ANNUAL REPORT

2017

ROVIO

The Art of Rovio: Business and Creativity

Rovio's business is based on developing high-quality games and people enjoying those games. Under the free-to-play model, we develop and update free-to-play games, aiming to keep players engaged and willing to continue to play the games for a long time. Our games business is based on two revenue streams: in-game purchases and in-game advertising.

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The high brand awareness of our Angry Birds brand supports our games business and forms a basis for our licensing business.

Creativity and creative thinking are the foundation of both our game development and our licensing business. Our game studios aim to think one step ahead in everything they do: what will players want next? In doing this, our studios are supported by our analytics team,which analyses data on the gaming behaviour respecting the data privacy of the individual player.

Data-driven and continuously creative game development combined with strong business expertise makes a successful game. As we are competing for people's free time, we want to develop our games so that players are constantly able to find new, engaging and entertaining new elements while playing, even in quick sessions of gaming to unwind and relax.

We use the Games as a Service (GaaS) model in the games we publish. Under the GaaS model, the game is constantly developed and it becomes an ongoing digital hobby that users can continue for several years. The purpose of the GaaS model is to increase user engagement and retention. This supports the monetization of games, which is important for business.

At Rovio, profitable business and creativity come together to generate commercial success. In 2017, our revenue increased by 55 percent to EUR 297 million, while our operating profit nearly doubled and amounted to EUR 31 million.

We create well-targeted games that can be played by everyone. This means that the whole world will continue to be our playing field and our market.

Contents

Rovio in brief

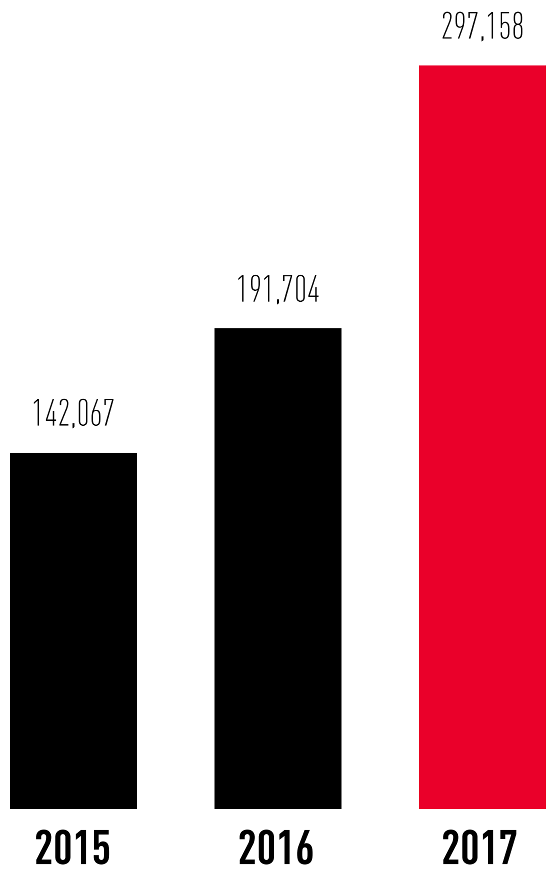
Rovio is a global games-first entertainment company that creates, develops and publishes mobile games and acts as a brand licensor in various entertainment and consumer product categories. The Company is best known for creating the global Angry Birds brand, which started from a popular mobile game and has expanded into multiple other games, animated series, The Angry Birds Movie, activity parks and various consumer products. Rovio's operations are divided into two business units, Games and Brand Licensing. Rovio is headquartered in Finland and has offices in Sweden, the United Kingdom, China and the United States. Rovio was listed on Nasdaq Helsinki Stock Exchange in the autumn of 2017.

Highlights of the year

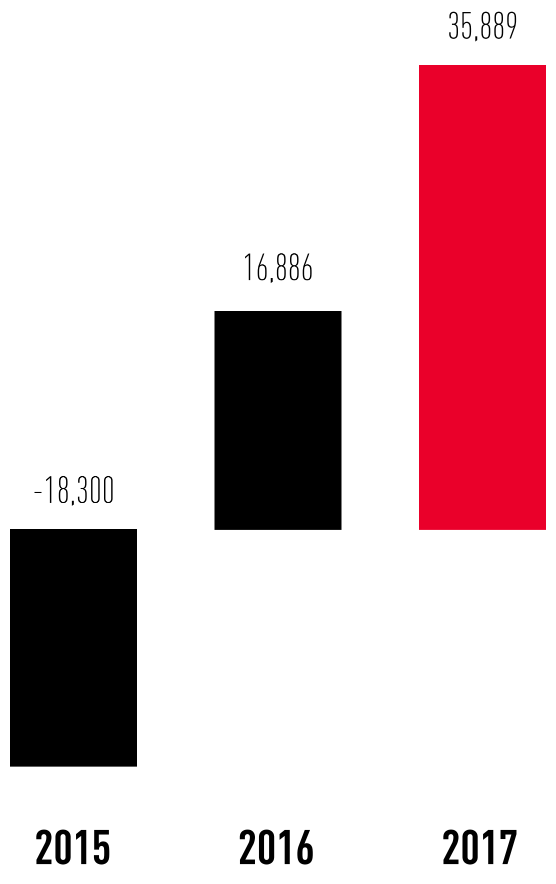
12 months

January: Rovio's subsidiary Hatch Entertainment presents its first public product demo at the Pocket Gamer Connects event in London.
April: Many influential gaming industry leaders from Finland and abroad give talks at the Rovio Con seminar.
May: Battle Bay game launched.
June: Angry Birds Evolution game launched.
August: Angry Birds Match game launched.
September: Sponsorship deal with the English Premier League club Everton F.C.
October: Rovio is listed on the main list of the Helsinki stock exchange. Partnership with the band Iron Maiden visible for example in the Angry Birds Evolution game.
December: Rovio wraps up the best year in its history. The milestone of four billion global downloads is reached.

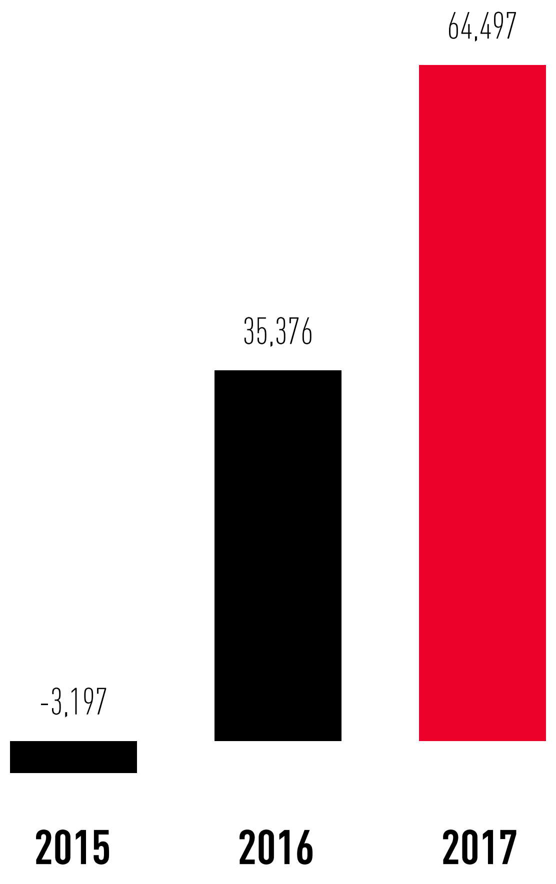
Revenue, Thousand euros



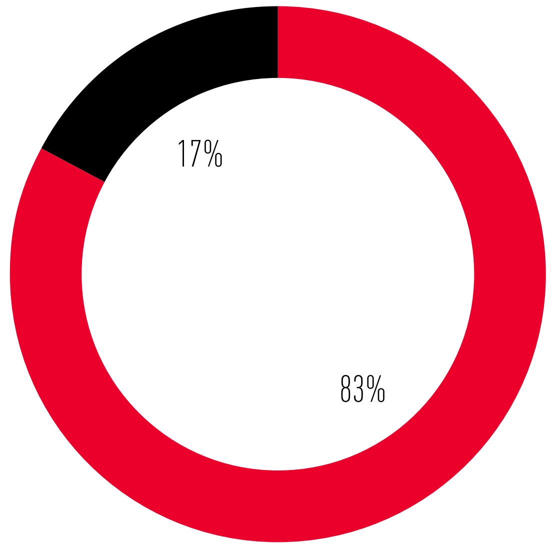
Adjusted EBIT, Thousand euros



Adjusted EBITDA, Thousand euros

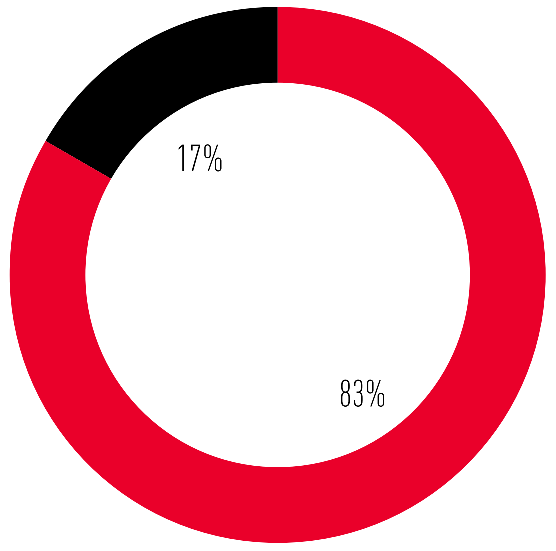


Revenue per segment, Thousand euros



2016

Games	159,039
Brand Licensing	32,664
Total	**191,704**



2017

Games	248,003
Brand Licensing	49,155
Total	**297,158**

36

Average age of employees

391

Number of employees

35

Number of nationalities

30 / 70

Female / Male employees, %

Rovio 2017: the start of a new era

Kati Levoranta
CEO

Rovio is a company with a long history in a relatively young industry. Since 2009, our games have been downloaded more than four billion times. That is an impressive number of downloads by any measure. When Rovio went public in October 2017, we sort of went back to year one.

Measured by revenue, the year 2017 was the best year in Rovio's history. The performance indicators of our top games improved and the revenue of our games grew by 56 percent. The Group's revenue increased by 55 percent and our adjusted operating profit and earnings per share doubled, as we enjoyed strong gross sales of games while also reaping the benefits of the Angry Birds Movie's success. I would like to thank all of our employees for their strong performance in 2017.

Measured by revenue, the year 2017 was the best year in Rovio's history.

In the first half of 2017, we invested substantial resources in our Games business and implemented restructuring measures in our other operations. This led to us establish the Brand Licensing business unit. In consumer products licensing, this means even more extensive and effective use of agents in sales and other processes. We also adopted the licensing model for content production. The most prominent example of this is licensing the Angry Birds brand to Columbia Pictures/Sony for the production of movie sequels.

We launched three new games in 2017. Battle Bay, a 5-vs-5 multiplayer naval battle game, represents our aim of building other kinds of gaming worlds alongside the Angry Birds universe. Angry Birds Evolution saw Rovio entering into modern role-playing-games and targeting new audiences with the help of hundreds of new bird characters. The third new release, Angry Birds Match, combines features of builder games and puzzle games.

Our new releases are particularly targeted at the paying adult audience but can be enjoyed by players of all ages. In line with Rovio's responsibility policy, our Angry Birds games do not include any content that is unsuitable for younger audiences.

The monetization indicators of our top games saw strong development during the year. However, in the fourth quarter, our new games fell short of our expectations. The competition for new players in the global market intensified which increased the unit costs of user acquisition.

In 2018 we seek to grow our Games business through continuous development, renewal, and improved monetization of our current top live games, and through well optimized user acquisition. A good example of this is Angry Birds 2, our internal success story launched in 2015. It started to grow its revenue significantly in 2016–2017 and was our biggest game last year. We will also continue to develop new games.

We are closely monitoring industry trends and our subsidiary Hatch Entertainment Oy, for example, focuses on building for the future. Through Hatch, we have already developed and tested a game streaming service in several European countries using a distribution platform that offers users an extensive selection of games without having to go through the trouble of downloading them. We expect that trends such as social gaming and eSports will continue to grow in popularity, while technological progress will enable improved services and deeper gaming experiences through innovations such as augmented reality.

Success built on passionate professionals

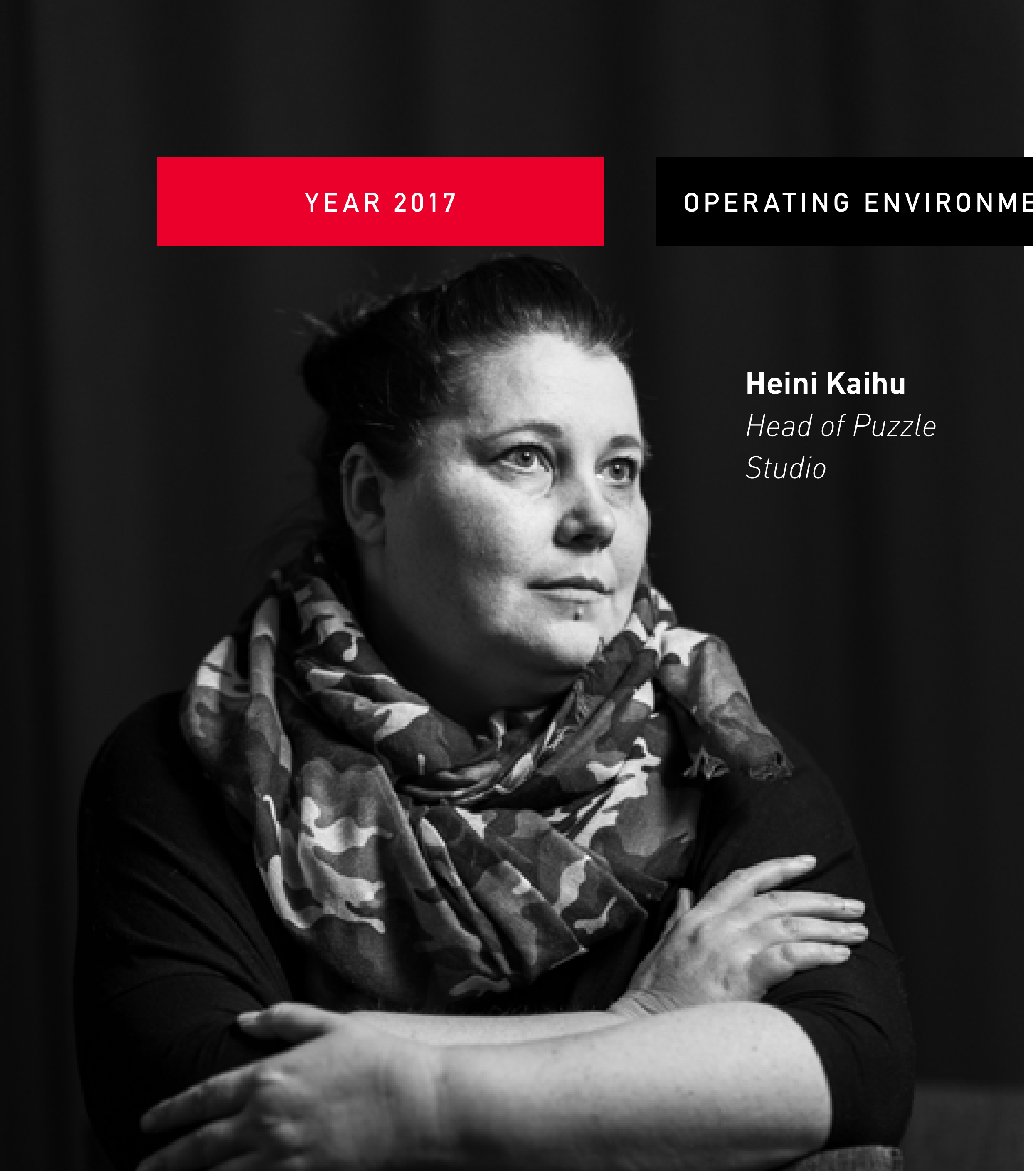
Our success is based on the passion, ambition and strong competence of our employees. You cannot overstate the importance of job satisfaction and competence development in an industry characterized by intense competition for high-level talent.

As our development work is a continuous process, our employees learn more from every task they are involved in. The company culture and size enable that we can offer employees different jobs to support further development of our talent. Thus the career paths can take many different forms over the shared journey.

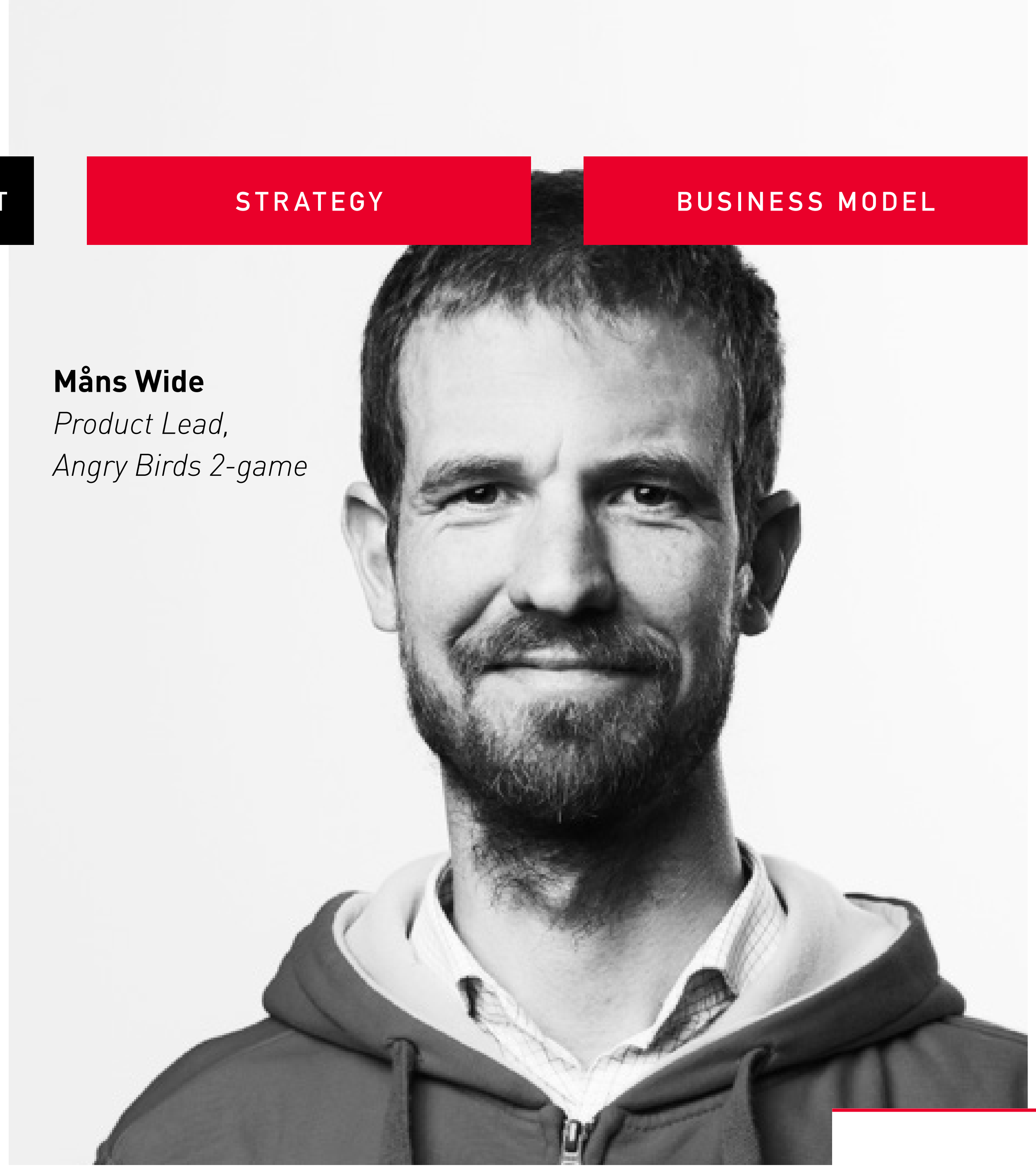
Our success is based on the passion, ambition and strong competence of our employees.

Our strength is in our innovative, engaging and non-hierarchical workplace culture that emphasises autonomy and responsibility as well as effective interaction. Placing a high value on equality and diversity in the work community is the foundation of our workplace culture. We encourage our employees to innovate and experiment with ideas with an open mind. Just as in games, in Rovio's own operations the best solution is often found by challenging the traditional ways of operating. It is important for our success that our creative competence and business expertise go hand in hand.

We want to make the whole world have a good time with our games and Angry Birds branded entertainment. We try to ensure that our employees have what it needs to make this happen and that they also enjoy what they are doing while experiencing inspiration and creativity time after time.This is our approach to engaging in a growing and profitable business, which also serves the long-term interests of our shareholders.

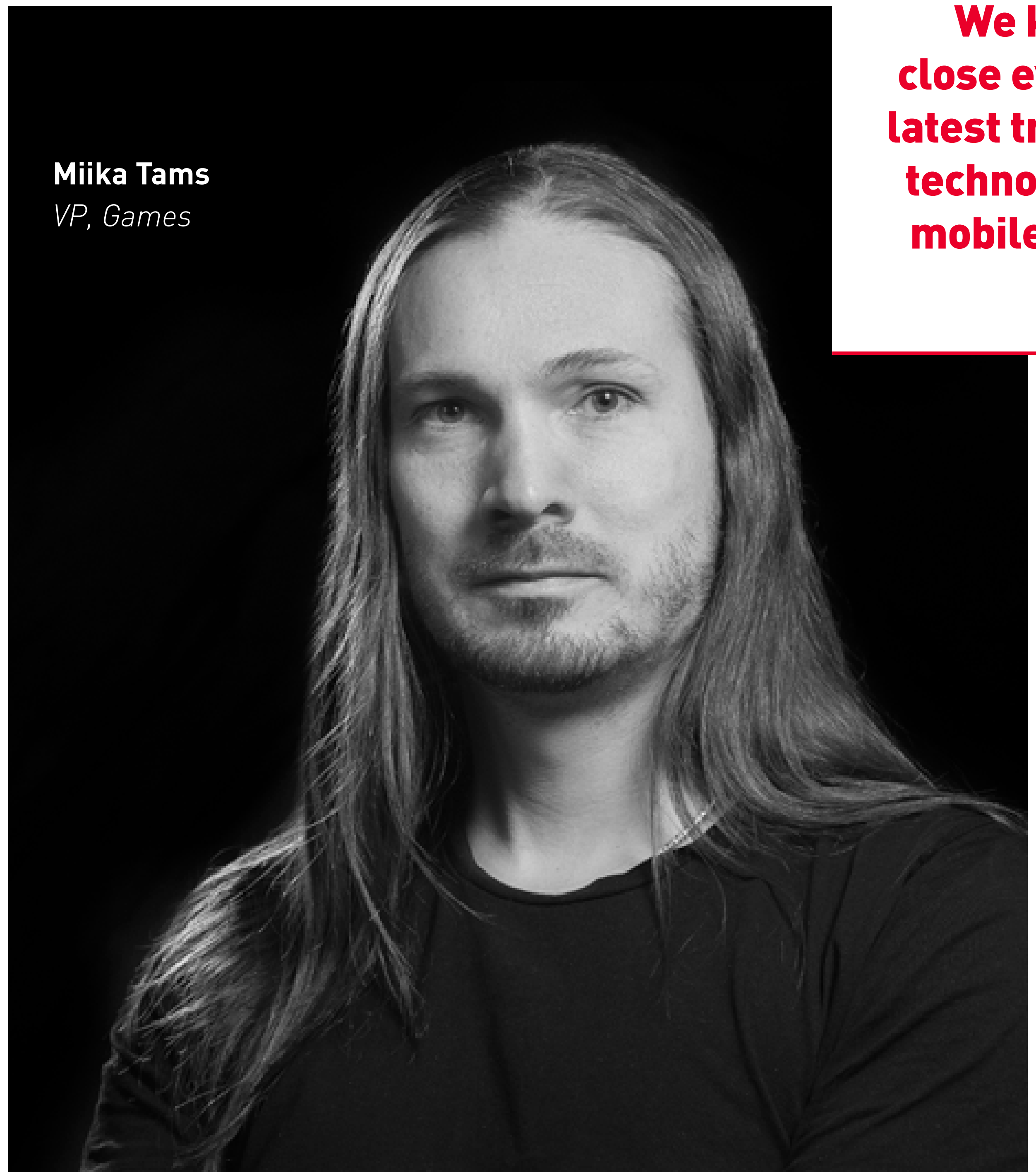


Heini Kaihu
Head of Puzzle Studio



Måns Wide
Product Lead, Angry Birds 2-game

Tuomo Lehtinen
Head of Battle Studio



Miika Tams
VP, Games

Growing dynamically in the global games market

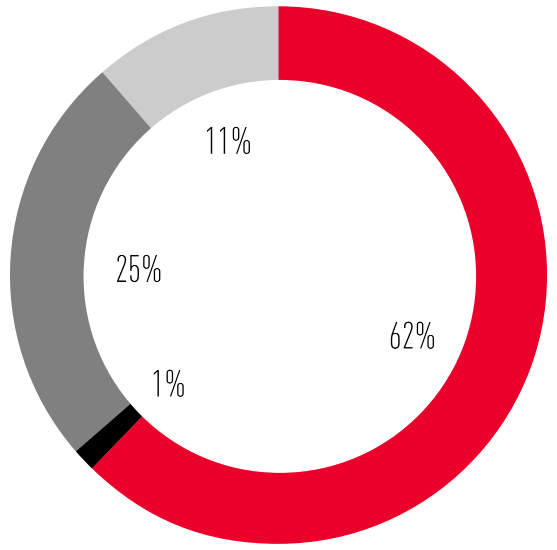
We operate in one of the world's most competitive markets: the global gaming entertainment market. The mobile games market is a large and rapidly growing global industry. Last year, mobile games grew faster than any other segment of the entertainment sector. Gaming has become a popular form of entertainment all around the world. According to Newzoo's estimate, there are now more than two billion players of mobile games globally, and this figure is constantly growing.

We keep a close eye on the latest trends and technologies in mobile games.

At the same time, achieving sustained success in the mobile games market has become increasingly difficult because only a small proportion of the games released achieve a significant scale, and user acquisition costs are growing. The Apple App Store features hundreds of thousands of games for users to download, with hundreds of new released every day. This makes standing out from the crowd very challenging, especially for smaller developers. We believe this competitive landscape favors larger game developers that have the capacity to respond to the challenges of discoverability and user acquisition through a strong and well-known brand, as in the case of Rovio.

