous accounting periods	-486	5
Tax effects of foreign subsidiaries	210	15
Change in deferred tax asset profit & loss	-747	-746
Other items	1,834	1,685
Non-deductible expenses	150	254
Income taxes	4,508	7,661

5.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

€ 000	January 1, 2019	Released to the statement of profit or loss	December 31, 2019
Deferred tax assets 2019			
Losses not deducted in taxation	1,337	-1,012	325
Deductible tax losses	3,475	1,724	5,199
Other temporary differences	65	11	76
Deferred tax assets	4,877	723	5,601
Deferred tax liabilities 2019			
Other temporary differences	-51	24	-27
Deferred tax liabilities	-51	24	-27

€ 000	January 1, 2018	Released to the statement of profit or loss	December 31, 2018
Deferred tax assets 2018			
Losses not deducted in taxation	1,635	-298	1,337
Deductible tax losses	1,140	2,335*	3,475
Other temporary differences	208	-143	65
Deferred tax assets	2,983	1,894	4,877
Deferred tax liabilities 2018			
Other temporary differences	-73	22	-51
Deferred tax liabilities	-73	22	-51

*Includes the deferred tax assets arising from business combinations.

Rovio Group has unused tax losses that are estimated to be available indefinitely for offsetting against future taxable income. The amount of tax benefit can be reliably estimated, and according to the management's judgment, it is probable that the Group will be able to generate taxable income in the future to cover the accumulated tax losses. The Group has recognized deferred tax assets totaling EUR 5.2 million for these tax losses.

5.3. Leases and other contingent commitments

Leases

Accounting policy

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.

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.

€ 000	December 31, 2019	December 31, 2018
Equipment lease commitments		
Due within one year	0	301
Due in subsequent years	0	524
Total	0	824
Office rental commitments		
Due within one year	0	2,613
Due in subsequent years	0	4,842
Total	0	7,455
Other commitments		
Venture Capital investment commitment	1,900	0
Total	1,900	0

PARENT COMPANY'S FINANCIAL STATEMENTS

Parent company's statement of profit or loss

	Note	January 1–December 31, 2019	January 1– December 31, 2018
Revenue	1.	274,093,970.74	259,175,298.25
Other operating income	2.	143,543.22	416,173.70
Materials and services	3.	-89,584,224.71	-88,208,515.72
Personnel expenses	5.	-26,875,527.45	-30,120,056.65
Depreciation and amortization	8.	-3,745,233.22	-4,568,375.76
Other operating expenses	9.	-130,580,258.58	-105,547,869.11
Operating profit		23,452,270.00	31,146,654.71
Finance income and expenses	10.	2,222,265.71	1,795,183.93
Profit before appropriations and taxes		25,674,535.71	32,941,838.64
Income tax expenses	11.	-4,980,606.67	-6,836,537.57
Profit for the period		20,693,929.04	26,105,301.07

Parent company's statement of financial position

	Note	December 31, 2019	December 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12.	7,864,006.48	9,679,075.00
Tangible assets	13.	590,880.58	150,439.41
Investments	14.	2,063,183.56	1,270,351.37
TOTAL NON-CURRENT ASSETS		10,518,070.62	11,099,865.78
CURRENT ASSETS			
Non-current receivables	16.	35,325,705.66	23,325,705.66
Current receivables	17.	52,885,784.61	48,454,214.55
Cash and cash equivalents		107,537,358.65	114,015,624.35
TOTAL CURRENT ASSETS		195,748,848.92	185,795,544.56
Total assets		206,266,919.54	196,895,410.34

	Note	December 31, 2019	December 31, 2018
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	18.	733,390.00	733,390.00
Other reserves	18.	42,435,760.88	37,300,338.44
Retained earnings	18.	109,781,092.97	95,935,653.73
Profit for the period		20,693,929.04	26,105,301.07
TOTAL EQUITY		173,644,172.89	160,074,683.24
LIABILITIES			
Non-current liabilities	19.	1,409,742.46	2,466,154.00
Current liabilities	20.	31,213,004.19	34,354,573.1
TOTAL LIABILITIES		32,622,746.65	36,820,727.10
Total liabilities		206,266,919.54	196,895,410.34