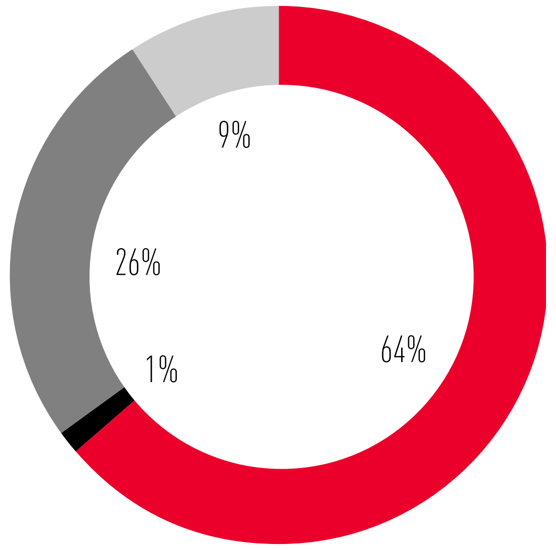
The prevailing revenue model in the mobile games market is free-to-play, which allows players to download and play the game for free, but also gives them the option of making in-game purchases to speed up their progress, for example. All of Rovio's games are based on the free-to-play business model, which presents the opportunity for a long-term revenue model. For this reason, the core focus of our operations is not only on developing new games, but also on continuously improving our existing games under the Games as a Service (GaaS) model. Players' expectations are constantly growing. We aim to deliver new and diverse content and new gaming experiences so that players remain engaged and entertained by our games for as long as possible.

Games revenue per geographic area, Thousand euros



2016

North America	99,344
Latin America	1,944
Europe, Middle East and Africa	39,765
Asia and Pacific	17,987
Total	**159,039**



2017

North America	157,980
Latin America	3,686
Europe, Middle East and Africa	64,044
Asia and Pacific	22,294
Total	**248.003**

A well-known brand, such as Angry Birds, creates opportunities for developing different kinds of games for different target groups, promotes the discoverability of games and is essential for achieving organic downloads. Continuing to develop our brand affinity is one of the focus areas of our operations, and it also has a significant impact on our licensing business.

Maintaining competitiveness in this market requires continuous activity. Every game developed by our studios is intended to be fun, entertaining and suitable for players of all skill levels. Angry Birds 2 remains Rovio's most successful game and it is being continuously developed in line with the GaaS model. In 2017, four of our games were in the top 100 of the highest-grossing games in the US market. We released three new games in 2017: Battle Bay in May, Angry Birds Evolution in June and Angry Birds Match in August.

We carry out research among gamers on a continuous basis and use analytics to monitor the development of player segments. We also keep a close eye on the latest trends and technologies in mobile games. One current area of interest is augmented reality, which both Apple and Google have begun to support in recent times. The first successful game to utilize augmented reality was seen in the mobile market in 2016. We are closely monitoring the opportunities presented by virtual, augmented and mixed reality technologies in the short and long term.

The arrival of eSports in mobile gaming, after being previously limited to PC and console games, is one of the hottest gaming trends currently. It is also a phenomenon that is certain to only grow in significance going forward. eSports with its own championship tournaments offers a new angle to the social dimension of gaming and gaming as a digital hobby.

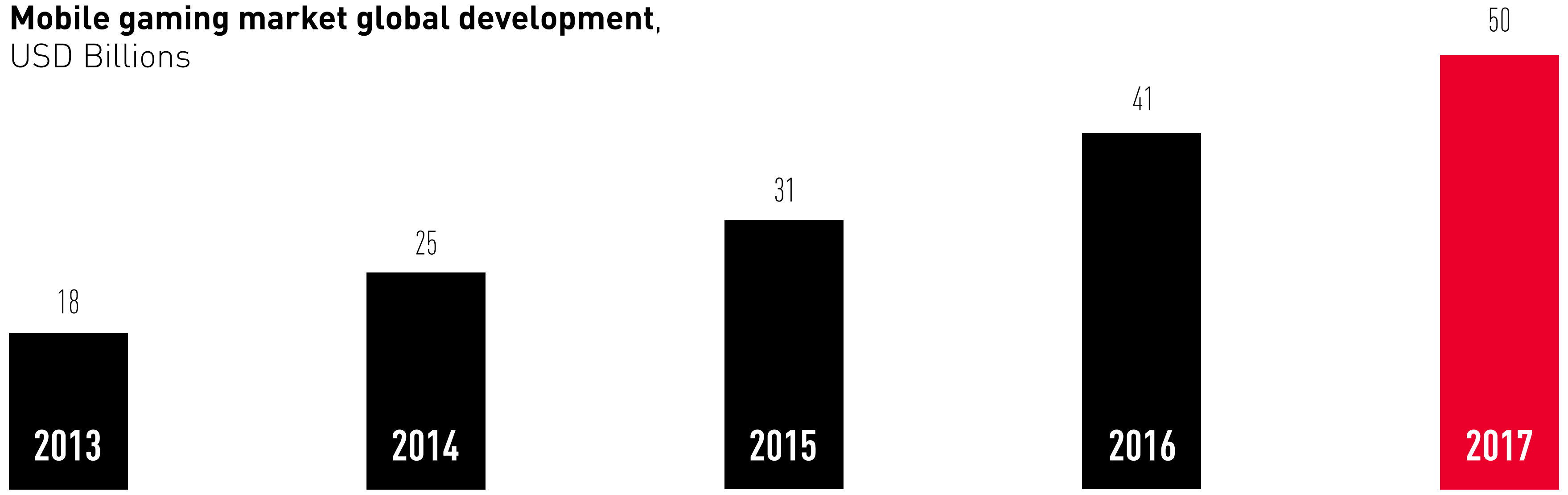
Continuing to develop our brand affinity is one of the focus areas of our operations.

In addition to the development of games and their players, gaming platforms are bound to become even more easily available. The entertainment market in general has witnessed the breakthrough of streaming services in recent years, and we believe the games industry is next in line. Rovio's subsidiary Hatch Entertainment is developing a mobile game streaming service, which was in its test phase in 18 European countries in March 2018. The service already features more than 100 games from different game publishers and our aim is to make Hatch the world's first successful streaming service for games.

The ultimate purpose of Rovio's games is to entertain and to have players spend as much time as possible playing the game. In practice, this means creative development driven by data analysis, starting right from the game's initial release. We develop games in step with the progress of their players to ensure that the world within our games, and the challenges the games present to players, are always as interesting as possible.

During the past years we have also observed increased convergence between different game genres. For example, puzzle games featured patterns familiar from role-playing games, and vice versa. This is indicative of the development of players and their growing demands and expectations.

Mobile gaming market global development, USD Billions



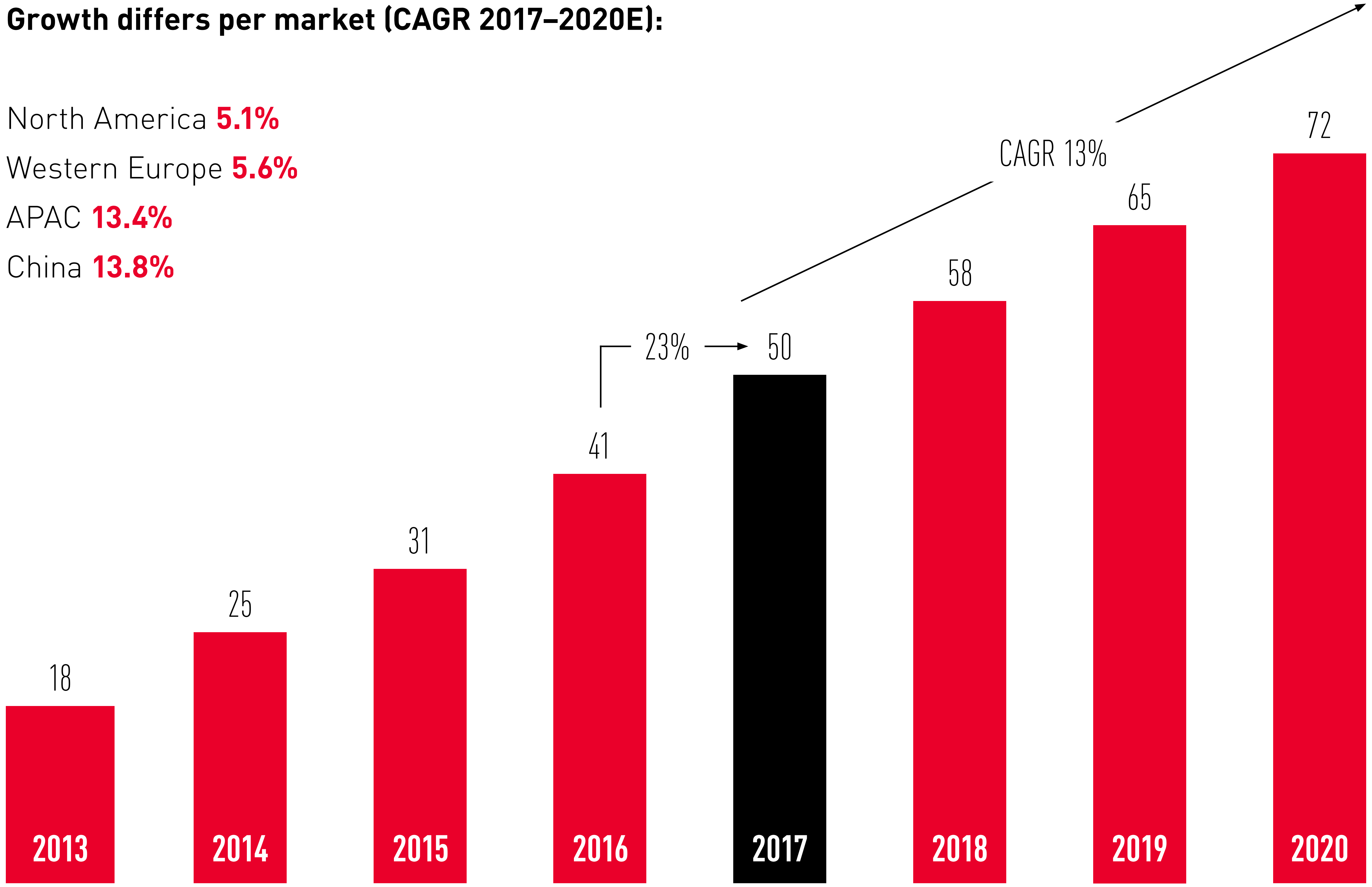
Source: Newzoo

Mobile gaming market is growing rapidly

Market size of global mobile games 2013–2020E (USD Billions)

Growth differs per market (CAGR 2017–2020E):

North America **5.1%**
Western Europe **5.6%**
APAC **13.4%**
China **13.8%**



Key drivers and trends

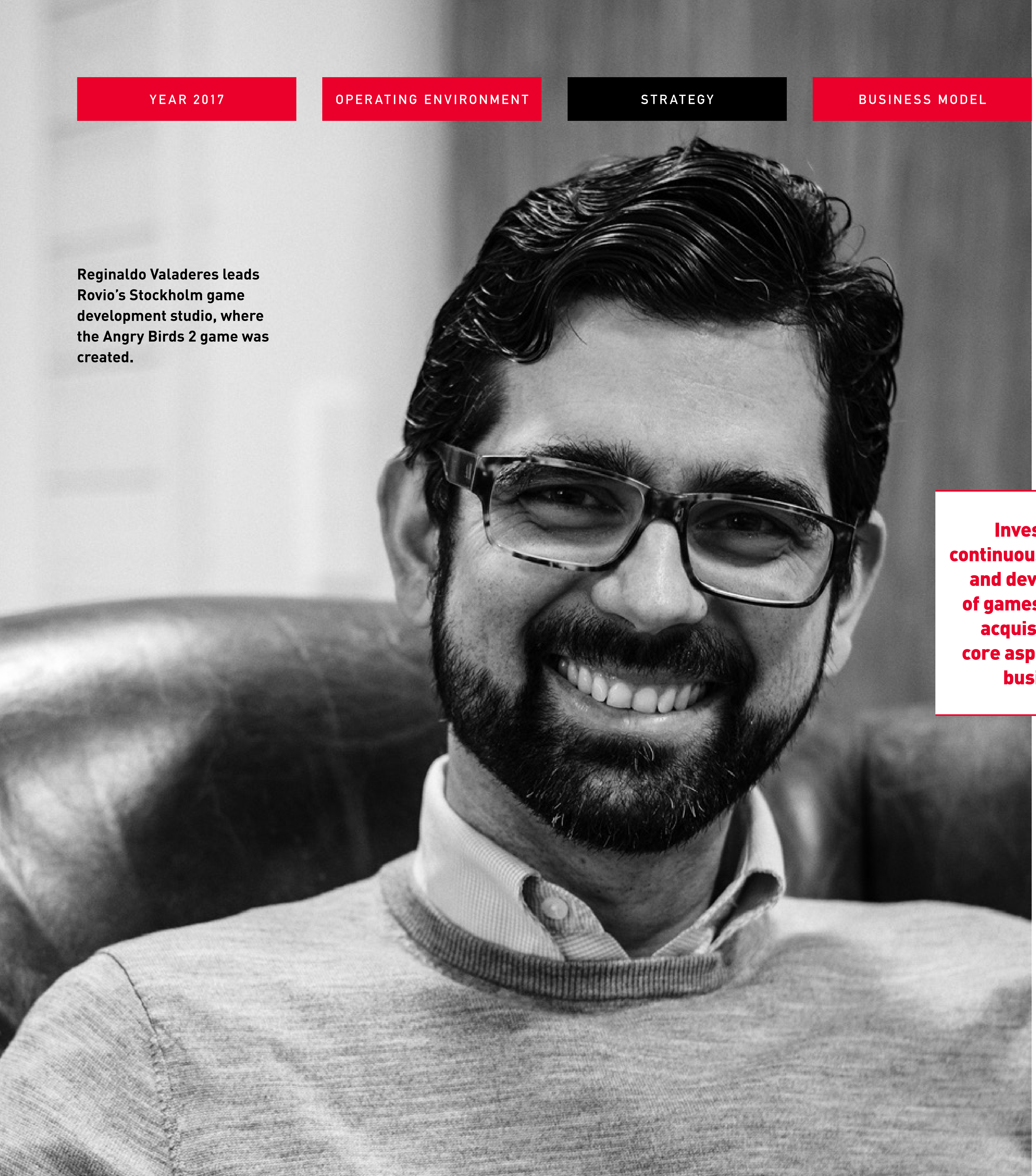
Growing number of smartphones

Share of mobile gamers is increasing

Average in-game spend per user is increasing

Attractive free-to-play revenue model extends lifetime of games

Source: Newzoo



Reginaldo Valaderes leads Rovio's Stockholm game development studio, where the Angry Birds 2 game was created.

Well positioned in a growing market

We achieved one significant strategic objective in October 2017 by going public.Following our listing on the stock exchange, we are now focusing on refining our strengths and building on them.

Investing in continuous innovation and development of games, and user acquisition are core aspects of our business.

Rovio is a well-positioned company in the entertainment sector's mobile gaming market, which is estimated to see a compound annual growth rate (CAGR) of 13 percent in 2017–2020.

Strong and diverse

At Rovio, we have created a diverse portfolio of just under twenty games. We are continuously developing new variations of our existing games as well as entirely new games. Future technology will bring opportunities to create even richer gaming experiences, and we invest resources in researching ways to take advantage of new trends over the long run.

Our Games business has gone through significant changes during the last years. The biggest change was the shift from paid premium games to an entirely different approach in the form of free-to-play games.

Over the same period of time, our licensing business has also become significantly more streamlined and profitable. A sharper focus in our operations has among others led to outsourcing the animation film and movie development to our licensing partners.

Product licensing, marketing partnerships and new Angry Birds game releases will keep the brand interesting and fresh among new and old users alike. The sequel to the Angry Birds Movie, scheduled for release in September 2019, will also provide an added boost to the brand.

Strategic growth through inspiring players and creating a solid foundation for business

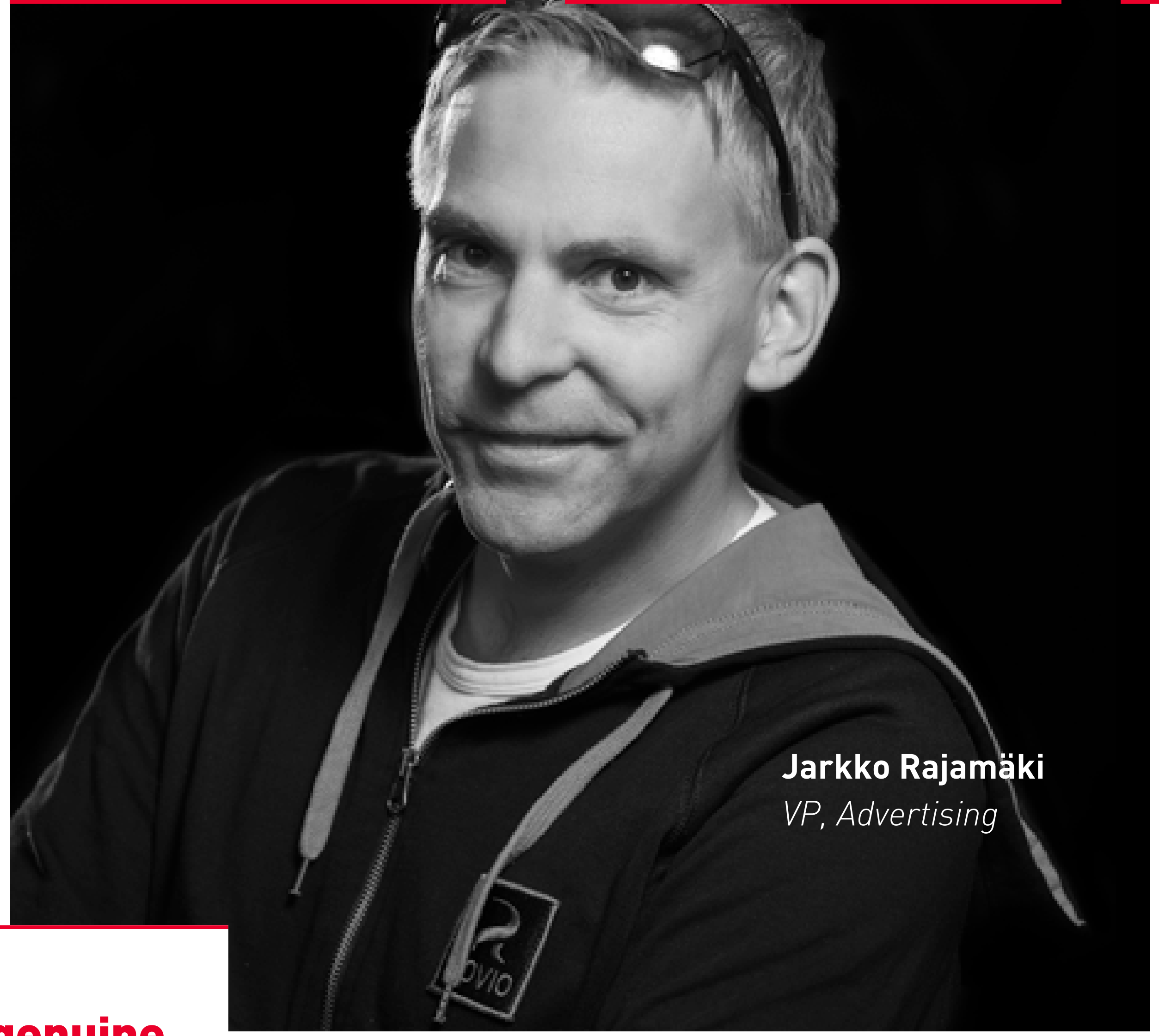
These days, almost everyone plays games at least to some extent, regardless of age and gender. The largest user groups in the global gaming industry are in mobile games. The industry's previously dominant premium model involved customers paying for games when downloading, which meant that revenue from games was mostly earned in the early stages of their life cycle. In the free-to-play model, revenue is spread over a longer period of time, even though only a small percentage of the people who download a game will end up paying for in-game purchases. For this reason, investing in continuous innovation and development of games, and user acquisition are core aspects of our business.

Success in the international markets requires that the games are suitable for global audiences in different cultural areas. Rovio's games are designed mostly for the Western markets, and the localisation of them focuses on language. In particular, the Asian games markets require the games to be adapted also contentwise.

The mobile game market is very fragmented due to the large number of game development companies. However, the industry favors large developers, which is why there has been consolidation in recent times, and this trend appears likely to continue. One of the objectives of our listing on the stock exchange was to ensure that, should the right opportunity present itself, we have the capacity to make the necessary moves to create shareholder value through acquisitions. We have genuine strengths that would allow us to increase the value of acquired companies. Analytical competence, a highly optimized user acquisition process, monetization management, and cross-marketing expertise (awakening interest of players of one Rovio game to also play other Rovio games) are among Rovio's key competencies that make the company stand out in its industry.

The funds accumulated by Rovio's IPO will be used to execute the company's growth strategy. In practice, this means that the funds can be invested in product development, corporate acquisitions and user acquisition.

We have genuine strengths that would allow us to increase the value of acquired companies.



Jarkko Rajamäki
VP, Advertising

Miikka Lindgren
VP, Business Development

Ritva Eskelinen
Director, Marketing Content Creation

Janne Koivunen
Director, Business Intelligence

Rovio's growth strategy

Grow Games business

Grow brand and licensing business

Leverage strong consolidation platform

Explore the future of gaming

Sources: Rovio

Hatch

We financed the technological development and go-to-market of our subsidiary Hatch Entertainment in 2017, and we will continue to do so in 2018. Hatch is a cloud gaming service which in March 2018 was in beta phase in 18 European counties on Google Play. Hatch has more than 100 publishers and developers, and over 250 games signed. The proprietary technology of Hatch has been validated by several technology partners. Hatch represents a new way to play games. By investing in the development of Hatch we diversify our portfolio and aim to leverage the possibilities presented by new business model and technologies to develop the gaming business.

Hatch mobile cloud gaming

Instant play
Play games easily on-demand, without downloads or installation.

Super social
Play together every game, share gameplay videos, compete with others.

Best games
Great collection of premium games, open to all developers and publishers.

MONETIZATION: Advertisement and monthly fee
GLOBAL MEGATRENDS: On-demand entertainment, real-time social gaming, high-speed mobile internet, subscription economy

Sources: Rovio

Game development process

6 months → 12 months → 6 months

Idea and concepting → Market research and prototyping → Pre-production → Production → Soft launch → Global launch → Live operations

Production review

Soft lauch review

Global launch review

Breakdown of GaaS model

Soft launch

↓

Global launch

↓

Marketing → New user initation → Communication

↓

Updates → User engagement → Events

↑

Games-as-a-Service
is a continuous data-driven process

Rovio's business model is based on mobile games and brand licensing

Rene Lindell
CFO

Rovio is a games-first entertainment company that creates, develops, and publishes mobile games and acts as a brand licensor. Rovio's operations are divided into two business units, Games and Brand Licensing.

Rovio has two strong business units, Games and Brand Licensing.

Games business unit

The Games business unit operates in the mobile games industry, which is a large and rapidly developing global high-growth industry. Of the revenue of Rovio's Games business, 11 percent is derived from advertising and 89 percent from in-game purchases. All games released by Rovio are free-to-play games.

Free-to-play games are free to download and play, but players can make in-game purchases to speed up their progress or gain access to additional features. In Rovio's games, and in free-to-play games in general, only a small proportion of players make in-game purchases. There is also no forced advertising, but players can choose to view ads in exchange for in-game benefits.

We continuously monitor our games' life-time value (LTV) per player and the cost of player acquisition (cost per install, CPI) per player. LTV must exceed the unit cost of user acquisition. Game development studios continuously improve their games to increase their monetization and player retention. At the same time, we try to lower the cost per install by optimizing user acquisition and leveraging the high visibility of our brand.

Rovio's Games business unit has approximately 300 employees divided between the game development studios in Espoo, Finland and Stockholm, Sweden, as well as shared functions including marketing and user acquisition, analytics, technology, finance and business development. In addition to in-house personnel, Rovio's Games business unit uses external game studios to assist in the development of games when necessary; for example, when the technology used in the development of a game does not match Rovio's in-house expertise or when a game requires extensive localisation due to cultural differences.

Rovio released three new games in 2017: Battle Bay, Angry Birds Evolution and Angry Birds Match.

The life time value of a player must exceed the unit cost of user acquisition.

Brand Licensing business unit

The Brand Licensing business unit licenses Rovio's Angry Birds brand and the related characters. Going forward, the unit may also license Rovio's other intellectual property rights and brands. The Brand Licensing business unit is divided into two sub-units: Consumer Products and Content Licensing. Rovio's Content Licensing includes animated series, movies and other content. Consumer Products licensing includes consumer products such as toys, clothing and apparel, books and activity parks.

Released in May 2016, the Angry Birds Movie was the first animated international blockbuster inspired by a mobile game. It was also the largest single investment in Rovio's recent history and it generated a major boost for the Angry Birds brand.

Scheduled for release in 2019, the sequel to The Angry Birds Movie has been in the works since 2016. Due to a change in Rovio's licensing model in 2016, the sequel will be produced by an external partner, Columbia Pictures/Sony, thus significantly reducing Rovio's financial risk compared to the first Angry Birds Movie.

Teemu Rautiainen is responsible for the Games business unit's financial management.

Rovio leverages brand to acquire and keep gamers

BUSINESS AREAS	PUBLICATION	MARKETS/MARKETING	DISTRIBUTION	MONETIZATION
Games • New games development • Live games portfolio	• Free-to-play games • Game-updates, events, features	• Organic downloads and paid user acquisition • Cross-promotion • Store featuring	• Apple AppStore • Google Play • Other digital platforms	• In-app purchases • Advertising • Custom contracts
Brand Licensing • Licensing the brand for content, products and services	• Animated content (movies and series) • Consumer products • Activity parks • Live events	• Global and local license holders	• Digital channels • Physical and e-commerce • Television and movie theatres • Activity parks • Events	• License royalties

Brand marketing & development

USER BASE

Games as a Service (Gaas), retention and user engagement, lifetime play and fans

Source: Rovio

Optimized user acquisition engages players

Ville Heijari
Chief Marketing Officer, Games

The initial excitement created by a game must be channelled into a lifelong passion. Behind a game's audiovisual user interface, there is a multidisciplinary team of Rovio's experts to ensure the best possible gaming experience. Our game teams continuously develop game features and in-game events, while the business intelligence team creates objective and scientific models of the user life cycle and the financial team monitors the profitability and budgets of user acquisition.

Our aim is to continuously reach the largest possible group of new and old users. Our goal is to make it as easy as possible for users to find our latest games and to come back to the latest content updates. At Rovio, this work is done by our marketing team, which specializes in user acquisition and engagement. User acquisition, in other words highly targeted digital performance marketing, is a significant financial investment for all free-to-play gaming companies. User acquisition brings to the game those adult players that we believe have an interest for the game. Each day, the user acquisition analytics team monitors and analyzes a large amount of data on in-game behaviuor and adapts our marketing activities based on these analyses.

The initial excitement created by a game must be channelled into a lifelong passion.