Parent company's statement of cash flows

	January 1– December 31, 2019	January 1– December 31, 2018
Cash flows from operating activities		
Profit before appropriations and taxes	25,674,535.71	32,941,838.64
Adjustments		
Depreciation and amortization according to plan	3,745,233.22	4,568,375.76
Unrealized foreign exchange gains (-) and losses (+)	-511,025.08	-741,991.48
Gain on disposal of property, plant and equipment	-1,330.64	0.00
Finance income (-) and expenses (+)	-1,711,240.63	-1,976,537.74
Net cash before working capital changes	27,196,172.58	34,791,685.18
Working capital changes		
Increase (-) or decrease (+) in current receivables	-6,653,865.56	26,667,340.99
Increase (+) or decrease (-) in current payables	-3,916,023.40	-4,024,087.80
Net cash before interest and taxes	16,626,283.62	57,434,938.37
Interest and other financial expenses paid	-775,847.62	-1,318,607.14
Interest and other financial income received	2,487,088.25	3,313,791.07
Income taxes paid	-9,012,871.95	-8,896,945.44
Net cash before extraordinary items	9,324,652.30	50,533,176.86
Net cash from operating activities (A)	9,324,652.30	50,533,176.86

	January 1– December 31, 2019	January 1– December 31, 2018
Cash flows from investing activities		
Purchase of tangible and intangible assets	-2,506,875.75	-615,285.27
Other investments	-792,672.19	0.00
Proceeds from sales of tangible and intangible assets	1,330.64	0.00
Proceeds from sale of investments	0.00	77,093.51
Acquisition of subsidiaries	-160.00	-10,000.00
Repayments of borrowings	5,330,016.88	0.00
Loans granted	-12,000,000.00	-8,710,000.00
Cash flows from investing activities (B)	-9,968,360.42	-9,258,191.76
Cash flows from financing activities		
Paid share issue	5,135,422.44	866,569.98
Share issue transaction costs	0.00	0.00
Acquisition of treasury shares	-5,142,445.38	-3,002,504.74
Share-based payments	750,009.92	0.00
Dividends paid	-7,117,416.45	-7,144,698.78
Cash flows from financing activities (C)	-6,374,429.47	-9,280,633.54
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	-7,018,137.59	31,994,351.56
Cash and cash equivalents at the beginning of period	114,015,624.35	81,245,711.15
Unrealized foreign exchange differences	539,871.89	775,561.64
Cash and cash equivalents at the end of period	107,537,358.65	114,015,624.35

Accounting principles

Valuation and allocation principles and methods applied in preparing the financial statements

The balance sheet value of non-current assets is stated at acquisition cost, less accumulated depreciation according to plan. Depreciations according to plan have been calculated based on the economic lives of the asset.

Intangible rights and other long-term expenses are amortized over three to ten years. They are amortized based on the estimated revenue generation. Consolidated goodwill is amortized over five years. Machinery and equipment is depreciated over three to five years.

Rovio Group capitalizes directly attributable production costs related to games and animation as intangible assets. Rovio follows the provisions of the Accounting Act and capitalizes the intangible assets following the prudence principle.

Games-related development costs are amortized based on estimated revenues. The capitalized development costs relating to animation projects are amortized over their estimated lifetime after the production has been completed.

Revenue recognition

Revenues are recognized when goods have been delivered or services rendered, or when the responsibility for the transportation or the product/service has been transferred to the buyer. Revenues from games, advertising and licensing royalties are recognized based on information or payment received from the relevant counterparty or licensing agent. Income that is related to a specific period of time will be recognized in monthly instalments over the life of the contract as per the actual content of the agreement.

If the delivery of the provided service occurs later than the at the point of sale, the revenue is initially deferred and recognized over time based on the delivery of the service. The undelivered part is considered to be an advance payment received from Rovio's point of view.

Revenue-related accruals are presented in accrued income and expenses.

Revenue presentation

Revenues consist of sales income less discounts, value added taxes and other taxes directly associated with the sales.

Royalty revenues in which the company is a contractual party towards the licensee are recognized as revenue at gross amounts including any commission of the license agent. The license agent's commission is reported in the statement of income in external services.

Deferred tax assets and liabilities

A deferred tax liability or asset is recognized due to temporary differences between the tax and book value of assets and liabilities. The deferred tax assets and liabilities have been booked according to the confirmed tax rate.

Amounts denominated in foreign currencies

Foreign currency denominated balance sheet items are translated into euros using the closing rate of the balance sheet date. The foreign currency denominated profit and loss transactions are translated into euros using the exchange rates at the date of the transaction.

Notes to the statement of profit or loss

1. Revenue by business segment and market area

By business segment	2019	2018
Games	264,610,408.63	250,353,022.68
Licensing and merchandise revenue	6,507,438.59	6,476,497.25
Media revenue	1,831,150.16	1,199,143.41
Service revenue from group companies	1,144,973.36	1,146,634.91
Total	274,093,970.74	259,175,298.25

Geographical distribution	2019	2018
NAM	170,770,659.88	156,921,362.96
LATAM	4,004,982.30	3,969,121.96
EMEA	64,884,345.62	69,112,470.11
APAC	34,433,982.94	29,172,343.22
Total	274,093,970.74	259,175,298.25

2. Other operating income

	2019	2018
Grants received	128,805.81	271,716.94
Other income	14,737.41	144,456.76
Total	143,543.22	416,173.7

3. Materials and services

	2019	2018
Material purchases	22,582.39	14,873.80
External services	76,834,316.07	79,260,292.03
External services from group companies	12,727,326.25	8,933,349.89
Total	89,584,224.71	88,208,515.72

4. Average number of personnel employed by the group during the financial period

	2019	2018
Average number of personnel	328	309

5. Personnel expenses

	2019	2018
Wages and salaries	22,598,549.74	24,936,462.57
Pension costs	3,493,759.75	4,340,716.30
Other social security expenses	783,217.96	842,877.78
Total	26,875,527.45	30,120,056.65

6. Salaries and fees of management

	2019	2018
Members of the Board of Directors	519,000.00	494,000.00

The remuneration of the Board of Directors and the salary and fees paid to the CEO are disclosed in Note 4.5 to the consolidated financial statements.

7. Auditor's fees

	2019	2018
Audit fees	367,136.77	383,040.41
Tax counselling	0.00	10,500.00
Other fees	5,300.00	5,891.70
Total	372,436.77	399,432.11

8. Depreciation and impairment

	2019	2018
Depreciation and amortization according to plan	3,745,233.22	4,568,375.76
Impairment	0.00	0.00
Total	3,745,233.22	4,568,375.76

9. Other operating expenses

	2019	2018
Legal fees and consulting expenses	1,724,801.85	2,176,547.43
External development and testing expenses	8,192,283.35	6,147,123.43
Machinery and software expenses	3,885,605.28	3,980,762.33
Hosting expenses	6,411,163.69	6,127,451.24
Phone, data transfer and office expenses	2,067,025.55	2,021,587.91
User acquisition costs	98,281,673.20	78,582,977.33
Other marketing expenses	7,588,269.97	2,943,500.97
Other operating expenses	2,429,435.69	3,567,918.47
Total	130,580,258.58	105,547,869.11

10. Finance income and expenses

	2019	2018
Interest and financial income		
From group companies	1,867,587.38	1,841,265.90
From others	490,959.11	261,989.06
Forex gains from group companies	63,031.47	339,324.72
Forex gains from others	610,515.81	871,211.39
Total interest and financial income	3,032,093.77	3,313,791.07
Interest and financial expenses		
To group companies	0.00	-551,012.00
To others	-349,398.02	-335,834.09
Forex losses to group companies	-278,738.94	-159,189.15
Forex losses to others	-181,691.10	-272,571.90
Other financial expenses		
Reduction in value of investments held as non-current assets	0.00	-200,000.00
Total interest and financial expenses	-809,828.06	-1,518,607.14
Total interest and financial income and expenses	2,222,265.71	1,795,183.93