Supported by these teams, the user acquisition team optimizes user acquisition across different channels and user groups. User acquisition can be carefully targeted at specific regions and target groups. This, in turn, allows us to collect more big data to support further optimization. Our technology team provides tools for all the other teams through the automation and development of our capacity to collect and analyze big data.

Kasim Zorlu leads Rovio's user acquisition team.

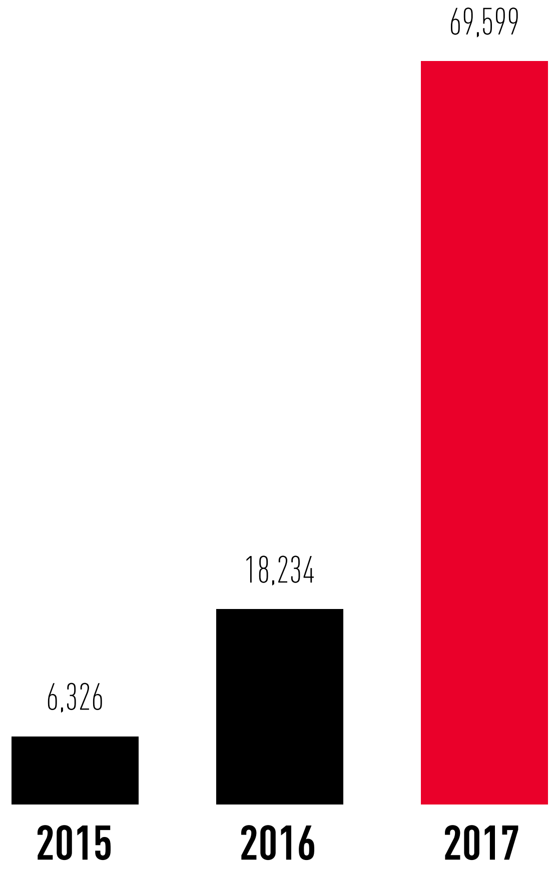
Data-driven investments

In paid user acquisition, we utilize a governance model to monitor the return on investment based on user data. We track large amounts of data derived from our games, with the anonymity of individual users preserved due to the large quantity of data.

Accoring to the model we followed during 2017, we estimate that the payback period of our user acquisition investments is 8–10 months. If needed, we may also alter the payback model of user acquisition. The annual budget for user acquisition is based on the Games business unit's strategic and financial targets.

We monitor investments at the monthly, weekly and daily levels to quickly determine current investment needs and make changes as necessary. It is possible to set very short-term targets for games, even lasting only a few days. Each game is extensively tested with limited audiences before the actual release to define targets and user acquisition investment levels for the game as carefully as possible.

User acquisition investments, Thousand euros



Entertainment is a service

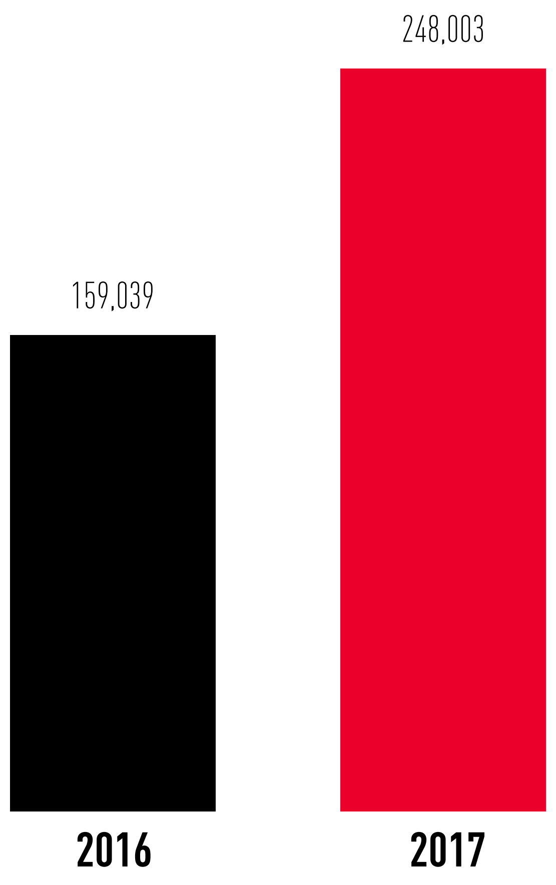
Our games are services that we develop for our user base. The aim is to create an environment for a digital hobby that will keep the user engaged for years. The purpose of the GaaS model is to increase user engagement, which also supports monetization.

One of the goals of game design is to strike the right balance between making games challenging and giving players the satisfying feeling of success. The games include tutorial-type instructions and pointers to ensure a clear and positive experience for new users. Content updates, content marketing and messages targeted at previous users on various advertising platforms also support the effective use of the GaaS model by engaging players and encouraging long-term playing.

Cross-marketing between games is used to remind players that even if their interest in a given game might wane occasionally, they can always enjoy their digital hobby with a different Rovio game.

Games: combining creativity and business

Revenue development, Games, Thousand euros



In the highly competitive mobile gaming market, only a small proportion of the games released achieve a significant scale and long-term success. Competition is intense and the playing field is dominated by large and established game development companies. We have established our position in the mobile games market through our strong brand and high quality games.

Mobile devices are developing at a tremendous rate, and the current generation of mobile devices is somewhere between PlayStation 3 and 4 in terms of technical performance. This means that players have very high expectations for mobile games. They expect bigger, richer, and deeper experiences from mobile games, and the player base is also evolving with the games to demand even more innovative and experiential games.

Rovio's games are targeted at the mass market, but our principle is to launch fewer, bigger and better games. This means that we only release games that have the potential to become big and long-lived. We want to develop in step with the people who play our games and develop our games along the way. Our priority is to create entertaining games and ensure that no one feels left out.

From creativity into a business model

We have a systematic game development process with clear stages and processes. However, we also encourage our developers to think outside the box, as our games are entertainment that must earn the right to be considered interesting and entertaining through constant renewal and new experiences. Our way of working is driven by the desire to learn from each other. At the same time, we must keep in mind the relationship between creativity and business: the games we create are art, but Rovio is a business. The entirely digital mobile games allows for exact performance measurement of the business. On the following page are some of the key performance indicators that Rovio follows.

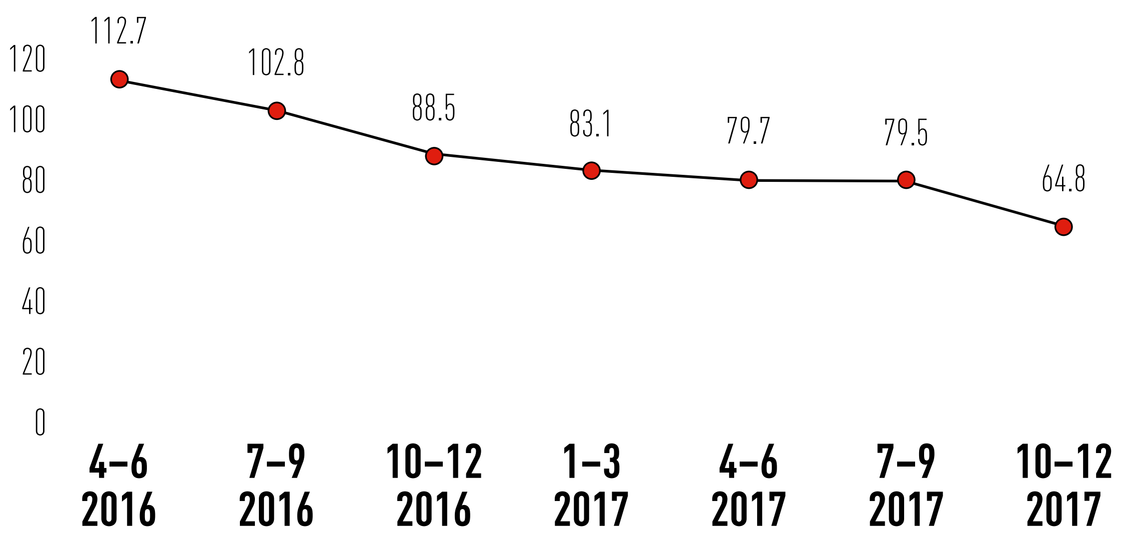
It is important to make a conscious effort to provide space for creativity and passion.

The Rovio way of working also includes sharing good ideas and best practices and using them to improve one's work. The widespread application and refinement of ideas makes them even better. This means that good ideas can be developed together and there is a lot of room for innovation in this industry, as at best the innovations produce business benefits.

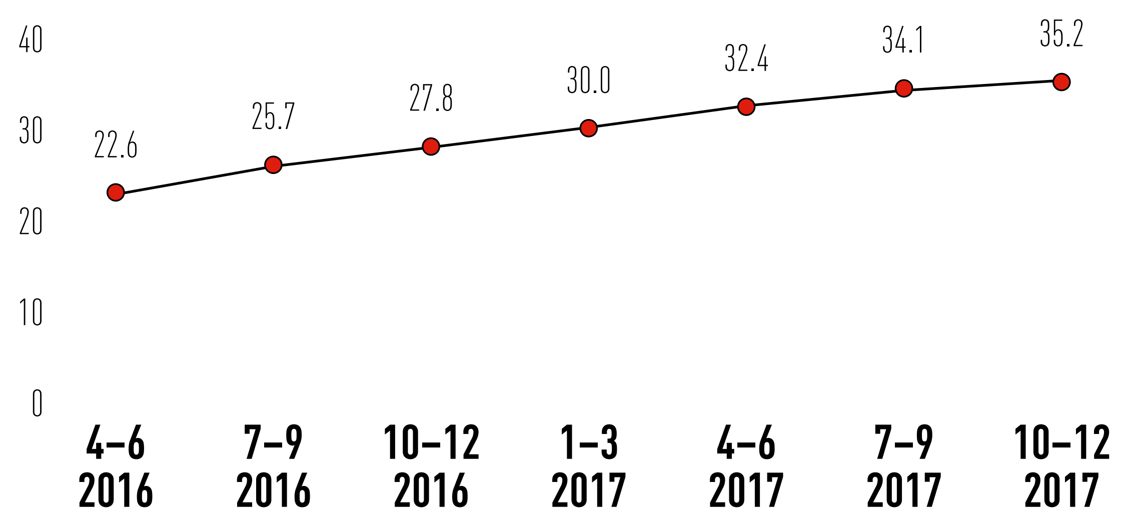
There is intense competition for high-end talent in the games industry, and we are always looking for competent professionals in Finland and abroad. The leaders of our game development studios cultivate the creative and technical expertise of our employees in various ways; for example, by giving them opportunities to develop their skills and come up with new insights at work. It is important to make a conscious effort to provide space for creativity and passion to enable innovative products.

Games key performance indicators

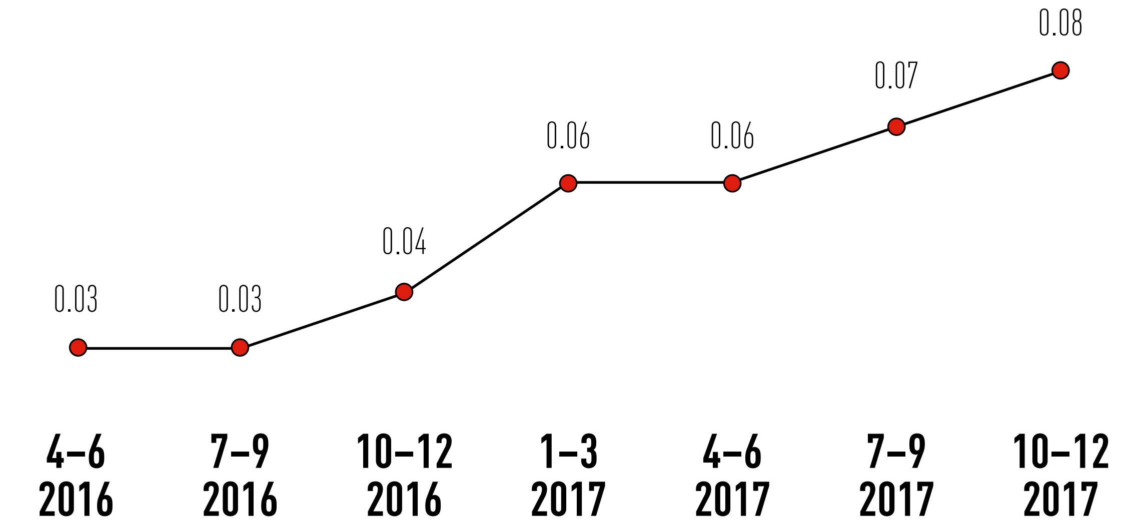
Monthly active users,
Millions



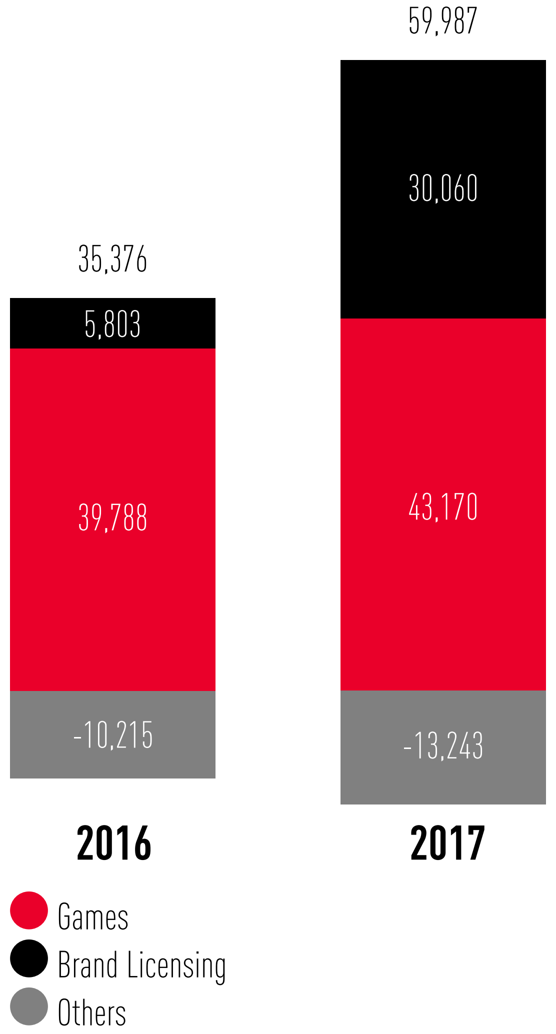
Monthly average revenue per unique payer,
EUR



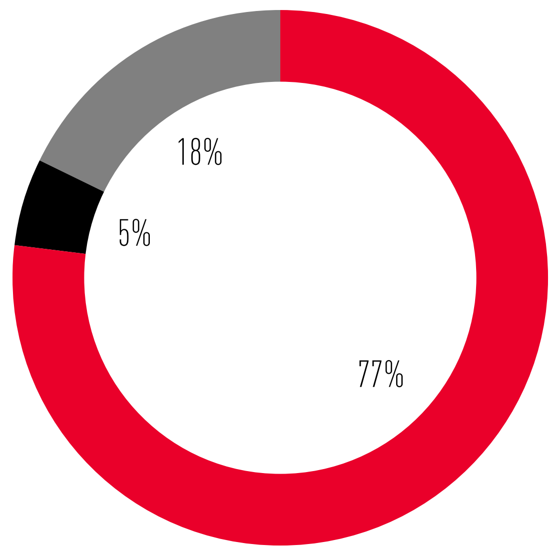
Average revenue per daily active user,
EUR



EBITDA development and structure,
Thousand euros

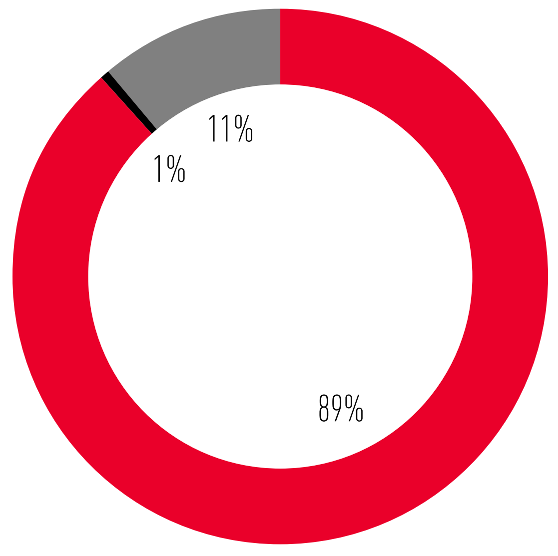


Revenue distribution,
EUR million



2016

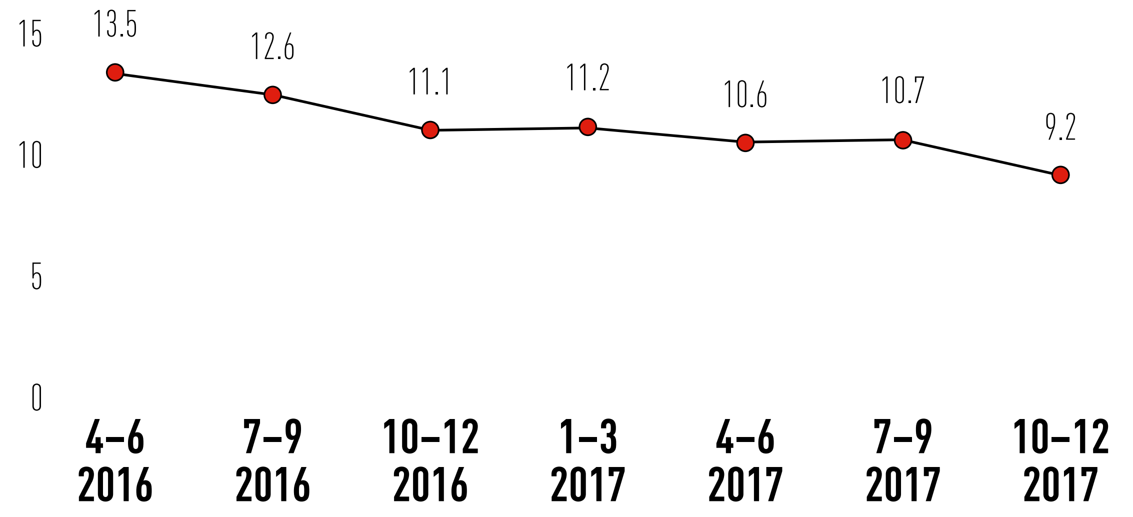
In-application purchases	122.7
Custom contracts	8.5
Advertising	27.9
Total	**159.0**



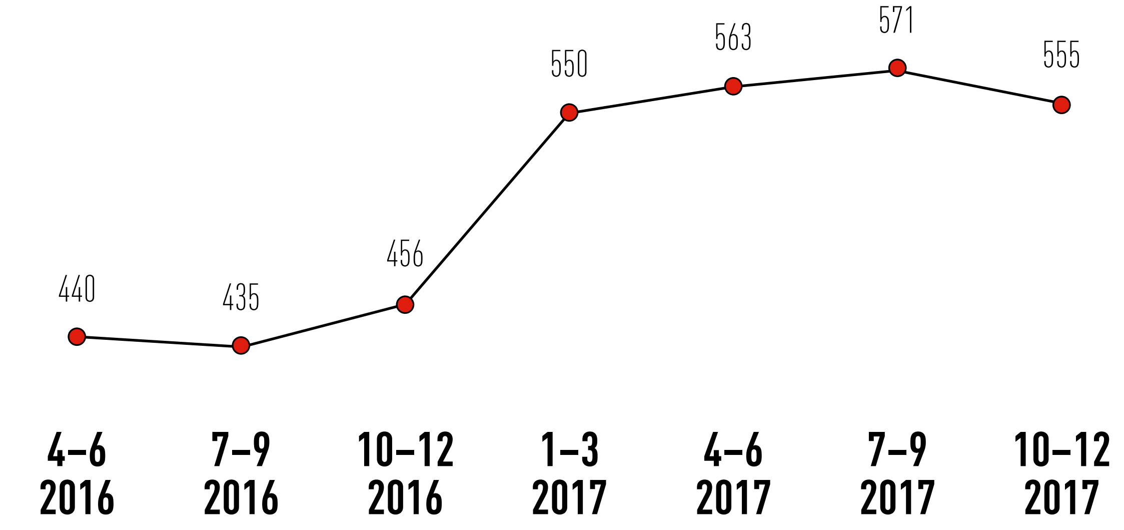
2017

In-application purchases	219.7
Custom contracts	1.4
Advertising	27.0
Total	**248.0**

Daily active users,
Millions



Monthly unique payers,
Thousand



Licensing supports games and brand

Simo Hämäläinen
Head of Brand Licensing

The entertainment industry is changing rapidly and it is important to grab hold of new opportunities when they present themselves. Rovio's business model has changed over the years and evolved into its current form, where the Games and Brand Licensing businesses are strategically separated from each other. Our licensing activities began in late 2010 and they now represent 10–20 percent of our business annually.

We restructured our licensing operations in 2017. With more than 300 licensees and the downsizing of our in-house content production operations, our licensing business is now more streamlined and profitable than it was a couple of years ago. Licensees manufacture products and produce content, but product development is done in cooperation with Rovio.

Licensing is an effective approach for globally recognized brands such as Angry Birds.

Angry Birds is the world's largest gaming license brand

The core idea of our licensing operations is to give licensees the right to use the Angry Birds brand in exchange for royalties, which helps the brand gain visibility while keeping our costs low. Licensing is an effective approach for globally recognized high-demand brands such as Angry Birds. Having financed the first Angry Birds Movie ourselves, we have subsequently switched to a licensing model.

According to analyses published in the licensing industry, we are the world's largest licensed gaming brand (The Licensing Letter, 2016). On a larger scale, licensed content and various consumer products also serve Rovio's brand awareness and the growth of our Games business. As digitality is a natural aspect of our brand, we are already where many licensing companies are trying to get to.

Joe Lawson leads the content licensing and brand development in USA.

The Angry Birds movies are a good example of the shift in our licensing activities. We produced the first movie almost entirely ourselves, which entailed large investments. We have licensed the Angry Birds brand to Columbia Pictures/Sony, who will produce, market and distribute the sequel to the Angry Bird Movie. The release of the sequel planned for September 2019 will further strengthen our brand awareness.

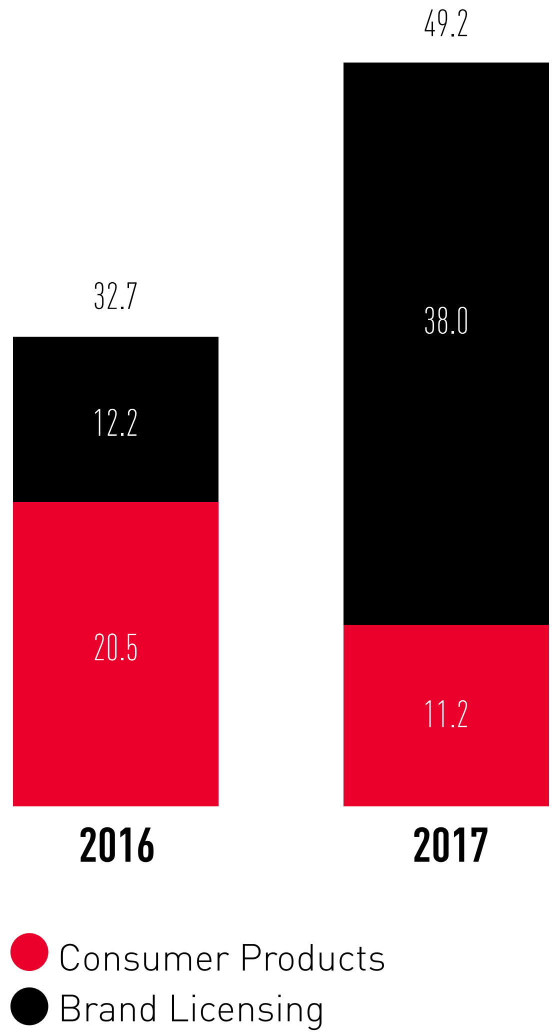
Expanded storytelling and player retention

Movies strengthen brand awareness and boost merchandise sales. Going forward, we intend to expand our licensing and achieve even greater engagement and retention among our audience by producing products for different target groups, among other things.

Licensed products play their own role in the game players' engagement and loyalty. Products outside of games add visibility for the brand, maintain players' interest and attract new fans from outside the target audiences to consume the brand.

As a games-first entertainment company, our task is to develop better and better games and to stay on the leading edge of innovation as we move toward the future of the games industry. Licensing supports games and the brand by introducing more dimensions to the brand. The possibilities of licensing go far beyond the games industry, which means that we can seek inspiration from a number of different directions.

Revenue development, Brand Licensing,
EUR million



Nordic workplace culture

Marjo Kuosmanen
Head of HR

Satisfied employees are essential for successful business. Our approach to teamwork is based on finding the right balance between listening to each other and challenging each other. We want to be an employer that adapts to our employee's 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 Nordic workplace culture. The work is done within normal working hours and we encourage our employees to build a healthy work-life balance, which also helps maintain their work ability. We also support the reconciliation of work and family life by providing remote work opportunities and flexible hours.

Rovio's employees represent 35 different nationalities.

Personnel in figures

Rovio had 391 employees at the end of 2017. Of this total, 94 percent were in a permanent employment relationship and six percent were fixed-term employees. The typical reason for fixed-term employment is substitution for family leave.

Some 78 percent of our employees work in the Games business unit, approximately nine percent in the Brand Licensing business unit, and about five percent in Hatch Entertainment. The remaining eight percent work in other functions and administration. Of our employees, 70 percent were men and 30 percent were women. The percentage of women among Rovio's employees is substantially higher than the industry average. Rovio's employees represent 35 different nationalities. Most of our employees are under 45 years of age: 46 percent are aged under 35, and 54 percent are between the ages of 35 and 61.

The management of employees is guided by Rovio's values

The Vice President for Human Resources is part of Rovio's management team, which means that the HR perspective is an integral aspect of decision-making at the executive level. The team leaders apply the company's values in managing their teams, and we also encourage all of our employees to independently take responsibility for their well-being and ability to cope with the demands of work.

Rovio's values provide important guidance for our work. We promote a healthy work-life balance, the use of flexible working hours and locations as well as career opportunities within the company. We place a high priority on making work rewarding and ensuring inclusivity in the workplace. We comply with international ILO agreements and the labor laws valid in our countries of operation.

We encourage into equality and diversity, at the same time preventing discrimination based on gender, age, religious beliefs, nationality, sexual orientation, parenthood or any other reason.

Intense competition for employees in the games industry

There is a great deal of competition for high-end talent in our industry, and employee turnover is typically high. Through our remuneration system, we aim to offer competitive pay while also ensuring that working at Rovio is meaningful and in line with the agreed-upon job description. There are no barriers to career development and increasing one's expertise at Rovio. In the Games business in particular, it is also possible for employees to try working on different teams.

We have developed processes and means to provide practical support to international recruits and their famililies, making it easier for them to get settled.