11. Income taxes

	2019	2018
Current tax	7,167,500.52	4,386,424.46
Other taxes	436,385.43	558,844.39
Change in deferred taxes	-2,623,279.28	1,891,268.72
Total	4,980,606.67	6,836,537.57

Notes to the statement of financial position

12. Intangible assets

Intangible rights	2019	2018
Acquisition cost as at Jan 1	2,304,259.17	2,249,799.99
Additions	45,406.83	54,459.18
Disposals	-8,659.39	0.00
Acquisition cost as at Dec 31	2,341,006.61	2,304,259.17
Accumulated amortization and impairment as at Jan 1	-1,728,199.89	-1,555,740.71
Accumulated amortization of transfers and disposals	0.00	0.00
Depreciation charge for the period	-143,658.26	-172,459.18
Accumulated amortization and impairment as at Dec 31	-1,871,858.15	-1,728,199.89
Carrying amount as at Dec 31	469,148.46	576,059.28

Other long-term expenses	2019	2018
Acquisition cost as at Jan 1	51,158,984.28	50,742,511.21
Additions	1,724,493.72	416,473.07
Disposals	-7,837.06	0.00
Acquisition cost as at Dec 31	52,875,640.94	51,158,984.28
Accumulated amortization and impairment as at Jan 1	-42,055,968.56	-37,729,220.43
Accumulated amortization of transfers and disposals	0.00	0.00
Depreciation charge for the period	-3,424,814.36	-4,326,748.13
Accumulated amortization and impairment as at Dec 31	-45,480,782.92	-42,055,968.56
Carrying amount as at Dec 31	7,394,858.02	9,103,015.72

Total intangible assets	2019	2018
Acquisition cost as at Jan 1	53,463,243.45	52,992,311.20
Additions	1,769,900.55	470,932.25
Disposals	-16,496.45	0.00
Acquisition cost as at Dec 31	55,216,647.55	53,463,243.45
Accumulated amortization and impairment as at Jan 1	-43,784,168.45	-39,284,961.14
Accumulated amortization of transfers and disposals	0.00	0.00
Depreciation charge for the period	-3,424,814.36	-4,499,207.31
Impairment	0.00	0.00
Accumulated amortization and impairment as at Dec 31	-47,352,641.07	-43,784,168.45
Carrying amount as at Dec 31	7,864,006.48	9,679,075.00

13. Tangible assets

Machinery and equipment	2019	2018
Acquisition cost as at Jan 1	3,544,429.43	3,400,076.41
Additions	617,201.77	144,353.02
Disposals	0.00	0.00
Acquisition cost as at Dec 31	4,161,631.20	3,544,429.43
Accumulated amortization and impairment as at Jan 1	-3,393,990.02	-3,324,821.57
Accumulated amortization of transfers and disposals	0.00	0.00
Depreciation charge for the period	-176,760.60	-69,168.45
Accumulated amortization and impairment as at Dec 31	-3,570,750.62	-3,393,990.02
Carrying amount as at Dec 31.	590,880.58	150,439.41

Total tangible assets	2019	2018
Acquisition cost as at Jan 1	3,544,429.43	3,400,076.41
Additions	617,201.77	144,353.02
Disposals	0.00	0.00
Acquisition cost as at Dec 31	4,161,631.20	3,544,429.43
Accumulated amortization and impairment as at Jan 1	-3,393,990.02	-3,324,821.57
Accumulated amortization of transfers and disposals	0.00	0.00
Depreciation charge for the period	-176,760.60	-69,168.45
Accumulated amortization and impairment as at Dec 31	-3,570,750.62	-3,393,990.02
Carrying amount as at Dec 31	590,880.58	150,439.41