We place a high priority on making work rewarding and ensuring inclusivity in the workplace.

Well-being and competence development

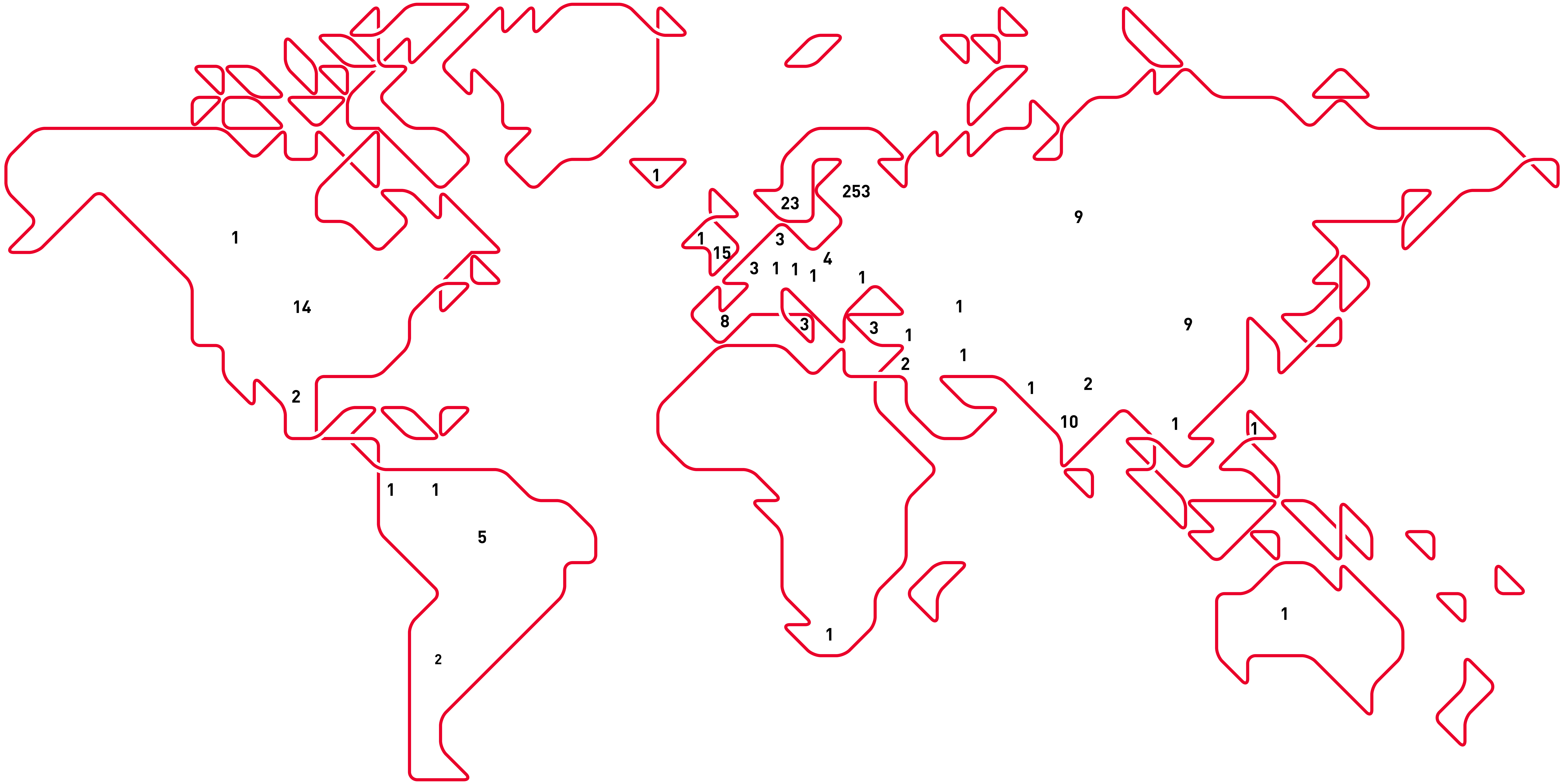
We focus on employee engagement in all matters concerning personnel and we maintain an ongoing dialog to ensure a high level of job satisfaction. Managers hold performance reviews with employees on a regular basis, and all employees complete a quarterly Pulse Survey to allow the company to measure job satisfaction and determine which areas need further improvement.

Our employees have access to extensive occupational health care services that are complemented by comprehensive insurance coverage. Occupational healthcare focuses on preventive measures and aims to maintain good work ability. Rovio employees have access to sports and cultural activity vouchers, and the company provides financial support to voluntary cultural and sporting clubs organized by Rovio employees.

All of our employees have the opportunity to participate in online training as well as classroom training, and we also cover the costs of Finnish and English language courses as necessary. Each supervisor has the authority to make independent decisions on training for employees who justify their training needs. Instead of arranging separate training for managers and employees, we give everyone the opportunity to participate in the same training.

We aim to provide our employees with satisfying jobs that allow them to challenge themselves and support their career development.

Rovio employee nationalities



Argentina	2
Australia	1
Austria	1
Brazil	5
Canada	1
China	9
Colombia	1
Finland	253
France	3
Germany	3
Great Britain	15
Hungary	1
Iceland	1
India	10
Iran	1
Ireland	1
Israel	2
Italy	3
Kazakhstan	1
Lebanon	1
Mexico	2
Nepal	2
Pakistan	1
Philippines	1
Poland	4
Russian Federation	9
South Africa	1
Spain	8
Sweden	23
Switzerland	1
Turkey	3
Ukraine	1
United States of America	14
Venezuela	1
Vietnam	1

Petri Hyökyranta leads Games technology team and ensures that Rovio is prepared for the GDPR's entry into force.

A responsible gaming and entertainment company

Every day, millions of people play our games or are within the sphere of influence of Angry Birds licensed products. We strive to take corporate responsibility into consideration in all of our business development efforts. Going public brought new obligations and expectations regarding responsibility. We will further expedite our efforts in the area of responsibility to ensure an even stronger response to our stakeholders´ expectations of Rovio as a listed company.

Rovio has taken a leading role in the gaming industry's preparations for the GDPR.

We have engaged in corporate responsibility efforts since 2014, which was also the year we joined the Finnish corporate responsibility network FIBS. The emphasis of our corporate responsibility is on the value chain of licensed products, including aspects such as human rights and product safety. However, over the past couple of years, we have also started to focus on issues related to responsible gaming.

Key aspects of corporate responsibility that we have previously identified include, among other things, employee satisfaction and diversity (more information on personnel is provided on pages 22–24 of this Annual Review), the suitability of Angry Birds games for audiences of all ages, data protection in relation to gaming, the safety of licensed products including both manufacturing and use, good partnership projects and the environmental impact of our operations.

Our environmental impact

Compared to other forms of digital gaming, gaming on mobile devices consumes approximately one tenth (a typical smartphone) or half (a tablet device) of the electricity consumed by a laptop computer during gaming. Console gaming consumes as much as a hundred times more electricity than mobile gaming. We actively monitor the environmental impacts of the suppliers of the server capacity required by mobile games as well as the measures they take to mitigate these impacts.

We also strive to pay increasing attention to the environmental impact of our own operations, such as the energy efficiency of our business premises and the reduction of air travel. In 2017, the electricity consumption of our head office in Espoo totaled 841,253 kWh (2016: 830,008 kWh, 11 months). As we operate in an international industry, travel is part of our business. Nevertheless, we aim to use online meetings as much as possible. Air travel by Rovio's personnel was reduced by more than 20% from 2016 to 2017.

Responsibility in the supply chain

The Angry Birds brand is currently licensed by more than 300 partners around the world, and we want to be absolutely certain that our licensing partners meet the criteria we have set for them. All of our partners agree to comply with our Code of Conduct, and we also conduct regular audits of our suppliers. No significant deviations from contractual provisions were observed in the audits carried out in 2017. Approximately 70 factories were audited in 2017 by third-party reviews. Rovio did not make any factory visits of its own.

We require those of our partners that operate in countries identified as high-risk to observe human rights and labor law. Our licensing partners are also obligated to comply with the product safety requirements we have set.

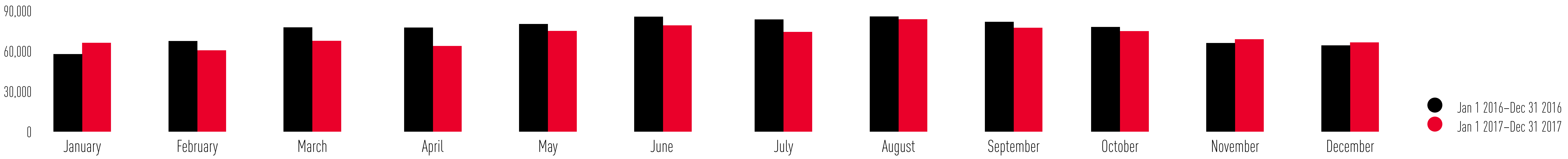
One of the principles concerning the content of licensed Angry Birds animated shows and movies is that the humor and language must be appropriate for all audiences.

Rovio as a gaming industry pioneer in preparing for the GDPR

The application the new EU General Data Protection Regulation (GDPR) in May 2018 will require all companies to disclose what customer information they collect and how the information is stored. Players of mobile games will also have the right to demand to see their information and have it be deleted, among other things.

We began preparing for the GDPR in late 2016 by inviting industry peers to explore ways of responding to the obligations brought about by the new regulations in a way that would be consistent from the perspective of the customer, i.e. the player. In April 2017, we organized a joint workshop on the subject with several other Finnish game developers. The industry's first international GDPR seminar was subsequently hosted by Rovio in October 2017. The working group's agenda for early 2018 includes, among other things, supporting country-specific gaming industry organizations in arranging local training events and establishing a website on data protection for use by gaming companies.

Electricity consumption in the Espoo office,
kWh



Responsible gaming

Responsible gaming is an increasingly important focus area for Rovio's corporate responsibility. It is a multifaceted subject that Rovio approaches from the perspective of its own traditions. In addition to observing data protection, we want to create a safe environment for the players of our games to enjoy their gaming experience regardless of their age. While Rovio's Angry Birds games are designed and marketed for adult players, they are always appropriate for all audiences. Rovio keeps a close eye on regulatory developments, such as EU-level regulations related to safe internet use and the protection of minors. In 2017, we were involved in the creation of an EU-level initiative aimed at protecting young gamers on online gaming platforms. With respect to refunds for in-game purchases that are accidental or otherwise subsequently regretted by the customer, we comply with the policies and practices of the application stores. At the beginning of 2018 we joined other games publishers in the Fair Play Alliance to promote a fair discussion culture and awareness of appropriate conduct related to social gaming.

Responsibility efforts to be expedited in 2018

In 2018, we will conduct a materiality analysis of corporate responsibility to help us define the focus areas, key topics and targets of our corporate responsibility efforts. As part of the development of our corporate responsibility program, we will define Rovio's purpose, which will take the responsibility perspective into account. We began this process in March 2018 by extensively surveying the views of our personnel.

One of our traditions in the area of responsibility has been to campaign for good deeds and charitable causes that are worth supporting. We will continue our work in this area in 2018 and encourage the global user base of Rovio's games to participate in various charity campaigns.

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
- A 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, a member of the Board of Directors thereof 2005–2007 and CEO thereof 2005–2007
- A member of the Board of Directors and CEO of Mandatum Pankki Oyj 1999–2001 and Executive Director thereof 1998–2000

Positions of trust
- A member of the Board of Directors of Sanoma Oyj
- The Chairman of the Mannerheim Foundation
- Member of the Supervisory board of Finnish Cultural Foundation

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 and the Chairman of Rovio's Board of Directors in 2005–2006 and 2008–2017
- Independent investor, Rovio's main shareholder

Primary work experience
- The 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
- The Chairman of the Board of Hatch Entertainment Oy since 2016
- The Chairman of the Board of Moor Holding Ab since 2016
- The Chairman of the Board of Moor&Moor Ab since 2012
- The Chairman of the Board of MobiTizer Ltd since 2006

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

Positions of trust

- Founder and the Chairman of the Board of Directors of Fiilinki Oy
- CEO and the Chairman of the Board of Directors of So Ihana Oy
- CEO and the Chairman of the Board of Directors of Brilliant Problems Oy
- A member of the Board of Directors of Oivor AB

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

- A member of the Board of Directors and Chairman of the Audit and Risk Committee of Fortum Oyj.
- Chairman of the Board of Directors and the Audit Committee of RR Holding Oy

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, a member of the Board of Directors and founder of BrandBastion Ltd
- The Chairman of the Board of Directors of Oy Group Dash Ab
- A member of the Board of Directors and CEO of Jenny Wolfram Ab
- The Chairman of the Board of Directors and CEO of Oy Wolfram Ab

Positions of trust

- Recognized by Forbes 30 under 30 in Marketing in 2017.

Niklas Zennström

Member of the Board of Directors

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

Born 1966, Swedish citizen

- Member of Rovio's Board of Directors since 2011
- Independent of the Company and its major shareholders

Primary work experience

- CEO and founding partner of Atomico
- Co-founder and former CEO of Skype
- Co-founder of Joost, Kazaa, and Joltid Ltd
- CEO of the European portal and everyday.com

Positions of trust

- President of the European Tech Alliance
- Co-founder of Zennström Philanthropies

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 Entertainment Oy 2015
- Chief Legal Officer at Rovio Entertainment Oy 2012–2015

Primary work experience

- Several positions in 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

René Lindell

CFO

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

Rauno Heinonen

SVP, Corporate Communication
M.Soc.Sc. (Communications)
Born 1964, Finnish citizen
Joined Rovio 2017

- Senior Vice President, Corporate Communication & IR since September 2017
- Member of Rovio's Leadership Team since 2017

Primary work experience

- Senior Vice President, Corporate Communication, IR & CR at Alma Media Oyj 2007–2017
- Account Director at Miltton 2006–2007
- Head of IR and Communication at Satama Interactive Oyj 2005–2006
- SVP Corporate Communication and Branding at M-real Oyj 2000–2003
- Head of Communication and Group Marketing at ICL Data Oy 1995–2000

Simo Hämäläinen

Head of Brand Licensing
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

Marjo Kuosmanen

Head of HR
BBA
Born 1977, Finnish citizen
Joined Rovio in 2014

- Head of HR since 2016
- Member of Rovio's Leadership Team since 2016
- HR director of Games Business Unit 2014–2016

Primary work experience

- HR manager at Global Functions at UPM Kymmene Oyj 2011–2013
- Various HR positions at Nokia Oyj since 2006, latest Global HR Manager 2009–2011

Minna Raitanen

General Counsel
LL.M.
Born 1974, Finnish citizen
Joined Rovio in 2012

- General Counsel since 2016
- Member of Rovio's Leadership Team since 2016
- Senior Legal Counsel 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

Mikko Setälä

Chief Corporate Development Officer
M.Sc. (Eng.)
Born 1956, Finnish citizen
Joined Rovio in 2006

- Chief Corporate Development Officer since 2015
- Member of Rovio's Leadership Team since 2016
- President of Rovio's North America subsidiaries 2013–2015
- CFO of Rovio 2011–2012
- Chairman of the Board of Directors of Rovio Entertainment 2006–2008

Primary work experience

- Dream Team Leader at Supermatrix 2009–2011
- Member of the Board of Directors and CEO of Setala Capital Oy since 2005
- COO and CEO at TJ Group plc. 2000–2004
- Various executive positions at Lotus Development 1992–2000

Wilhelm Taht

Head of Games until 2 March 2018
M.Sc. (Econ.)
Born 1980, Finnish citizen
Joined Rovio in 2014

- Member of Rovio's Leadership Team since 2016

Corporate Governance statement 2017

Introduction

The ultimate responsibility for the management and operations of Rovio Group of companies is with the governing bodies of the parent entity Rovio Entertainment Corporation ("Rovio"); the General Meeting of Shareholders, the Board of Directors with its two Committees, the Audit Committee and the Remuneration Committee, and the CEO, supported by the Leadership Team. This Corporate Governance Statement has been prepared in accordance with the Corporate Governance reporting requirements of the Finnish Corporate Governance Code 2015 and related instructions issued by the Securities Markets Association and includes descriptions of Rovio's Corporate Governance and internal control procedures, as well as the main features of its risk management systems. The Corporate Governance Code 2015 can be read on page https://cgfinland2.fi/en/

The Audit Committee and Board of Directors of Rovio have reviewed this Corporate Governance Statement, and it has been prepared separately from the Report of the Board of Directors. Rovio's auditor, Ernst &Young Oy, has ensured 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 have approved this Corporate Governance Statement in its meeting on March 1, 2018.

The Corporate Governance Statement and Rovio's financial statements and Report from the Board of Directors for the financial period January 1–December 31, 2017, were published March 26, 2018 and they are also available on https://www.rovio.com/investors/releases-and-publications

Rovio applied for listing of its shares to Nasdaq Helsinki Ltd and organized an initial public offering on September 18–28, 2017. Trading of shares on the Nasdaq Helsinki pre-list commenced on September 29, 2017, and on the official list on October 3, 2017. Rovio commits to 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. We also observe the rules and regulations of the Helsinki Stock Exchange (NASDAQ Helsinki) and the Financial Supervisory Authority, the Corporate Governance Code for Finnish Listed Companies 2015. Rovio does not deviate from any of the recommendations of the Corporate Governance Code 2015.

Corporate Governance at Rovio

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 highest decision-making body Rovio.

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 from 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 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 its 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 Meeting of Shareholders in 2017

Rovio's Annual General Meeting was held on May 30, 2017 and an Extraordinary General Meeting on September 8, 2017. The Annual General Meeting and the Extraordinary General Meeting were held before Rovio's shares were listed on Nasdaq Helsinki Ltd.

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 Board of Directors is defining and directing strategy for the Rovio Group and duly arranging the business, administration and operations of the whole Rovio Group. The Board of Directors constitutes a quorum when more than one-half of the members are present.

The Board Charter further 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 business unit business plans and budgets and monitor their implementation, decide authority frames for capital expenditure for the Rovio Group, decide principals of authorization, approval and signing levels and monitor their implementation, decide on any major individual investment or expenditure as well as on any other major and strategically significant investments, decide on major business acquisitions and divestments, major sales contracts, significant financing arrangements by any of the Rovio Group companies.

In addition, the Board of Directors shall decide on appointment and dismissal of the Chief Executive Officer, his/her possible deputy and the 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 decides the incentive schemes and remunerations based on proposals by the Remuneration Committee.

The Board shall decide on Rovio Group's ethical values, establishment of the dividend policy, evaluating and approving Rovio's interim reports and annual accounts, monitoring issues pertaining to significant risks and risk management activities and ensuring that adequate policies for risk management are in place.

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 nomination board committee and thus the Board of Directors prepares and presents to the General Meetings the proposals for remuneration, size and members of the Board of Directors.

The Board evaluates the independence of its members annually in accordance with the Corporate Governance recommendations. Among the members of Rovio's Board of Directors, Mika Ihamuotila, Kim Ignatius, Jenny Wolfram and Niklas Zennström are independent of Rovio and its significant shareholders. Kaj Hed and Camilla Hed-Wilson are beneficial owners of Trema International Holdings B.V., Rovio's largest shareholder, and thus they are deemed not independent of Rovio's major shareholder.

Board of Directors meetings in 2017

Until the Annual General Meeting held on May 30, 2017, the Board of Directors comprised of the following four members; Kaj Hed (chairman), Camilla Hed-Wilson, Mika Ihamuotila and Niklas Zennström. The Annual General meeting on May 30, 2017 re-elected Kaj Hed, Camilla Hed-Wilson, Mika Ihamuotila and Niklas Zennström and, in addition, Kim Ignatius and Jenny Wolfram were elected as new members of the Board of Directors. Mika Ihamuotila was elected as the chairman and Kaj Hed was elected as the vice-chairman of the Board in the Board of Director's meeting on May 30, 2017.

The Board of Directors met or held a teleconference or passed unanimous resolutions without convening 33 times. The attendance rate was 96,3%. The main focus of the Board of Directors in 2017 was the preparation and execution of the Initial Public Offering (IPO) as well as focusing on the strategies of the business units and Hatch Entertainment Oy, evaluating and preparing potential M&A activities, reviewing and deciding on remuneration models for personnel and management and balancing of risk and financing of the Rovio Group.

Participation in 2017	Meetings of the Board of Directors
Mika Ihamuotila	33/33
Kaj Hed	33/33
Camilla Hed-Wilson	30/33
Niklas Zennström	30/33
Kim Ignatius	26/26 (since May 30, 2017)
Jenny Wolfram	25/26 (since May 30, 2017)

Fees paid to the Board of Directors in 2017 totaled EUR 402,500.00.

Board of Directors in 2017

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, A 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, a member of the Board of Directors thereof 2005–2007 and CEO thereof 2005–2007, A member of the Board of Directors and CEO of Mandatum Pankki Oyj 1999–2001 and Executive Director thereof 1998–2000
Positions of trust: A member of the Board of Directors of Sanoma Oyj, The Chairman of the Mannerheim Foundation, Member of the Supervisory board of Finnish Cultural Foundation
Share ownership (December 31, 2017): 245,190 shares owned through Muotitila 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 and the Chairman of Rovio's Board of Directors in 2005–2006 and 2008–2017, Independent investor, Rovio's main shareholder
Primary work experience: The 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: The Chairman of the Board of Hatch Entertainment Oy since 2016, The Chairman of the Board of Moor Holding Ab since 2016, The Chairman of the Board of Moor&Moor Ab since 2012, The Chairman of the Board of MobiTizer Ltd since 2006
Share ownership (December 31, 2017): 12,919,011.2 shares owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and forty percent (40%) of the shares of Trema International are controlled by Kaj Hed.

** Company name changed to PowerBank Ventures Ltd on January 23, 2018*

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
Positions of trust: Founder and the Chairman of the Board of Directors of Fiilinki Oy, CEO and the Chairman of the Board of Directors of So Ihana Oy, CEO and the Chairman of the Board of Directors of Brilliant Problems Oy, A member of the Board of Directors of Oivor AB
Share ownership (December 31, 2017): 6,459,505.6 shares owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and twenty percent (20%) of the shares of Trema International 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: A member of the Board of Directors and Chairman of the Audit and Risk Committee of Fortum Oyj, Chairman of the Board of Directors and the Audit Committee of RR Holding Oy
Share ownership (December 31, 2017): 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, Independent of the Company and its major shareholders
Primary work experience: CEO, a member of the Board of Directors and founder of BrandBastion Ltd, Chairman of the Board of Directors of Oy Group Dash Ab, A member of the Board of Directors and CEO of Jenny Wolfram Ab, The Chairman of the Board of Directors and CEO of Oy Wolfram Ab
Positions of trust: Recognized by Forbes 30 under 30 in Marketing in 2017
Share ownership (December 31, 2017): 0 shares

Niklas Zennström, Member of the Board of Directors
Dual degrees in Business and M.Sc. (Eng.)
Born 1966, Swedish citizen
Member of Rovio's Board of Directors since 2011, Independent of Rovio and its major shareholders
Primary work experience: CEO and founding partner of Atomico, Co-founder and former CEO of Skype, Co-founder of Joost, Kazaa, and Joltid Ltd, CEO of the European portal and everyday.com
Positions of trust: President of the European Tech Alliance and co-founder of Zennström Philanthropies
Share ownership (December 31, 2017): 0 shares

Evaluation of Board's work

The Board of Directors conducted a self-evaluation survey for its work during 2017 in order to further develop its work. Based on that assessment, the Board will set certain focus areas and amend certain processes in an effort to further enhance the efficiency of the board work and to strengthen the diversity.

Principles on Diversity of the Board of Directors

The Board of Directors has defined its principles on diversity in the Board Charter as well as in its Principles of Diversity policy. 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 in the Board of Directors.

The Annual General Meeting held on May 30, 2017 elected six Board members: four men and two women. Board members have degrees in four different areas of study, with a majority of the degrees in economics. All members have professional experience in various types of positions and from various industries. The Board members are from two countries: Finland and Sweden. The members represent different ages between 27 and 62 years of age, and their length of service on the Rovio Board of Directors is 1–12 years.

Board committees

Rovio has two board committees: Audit Committee and Remuneration Committee. Board committees were established on May 30, 2017.

Audit Committee

The Board Audit Committee assists the Board of Directors in matters relating to financial reporting and control in accordance with the duties specified for audit committees in the Finnish Corporate Governance Code of 2015 issued by the Securities Market Association and the Finnish Limited Liability Companies Act. The purpose of the Audit Committee is to assist the Board of Directors in ensuring the appropriate arrangement of the governance, controls and risk management according to the Finnish Limited Liability Companies Act. The Board of Directors has confirmed the Audit Committee's key duties and operating principles in the Board 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 Audit Committee members shall be independent of the company and at least one member shall be independent of significant shareholders.

The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

In its meeting on May 30, 2017, Rovio's Board of Directors established the Audit Committee and appointed Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members of the Audit Committee.

In 2017, the Audit Committee met two times and focused on the following topics; reviewing and preparations for the execution of Initial Public Offering (IPO) of Rovio, reviewed reports prepared by the auditors, the interim reports and related investor presentations, reviewed and approved plans for Internal Audit and Internal Controls; reviewed treasury matters; reviewed the risk management process and discussed risk analysis; reviewed th e risk management, internal audit, internal control and related party transaction policies and reviewed company's Corporate Governance structure and set the annual schedule for the Audit Committee meetings.

The attendance of members in Audit Committee meetings was the following:

Participation in 2017	Meetings of the Audit Committee
Kim Ignatius	2/2
Mika Ihamuotila	1/2
Jenny Wolfram	2/2

Remuneration Committee

The Board Remuneration Committee is responsible for recommending and evaluating executive nominations and compensations including CEO's, evaluating the performance of the CEO and making recommendations to the Board of Directors on management compensation matters.

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

In its meeting on May 30, 2017, Rovio's Board of Directors established the Remuneration Committee and appointed Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members of the Remuneration Committee.

In 2017, Remuneration Committee met three times and focused on the following topics; total compensation structures and levels for the Leadership Team, including external benchmarking (+ compensation model proposal), reviewed and proposed the long term and short term incentive models to the Board, review talent management and competence development plan, reviewed and discussed employee survey results, succession planning and review of the people strategy at Rovio.

The attendance of members in Remuneration Committee meetings was the following:

Participation in 2017	Meetings of the Remuneration Committee
Kim Ignatius	3/3
Mika Ihamuotila	2/3
Jenny Wolfram	3/3

Chief Executive Officer (CEO) and the Leadership Team

CEO

The 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 of the company. The Board of Directors shall decide 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, the Board of Directors of Rovio appointed Ms. Kati Levoranta, as the CEO of Rovio. She assumed the duties of CEO as of January 1, 2016.

Leadership Team

The Leadership Team consists of the CEO, CFO, Head of Games, Head of Brand Licensing and the Chief Corporate Development Officer, General Counsel, Head of HR and SPV, Corporate Communications & IR. 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.