14. Investments

Shares in group companies	2019	2018
Pin Bank Ltd	2,500.00	2,500.00
Dark Matter Ltd	2,500.00	2,500.00
Rovio Asia Ltd	97.07	97.07
Rovio Sweden AB	57,259.26	57,259.26
Rovio (Shanghai) Commerce and Trading Co., Ltd	157,207.17	157,207.17
Rovio Animation Ltd	302,500.00	302,500.00
Rovio IP Management Ltd	2,500.00	2,500.00
Hatch Entertainment Ltd	720,439.68	720,439.68
Rovio UK Limited	12,848.19	12,848.19
Dark Flow Ltd	2,500.00	2,500.00
PlayRaven Ltd	10,160.00	10,000.00
Total	1,270,511.37	1,270,351.37

15. Other shares and investments

Other shares and investments	2019	2018
Shares and investments	792,672.19	0.00
Total	792,672.19	0.00

16. Non-current receivables

	2019	2018
Receivables from group companies		
Loan receivables	34,710,000.00	22,710,000.00
Total	34,710,000.00	22,710,000.00
Other receivables	615,705.66	615,705.66
Deferred tax assets	0.00	0.00
Total	615,705.66	615,705.66
Total non-current receivables	35,325,705.66	23,325,705.66

17. Current receivables

	2019	2018
Receivables from group companies		
Trade receivables	1,152,697.44	1,531,543.08
Loan receivables	666,629.63	5,996,646.51
Other receivables	12,433,547.41	10,576,888.96
Prepayments and accrued income	1,075,260.27	1,007,252.11
Total	15,328,134.75	19,112,330.66
Receivables from others		
Trade receivables	26,689,580.48	20,018,137.82
Other receivables	274,480.47	832,872.83
Prepayments and accrued income	10,593,588.91	8,490,873.24
Total	37,557,649.86	29,341,883.89
Total current receivables	52,885,784.61	48,454,214.55
Significant items in prepayments and accrued income	2019	2018
Deferred cost of sales and prepayments	507,220.98	944,535.23
Tax receivables	3,274,079.10	67,047.22
Accrued licensing revenue	445,077.44	312,571.16
Other accrued income	6,367,211.39	7,166,719.63
Total	10,593,588.91	8,490,873.24

18. Equity

	2019	2018
Restricted equity		
Issued capital January 1	733,390.00	733,390.00
Issued capital December 31	733,390.00	733,390.00
Total restricted equity	733,390.00	733,390.00
Unrestricted equity		
Invested unrestricted equity reserve January 1	37,300,338.44	36,433,768.46
Additions to invested unrestricted equity	5,135,422.44	866,569.98
Invested unrestricted equity reserve December 31	42,435,760.88	37,300,338.44
Retained earnings January 1	122,040,954.79	106,082,857.24
Cash dividends	-7,117,416.45	-7,144,698.78
Acquisition/disposal of treasury shares	-5,142,445.38	-3,002,504.74
Retained earnings December 31	109,781,092.96	95,935,653.72
Profit for the period	20,693,929.04	26,105,301.07
Profit for the period	20,693,929.04	26,105,301.07
Total equity	173,644,172.88	160,074,683.23
Capitalized development expenses	-7,326,710.37	-416,473.07
Distributable equity as at December 31	165,584,072.51	158,924,820.16

Calculation on distributable equity	2019	2018
Retained earnings	109,781,092.96	95,935,653.72
Profit for the period	20,693,929.04	26,105,301.07
Invested unrestricted equity reserve	42,435,760.88	37,300,338.44
Capitalized development expenses	-7,326,710.37	-416,473.07
Total	165,584,072.51	158,924,820.16

Treasury shares

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

Dividends

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. The rest of the financial year profit will be retained in the shareholders' equity.

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

The proposed dividends are subject to approval at the Annual General Meeting of Shareholders and are not recognized as a liability as at 2019 financials.

19. Non-current liabilities

	2019	2018
Loans from financial institutions	1,409,742.46	2,466,154.00
Total	1,409,742.46	2,466,154.00

20. Current liabilities

	2019	2018
Liabilities to group companies		
Trade payables	1,367,012.31	1,749,983.52
Total	1,367,012.31	1,749,983.52

Liabilities to others	2019	2018
Loans from financial institutions	1,056,411.54	0.00
Advances received	2,373,821.84	4,665,965.89
Trade payables	12,607,597.67	9,148,840.32
Other payables	406,096.83	5,626.05
Accrued liabilities	13,402,064.00	18,784,157.32
Total	29,845,991.88	32,604,589.58
Total current liabilities	31,213,004.19	34,354,573.10

Significant items in accrued liabilities	2019	2018
Personnel expenses	4,908,437.32	8,321,136.37
Taxes	0.00	535,144.20
Deferred revenue	5,216,482.14	6,215,549.6
Other accrued liabilities	3,277,144.54	3,712,327.15
Total	13,402,064.00	18,784,157.32

Commitments and contingencies

Equipment lease commitments	2019	2018
Due within one year	143,097.93	200,384.45
Due in subsequent years	32,808.30	136,230.90
Total	175,906.23	336,615.35

Other commitments	2019	2018
Enterprise mortgages	0.00	0.00
Total	0.00	0.00

Contingent liabilities

Office rental commitments	2019	2018
Due within one year	1,551,100.68	1,522,012.56
Due in subsequent years	2,972,942.97	1,395,178.18
Total	4,524,043.65	2,917,190.74

Holdings in other entities

Group companies	Holding (%)	Issued capital
Rovio Stars Ltd, Espoo	100%	8,000.00
Rovio Asia Ltd, Hongkong	100%	95.53
Blue Bird Distribution, Inc., United States	100%	3.66
Rovio (Shanghai) Commerce and Trading Co., Ltd, China	100%	153,996.64
Rovio Sweden AB, Sweden	100%	55,081.18
Rovio Animation Ltd, Espoo	100%	2,500.00
Dark Matter Ltd, Espoo	100%	2,500.00
Rovio UK Ltd, United Kingdom	100%	12,848.19
Pin Bank Ltd, Espoo	100%	2,500.00
Rovio IP Management Ltd, Espoo	100%	2,500.00
Dark Flow Ltd, Espoo	100%	2,500.00
PlayRaven Ltd, Helsinki	100%	10,160.00
Hatch Entertainment Ltd, Helsinki	80%	2,500.00

All Group companies are consolidated to the parent company's financial statements.

Group information

Rovio Group's parent company is Rovio Entertainment Corporation which is domiciled in Espoo, Finland.

Copies of the consolidated financial report of Rovio Group are available at Rovio Entertainment Corporation's headquarters at Keilaranta 7, 02150 Espoo, Finland.

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Espoo February 11, 2020

Mika Ihamuotila
Chairman of the Board

Kaj Hed
Member of the Board

Camilla Hed-Wilson
Member of the Board

Kim Ignatius
Member of the Board

Jenny-Lin Wolfram
Member of the Board

Fredrik Löving
Member of the Board

Jeferson Valadares
Member of the Board

Kati Levoranta
CEO

AUDITOR'S NOTE

The auditor's report has been issued today.

Espoo February 11, 2020

Ernst & Young Oy, Authorised Public Accountant firm

Mikko Ryttilahti, Authorised Public Accountant

List of accounting books, document types and storage methods

General ledger	in electronic format
Journal ledger	in electronic format
Bank statements	in electronic format
Purchase invoices	in electronic format
Sales invoices	in electronic format
Memos	paper
Payroll records with supporting documents	in electronic format
Accounts payable specifications	in electronic format
Accounts receivable specifications	in electronic format
Inventory accounts	in electronic format
Fixed asset accounting specifications	in electronic format
Financial statement notes specifications	in electronic format
Financial statements	bound book