The current leadership team started operating as of April 1, 2017. During the first quarter of 2017 the leadership team comprised of CEO, CFO, Head of Games, Head of Animation, Chief Corporate Development Officer, Chief Strategy Officer, General Counsel and Head of HR. The main focus of the leadership team in 2017 was the implementation of the Games First Entertainment Company strategy, including the global restructuring of the Rovio Group in 1H/2017 and thereafter the preparation and execution of the Initial Public Offering (IPO) of Rovio.

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 Entertainment Oy 2015, Chief Legal Officer at Rovio Entertainment Oy 2012–2015
Primary work experience: Several positions in 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
Share ownership (December 31, 2017): 0 shares
Number of options (December 31, 2017): 90,000 from option programme 2017 and 270,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 40,000

René Lindell, CFO
M.Sc. (Econ.), Ph.D. (Tech.)
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, 2017): 0 shares
Number of options (December 31, 2017): 40,000 from option programme 2017 and 140,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 14,000

Rauno Heinonen, SVP, Corporate Communication and IR
M.Soc.Sc. (Communications)
Born 1964, Finnish citizen
Joined Rovio in 2017
Senior Vice President, Corporate Communication & IR since September 2017, Member of Rovio's Leadership Team since 2017
Primary work Experience: Senior Vice President, Corporate Communication, IR & CR at Alma Media Oyj 2007–2017, Account Director at Miltton 2006–2007, Head of IR and Communication at Satama Interactive Oyj 2005–2006, SVP Corporate Com-

munication and Branding at M-real Oyj 2000–2003, Head of Communication and Group Marketing at ICL Data Oy 1995–2000
Share ownership (December 31, 2017): 150 shares
Number of options (December 31, 2017): 25,000 from option programme 2017

Simo Hämäläinen, Head of Brand Licensing
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, 2017): 0 shares
Number of options (December 31, 2017): 40,000 from option programme 2017 and 40,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 15,000

Marjo Kuosmanen, Head of HR
BBA
Born 1977, Finnish citizen
Joined Rovio 2014
Head of HR since 2016, Member of Rovio's Leadership Team since 2016, HR director of Games Business Unit 2014–2016
Primary work experience: HR manager at Global Functions at UPM Kymmene Oyj 2011–2013, Various HR positions at Nokia Oyj since 2006, latest Global HR Manager 2009–2011
Share ownership (December 31, 2017): 20,000 shares
Number of options (December 31, 2017): 25,000 from option programme 2017 and 30,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,500

Minna Raitanen, General Counsel
LL.M.
Born 1974, Finnish citizen
Joined Rovio in 2012
General Counsel since 2016, Member of Rovio's Leadership Team since 2016, Senior Legal Counsel 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, 2017): 0 shares
Number of options (December 31, 2017): 40,000 from option programme 2017 and 80,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,500

Mikko Setälä, Chief Corporate Development Officer
M.Sc. (Eng.)
Born 1956, Finnish citizen
Joined Rovio in 2006
Chief Corporate Development Officer since 2015, Member of Rovio's Leadership Team since 2016, President of Rovio's North America subsidiaries 2013–2015 CFO of Rovio 2011–2012, Chairman of the Board of Directors of Rovio Entertainment 2006–2008
Primary work experience: Dream Team Leader at Supermatrix 2009–2011, Member of the Board of Directors and CEO of Setala Capital Oy since 2005, COO and CEO at TJ Group plc. 2000–2004, Various executive positions at Lotus Development 1992–2000
Share ownership (December 31, 2017): 0 shares

Number of options (December 31, 2017): 25,000 from option programme 2017 and 50,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,000

Wilhelm Taht, Head of Games until 2 March 2018
M.Sc. (Econ.)
Born 1980, Finnish citizen
Joined Rovio in 2014
Member of Rovio's Leadership Team since 2016
Primary work experience: Head of External Products at Rovio Entertainment Oy 2015–2016, Tribe Leader, External Products at Rovio Entertainment Oy 2014–2015, Chief Operating Officer at Playground Publishing in Marseille, France 2013–2014, Various positions in marketing at Digia Plc. 2012–2013, Director and Head of EMEA Marketing at RealNetworks, Inc. 2006–2010, Key Account Manager at Mr. Goodliving Ltd. 2004–2005, Founder of Cirque Créatif Oy and TARANOKO OÜ, Chairman of the Board of both companies until 2017
Share ownership (December 31, 2017): 0 shares
Number of options (December 31, 2017): 80,000 from option programme 2017 and 240,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 60,000

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 whole 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 upholds a risk portfolio to be able to assess Rovio's full risk position, instead of only identifying individual risks. Rovio's view is that controlled risk taking can have a positive effect on the organization's development and achievement of the set targets. Rovio also acknowledges that certain mitigating measures bear some risk in themselves.

Rovio 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 the Rovio 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, managed, monitored and reported to the Board of Directors as a part of the business operations at a Group and business unit level;

- set our goals and targets taking both business opportunities and risks into account
- take calculated and assessed risks within the limits of our strategy, e.g. in expanding business operations, in strengthening market position, and in creating new business
- In risk assessments, consider not only the financial impact but also the impact on people, environment and company reputation
- seek to avoid or reduce the impact of risks
- create a safe working environment for employees
- minimize opportunities for crime or malpractice through our control processes
- ensure the continuity of operations by safeguarding critical functions and resources
- make preparations for the realization of risks by crisis management, continuity and recovery plans, by training plan implementation and by using sufficient insurance coverage
- keep risk management costs and resources proportionate to the obtainable benefits
- provide information on risks and risk management to stakeholders in accordance with our corporate governance principles.

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 target 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 in identifying or taking 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 target 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, business partners or the general public. Preventing reputational risks requires compliance with Rovio's internal guidelines and corporate governance. The management of reputational risks relies especially on providing timely and right external communication.

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

Risk management in 2017

Rovio continued formalizing its risk management process in 2017, with specific measures taken around for instance GDPR regulation. As a part of the IPO readiness process, risk assessments have been conducted both internally and externally in various areas, to ensure that there are no material unknown and unreported risks and that the existing governance and reporting processes are robust enough.

Internal control

Rovio's Internal Control Policy defined the Internal control as a process designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Internal control in financial reporting aims at providing assurance that the financial reporting is reliable and in line with the generally accepted accounting principles, applicable laws and regulations as well as internal reporting principles. Rovio Group's internal control policy sets out the framework for Rovio's internal control function.

Rovio's strategic and business objectives as well as Rovio's Corporate Governance set the foundation for the Internal Control processes. Internal Control is defined as a process, affected by the Board of Directors, the Leadership Team and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. When the system of Internal Control is determined to be effective, the Leadership Team and the Board of Directors have reasonable assurance, relative to the application within the entity structure, that the organization:

- Achieves effective and efficient operations when external events are considered unlikely to have a significant impact on the achievement of objectives or where the organization can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level;
- Understands the extent to which operations are managed effectively and efficiently when external events may have a significant impact on the achievement of objectives or where the organization can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level;
- Prepares 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. Rovio's strategic and business objectives as well as Rovio's Corporate Governance principles set the foundation for the Internal Control processes.

Internal audit

Rovio's internal audit policy sets out the framework within which Rovio's internal audit provides objective and independent assurance and advice to the Audit Committee and to the Board of over the processes and systems of internal control and risk management operating within the Rovio Group.

Internal audit observations and follow-up measures and other related matters are reported to the Audit Committee. 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. Internal Audit reviews the plan regularly together with the Audit Committee and any suggested material amendments to it. The Audit Committee approves the plan, which is executed either by Rovio internally or outsourced to reliable partners, especially in areas that require fully independent and/or specialized knowledge and capabilities.

The scope of Rovio's Internal Audit Policy covers inter alia the assessment of systems, processes, controls, information and operations relating to the following:

- business units and legal entities that form part of the Group, and any other related interests

- IT systems and services
- risk management and assessment
- finance and accounting
- compliance and regulatory operations and oversight
- corporate governance
- Group planning and strategy, including project management
- human resources
- management information
- third party relationships
- ethics related objectives, programs and activities, and risk and control culture
- other functions that support the operation and infrastructure of the Group, including regulatory related models and frameworks.

Internal Audit in 2017

Rovio continued formalizing its internal audit process in 2017. No specific deep dive audits were conducted, but in preparation for the IPO, Rovio's processes and governance model were analyzed and further strengthened and specific measures taken in many areas to ensure compliance with the increased regulation after becoming publicly listed. Rovio has to date prepared the internal audit plan for the next 12 months and is currently analyzing areas of focus. Internal audit services are purchased from KPMG Oy.

Auditors

Rovio has one official 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.

In the Annual General Meeting on May 30, 2017, audit firm Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Rovio's auditor. The auditor with principal responsibility is Mikko Rytilahti. Ernst & Young Oy has been Rovio's auditor since 2013.

In 2017, Rovio paid a fee of EUR 388,110.58 for the auditing services. Additionally, Rovio paid to the auditor EUR 705,443.55 for other non-audit related fees.

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 prepaid supplementing internal 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 was conducted. In addition, 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 same 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 of one or more project-based insider lists. Rovio can 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 in the Company.

Related party transactions

Rovio's related party transaction policy describes the process of identifying and reviewing potential related party transactions, as an example business arrangement between a major shareholder or a managerial person and Rovio.

Rovio has to identify and report the related party transactions that are material from the perspective of Rovio and where such transactions deviate from Rovio's normal business operations or are not made on market or market equivalent terms. Even if an applicable related party transaction does not fall within the specifications above, Rovio is required to report the decision-making procedure applied in Related Party Transactions if reporting is necessary to provide a true and fair view.

In accordance with Rovio's related party transaction policy, if a transaction is potentially identified as related party transaction, the transaction will be referred to the Audit Committee for review and approval.

Disclosure matters

In its communications, Rovio complies with EU and Finnish legislation, stipulations contained in the regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) ("MAR"), and the Company's corporate governance principles, Nasdaq Helsinki Ltd. – Helsinki Stock Exchange rules and guidelines (incl. Nasdaq Helsinki Ltd. (the "Nasdaq Helsinki") – Insider Guidelines for listed companies), the guidelines of ESMA (European Securities and Markets Authority) and the Finnish Financial Supervisory Authority, and 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 in the disclosure policy govern Rovio and its subsidiaries.

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.

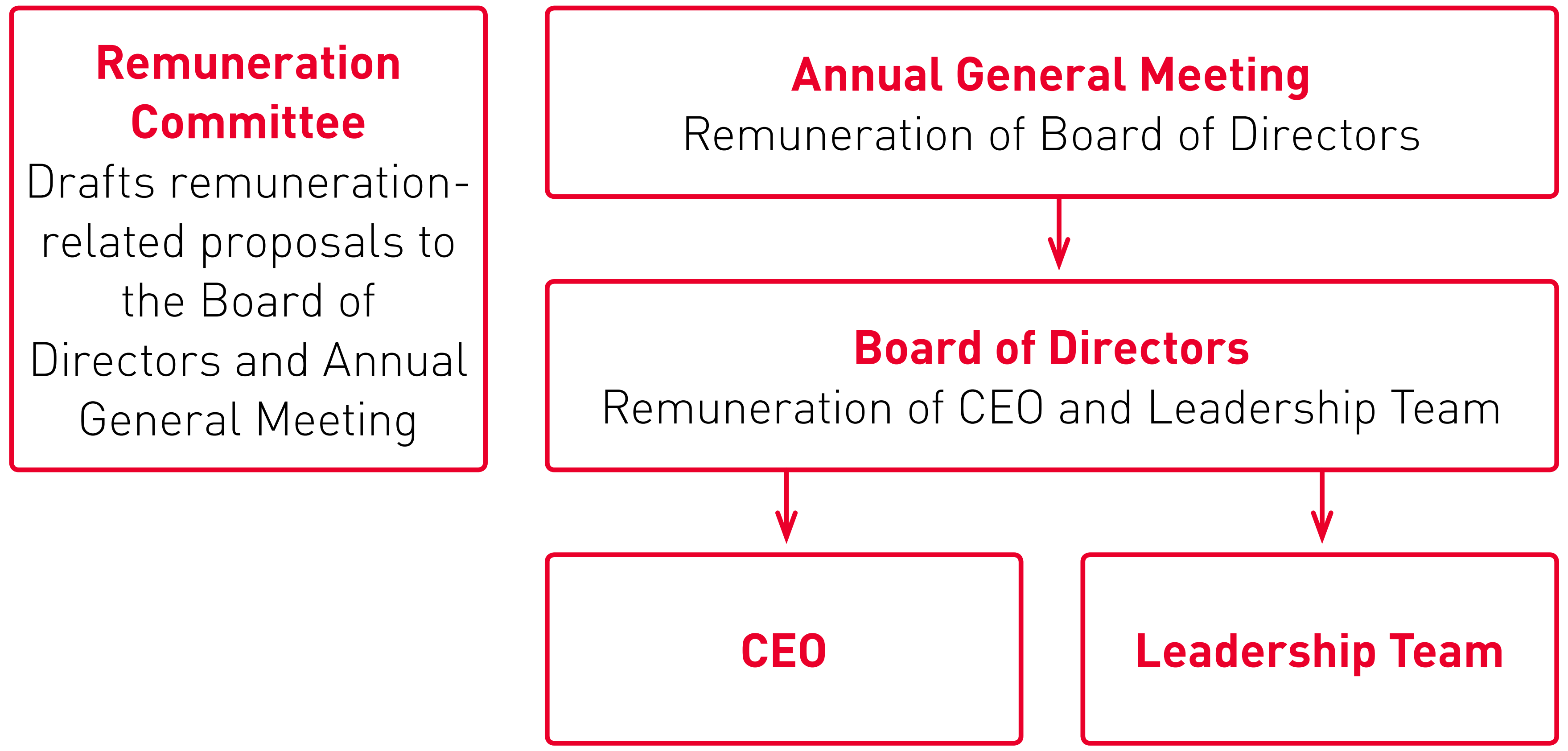
In accordance with a pre-announced schedule, Rovio discloses information on its financial performance and financial position in its financial statements and reports of the Board of Directors, financial statements releases, half year releases and interim reports.

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 2017

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 Corporation, 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.

Leadership Team and main remuneration principles

The group leadership Team consists of 8 persons (including the CEO) 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.

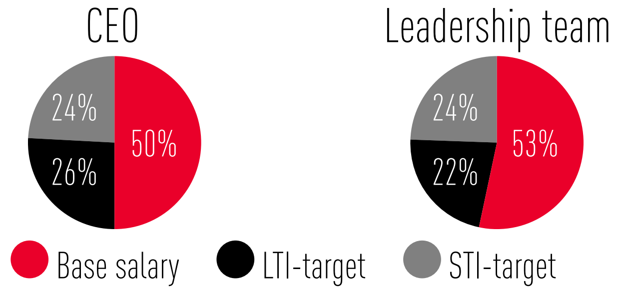
CEO and Leadership Team

Name	Role	Appointment date
Kati Levoranta	CEO	1 January 2016
Wilhelm Taht	Head of Games	1 January 2016
Mikael Hed	Head of Animation	1 January 2015
Simo Hämäläinen	Head of Brand Licensing	1 April 2017
Tomi Närhinen	CFO	19 May 2015
Rene Lindell	CSO CFO	1 January 2016 1 May 2017
Mikko Setälä	Chief Corporate Development Officer	1 January 2016
Minna Raitanen	General Counsel	1 January 2016
Marjo Kuosmanen	Head of HR	1 January 2016
Rauno Heinonen	SVP, Corporate Communication & IR	24 August 2017

Mikael Hed acted as a Head of Animation until March 30, 2017.
Tomi Närhinen acted as a CFO until April 30, 2017.
Rene Lindell acted as a CSO until April 30, 2017.
Wilhelm Taht acted as a Head of Games until 2 March 2018.

Remuneration elements of the CEO and the members of the Leadership Team in 2018

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.

Remuneration element	Purpose	Description
Base salary	To offer 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.	The CEO is eligible for the Leadership Team Short-term incentive plan (STI 2018). The bonus is determined linearly by the Group's adjusted EBITDA. The maximum bonus is 100% of the base salary. The Leadership Team members are eligible for the Leadership Team Short-term incentive plan (STI 2018). STI of Head of Games is determined linearly by the Games business unit's adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). STI of Head of Brand Licensing is determined linearly by the Brand Licensing Unit's adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). Other Leadership Team members' STI is determined linearly by the Group's adjusted EBITDA (100%). The maximum bonus for the Leadership Team members is 100% of the base salary.
Long-term incentives (LTI)	To align interests of the shareholders and employees, and reward employees for increasing the value of the company.	All employees are entitled to stock option plans. The number of options granted depends 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. 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.
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. The CEO's agreement shall expire by the end of the month of the CEO's 63rd birthday.
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. The company has the right to cancel the CEO's service agreement if the CEO materially violates the terms and conditions of the agreement. In such a case, the agreement is terminated immediately, and the Company does not have any payment obligation. For the other members of the company's Leadership Team, the notice period is three 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.	

Incentive plans in 2018

There is one short-term incentive plan in place in 2018

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. In Games business unit, the bonus is based on Games adjusted EBITDA (70%) and Group's EBITDA (30%). In Brand Licensing Unit (BLU), the bonus is based on BLU's Adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). For the employees in the Support Functions, the bonus is based on Group's EBITDA (100%).The bonus pool is capped to 50% of total employee salary expense and the pool size varies between 0–50% depending on either business unit and/or Group's pre-bonus adjusted EBITDA. In addition, the maximum individual bonus is 100% of base salary. The board sets the thresholds for minimum and maximum bonus annually.

There are two long-term incentive plans in place in 2018

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, and a restricted share plan for selected key employees.

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. As of 2017, all new stock option plans are directed to all employees.

The Annual General Meeting on May 7, 2012 authorized the Board of Directors to resolve on special rights granting options. Based on the authorization maximum of 3,920,000 options can be granted.

The Annual General Meeting on May 30, 2017 authorized the Board of Directors to resolve on share issue and special rights granting options. Based on the authorization maximum of 14,396,670 shares can be granted.

Option plan	Exercise period	Exercise price	Options granted	Max number of options	Holders
2012B	March 1, 2016–February 28, 2018	6 EUR	250,000	1,310,000	4
2012BII	March 1, 2016–February 28, 2018	6 EUR	100,000	500,000	0
2012C	March 1, 2018–February 28, 2020	6 EUR	45,000	1,390,000	6
2015A	August 1, 2017–July 31, 2019	2.94 EUR	2,982,000	3,250,000	60
2015AII	August 1, 2017–July 31, 2019	3 EUR	403,500	750,000	5 (Employees in U.S.)
2017A	October 1, 2019–September 30, 2021	The listing price	1,284,150	1,616,667	All employees excl. U.S.
2017B	October 1, 2019–September 30, 2021	The listing price	28,500	50,000	All employees in U.S.
2018A	October 1, 2021–September 30, 2022	Volume weighted average price September 1–30/2018	-	1,616,667	All employees excl. U.S
2018B	October 1, 2021–September 30, 2022	Volume weighted average price September 1–30/2018	-	50,000	All employees in U.S.
2019A	October 1, 2022–September 30, 2023	Volume weighted average price September 1–30/2019	-	1,616,667	All employees excl. U.S.
2019B	October 1, 2022–September 30, 2023	Volume weighted average price September 1–30/2019	-	50,000	All employees in U.S.

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.

	Restriction period	Max number of shares	Shares outstanding	Holders
Restricted share plan	12–36 months	500,000	303,800	30

Remuneration report

Remuneration of the Board of Directors in 2017

The Annual General Meeting on June 8, 2016 resolved that the Chairman of the Board of Directors receive a monthly compensation of EUR 14,000 and members of the Board of Directors a meeting fee of EUR 3,500 per meeting.

The Annual General Meeting on May 30, 2017 resolved that the members of the Board of Directors are entitled to the following monthly compensations:

- Chairman of the Board of Directors: EUR 12,000 per month (EUR 144,000 per year)
- Vice chairman of the Board Of Directors: EUR 10,000 per month (EUR 120,000 per year)
- Members of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year), and member of the Board of Directors acting as a Chairman of the Audit Committee additional EUR 2,500 per month

If the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, such separate remuneration shall not be paid. The Board members are entitled to compensation for cost in accordance with government travel rules. 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 402,500 EUR in 2017.

Board member	Board member since	Meeting fees (EUR)*	Board fees (EUR)**	Total (EUR)	Shareholding****
Mika Ihamuotila (Chairman)	Chairman since May 2017, Member since 2013	7,000	84,000	91,000	245,190 shares (0.3%) owned through Muotitila Ltd.*****, a company under his control
Kaj Hed (Vice chairman)	Vice Chairman since May 2017, Chairman in 2005–2006 and 2008–2017		140,000***	140,000	12,919,011 shares (16.3%) owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and forty percent (40%) of the shares of Trema International are controlled by Kaj Hed.
Kim Ignatius (Chairman of the audit and remuneration committees)	Since 2017	-	52,500	52,500	-
Camilla Hed-Wilson	Since 2011	7,000	35,000	42,000	6,459,596 shares (8.2%) owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and twenty percent (20%) of the shares of Trema International are controlled by Camilla Hed-Wilson.
Niklas Zennström	Since 2011	7,000	35,000	42,000	-
Jenny Wolfram	Since 2017	-	35,000	35,000	-
Total		**91,000**	**311,500**	**402,500**	**19,623,797 (24.8%)**

* 1.1–31.5.2017, based on remuneration of Board of Directors decided in the Annual General Meeting 2016, 3500 EUR per physical meeting.

** 1.6–31.12.2017, based on remuneration of Board of Directors decided in the Annual General Meeting 2017.

*** 1.1–31.12.2017, based on remuneration of Board of Directors decided in the Annual General Meeting 2016.

**** 31st December 2017.

***** Company name changed to PowerBank Ventures Ltd on January 23, 2018.

Remuneration of the CEO and the members of the Leadership Team in 2017

As the key financials of Rovio and its businesses improved in 2017 from previous year, the total sum of bonuses to be paid for 2017 increased from the year before. This is visible in the short-term employee benefits increase in 2017 as compared to 2016.

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 2017, there were different short-term incentive plans for different business units. Target levels in the short-term incentive plans were 50% of the base salary for the CEO and the members of the Leadership Team.

In 2017 the total accrual-based cash compensation for the CEO was EUR 521,404, which included base salary of EUR 305,880 and short-term bonus of EUR 215,524. In addition, CEO received 140,000 options based on the applicable option plans. The total accrual-based cash compensation for the members of the Leadership Team was EUR 2,599,539, which included base salary of EUR 1,397,600 and short-term bonus of EUR 1,201,939. In addition, the members of the Leadership Team received 415,000 options based on the applicable option plans.

	Fixed base salary (EUR)	STI*** (EUR)	Vested options 2015A*	Unvested options 2017A**	Restricted shares received*	Restricted shares receivable**
CEO Kati Levoranta	305,880	215,524	270,000	90,000	0	40,000
Leadership Team*	1,397,600	1,201,939	910,000	275,000	0	111,000
Total	**1,703,480**	**1,417,463**	**1,180,000**	**365,000**	**0**	**151,000**

* Number of options/shares received as December 31, 2017.

** Number of options/shares receivable as December 31, 2017.

*** 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.

Financial statements

Report of the Board of Directors

Dividend proposal

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

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

Outlook for 2018

Rovio Group revenue is expected to be 260–300 million euros in 2018 (297 million euros in 2017) and comparable operating profit to be 9 to 11 percent (10.6 percent in 2017).

Basis for outlook

In 2018, Rovio's Games business will focus on the development of previously released games in accordance with the Games-as-a-Service strategy, profitable user acquisition and development of new games. The user acquisition investments are expected to be 30 percent of the Games revenues for the full year. The level of user acquisition investments may vary depending on the development of the games' monetisation performance and the competitive situation. The cost per acquired user has risen significantly in the market.

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

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

Rovio in brief

Rovio is a games-first entertainment company that creates, develops, and publishes mobile games and acts as a brand licensor in various entertainment and consumer product categories. The Company is best known for the global Angry Birds brand, which started from a popular mobile game in 2009.

Today, the Company offers multiple mobile games, has produced The Angry Birds Movie, which opened number one in theatres in 50 countries, and licenses the Angry Birds brand to consumer products and other entertainment content.

Rovio's operations are divided into two business units, Games and Brand Licensing. Rovio is headquartered in Finland and has offices in Sweden, the United Kingdom, China, and the United States.

Rovio is a games-first entertainment company with a vision to 'set the world on fire' through crafting the best games and entertainment in the world. Rovio aims to be the leader in its industries and a forerunner in the future of entertainment.

Rovio also has strategic holdings in subsidiaries, such as Hatch Entertainment, which is developing a cloud-based game service.

Market review

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

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

According to the same report, the compound annual growth rate (CAGR) in 2017–2020 is expected to be 13%. The estimated growth rates vary significantly by market. For example, the more mature Western markets of North America and Western Europe are expected to grow at a CAGR of 5–6%, whereas China is estimated to grow at 14% CAGR from 2017 to 2020.

Key financial performance indicators

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

	Group			Parent company		
€000	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Revenue	297,158	191,704	142,067	260,429	181,289	137,733
Operating profit	31,378	16,886	-21,564	24,878	19,621	-19,205
Operating profit, % of revenue	10.6%	8.8%	-15.2%	9.6%	10.8%	-13.9%
Profit for the period	20,597	10,560	-18,068	19,577	17,562	14,693
Return on equity, %	23.4%	19.1%	-24.6%	20.9%	26.0%	-17.5%
Equity ratio, %	77.9%	64.1%	59.1%	80.0%	63.3%	54.3%

Group revenue and result 2017

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

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

The revenue of the Brand Licensing segment increased by 50.5% to EUR 49.2 million (32.7). The revenue consisted of EUR 38.0 million (12.2) from the Content Licensing business, EUR 36.0 million of which was income from the first Angry Birds Movie, and EUR 11.2 million (20.5) from the Consumer Products business.

The Group's adjusted EBITDA increased to EUR 64.5 million (35.4), or 21.7% (18.5%) of revenue. EBITDA increased to EUR 60.0 million (35.4), or 20.2% (18.5%) of revenue.

The adjusted EBITDA has been adjusted for the Brand Licensing segment's restructuring expenses in the second quarter and expenses related to Rovio's IPO in the third quarter. The adjustments totaled EUR 4.5 million (0.0).

Rovio's operating profit increased by 85.8% on the previous year to EUR 31.4 million (16.9) and adjusted operating profit to EUR 35.9 million (16.9)

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

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

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

Games segment

The Games segment's revenue increased by 55.9% in 2017 and amounted to EUR 248.0 million (159.0). The strong growth was mainly driven by new releases and the improved monetisation of Rovio's top games, particularly Angry Birds 2, Angry Birds Blast, and Angry Birds Friends. Rovio launched three new games during the review period: Battle Bay in May, Angry Birds Evolution in June, and Angry Birds Match in August.