AUDITOR'S REPORT

To the Annual General Meeting of Rovio Entertainment Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Rovio Entertainment Corporation (business identity code 1863026-2) for the year ended 31 December, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter	Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition <i>We refer to the group's accounting policies and the note 1.2</i></p> <p>The Group recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. Due to the multitude of and variety of contractual terms across the group's businesses, management judgement is needed to account for revenue, and therefore, revenue could be subject to misstatement.</p> <p>The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred.</p> <p>Based on the above revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).</p>	<p>To address the risk of material misstatement relating to revenue recognition, we performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the appropriateness of the Group's revenue recognition accounting policies and assessed the compliance with applicable accounting standards. • We tested individual sales transactions to assess proper and consistent identification of the elements in the contracts and correct allocation of the revenue to these elements. • We analyzed a sample of new contracts to ensure that revenue recognition was in accordance with the contract terms and the group's revenue recognition policies. • We performed sales transactions testing to ensure that the related revenues and trade receivables are properly recorded in the correct period and for revenue streams which have judgmental elements, we evaluated management's assumptions. • We also considered the adequacy of the disclosures in respect of revenues. 	<p>Valuation of intangible assets <i>We refer to the group's accounting policies and the note 2.3</i></p> <p>At the balance sheet date, the value of intangible assets amounted to 29.0M€ (At 31.12.2018 39.0M€) which represented 13% (19%) of the total assets and 17% (24%) of the total equity. The Group amortizes the capitalized development expenses related to the movie based on the income received and consumption of economic benefits from the distribution of the movie. Other capitalized development costs are amortized on a straight-line basis over the period of expected future sales from the related project.</p> <p>The group tests its intangible assets for impairment at least annually or more often if there is an indication of impairment. Cash flow projections are based on the Group's historical performance and the management's best estimates on future sales, development of costs, general market conditions and applicable tax rates. The management makes judgments when determining the future cash flows. If a factor included in the impairment testing is deemed to have developed unfavorably, the Group may be forced to decrease its forecasts, which could lead to the recognition of impairment on intangible assets.</p> <p>The valuation of intangible assets is significant to our audit due to the magnitude of the balance and additionally the assessment process includes management judgment.</p>	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the compliance of the Group's accounting policies over the capitalization of development costs, valuation and amortization methods and assessed the compliance with applicable accounting standards. • We assessed the sales growth rate, operating margins and the weighted average cost of capital used by the Group and assessed the methodology used in preparing the impairment testing model. • We considered the sensitivity of model to changes in key factors if any significant changes in the key would lead to higher carrying values compared to fair values. • We assessed the historical accuracy of management's forecasting. • We also considered the adequacy of the disclosures in respect of valuation of intangible assets.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 21.5.2013, and our appointment represents a total period of uninterrupted engagement of 7 years. Rovio Entertainment Corporation has been a public interest entity since 29.9.2017.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the

Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Espoo 11.2.2020

Ernst & Young Oy

Authorized Public Accountant Firm

Mikko Rytilahti

Authorized Public Accountant

FOR SHAREHOLDERS

Annual General Meeting

Rovio Entertainment Corporation's Annual General Meeting will be held on Tuesday, March 31, 2020 at 1:00 p.m. (Finnish time) at Restaurant Palace (10th floor), Eteläranta 10, 00130 Helsinki. More information and how to register for the Annual General Meeting can be found on the company website www.investors.rovio.com/en/news-and-events/general-meetings/general-meeting-2020#Yeartab after the AGM invite is published.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid by Rovio Entertainment Corporation based on the financial statements for the year 2019. The dividend related dates planned for 2020 are:

- the ex-dividend date 1 April 2020
- the record date for dividend payment 2 April 2020 and
- the dividend payment date 9 April 2020.

Financial disclosure schedule in 2019

- Financial Statement Bulletin 2019 on Wednesday, 12 February 2020.
- Annual Report 2019, including the financial statements and notes to the financial statements, corporate governance statement and remuneration statement 2019, 6 March 2020.
- Interim report for January–March 2020 on Tuesday, 28 April 2020.
- Half-year report for January–June 2020 on Friday, 14 August 2020.
- Interim report for January–September 2020 on Friday, 30 October 2020.

Additional information for investors

More information on Rovio as an investment is available at www.investors.rovio.com/en. Rovio's Investor Relations serves shareholders, analysts, investors and financial media.

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