The strong KPIs of Rovio's top games enabled a significant increase in user acquisition investments, which amounted to EUR 69.6 million, or 28.1% of the Games segment's revenue (EUR 18.2 million, 11.5%).

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

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

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

Brand Licensing segment

The Brand Licensing segment's revenue increased by 50.5% and amounted to EUR 49.2 million (32.7). The growth was primarily attributable to revenue from the Angry Birds Movie in the Content Licensing unit. The first Angry Birds Movie, released in May 2016, was a global blockbuster: it opened in the #1 position in 50 countries in its first weekend. The first Angry Birds Movie generated EUR 36.0 million in revenue during the 2017 financial year. The depreciation of the US dollar against the euro in 2017 reduced the euro-denominated revenue from the movie by approximately 10%.

The Consumer Products unit's revenue for the financial year was EUR 11.2 million (20.5), down 45.5% year-on-year. The year-on-year decline in revenue was due to a peak in revenue in 2016 coinciding with the release of the Angry Birds movie.

The Brand Licensing unit's investments in the review period amounted to EUR 3.9 million (15.3), a significant decrease from the previous year. In 2016, the Angry Birds movie's production expenses were still significant, while Rovio's decision to not finance the movie sequel itself significantly reduced investments in January–September 2017. The investments of EUR 3.9 million in January–December 2017 consisted of the last remaining own investments in the Angry Birds Movie sequel as well as investments in two short animated series still in production: The Blues and Piggy Tales season 4. The production for both series was finalised at the end of the review period. Rovio had no new short animated series in production at the end of the reporting period.

Changes in group structure

In 2017, the Brand Licensing segment was restructured to align with the new strategy that will see Rovio's Angry Birds animated content production shift towards a licensing model.

In accordance with the new strategy, Rovio entered into a movie licensing, production and distribution agreement with Columbia Pictures Industries, Inc. regarding the Angry Birds movie sequel, scheduled for release in September 2019. As a result of these changes, in March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio Entertainment Oy, sold all the shares they owned in Rovio Animation Company Ltd in Vancouver, Canada, and Kaiken Publishing Oy, Helsinki, Finland, to Kaiken Entertainment Ltd. The restructuring measures led to a decrease in the number of personnel and lower personnel expenses as well as a decrease in other operating expenses, which did not affect the full-year 2017 result in full.

The operations of the Korean and Japanese subsidiaries 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 depreciated according to plan. During the financial year, capitalised product development costs amounted to EUR 8.0 million (2016: EUR 22.6 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. This enables the Company to continue to execute its business in accordance with its strategy.

Based on the Company's assessment, there were no material changes in the risks and uncertainties during the review period.

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

Other significant risks relate to the demand for Angry Birds branded consumer products and other content that may impact the revenues of the Brand Licensing business unit.

The Company engages in business in several currencies, with the euro and U.S. dollar being the most significant. Fluctuations in exchange rates, particularly between the euro and the U.S. dollar could have a material impact on the Company's result.

More details on the risks, uncertainties, and Rovio's risk management can be found online at Rovio.com and in the notes to the financial statements.

Personnel

From January to December 2017, Rovio's average number of employees amounted to 416 (476). The Games business unit employed 304 people (265), the Brand

Licensing business unit 62 people (135), and other operations and administrative functions 50 people (77).

The number of employees has changed due to the restructuring of the Brand Licensing business and support functions. The movie licensing model was implemented during the first half of 2017, which enabled functioning with a lighter employee base. The increase of the Games business unit employee number is due to the addition of the former separately kept Games technology team to be part of the Games business unit.

	2017	2016	2015
Average number of employees during the financial year	416	476	668
Wages and salaries paid during the financial year (EUR thousand)	40,871	39,659	45,414

Governance and management

At its meeting on May 30, 2017, Rovio's Board of Directors elected Mika Ihamuotila as the Chairman and Kaj Hed as the Vice Chairman of the Board of Directors. Rovio's Board of Directors also elected an Audit Committee from among its members, with Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members. The Board of Directors also elected a Remuneration Committee from among its members, with Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members.

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

Authorised public accountants Ernst & Young Oy was the Company's auditor, with APA Mikko Rytilahti 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 recognises its responsibility as a global company and strives to work with reputable, environmentally and socially responsible parties.

Financing and investments

Total investments for the financial year 2017 amounted to EUR 8.5 million (23.3), down 63.7%. Rovio refers to the user acquisition costs of the Games segment as investments, but they are recognised as expenses rather than investments due to their average payback period being less than one year.

In the second quarter of 2017, Rovio entered into a licensing agreement with Columbia Pictures regarding the production and distribution of sequels to the Angry Birds Movie. Consequently, Rovio did not incur any further capital expenditures related to movies in the second half of 2017.

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

Rovio carried out an Initial Public Offering in the third quarter and accumulated approximately EUR 30.0 million in gross proceeds. The IPO is discussed in more detail in this interim report under the heading "Listing on the Helsinki stock exchange".

Listing on the Helsinki stock exchange

On September 5, 2017, Rovio Entertainment Corporation announced its intention to apply to have its shares listed on the official list of Nasdaq Helsinki. In conjunction with the listing, the Company's existing shareholders offered shares for sale and the Company also issued new shares. The share subscription period began on September 18 and the Company submitted a listing application to the Helsinki stock exchange on September 21, 2017. Trading in the Rovio share (trading code ROVIO, ISIN code FI4000266804) commenced on the main list of Nasdaq Helsinki on October 3, 2017. The total expenses incurred by the Company from the listing amounted to EUR 3.9 million. Of this total, EUR 2.6 million is recognised in other operating expenses, EUR 0.6 million is recognised in the Group's financial expenses, and EUR 0.7 million (pre-tax) is deducted from equity.

Related party transactions

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

Trema is an entity with significant influence over the Rovio Group. Trema's previous control over the Rovio Group ended following the sales of shares carried out in conjunction with the Initial Public Offering. Sunwoo Entertainment Co., Ltd and Fun Academy Oy are associates of the Rovio Group. Kaiken Entertainment is a company controlled by Mikael Hed, and therefore Rovio's related party. Mikael Hed is a minority owner of Trema and he exercises significant influence on the company. He also directly held 0.39% of Rovio's shares as of December 31, 2017.

In June 2017, EUR 3.1 million was paid out as dividend between the Rovio Group and Trema.

In February 2016, Rovio's subsidiary Dark Matter Oy acquired all the shares in Kaiken Publishing owned by Mikael Hed and part of the shares owned by the other shareholder in Kaiken Publishing for an aggregate purchase price of EUR 2,000. The other shareholder was left with 20% ownership in Kaiken Publishing and the Rovio Group became the owner of 80% of the shares. Soon thereafter, Rovio transferred its publishing business to Kaiken Publishing in a business transfer. Kaiken Publishing borrowed the purchase price of EUR 0.2 million from Rovio under a loan agreement. At the same time, the parties also entered into a separate license agreement based on which Kaiken Publishing served as the master licensee of the Angry Birds brand in book and comics publishing.

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio, sold all the shares they owned in Rovio's TV animation studio entity in Vancouver, Canada (Rovio Animation Company Ltd), all the shares they owned in Rovio's book publishing business entity, Kaiken Publishing, as well as certain non-Angry Birds IP to Kaiken Entertainment. Kaiken Entertainment paid a purchase price of EUR 1 for the shares in Kaiken Publishing and a purchase price of CAD 1 for the shares in Rovio Animation Company Ltd. Further, in connection with the transaction, Kaiken Entertainment repaid Kaiken Publishing's EUR 0.2 million loan to Rovio relating to the transfer of the book publishing business as well as a purchase price of EUR 0.1 million for the purchased IPs.

The master license agreement between Rovio and Kaiken Publishing concerning the Angry Birds brand in book and comics publishing, entered into in 2016, remained in force. Based on the license agreement with Kaiken Publishing, Rovio received licensing income of EUR 18 thousand during the 2017 financial year (EUR 44 thousand during the time period of February 1, 2016 to December 31, 2016).

After the aforementioned corporate acquisition, the buyer changed the name of Rovio Animation Company Ltd to Kaiken Animation Ltd. Kaiken Animation Ltd continued the production of animated series ordered by Rovio Animation Company Ltd from subcontractors and management of the production of the subcontractors. Kaiken Animation Ltd has invoiced Rovio for its services in the amount of CAD 1.2 million (approximately EUR 0.9 million) in accordance with the actual costs during the 2017 financial year.

Divestments

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio Entertainment Oy, sold all the shares they owned in Rovio Animation Company Ltd in Vancouver, Canada, and Kaiken Publishing Oy, Helsinki, Finland, to Kaiken Entertainment Ltd. The assets transferred in the divestment amounted to approximately EUR 0.9 million (of which approximately EUR 0.5 million in cash and cash equivalents) and the liabilities to approximately EUR 1.2 million. In addition, Rovio divested certain non-Angry Birds-related Intellectual Property Rights with a carrying value of EUR 0 to Kaiken Entertainment for EUR 0.1 million. The accounting profit related to the divestment amounted to approximately EUR 0.4 million.

Events after the reporting period

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

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

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

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

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

Decisions of the Annual General Meeting

Rovio's Annual General Meeting was held on May 30, 2017. The AGM approved the financial statements for the financial year ended December 31, 2016, and resolved that a total of EUR 4,496,906.76 be distributed to the Company's shareholders as dividends from the profit for the financial year 2016. The dividend to be distributed per share amounted to EUR 0.06.

The AGM resolved that the number of members of the Board of Directors is six (6) ordinary members. Kaj Hed, Camilla Hed-Wilson, Niklas Zennström, Mika Ihamuotila, Kim Ignatius, and Jenny Wolfram were elected as ordinary members of the Board of Directors until further notice.

The AGM confirmed that authorised public accountants Ernst & Young Oy, who have been elected as the Company's auditor until further notice, will remain the Company's auditor, with APA Mikko Rytilahti as the responsible auditor.

The other resolutions of Rovio's AGM are documented in the half-year financial report published as part of Rovio's Offering Circular and in Rovio's interim report for January–September 2017.

Rovio's Extraordinary General Meeting held on September 8, 2017, resolved to amend the Articles of Association in their entirety, to change the Company's corporate form to a public limited company in accordance with the amendment of the Articles of Association, and to register the new Articles of Association. In addition, the Extraordinary General Meeting authorised the Board of Directors to decide on issuing up to 10,000,000 new shares in one or more tranches in conjunction with Rovio's listing on the official list of Nasdaq Helsinki Ltd as an Initial Public Offering, and decided that the public offering can be carried out in deviation from the shareholders' pre-emptive rights. It was further resolved that the Board of Directors may, based on the authorisation, decide on all of the terms of the share issue, including the share subscription price or subscription interval.

The authorisation did not override any previously issued share issue authorisations. The General Meeting also authorised Rovio's Board of Directors to decide on the approval of the organisation agreement and the Offering Circular as well as on the submission of a listing application to Nasdaq Helsinki Ltd's prelist and main list, along with other measures related to listing the Company on the stock exchange.

Authorisations

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

The General Meeting held on May 7, 2012, authorised the Board of Directors to decide on the issuance of special rights entitling to shares. Based on the authorisation, a maximum of 3,920,000 shares can be issued.

The General Meeting held on May 30, 2017, authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling to shares. Based on the authorisation, a maximum of 14,396,670 shares can be issued.

The General Meeting held on September 8, 2017, authorised the Board of Directors to decide on a share issue. Based on the authorisation, a maximum of 10,000,000 shares can be issued.

The Board of Directors has not been authorised to repurchase treasury shares or divest treasury shares.

Information about the option program

Under the authorisation granted by the general meeting held on May 20, 2011, the Board of Directors has approved option programs 2012SA of 146,700 option rights and 2012Sb of 369,200 option rights.

The company has in its annual general meeting on May 7, 2012 approved option programs 2012A of up to 1,220,000 option rights, 2012B of up to 1,310,000 option rights and 2012C of up to 1,390,000 option rights.

The company authorised in its annual general meeting on May 21, 2013 the Board to decide on issuing up to 14,396,670 new shares or special rights entitling to shares. The authorisation is in force until June 30, 2014. Based on this authorisation, the Board has approved option programs 2012A(II) of up to 969,800 option rights and 2012B(II) of up to 500,000 option rights.

The Annual General Meeting held on May 21, 2014 authorised the Board of Directors to decide on the issuance of shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until June 30, 2015. The Board has granted 1,183,500 options under the 2012C program based on this authorisation.

The Annual General Meeting held on May 19, 2015 authorised the Board of Directors to decide on the issuance of shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until June 30, 2016. Under the authorisation granted by the Annual General Meting held on May 19, 2015, the Board has approved option programs 2015A of 4,000,000 option rights, 2015B of 625,000 option rights, and 2015C of 625,000 option rights. The Board has a mandate to divide the above option series to sub-series 2015AII, 2015BII, and 2015CII. The difference between the sub-series and the original series is that the sub-series do not have a dividend adjustment clause. The Board has granted options under this authorisation as follows: 2015A, 2,329,500 options and 2015AII, 193,500 options.

The option rights will be granted to key staff employed by the group in a way determined by the Board. There is a weighty financial reason to grant the option rights as the option rights are intended as part of the Group's key personnel's long-term incentive scheme. The Board will decide on the reallocation of option rights returned to the company later. The main purpose of 2015A and 2015AII series is to offer for option right holders for already launched stock option plans 2012B, 2012B(II) and 2012C a possibility to accept a conversion to the new stock option plan.

The Annual General Meeting held on May 30, 2017 authorised the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until July 31, 2018. The authorisation replaces the authorisation granted by the Annual General Meeting held on June 8, 2016. The authorisation does not revoke the authorisation granted by the Annual General Meeting on May 7, 2012. Based on this authorisation, the Board has approved option programs 2017–2019 of up to 5,000,000 option rights and the Restricted Share Plan of up to 500,000 shares. The Board of Directors has granted 1,284,150 2017A options and 28,500 2017B options under this authorisation. The Board of Directors has granted 148,400 shares under the 2017–2018 program and 155,400 shares under the 2017–2019 program.

2012A: No options outstanding on December 31, 2017. Subscription price EUR 8.00807 per share. Subscription period March 1, 2015–February 28, 2017.

2012A(II): No options outstanding on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2015–February 28, 2017.

2012B: 45,000 outstanding options on December 31, 2017. Subscription price EUR 6.00 per share.

Subscription period March 1, 2016–February 28, 2018. 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.

2012B(II): No options outstanding on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.

2012C: 45,000 outstanding options on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.

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: 1,683,867 outstanding options on December 31, 2017. Subscription price EUR 2.94 per share. Subscription period August 1, 2017–July 31, 2019.

Each option right entitles its holder to subscribe for one new share. Up to 1,683,867 shares can be subscribed for based on the option rights, corresponding to 2.1% of the company's share capital and votes.

2015AII: 374,500 outstanding options on December 31, 2017. Subscription price EUR 3.00 per share. Subscription period August 1, 2017–July 31, 2019.

Each option right entitles its holder to subscribe for one new share. Up to 374,500 shares can be subscribed for based on the option rights, corresponding to 0.5% of the company's share capital and votes.

2015B: No options outstanding on December 31, 2017. 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, 2017. 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, 2017. 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, 2017. 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: 1,284,150 outstanding options on December 31, 2017. 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 1,284,150 shares can be subscribed for based on the option rights, corresponding to 1.6% of the company's share capital and votes.

2017B: 28,500 outstanding options on December 31, 2017. 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 28,500 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 79,171,275 shares outstanding. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share.

Performance measures

€000	2017	2016	2015
Revenue	297,158	191,704	142,067
EBITDA	59,987	35,376	-6,461
EBITDA margin	20.2%	18.5%	-4.5%
Adjusted EBITDA	64,497	35,376	-3,197
Adjusted EBITDA margin, %	21.7%	18.5%	-2.3%
Operating profit	31,378	16,886	-21,564
Operating profit margin, %	10.6%	8.8%	-15.2%
Adjusted operating profit	35,889	16,886	-18,300
Adjusted operating profit margin, %	12.1%	8.8%	-12.9%
Profit before tax	26,628	15,372	-20,700
Capital expenditure	8,450	23,279	43,872
User acquisition	69,599	18,234	6,326
Return on equity, %	23.4%	19.1%	-24.6%
Net gearing ratio, %	-62.9%	-11.5%	-13.3%
Equity ratio, %	77.9%	64.1%	59.1%
Earnings per share, EUR	0.27	0.14	-0.24
Earnings per share, diluted EUR	0.27	0.14	-0.24
Net cash flows from operating activities	59,575	22,845	1,361
Employees (average for the period)	416	476	668

Per-share indicators

€000	2017	2016	2015
Earnings per share, EUR	0.27	0.14	-0.24
Earnings per share, diluted EUR	0.27	0.14	-0.24
Shareholder's equity per share, EUR	1.77	1.16	0.99
Dividend per share, proposed	0.09	0.06	0.00
Dividend payout ratio, %	33.1%	42.6%	0.0%
Effective dividend yield, %	1.0%	-	-
Price/earnings ratio	33.9	-	-
Highest price	12.34	-	-
Lowest price	8.25	-	-
Share price December 31, 2017	9.03	-	-
Market capitalisation, EUR million	714.9	-	-
Development of share turnover as numbers and %	-	-	-
Shares outstanding at the end of the period (thousands)	79,171	74,945	74,945
Shares outstanding at the end of the period, diluted (thousands)	80,627	75,923	74,945
Weighted average adjusted number of shares during the financial period, basic (thousands)	75,795	74,945	74,933
Weighted average adjusted number of shares during the financial period, diluted (thousands)	77,370	75,508	74,933

Calculation principles of alternative performance measures

EBITDA (Earnings before interest, taxes, depreciation and amortisation), which is operating profit before depreciations and amortisations.
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 costs, which relate to acquisition of new players in the Company's games through performance marketing.
User acquisition costs share of Games revenue, %, which is user acquisition costs as a percentage of Games revenue.
Dividend per share, which is total dividend divided by number of shares, adjusted for share issues, at the end of the financial period less own shares.
Earnings per share, which is the net result for the review period divided by the average number of shares in the review period, less treasury shares.
Equity ratio, %, which is calculated by dividing (i) Total equity by (ii) Total equity and liabilities less advances received and deferred revenue.
Return on equity (ROE), which is calculated by dividing net result for the period, by the average of total equity in the opening and closing balance sheet.
Capital expenditure, which is cash flow of purchase of tangible and intangible assets.
Net debt, which is calculated by subtracting cash and short-term deposits from current and non-current interest-bearing loans and borrowings.
Net gearing %, which is calculated by dividing net debt by the total equity.
Gross bookings represent in-app purchases and in-app advertising sales in the given calendar month, reported on the basis of the date of purchase/sale. Gross bookings do not include revenue from custom contracts, revenue deferrals or accounting adjustments due to e.g., foreign exchange rate differences between revenue accruals and actual payments, and thus differ from the actual reported revenue. The reconciliation of gross bookings to revenue is presented under "Reconciliation of Certain Alternative Performance Measures". Gross bookings are used as the base for calculating certain key operational metrics (ARDPAU and MARPPU) as they give a more accurate view of Rovio's operating performance than revenue at a specific point in time.
Daily Active Users (DAU) represents the number of devices that played one of Rovio's games during a particular day. Under this metric, a device that plays two different games on the same day is counted as two DAUs. We primarily use information provided by Rovio's own technology but we also use third-party tracking solutions for historical data and in cases when a game does not contain Rovio's tracking tools. Average DAU for a particular period is the average of the DAUs for each day during that period.
Monthly Active Users (MAU) represents the number of devices that played one of Rovio's games during a particular calendar month. Under this metric, a device that plays two different games in the same month is counted as two MAUs. We primarily use information provided by Rovio's own technology but we also use third-party tracking solutions for historical data and in cases when a game does not contain Rovio's tracking tools.

Monthly Unique Payers (MUP) represents the number of devices that made a payment at least once during the calendar month through a payment method for which we can quantify the number of individuals, including payers from our mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers.
Average Revenue Per Daily Active User (ARPDAU) represents the sum of monthly gross in-app purchase sales and monthly in-app advertising sales per daily active user divided by average DAU for the period.
Monthly Average Revenue Per Paying User (MARPPU) represents the monthly gross in-app purchase sales (i.e. gross bookings excluding monthly in-app advertising sales) divided by MUP. MARPPU excludes revenue from custom contracts, revenue deferrals or accounting adjustments such as foreign exchange rate differences between revenue accruals and actual payments.
Equity per share represents equity at the end of the review period divided by the number of shares at the end of the review 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 capitalisation represents the number of shares at the end of the financial period multiplied by share price on the last day of the financial period
Adjusted items / Items affecting comparability
Items affecting comparability are material 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.

Reconciliation of adjusted EBITDA

€000	2017	2016	2015
Operating profit	**31,378**	**16,886**	**-21,564**
Depreciation and amortisation	28,609	18,490	15,103
EBITDA	**59,987**	**35,376**	**-6,461**
Restructuring costs in Personnel benefits expense	1,841	0	1,629
Restructuring expenses in Other operating expenses	125	0	1,636
Listing-related expenses	2,544	0	0
Adjusted EBITDA	**64,497**	**35,376**	**-3,197**

Reconciliation of adjusted operating profit

€000	2017	2016	2015
Operating profit	**31,378**	**16,886**	**-21,564**
Restructuring costs in Personnel benefits expense	1,841	0	1,629
Restructuring expenses in Other operating expenses	125	0	1,636
Listing-related expenses	2,544	0	0
Adjusted operating profit	**35,889**	**16,886**	**-18,300**

Consolidated financial statements

Statement of consolidated profit or loss and other comprehensive income

€000	Note	2017	2016
Revenue	1.1, 1.2	**297,158**	**191,704**
Other operating income	1.3	767	50
Materials and services	1.4	-81,796	-52,949
Employee benefits expense	1.5, 1.6	-51,947	-49,532
Depreciation and amortisation	2.1, 2.3	-28,609	-18,490
Other operating expenses	1.7	-104,194	-53,897
Operating profit		**31,378**	**16,886**
Finance income and expenses	1.8	-4,692	-1,372
Share of profit of associates	4.3	-58	-142
Profit before tax		**26,628**	**15,372**
Income tax expense	5.1, 5.2	-6,032	-4,813
Profit/loss for the period		**20,597**	**10,560**
Attributable to:			
Non-controlling interests		0	-39
Equity holders of the parent company		20,597	10,599

€000	Note	2017	2016
Other comprehensive income/expense			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		-422	-9
Total comprehensive income for the period, net of tax		**20,175**	**10,551**
Attributable to:			
Non-controlling interests		0	-39
Equity holders of the parent company		20,175	10,590
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, EUR		0.27	0.14
Earnings per share, diluted EUR		0.27	0.14

Consolidated statement of financial position

€000	Note	2017	2016
ASSETS			
Non-current assets		**57,371**	**76,860**
Property, plant and equipment	2.1	478	717
Intangible assets	2.3	53,087	73,758
Investment in associates and joint ventures	4	0	58
Non-current receivables	3.3	823	1,098
Deferred tax assets	5.2	2,983	1,229
Current assets		**132,795**	**72,840**
Trade receivables	3.3	29,104	27,981
Prepayments and accrued income	3.3	10,552	15,232
Other current financial assets	3.3	2,327	682
Deferred tax assets	5.2	0	0
Cash and short-term deposits	3.4	90,812	28,945
Total assets		**190,166**	**149,700**

€000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Issued capital	3.12	733	733
Reserves	3.12	35,826	751
Translation differences	3.12	-521	-99
Retained earnings	3.12	83,752	74,881
Profit for the period	3.12	20,597	10,590
Equity holders of the parent company		**140,386**	**86,856**
Non-controlling interests		0	-17
Total equity		**140,386**	**86,839**
Liabilities			
Non-current liabilities		**2,682**	**2,620**
Interest-bearing loans and borrowings	3.2	2,466	2,466
Other non-current financial liabilities	3.2	143	46
Deferred tax liabilities	5.2	73	108
Current liabilities		**47,099**	**60,241**
Trade and other payables	3.5	8,895	7,852
Interest-bearing loans and borrowings	3.2	0	16,520
Other current financial liabilities	3.5	1,897	358
Advances received	3.6	8,253	11,480
Deferred revenue	3.7	1,635	2,820
Income tax payable	5.1	4,430	0
Provisions	3.8	762	824
Accrued liabilities	3.9	21,227	20,388
Total liabilities		**49,781**	**62,861**
Total equity and liabilities		**190,166**	**149,700**

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent

€000	Note	Issued capital	Unrestricted equity reserve	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
Equity as at January 1, 2017		**733**	**751**	**85,471**	**-99**	**86,856**	**-17**	**86,839**
Profit (loss) for the period				20,597		20,597		20,597
Issue of share capital	3.12		30,000			30,000		30,000
Share issue transaction costs	3.12		-608			-608		-608
Option subscriptions	3.12		5,683			5,683		5,683
Other comprehensive income					-422	-422		-422
Share-based payments	1.6			2,756		2,756		2,756
Cash dividends				-4,497		-4,497		-4,497
Other adjustments				21		21	17	38
Equity as at December 31, 2017		**733**	**35,826**	**104,348**	**-521**	**140,386**	**0**	**140,386**
Equity as at January 1, 2016		**733**	**751**	**72,998**	**-90**	**74,392**	**-**	**74,392**
Profit for the period				10,590		10,590	-39	10,551
Other comprehensive income					-9	-9		-9
Share-based payments	1.6			1,883		1,883		1,883
Acquisition of non-controlling interests	4						22	22
Equity as at December 31, 2016		**733**	**751**	**85,471**	**-99**	**86,856**	**-17**	**86,839**

Consolidated statement of cash flows

€000	Note	2017	2016
Operating activities			
Profit before tax		26,628	15,364
Adjustments:			
Depreciation and amortisation	2.1, 2.3	28,609	18,490
Net foreign exchange differences		2,722	-411
Gain on disposal of property, plant and equipment	1.3	-323	-40
Finance costs	1.8	1,969	1,791
Share of profit of an associate and a joint venture	4.3	58	142
Other non-cash items		3,019	1,883
		62,683	**37,220**
Change in working capital:			
Change in trade and other receivables and prepayments		311	-10,171
Change in inventories		0	37
Change in trade and other payables		-1,132	-2,371*
		61,863	**24,715**
Interest received		47	34
Interest paid and other finance costs		-1,304	-1,806
Income tax paid		-1,032	-97
Net cash flows from operating activities		**59,575**	**22,846**

€000	Note	2017	2016
Investing activities			
Proceeds from sales of tangible and intangible assets	1.3	323	0
Purchase of tangible and intangible assets	2.1, 2.3	-8,450	-23,279*
Net cash flows used in investing activities		**-8,127**	**-23,279**
Financing activities			
Repayments of financial lease liabilities		-74	-
Issue of share capital	3.12	35,683	22
Share issue transaction costs	3.2	-1,316	0
Proceeds from and repayments of borrowings	3.12	-16,667	-5,578
Dividends paid to equity holders of the parent		-4,497	0
Net cash flows from/(used in) financing activities		**13,129**	**-5,557**
Change in cash and cash equivalents		64,577	-5,990
Net foreign exchange difference		-2,710	502
Cash and cash equivalents at beginning of period January 1	3.4	28,945	34,433
Cash and cash equivalents at end of period December 31	3.4	**90,812**	**28,945**

* Rovio has previously presented the disposals of advance payments for intangible assets as part of net cash flow from operating activities. Rovio changed the reporting of cash flows during the financial period that ended on December 31, 2017. Disposals of advanced payments for intangible assets have been moved from net cash flow from operating activities to net cash flow used in investing activities. The change has also been applied to comparison figures presented in these financial statements.

Key accounting principles applied in the consolidated financial statements

Basic information about the Group

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

Rovio Group's parent company is Rovio Entertainment Ltd 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 March 2, 2018. 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.

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

Basis of preparation

Rovio's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) valid on December 31, 2017 as adopted by the EU. The company has adopted IFRS 15 and IFRS 9, which the European Union has endorsed for application to financial statements prepared on or after December 31, 2016. 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.

Rovio Group transitioned to the international IFRS financial statements practice during 2016 and has applied IFRS 1 First-time Adoption of International Financial Reporting Standards with the date of transition being January 1, 2015.

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 regard 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.

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 recognised 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 capitalisation of development expenses.

Effects of standards adopted during 2017

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

IFRS 8

The company adopted IFRS 8 Operating Segments during the 2017 financial period and specified its operating segments as follows: Games, Brand Licensing (BLU), and Other. Rovio's business was previously divided into three business lines: Games, Licensing, and Merchandise and Media.

Rovio defines the Group's Board of Directors as its chief operating decision maker (CODM). The CODM follows Rovio's performance on the segment level, which is presented in Note 1.1 Segments. EBITDA is the primary performance measure that CODM follows. There are no revenues between the operating segments of Rovio Group.

The segment assets and liabilities except for non-current assets are not reported to the chief operating decision maker and are therefore not disclosed in the financial statements.

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

IAS 33

The company adopted IAS 33 Earnings per Share during the 2017 financial period after it became mandatory due to Rovio's shares becoming publicly traded. Following the adoption of the standard, earnings per share are disclosed as part of the performance measures in the financial statements and the Report of the Board of Directors.

IAS 7

Rovio adopted the Amendment to IAS 7 Statement of Cash Flows, Disclosure Initiative (effective for financial periods beginning on or after January 1, 2017). Companies are required to disclose changes in liabilities arising from financing activities. This includes changes from financing cash flows (such as proceeds from and repayments of borrowings) as well as changes not involving cash flows, such as acquisitions, divestments, accrued interest and unrealised changes in foreign exchange rates. Rovio has disclosed the additional information required by the amendment to IAS 7 in Note 3.1.

IAS 12 Recognition of deferred tax assets for unrealised losses – Amendments to IAS 12

The recognition of deferred tax assets for unrealised losses clarifies the requirements related to deferred tax assets recognised for debt instruments measured at fair value.

Companies are required to apply the amendments retroactively. In connection with applying the amendment, the change in equity can be reported in the opening retained earnings (or other item of equity) in the statement of financial position without allocating the change between the opening retained earnings and other items of equity.

Entities using the relief are required to report it. The amendments must be applied to financial periods beginning on or after January 1, 2017, and early adoption is permitted. If an entity applies the amendments to an earlier period, it must disclose this. The amendments are assumed not to have effects on Rovio Group.

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 recognised 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 recognised 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 recognised in OCI or profit or loss are also recognised 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 recognised 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 realised or intended to sold or consumed in the normal operating cycle
- Held primarily for trading
- Expected to be realised 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 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments. The amendments must be applied prospectively. Rovio will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The amendments are not estimated to have a material impact on Rovio Group.

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 like the accounting for finance leases under IAS 17. 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 recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also 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 recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

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.

In 2018, Rovio will assess the potential effect of IFRS 16 on its consolidated financial statements. According to a preliminary estimate, Rovio will disclose such assets and liabilities in its statement of financial position that have not been disclosed earlier. It is also expected that more extensive disclosures will be required.

Comparability of the consolidated financial statements

During the 2017 financial period, the Brand Licensing segment was restructured to align with the new strategy that will see Rovio's Angry Birds animated content production shift towards a licensing model. The restructuring measures led to a decrease in the number of personnel and lower personnel expenses as well as a decrease in other operating expenses. The restructuring measures resulted in a non-recurring cost of approximately EUR 2.0 million for the financial period. At the same time, Rovio adopted a licensing model in movie production, under which Sony will produce the sequel to the movie and pay Rovio royalties. In addition, the listing in fall 2017 caused non-recurring expenses of approximately EUR 2.6 million affecting the operating profit during the financial period. In other respects, the financial periods 2017 and 2016 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 authorisation 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 recognises in the Group's consolidated financial statements. Rovio Group will adjust the amounts recognised 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 recognised 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 2017 financial period

On March 1, 2018, Rovio decided on a plan that would see its game studio in London closed and the functions of the games business centralised in Espoo and Stockholm. Should the plan be implemented, the operations of the London studio would be discontinued by the end of March and the employment of the seven people working at the London studio would be terminated. Rovio plans to utilise the work done at the London studio in the MMO game genre at the Battle studio in Espoo, particularly in real-time player vs. player and team vs. team games (such as Battle Bay). The effect on the result for the 2018 financial period is not expected to be material.

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

Notes to the consolidated financial statements

1. Segments and result

1.1. Segments

During the 2017 financial period, Rovio adopted IFRS 8 and defined its operating segments as Games, Brand Licensing, and Other. Rovio's business was previously divided into three business lines: Games, Licensing, and Merchandise and Media.

The Brand Licensing reporting segment is a combination of the previous Licensing and Merchandise and Media business lines. The Games segment's structure is unchanged from previous reports. The Other segment consists of the Group's subsidiary Hatch Entertainment and expenses that are not allocated to other segments.

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 capitalised the development costs. These costs are amortised 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 adjusted EBITDA and adjusted operating profit presented in the tables below are exclusive of items affecting comparability. The allocations between segments consist of shared functions employee benefits expense as well as general and administrative expenses that are recognised centrally and allocated to the reportable segments as a separate line item in management reporting.

Segment profit and loss 2017

€000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	**248,003**	**49,155**	**0**		**297,158**
Other operating income	83	334	350		767
Materials and services	78,410	3,383	3		81,796
Employee benefits expense	34,885	8,308	5,792	2,962	51,947
User acquisition	69,598	0	0		69,598
Other operating expenses	16,854	5,773	6,484	5,486	34,597
Allocations	5,169	1,964	1,314	-8,448	0
EBITDA	**43,170**	**30,060**	**-13,243**	**0**	**59,987**
Depreciation and amortisation	4,729	23,617	263		28,609
Operating profit	**38,441**	**6,443**	**-13,506**		**31,378**
EBITDA	**43,170**	**30,060**	**-13,243**		**59,987**
Adjustments	70	1,889	2,551		4,511
Adjusted EBITDA	**43,240**	**31,950**	**-10,691**		**64,498**
Operating profit	**38,441**	**6,443**	**-13,506**		**31,378**
Adjustments	70	1,889	2,551		4,511
Adjusted operating profit	**38,511**	**8,332**	**-10,955**		**35,889**

€000	Games	Brand licensing	Other	Total IFRS segments
Capital expenditure 2017				
Capital expenditure	4,130	3,895	424	8,450
Segment assets Dec 31, 2017				
Non-current assets	8,706	43,265	5,400	57,371

Segment profit and loss 2016

€000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	**159,039**	**32,664**	**0**		**191,704**
Other operating income	-4	-20	75		50
Materials and services	49,463	3,486	0		52,949
Employee benefits expense	23,610	11,036	5,389	9,496	49,532
User acquisition	18,219	15	0		18,234
Other operating expenses	16,066	8,495	3,239	7,863	35,663
Allocations	11,888	3,808	1,662	-17,359	0
EBITDA	**39,788**	**5,803**	**-10,215**	**0**	**35,376**
Depreciation and amortisation	10,838	7,544	108		18,490
Operating profit	**28,950**	**-1,741**	**-10,323**		**16,886**
EBITDA	**39,788**	**5,803**	**-10,215**		**35,376**
Adjustments	0	0	0		0
Adjusted EBITDA	**39,788**	**5,803**	**-10,215**		**35,376**
Operating profit	**28,950**	**-1,741**	**-10,323**		**16,886**
Adjustments	0	0	0		0
Adjusted operating profit	**28,950**	**-1,741**	**-10,323**		**16,886**

€000	Games	Brand licensing	Other	Total IFRS segments
Capital expenditure 2016				
Capital expenditure	7,255	15,327	697	23,279
Segment assets Dec 31, 2016				
Non-current assets	8,874	63,795	4,191	76,860

1.2. Revenue

Accounting principle

Rovio Group recognises 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 recognises 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 sale 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 recognised "over time", i.e. across the estimated player lifetime.

Rovio divides the goods purchased game-specifically into consumables and durables and recognises the purchases as revenue based on actual virtual currency consumption. Because consumables account for the majority of purchases in Rovio's games, they are recognised 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. The effect of this accounting adjustment increased the revenue recognised for the 2017 financial period by approximately EUR 1.9 million due to the relatively higher share of consumables.

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 recognises 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 recognised "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 recognises 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 recognised 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 recognised 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 recognised 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. Rovio uses available external information in determining the revenue to be accrued. Four times a year, i.e., on the first day of each quarter, Rovio's licensees provide sales information including two months of actual sales and one month of estimate from the licensee. These estimates are evaluated to create a Rovio internal management estimate, which has been used as a basis for the revenue recognition. Unrecouped minimum guarantee balance is recognised as revenue at the end date of the licensing agreement. Until then, the minimum guarantee revenue is recognised based on reported royalty revenue. The licenses are access type licenses, i.e. customer is granted the right to use the company's intellectual property as is during the period covered by the license. Therefore, Rovio recognises the minimum guarantee based on recouped royalties and if more royalties are received, the excess amount will be recognised as revenue.

The sale of tangible assets includes webshop and wholesale. Revenue is recognised when the goods have been shipped from the warehouse based on used INCOTERMS.

In addition to licensing IPs for tangible goods, Rovio has licensed the Angry Birds brand to be used in location based entertainment (e.g., activity parks). The revenue recognition follows the IP licensing principles. Any up-front or brand usage fees are recognised 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 recognised 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 recognises the cash received as its revenue. Since Rovio is the residual receiver in the value chain, there is a significant time delay between the end-user purchase and Rovio receiving the revenue.

Sales tax

Expenses and assets are recognised 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 recognised 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 according to IFRS 15

€000	Timing of revenue recognition	2017	2016
Games			
In-application purchases	At a point in time and over time	219,656	122,662
Subscription payments	Over time	0	0
Custom contracts	Over time	1,384	8,469
Advertising	At a point in time	26,964	27,909
Games total revenue		**248,003**	**159,039**
Brand Licensing			
IP Licensing and tangible sales	At a point in time and over time	11,224	21,334
Animation broadcasting and distribution	At a point in time and over time	37,256	8,222
Advertising	At a point in time	675	3,108
Brand Licensing total revenue		**49,155**	**32,665**
Group revenue		**297,158**	**191,704**

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.

	2017			2016		
€000	Games	BLU	Total	Games	BLU	Total
North America	157,980	38,243	196,222	99,344	12,006	111,349
Latin America	3,686	2,115	5,801	1,944	3,582	5,527
Europe, Middle East and Africa	64,044	5,874	69,917	39,765	13,362	53,127
Asia Pacific	22,294	2,923	25,217	17,987	3,715	21,701
Total	**248,003**	**49,155**	**297,158**	**159,039**	**32,664**	**191,704**

1.3. Other operating income

The majority of other operating income for 2017 is related to gains on disposal of property, plant and equipment, sale of intangible assets as well as settlements received for copyright infringements.

€000	2017	2016
Government grants (Note 3.6)	93	-
Net gains on disposal of property, plant and equipment	223	50
Other operating income	451	-
Total other operating income	**767**	**50**

1.4. Materials and services

Materials and services include sales commissions paid to market places and agents.

€000	2017	2016
Purchases of materials, supplies and goods	268	241
Change in inventories		37
External services	81,528	52,672
Total materials and services	**81,796**	**52,949**

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 recognises the related restructuring costs or benefits related to the termination of employment.

€000	2017	2016
Wages and salaries	40,871	39,659
Social security costs	2,242	2,689
Pension costs, defined contribution	5,843	5,301
Share-based payments	2,991	1,883
Total employee benefits expense	**51,947**	**49,532**

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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.

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 program

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

Valuation parameters for instruments granted during period	2017 2017A/2017B	2016 2015A/AII
Valuation model	Black-Scholes	Black-Scholes
Fair value December 31, EUR thousand	3,513	2,121
Main assumptions:		
Expected volatility	35%	25%
Share price at the valuation date	11.50	4.13
Forfeiture rate	10%	10%

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

Current stock option programs

	Number of options January 1, 2016	Changes during the 2016 reporting period		Number of options December 31, 2016	Changes during the 2017 reporting period				Number of options December 31, 2017
		Granted	Exercised		Granted	Exercised	Subscribed	Expired	
2012A	62,500	0	0	**62,500**				62,500	**0**
2012A(II)	754,900	0	0	**754,900**			3,500	751,400	**0**
2012B	327,500	0	75,000	**252,500**		2,500	205,000		**45,000**
2012B(II)	100,000	0	0	**100,000**			100,000		**0**
2012C	53,000	0	8,000	**45,000**					**45,000**
2012Sb	103,067	0	0	**103,067**				103,067	**0**
2015A	2,322,000	840,000	345,000	**2,817,000**	220,000	190,000	1,298,133		**1,683,867**
2015AII	193,500	515,000	0	**708,500**		305,000	29,000		**374,500**
2017A				**0**	1,287,150	3,000			**1,284,150**
2017B				**0**	29,250	750			**28,500**
Weighted average subscription price, EUR		3.00	3.79		10.28	3.08	3.57	6.09	
Total	**3,916,467**	**1,355,000**	**428,000**	**4,843,467**	**1,536,400**	**501,250**	**1,635,633**	**916,967**	**3,461,017**

Restricted Share Plan

	Number of shares January 1, 2017	Changes during the reporting period Granted	Exercised	Number of shares December 31, 2017
RSU 2017–2018	0	148,400	0	**148,400**
RSU 2017–2019	0	155,400	0	**155,400**
Total	**0**	**303,800**	**0**	**303,800**

Financial impact of share-based incentives during the financial period

€000	2017	2016
Expenses recognised for option programs	2,469	1,883
Expenses recognised for the Restricted Share Plan – share component	287	-
Expenses recognised for the Restricted Share Plan – cash component	235	-
Total	**2,991**	**1,883**

Information about the option program

Under the authorisation granted by the general meeting held on May 20, 2011, the Board of Directors has approved option programs 2012SA of 146,700 option rights and 2012Sb of 369,200 option rights.

The company has in its annual general meeting on May 7, 2012 approved option programs 2012A of up to 1,220,000 option rights, 2012B of up to 1,310,000 option rights and 2012C of up to 1,390,000 option rights.

The company authorised in its annual general meeting on May 21, 2013 the Board to decide on issuing up to 14,396,670 new shares or special rights entitling to shares. The authorisation is in force until June 30, 2014. Based on this authorisation, the Board has approved option programs 2012A(II) of up to 969,800 option rights and 2012B(II) of up to 500,000 option rights.

The Annual General Meeting held on May 21, 2014 authorised the Board of Directors to decide on the issuance of shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until June 30, 2015. The Board has granted 1,183,500 options under the 2012C program based on this authorisation.

The Annual General Meeting held on May 19, 2015 authorised the Board of Directors to decide on the issuance of shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until June 30, 2016. Under the authorisation granted by the Annual General Meting held on May 19, 2015, the Board has approved option programs 2015A of 4,000,000 option rights, 2015B of 625,000 option rights, and 2015C of 625,000 option rights. The Board has a mandate to divide the above option series to sub-series 2015AII, 2015BII, and 2015CII. The difference between the sub-series and the original series is that the sub-series do not have a dividend adjustment clause. The Board has granted options under this authorisation as follows: 2015A, 2,329,500 options and 2015AII, 193,500 options.

The option rights will be granted to key staff employed by the group in a way determined by the Board. There is a weighty financial reason to grant the option rights as the option rights are intended as part of the Group's key personnel's long-term incentive scheme. The Board will decide on the reallocation of option rights returned to the company later. The main purpose of 2015A and 2015AII series is to offer for option right holders for already launched stock option plans 2012B, 2012B(II) and 2012C a possibility to accept a conversion to the new stock option plan.

The Annual General Meeting held on May 30, 2017 authorised the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorisation, the Board can with one or several decisions issue up to 14,396,670 new shares, options or other special rights entitling to shares. The authorisation is in force until July 31, 2018. The authorisation replaces the authorisation granted by the Annual General Meeting held on June 8, 2016. The authorisation does not revoke the authorisation granted by the Annual General Meeting on May 7, 2012. Based on this authorisation, the Board has approved option programs 2017–2019 of up to 5,000,000 option rights and the Restricted Share Plan of up to 500,000 shares. The Board of Directors has granted 1,284,150 2017A options and 28,500 2017B options under this authorisation. The Board of Directors has granted 148,400 shares under the 2017–2018 program and 155,400 shares under the 2017–2019 program.

2012A: No options outstanding on December 31, 2017. Subscription price EUR 8.00807 per share. Subscription period March 1, 2015–February 28, 2017.

2012A(II): No options outstanding on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2015–February 28, 2017.

2012B: 45,000 outstanding options on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.

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.

2012B(II): No options outstanding on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.

2012C: 45,000 outstanding options on December 31, 2017. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.

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: 1,683,867 outstanding options on December 31, 2017. Subscription price EUR 2.94 per share. Subscription period August 1, 2017–July 31, 2019.

Each option right entitles its holder to subscribe for one new share. Up to 1,683,867 shares can be subscribed for based on the option rights, corresponding to 2.1% of the company's share capital and votes.

2015AII: 374,500 outstanding options on December 31, 2017. Subscription price EUR 3.00 per share. Subscription period August 1, 2017–July 31, 2019.

Each option right entitles its holder to subscribe for one new share. Up to 374,500 shares can be subscribed for based on the option rights, corresponding to 0.5% of the company's share capital and votes.

2015B: No options outstanding on December 31, 2017. 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, 2017. 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, 2017. 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, 2017. 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: 1,284,150 outstanding options on December 31, 2017. 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 1,284,150 shares can be subscribed for based on the option rights, corresponding to 1.6% of the company's share capital and votes.

2017B: 28,500 outstanding options on December 31, 2017. 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 28,500 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	2017	2016
Legal fees and consulting expenses	5,015	4,986
External development and testing expenses	6,158	10,074
Server expenses	7,449	6,678
Machinery and software expenses	4,409	2,715
Phone, data transfer and office expenses	3,609	4,686
Marketing expenses	73,555	20,139
Other operating expenses	3,999	4,619
Total other operating expenses	**104,194**	**53,897**

The marketing expenses are divided as follows:

€000	2017	2016
User acquisition costs	69,599	18,234
Other marketing expenses	3,956	1,905
Total marketing expenses	**73,555**	**20,139**

Audit fees

€000	2017	2016
Audit	388	300
Other services	705	119
Total	**1,094**	**418**

1.8. Finance income and expenses

€000	2017	2016
Finance income		
Other interest and finance income	0	15
Foreign exchange gain	680	508
Total finance income	**680**	**522**
Finance costs		
Interest on debts and borrowings	811	1,499
Other finance costs	2	1
Total interest expense	813	1,500
Foreign exchange loss	3,746	288
Other finance expenses	813	106
Total finance expenses	**5,372**	**1,894**
Total finance income and expenses	**-4,692**	**-1,372**

2. Intangible and tangible assets and lease payments

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 recognised 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 recognised is derecognised 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 derecognised.

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, 2016	**4,710**
Additions	466
Disposals	-128
Exchange differences	37
December 31, 2016	**5,085**
Additions	400
Disposals	-304
Exchange differences	-147
December 31, 2017	**5,033**
Depreciation and impairment	
January 1, 2016	**-3,623**
Depreciation charge for the period	-777
Disposals	57
Exchange differences	-24
December 31, 2016	**-4,367**
Depreciation charge for the period	-473
Disposals	143
Exchange differences	142
December 31, 2017	**-4,555**

Net book value	2017	2016
December 31	**478**	**717**

Finance leases

The Group has leased under finance lease agreements the following property, plant and equipment:

€ 000	December 31, 2017	December 31, 2016
Acquisition cost	366	108
Accumulated depreciation	-92	-20
Net book value	**274**	**88**

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised. 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 recognised 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 recognised. 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 amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised 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 amortisation period and the amortisation 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 amortisation period or method. The amortisation expense on intangible assets with finite lives is recognised 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 amortised 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 amortised, 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 derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised 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 amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

In general, the Group amortises capitalised development costs on a straight-line basis over the period of expected future sales from the related project. The amortisation schedule of capitalised 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 capitalises development costs for a project in accordance with its accounting policy. Initial capitalisation 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 capitalised, 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 2017 as well as animated TV series still in production. The amount does not currently include any projects that would not be planned to be finalised 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)
Amortisation method used	Amortised on a straight-line basis over the useful life of the trademark.	Amortised on a straight-line basis over the period of the expected future sales from the related project.	Amortised based on consumption of economic benefits embodied in the intangible asset.	Amortised 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, 2016	**14,740**	**1,786**	**49,971**	**13,188**	**79,685**
Additions	2,901	391	13,564	947	17,803
January 1, 2017	**17,641**	**2,177**	**63,535**	**14,135**	**97,488**
Additions	5,811	263	1,851	2,980	10,904
Disposals	0	0	-633*	0	-633*
Transfer between classes		-1,235	-1,770	3,005	0
December 31, 2017	**23,452**	**1,205**	**62,983**	**20,119**	**107,759**
Depreciation and impairment					
January 1, 2016	11,882	1,123	896	6,914	20,815
Depreciation and impairment for the financial period	4,558	241	4,201	3,056	12,056
January 1, 2017	**16,440**	**1,364**	**5,097**	**9,970**	**32,871**
Depreciation and impairment for the financial period	2,331	222	20,147	3,396	26,097
Transfer between classes		-1,015	-1,427	2,441	0
December 31, 2017	**18,771**	**571**	**23,817**	**15,808**	**58,968**

€000	Development costs – Games	Trademarks	Development costs – Movie	Development costs – Other	Total
Carrying amount					
December 31, 2016	**1,201**	**813**	**58,438**	**4,164**	**64,616**
December 31, 2017	**4,681**	**634**	**39,166**	**4,310**	**48,791**

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

€000	Development costs – Games	Trademarks	Development costs – Movie	Development costs – Other	Total
Advance payments for intangible assets					
January 1, 2016	**9,100**	**437**	**366**	**10**	**9,914**
Additions	7,178	34	160	1,587	8,959
Write-downs and other disposals	-5,782	0	0	0	-5,782
Reclassification between asset classes	-2,824	-196	-366	-565	-3,951
December 31, 2016	**7,673**	**275**	**160**	**1,032**	**9,140**
Additions	4,131	35	0	819	4,984
Write-downs and other disposals	-1,965	0	-160	-29	-2,154
Reclassification between asset classes	-5,814	-39	0	-1,822	-7,675
December 31, 2017	**4,025**	**271**	**0**	**0**	**4,296**

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 recognises trade receivables, trade payables, deposits, loans and borrowings on the date on which they are originated. All other financial instruments are recognised 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 amortised 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 amortised 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 amortised 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 realising 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 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 amortised cost using the effective interest rate method (EIR).

Amortised 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 amortisation 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 recognises 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 analysed.

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 recognised 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 amortised cost.

Amortised 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 recognised in profit or loss as financial income or expense when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation 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 derecognised (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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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 derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Reconciliation of financial liabilities

		Cash flow impact	Changes with no cash flow impact			
€000	**2016**	Additions / Disposals	Additions / Disposals	Net foreign exchange differences	Changes in fair value	**2017**
Non-current financial liabilities	2,466	-	-	-	-	2,466
Current financial liabilities	16,520	-16,667	-	-	147	0
Lease liabilities	88	-72	258	-	-	274
Total financial liabilities	**19,074**	**-16,739**	**258**		**147**	**2,740**

		Cash flow impact	Changes with no cash flow impact			
€000	**2015**	Additions / Disposals	Additions / Disposals	Net foreign exchange differences	Changes in fair value	**2016**
Non-current financial liabilities	16,376	2,466	-16,376	-	-	2,466
Current financial liabilities	8,188	-8,333	16,376	-	289	16,520
Lease liabilities	28	-17	77	-	-	88
Total financial liabilities	**24,592**	**-5,884**	**77**	**0**	**289**	**19,074**

3.2 Financial liabilities

Financial liabilities: interest-bearing loans and borrowings

€000	Capital	Interest, %	Maturity	December 31, 2017	December 31, 2016
Non-current liabilities					
Loan from credit institution	€2,466	1.0	2020–2023	2,466	2,466
Obligations under finance leases contracts		3.27		143	46
Total non-current interest-bearing loans and borrowings				**2,609**	**2,512**
Current liabilities					
Loan from credit institution	€25,000	480 basis points / floating rate tranche	2017	0	16,520
Obligations under finance leases contracts		3.27	2017–2021	132	42
Total current interest-bearing loans and borrowings				**132**	**16,562**
Total interest-bearing loans and borrowings				**2,741**	**19,074**

Fair values of non-current liabilities

€000	Capital	December 31, 2017	December 31, 2016
Loan from credit institution	2,466	2,127	2,025

R&D loan

The company drew a loan of EUR 2.5 million in 2016. This loan is unsecured and repayable in four years between 2020 and 2023.

Loan from credit institution

The company drew a loan of EUR 25 million in 2015. The loan was paid back in three instalments, the last one in December 2017.

Finance lease liabilities

€000	December 31, 2017	December 31, 2016
Minimum lease payments:		
Within 1 year	132	42
Later than 1 year and no later than 5 years	143	46
Total lease payments	**274**	**88**

3.3. Non-current receivables, trade receivables and other receivables

Non-current receivables mainly comprise rent deposits paid.

Non-current receivables

€000	December 31, 2017	December 31, 2016
Long-term rental deposits	823	1,083
Other long-term receivables	-	15
Total non-current receivables	**823**	**1,098**

Trade receivables and other receivables

€000	December 31, 2017	December 31, 2016
Trade receivables	29,104	27,981
Other current financial assets	2,327	682
Prepayments and accrued income	10,552	15,232
Total trade receivables and other receivables	**41,983**	**43,895**

Prepayments and accrued income comprise the following items:

€000	December 31, 2017	December 31, 2016
Deferred cost of sales and prepayments	2,578	6,341
Mandatory insurance payments	133	4,603
Tax receivables	173	2,328
Accrued licensing revenue	732	1,614
Other accrued income	6,936	346
Total	**10,552**	**15,232**

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

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

The Group's policy is to recognise 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, 2017, is 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 <30 days	Past due 30–60 days	Past due 61–90 days	Past due 91–180 days	Past due 181–365 days	Past due >365 days
2017 Gross	29,574	26,739*	693*	999*	282	391	151	318
-Provision for credit loss of receivables	-470		-21	-7	-14	-85	-25	-318
December 31, 2017	**29,104**	**26,739**	**672**	**992**	**268**	**306**	**126**	**0**
2016 Gross	29,102	23,988	290	480	1,062	1,236	617	1,430
-Provision for credit loss of receivables	-1,121	0	0	0	-135	-532	-146	-309
December 31, 2016	**27,981**	**23,988**	**290**	**480**	**927**	**704**	**471**	**1,121**

* The balances mainly comprise receivables form 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	Over 365 days
Default rate until December 31, 2016	0%	0%	0%	20%	40%	60%	100%
Default rate as of January 1, 2017	0.5%	0.5%	0.5%	15%	40%	60%	100%

The change in the default rate did not have a material impact on the result for the financial year or the valuation of receivables.

Provision for credit loss of current trade receivables

€000	2017	2016
January 1	**1,206**	**1,015**
Realised and written-down	169	268
Change	-905	-76
December 31	**470**	**1,206**

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	2017	2016
Cash and cash equivalents	90,812	20,866
Short-term deposits	0	8,079
Total	**90,812**	**28,945**

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 60 day payment term.

€000	2017	2016
Trade payables	8,895	7,852
Other payables	1,897	358
Advances received	1,635	11,480
Total	**12,427**	**19,690**

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 instalments during contract period (or any combination of mentioned). If there is an unrecouped MG balance at the end date of the licensing agreement, the remaining balance is fully recognised as revenue at the date when the agreement ends. Until then the MG balance is decreased by accruals posted as well as royalty reports received.

€000	2017	2016
January 1	**11,480**	**7,115**
Licensing MG's recognised as revenue	-9,255	-3,705
Games MG's recognised as revenue	-1,204	-1,984
Other items	7,232	10,054
December 31	**8,253**	**11,480**

3.7. Deferred revenue

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

€000	2017	2016
Liabilities		
January 1	**2,820**	**10,463**
Deferred during the year	2,312	2,820
Released to the statement of profit or loss	-2,745	-10,463
December 31	**2,387**	**2,820**
Current	2,387	2,820
Non-current	-	-

€000	2017	2016
Assets		
January 1	**1,614**	**701**
Deferred during the year	604	1,614
Released to the statement of profit or loss	-1,614	-701
December 31	**604**	**1,614**
Current	604	1,614
Non-current	-	-

3.8. Provisions

Accounting policy

Provisions are recognised 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 recognised 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 recognised as a finance cost.

Restructuring provisions

Restructuring provisions are recognised 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, 2016	**3,151**	**114**	**3,265**
Additions	0	797	797
Utilised	-3,151	-87	-3,238
December 31, 2016	**0**	**824**	**824**
Additions	0	149	149
Utilised	0	-211	-211
December 31, 2017	**0**	**762**	**762**

3.9. Accrued liabilities

€000	2017	2016
Salaries and other personnel costs	16,148	12,818
Accrued costs	1,229	2,557
Revenue share	2,153	2,406
Other accrued liabilities	1,698	2,607
Total	**21,227**	**20,388**

3.10. Government grants

Accounting policy

Government grants are recognised 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 recognised 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 recognised 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	2017	2016
January 1	**-**	**-**
Received during the year	93	-
Released to the statement of profit or loss	-93	-
December 31	**-**	**-**

Government grants have been received for several projects, e.g. the Angry Birds Movie, implementation of the project SyncFree, and animation production. The production grants for the Angry Birds Movie during the financial year totaled EUR 0.6 million, and it was allocated to the asset and will be released to profit or loss over the expected useful life of the asset by equal annual instalments.

The difference between the Tekes loan's interest and market-based interest is accounted as government grant. There are no unfulfilled conditions or contingencies attached to these grants.

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.

Rovio's risk management is focused on analysing, reviewing and managing opportunities, threats and risks related to Rovio's objectives rather than solely on eliminating risks.

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 minimise 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 governance.

The Group's senior management is responsible for the measurement and governance 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, 2017, 100% of the Group's borrowings are at a variable rate of interest (2016: 100% variable rate). On December 31, 2017, 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
2017	EUR	+100	-25
2016	EUR	+100	-125

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.

€000	Change in USD rate	Effect on profit
2017	5%	1,242
	-5%	-1,242
2016	5%	-1,784
	-5%	1,784

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.

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. At the end of the 2017 fiscal year, Rovio did not have active bank overdraft facilities or commercial paper programs.

Capital market, leasing or other financing arrangements can be utilised 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, 2017, the Group had eight customers (2016: 7 customers) with over EUR 500,000 of outstanding trade receivables. These customers accounted for approximately 94% (2016: 57%) of the Group's trade receivables. The Group had five customers (2016: four customers) with over EUR 1 million of outstanding trade receivables. These customers accounted for approximately 86% (2016: 48%) of the Group's trade receivables.

On each reporting date, any impairment of receivables from material customers is analysed individually. In addition, minor receivables are classified into a single group and their possible impairment is analysed as a group. The calculation is based on actual incurred historical data. The Group's maximum credit risk on December 31, 2017 and 2016 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. Rovio has one customer that accounts for more than 10% of the Group's total revenue. Sony and its affiliates and subsidiaries accounted for EUR 36.5 million of revenue in 2017.

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, 2017, approximately 81% will fall due within one year (2016: 92%) 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 summarises the maturity breakdown of the Group's financial liabilities based on contractual undiscounted payments:

€000	On demand	Less than 3 months	3–12 months	1–5 years	Over 5 years	Total
December 31, 2017						
Interest-bearing loans and borrowings	-	-	-	2,466	-	2,466
Lease liabilities	-	26	105	142	-	274
Trade and other payables	-	10,425	235	-	-	10,660
Total	**-**	**10,451**	**340**	**2,608**	**-**	**13,400**

€000	On demand	Less than 3 months	3–12 months	1–5 years	Over 5 years	Total
December 31, 2016						
Interest-bearing loans and borrowings	-	-	16,520	2,466	-	18,986
Lease liabilities	-	11	35	68	-	115
Trade and other payables	-	8,164	-	-	-	7,852
Total	**-**	**8,175**	**16,555**	**2,534**	**-**	**26,953**

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 maximise 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	2017	2016
Equity ratio, %	**77.9%**	**64.1%**
Equity	140,386	86,839
Advances received	8,253	11,480
Deferred revenue	1,635	2,820
Total assets	**190,192**	**149,700**
Return on Equity, %	**23.4%**	**19.1%**
Profit/loss before tax	26,628	15,372
Total equity, beginning of period	86,839	74,392
Total equity, end of period	140,386	86,839
Net gearing, %	**-62.9%**	**-11.5%**
Interest-bearing loans and borrowings	2,466	18,986
Cash and short-term deposits	90,812	28,945
Equity	140,386	86,839
Non-current interest-bearing loans and borrowings	2,466	2,466
Current interest-bearing loans and borrowings	0	16,520
Cash and short-term deposits	90,812	28,945
Net debt	**-88,346**	**-9,959**

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 categorised 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 amortised cost. Rovio Group's financial instruments measured at amortised 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, 2017 amounted to EUR 733,390 and the number of shares was 79,171,275. 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 2017 and 2016.

Rovio was listed on the Nasdaq Helsinki main list during the financial year. Trading in the Rovio share commenced on the main list of Nasdaq Helsinki on October 3, 2017. Rovio raised gross assets of EUR 30.0 million in the listing, against which expenses of EUR 0.6 million were allocated directly to equity. The net effect, EUR 29.4 million, is booked in the invested unrestricted equity fund.

Reconciliation of the number of shares

	Total number of shares	Issued capital, €000	Invested unrestricted equity fund, €000
January 1, 2017	**74,944,946**	**733**	**751**
Additions due to share issue	2,608,696		29,392
Additions based on option subscriptions	1,617,633		5,683
December 31, 2017	**79,171,275**	**733**	**35,826**

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.

Redemption clause

The Articles of Association were amended during the financial year and the previous redemption clause was omitted.

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

The Group did not hold treasury shares during 2017 and 2016.

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 percent 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, 2017

€000	**2017**
Retained earnings	86,506
Profit for the period	19,577
Invested unrestricted equity reserve	36,434
Capitalised development expenses	-12,716
Total	**129,801**

Distributions made and proposed

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share (2016: EUR 0.06 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 recognised as a liability in the financial statements on December 31, 2017.

A total of EUR 4,497 thousand was paid as dividends for 2016.

Accounting policy

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised 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 recognised in the statement of profit or loss.

Earnings per share

Undiluted earnings per share are calculated by dividing the net result for the review 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.

	December 31, 2017	December 31, 2016
Profit for the period attributable to equity holders of the parent, €000	20,597	10,560
Shares (thousand)		
Weighted average number of outstanding shares	75,795	74,945
Diluted weighted average number of outstanding shares	77,370	75,508
Undiluted earnings per share, EUR	0.27	0.14
Earnings per share adjusted for dilution, EUR	0.27	0.14

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 administrative 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised 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, 2017. 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Consolidated companies

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

		Holding (%)	
Name of the company	**Domicile**	**2017**	**2016**
Rovio Stars Oy	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 Korea Co.,Ltd*	Korea	0	100
Rovio Japan K.K.*	Japan	0	100
Rovio Animation Oy	Finland	100	100
Dark Matter Oy	Finland	100	100
Rovio UK Ltd	United Kingdom	100	100
Rovio Animation Company	United States	100	100
Rovio Animation Company Ltd*	Canada	0	100
Rovio IP Management Oy	Finland	100	100
Pin Bank Oy	Finland	100	100
Dark Flow Oy	Finland	100	100
Hatch Entertainment Oy	Finland	80	80
Kaiken Kustannus Oy*	Finland	0	80

* Company dissolved/divested during the 2017 financial year

4.3. Associates

Accounting policy

An associate is 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 recognised at cost and the carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the associate since the acquisition date. The share of the profit and loss is recognised 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.

Associates

Rovio owns 34.74 percent of the shares in Sunwoo Entertainment Co., Ltd, South Korea (inoperational) and 19.99 percent of Fun Academy Oy. Financial information about the associates is presented below:

In December 2015, Rovio Group acquired 19.99 percent of the shares of Fun Academy Oy, which was established at the same time. As part of the transaction, the Group transferred its learning business to Fun Academy Oy. In addition to shareholding, the Group has the right to appoint one member of the Board of Directors. Fun Academy Oy is a joint venture that is not listed in any public stock exchange. The business of Fun Academy Oy is based on children's education.

€000	2017	2016
Fun Academy Oy's result for the period	-291	-709
Rovio Group's share of the result for the period	-58	-142

4.4. Changes in group structure

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio Entertainment Oy, sold all the shares they owned in Rovio Animation Company Ltd in Vancouver, Canada, and Kaiken Publishing Oy, Helsinki, Finland, to Kaiken Entertainment Ltd. The assets transferred in the divestment amounted to approximately EUR 0.9 million (of which approximately EUR 0.5 million in cash and cash equivalents) and the liabilities to approximately EUR 1.2 million. In addition, Rovio divested certain non-Angry Birds-related Intellectual Property Rights with a carrying value of EUR 0 to Kaiken Entertainment for EUR 0.1 million. The accounting profit related to the divestment amounted to approximately EUR 0.4 million.

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:					
Trema International Holdings B.V.	2017	-	-	-	-
	2016	-	-	-	-
Associates					
Sunwoo Entertainment Co., Ltd,	2017	-	-	-	-
	2016	-	-	-	-
Fun Academy Oy	2017	-	-	-	-
	2016	-	-	-	-
Other related party companies					
Kaiken Entertainment	2017	18	914	18	-
Group management					
Key management personnel of the Group	2017	-	-	35	123
	2016	-	-	-	-
Members of the Board of Directors	2017	-	-	-	-
	2016	-	-	-	-

Related party transactions

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

Trema is an entity with significant influence over the Rovio Group. Trema's previous control over the Rovio Group ended following the sales of shares carried out in conjunction with the Initial Public Offering. Sunwoo Entertainment Co., Ltd and Fun Academy Oy are associates of the Rovio Group.

In June 2017, EUR 3.1 million was paid out as dividend between the Rovio Group and Trema. There were no transactions between the Group and Trema during the 2016 financial year.

Kaiken Entertainment is a company controlled by Mikael Hed, and therefore Rovio's related party. Mikael Hed is a minority owner of Trema and he exercises significant influence on the company. He directly held 0.39% of Rovio's shares as of December 31, 2017.

In February 2016, Rovio's subsidiary Dark Matter Oy acquired all the shares in Kaiken Publishing owned by Mikael Hed and part of the shares owned by the other shareholder in Kaiken Publishing for an aggregate purchase price of EUR 2,000. The other shareholder was left with 20% ownership in Kaiken Publishing and the Rovio Group became the owner of 80% of the shares. Soon thereafter, Rovio transferred its publishing business to Kaiken Publishing in a business transfer. Kaiken Publishing borrowed the purchase price of EUR 0.2 million from Rovio under a loan agreement. At the same time, the parties also entered into a separate license agreement based on which Kaiken Publishing served as the master licensee of the Angry Birds brand in book and comics publishing.

In March 2017, Rovio Animation Oy and Dark Matter Oy, wholly owned subsidiaries of Rovio, sold all the shares they owned in Rovio's TV animation studio entity in Vancouver, Canada (Rovio Animation Company Ltd), all the shares they owned in Rovio's book publishing business entity, Kaiken Publishing, as well as certain non-Angry Birds IP to Kaiken Entertainment. Kaiken Entertainment paid a purchase price of EUR 1 for the shares in Kaiken Publishing and a purchase price of CAD 1 for the shares in Rovio Animation Company Ltd. Further, in connection with the transaction, Kaiken Entertainment repaid Kaiken Publishing's EUR 0.2 million loan to Rovio relating to the transfer of the book publishing business as well as a purchase price of EUR 0.1 million for the purchased IPs.

The master license agreement between Rovio and Kaiken Publishing concerning the Angry Birds brand in book and comics publishing, entered into in 2016, remained in force. Based on the license agreement with Kaiken Publishing, Rovio received licensing income of EUR 18 thousand during the 2017 financial year (EUR 44 thousand during the time period of February 1, 2016 to December 31, 2016).

After the aforementioned corporate acquisition, the buyer changed the name of Rovio Animation Company Ltd to Kaiken Animation Ltd. Kaiken Animation Ltd continued the production of animated series ordered by Rovio Animation Company Ltd from subcontractors and management of the production of the subcontractors. Kaiken Animation Ltd has invoiced Rovio for its services in the amount of CAD 1.2 million (approximately EUR 0.9 million) in accordance with the actual costs during the 2017 financial year.

Compensation of key management personnel of the Group

€000	2017	2016
CEO		
Short-term employee benefits	521	444
Post-employment pension and medical benefits*	-	-
Termination benefits	-	-
Share-based payments	283	102
CEO total	**804**	**546**
Other key management personnel of the Group		
Short-term employee benefits	2,600	2,428
Post-employment pension and medical benefits*	-	-
Termination benefits	506	
Share-based payments	1,027	558
Other key management personnel of the Group, total	**4,133**	**2,986**
Total compensation of key management personnel	**4,937**	**3,532**

* 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 recognised as expense for each year. Generally, the non-executive directors do not receive pension entitlements from the Group.

The composition of the Leadership Team was revised in 2017, and during the financial year, the key management personnel included the CEO, CFO, CCDO, Legal Councel, Head of HR, SVP, Corporate Communications and the heads of the business segments. The comparison data for 2016 has been adjusted to enhance comparability. In 2016, the key personnel disclosed were the CEO, CFO, CSO, CCDO and Legal councel.

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		**2017**	**2016**
Mika Ihamuotila	Chairman since 2017 Board member since 2013	91	18
Kaj Hed	Vice Chairman since 2017 Chairman 2008–2017	140	168
Kim Ignatius	Chairman of the Audit Committee and Remuneration Committee Board member since 2017	53	-
Camilla Hed-Wilson	Board member since 2011	42	14
Niklas Zennström	Board member since 2011	42	14
Jenny Wolfram	Board member since 2017	35	-
Mikael Hed	Board member until 2016	-	14
Total		**403**	**228**

4.6 Shareholding

10 largest shareholders December 31, 2017

	Shareholder	Number of shares	Percentage of shares and votes
1.	Trema International Holdings B.V	32,297,528	40.79%
2.	Varma Mutual Pension Insurance Company	2,715,022	3.43%
3.	Silavano Investments S.Á.R.L.	2,183,734	2.76%
4.	Hed Niklas Peter	1,996,746	2.52%
5.	Ilmarinen Mutual Pension Insurance Company	1,792,500	2.26%
6.	Vesterbacka Jan-Peter Edvin	1,456,229	1.84%
7.	Elo Mutual Pension Insurance Company	1,200,000	1.52%
8.	The State Pension Fund	1,000,000	1.26%
9.	Aktia Capital investment fund	875,074	1.11%
10.	Mandatum Life Insurance Company Limited	720,000	0.91%
	Ten largest, total	**46,236,833**	**58.40%**
	Other shareholders	32,934,442	41.60%
	Total	**79,171,275**	**100.00%**

Largest shareholders by sector, December 31, 2017

Rank	Shareholders by sector	Number of shareholders	% of shares
1	Nominee-registered and foreign shareholders	41	69.66
2	Households	9,833	9.76
3	Public entities	11	9.18
4	Financial and insurance institutions	48	9.54
5	Companies	370	1.72
6	Non-profit organisations	31	0.15
	Total	**10,334**	**100.00**
	Of which nominee-registered	10	25.89

Largest shareholders by share breakdown December 31, 2017

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	4,365	42.28	316,355	0.40
101–500	4,619	44.74	1,062,347	1.34
501–1,000	781	7.56	574,373	0.73
1,001–5,000	421	4.08	838,099	1.06
5,001–10,000	32	0.31	229,679	0.29
10,001–50,000	44	0.43	968,321	1.22
50,001–100,000	18	0.17	1,313,957	1.66
100,001–500,000	31	0.30	7,708,651	9.74
500,001–	13	0.13	66,159,493	83.57
Total	**10,324**	**100.00**	**79,171,275**	**100.00**
Nominee-registered	10	0.10	20,497,138	25.89

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 recognised directly in equity is recognised 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 recognised 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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised 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 recognised subsequently 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 recognised 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 recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has EUR 5,697 thousand of unused tax losses carried forward. The Group expects that future taxable profit will be available against which the unused tax losses can be utilised. The losses will expire in 2027 and 2028.

Income taxes

The major components of income tax expense for the financial years 2017 and 2016 are:

Reconciliation of the Group's taxes

€000	2017	2016
Taxable income for the period		
Current income tax	7,823	4,171
Adjustments in respect of current income tax of previous year	3	0
Deferred tax:		
Relating to origination and reversal of temporary differences	-1,794	642
Income tax expense reported in the statement of profit or loss	**6,032**	**4,813**
Accounting profit before tax	**26,628**	**15,372**
The Group's statutory income tax rate of 20%	5,326	3,074
Tax for previous accounting periods	121	0
Tax effects of foreign subsidiaries	231	592
Change in deferred tax asset profit & loss	-1,794	642
Other items	520	213
Non-deductible expenses	1,628	292
Income taxes	**6,032**	**4,813**

5.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

€000	January 1, 2017	Released to the statement of profit or loss	December 31, 2017
Deferred tax assets 2017			
Losses not deducted in taxation	132	1,503	1,635
Deductible tax losses	796	344	1,140
Other temporary differences	301	-93	208
Deferred tax assets	**1,229**	**1,759**	**2,983**
Deferred tax liabilities 2017			
Other temporary differences	-108	35	-73
Deferred tax liabilities	**-108**	**35**	**-73**

€000	January 1, 2016	Released to the statement of profit or loss	December 31, 2016
Deferred tax assets 2016			
Losses not deducted in taxation	89	43	132
Deductible tax losses	4,486	-3,690	796
Other temporary differences	970	-669	301
Deductible tax losses – current component	915	-915	0
Deferred tax assets	**6,459**	**-5,231**	**1,229**
Deferred tax liabilities 2016			
Other temporary differences	-120	12	-108
Deferred tax liabilities	**-120**	**12**	**-108**

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 recognised deferred tax assets totaling EUR 1,140 thousand for these tax losses.

5.3. Leases and other contingent commitments

Leases

Accounting policy

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to Rovio Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Operating lease commitments – Group as a lessee

The Group has entered into operating leases on office equipment and rental equipment. Future minimum rentals payable under non-cancellable operating leases as at December 31 are, as follows:

€000	December 31, 2017	December 31, 2016
Equipment lease commitments		
Due within one year	131	46
Due in subsequent years	142	68
Total	**274**	**115**
Office rental commitments		
Due within one year	2,488	2,660
Due in subsequent years	3,659	5,568
Total	**6,147**	**8,358**
Other commitments		
Enterprise mortgages	30,000	30,000
Total	**30,000**	**30,000**

Parent company's financial statements

Parent company's statement of profit or loss

	Note	January 1–December 31, 2017	January 1–December 31, 2016
Revenue	1.	**260,429,077.62**	**181,289,268.67**
Other operating income	2.	295,277.82	243,537.36
Materials and services	3.	-93,096,785.44	-66,927,884.38
Personnel expenses	5.	-36,003,115.15	-33,002,036.55
Depreciation and amortisation	8.	-8,226,264.79	-14,250,543.35
Other operating expenses	9.	-98,520,276.44	-47,731,442.77
Operating profit		**24,877,913.62**	**19,620,898.98**
Finance income and expenses	10.	-212,580.26	2,100,890.51
Profit before appropriations and taxes		**24,665,333.36**	**21,721,789.49**
Income tax expense	11.	-5,088,156.30	-4,160,250.96
Profit for the period		**19,577,177.06**	**17,561,538.53**

Parent company's statement of financial position

	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Intangible assets	12.	13,707,350.06	15,631,282.25
Tangible assets	13.	75,254.84	305,547.65
Investments	14., 15.	1,460,351.37	1,556,021.66
Total non-current assets		**15,242,956.27**	**17,492,851.56**
Current assets			
Non-current receivables	16.	15,175,756.88	10,815,415.37
Current receivables	17.	74,481,181.87	106,134,175.09
Financial securities		0.00	0.00
Cash and cash equivalents		81,245,711.15	24,103,530.91
Total current assets		**170,902,649.90**	**141,053,121.37**
Total assets		**186,145,606.17**	**158,545,972.93**

	Note	December 31, 2017	December 31, 2016
EQUITY AND LIABILITIES			
Equity			
Issued capital	18.	733,390.00	733,390.00
Other reserves	18.	36,433,768.46	750,533.44
Retained earnings	18.	86,505,680.19	73,441,048.44
Profit for the period		19,577,177.06	17,561,538.53
Total equity		**143,250,015.71**	**92,486,510.41**
Liabilities			
Non-current liabilities	19.	2,466,154.00	2,466,154.00
Current liabilities	20.	40,429,436.46	63,593,308.52
Total liabilities		**42,895,590.46**	**66,059,462.52**
Total liabilities		**186,145,606.17**	**158,545,972.93**

Parent company's statement of cash flows

	January 1– December 31, 2017	January 1– December 31, 2016
Cash flows from operating activities		
Profit before appropriations and taxes	24,665,333.36	21,721,789.49
Adjustments		
Depreciation and amortisation according to plan	8,226,264.79	14,250,543.35
Unrealised foreign exchange gains (-) and losses (+)	931,591.26	-426,275.71
Finance income (-) and expenses (+)	-930,602.49	-1,674,614.80
Net cash before working capital changes	32,892,586.92	33,871,442.33
Working capital changes		
Increase (-) or decrease (+) in current receivables	28,186,430.23	-28,977,800.24
Increase (-) or decrease (+) in inventories	0.00	36,950.45
Increase (-) or decrease (+) in current payables	-4,224,069.62	-2,376,735.48
Net cash before interest and taxes	56,854,947.53	2,553,857.06
Interest and other financial expenses paid	-1,519,825.48	-1,521,262.88
Interest and other financial income received	2,623,349.84	3,195,877.68
Income taxes paid	-947,283.40	-19,708.99
Net cash before extraordinary items	57,011,188.49	4,208,762.87
Net cash from operating activities (A)	**57,011,188.49**	**4,208,762.87**

	January 1– December 31, 2017	January 1– December 31, 2016
Cash flows from investing activities		
Purchase of tangible and intangible assets	-6,072,039.79	-3,494,460.10
Proceeds from sales of tangible and intangible assets	0.00	-727,939.68
Loans granted	-6,000,000.00	-500,000.00
Cash flows from investing activities (B)	**-12,072,039.79**	**-4,722,399.78**
Cash flows from financing activities		
Paid share issue	35,683,235.02	0.00
Share issue transaction costs	-1,316,104.62	0.00
Repayments of borrowings	-16,666,666.67	-8,333,333.33
Increase of long-term loans	0.00	2,466,154.00
Dividends paid	-4,496,906.78	0.00
Cash flows from financing activities (C)	**13,203,556.95**	**-5,867,179.33**
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**58,142,705.65**	**-6,380,816.24**
Cash and cash equivalents at the beginning of period	24,103,530.91	29,982,788.15
Unrealised foreign exchange differences	-1,000,525.41	501,559.00
Cash and cash equivalents at the end of period	**81,245,711.15**	**24,103,530.91**

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 amortised over three to ten years. They are amortised based on the estimated revenue generation. Consolidated goodwill is amortised over five years. Machinery and equipment is depreciated over three to five years.

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

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

Revenue recognition

Revenues are recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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	2017	2016
Games	247,730,335.97	156,674,574.00
Licensing and merchandise revenue	9,749,603.43	18,572,297.39
Media revenue	1,616,754.55	4,257,145.79
Service revenue from group companies	1,332,383.67	1,785,251.49
Total	**260,429,077.62**	**181,289,268.67**

Geographical distribution	2017	2016
NAM	160,454,196.82	103,649,107.93
LATAM	5,828,749.72	5,483,813.57
EMEA	70,248,074.43	52,716,197.68
APAC	23,898,056.65	19,440,149.49
Total	**260,429,077.62**	**181,289,268.67**

2. Other operating income

	2017	2016
Grants received	93,123.47	8,127.49
Other income	202,154.35	235,409.87
Total	**295,277.82**	**243,537.36**

3. Materials and services

	2017	2016
Material purchases	40,009.43	98,835.40
Decrease in inventories	0.00	36,950.45
External services	81,030,427.40	50,586,419.51
External services from group companies	12,026,348.61	16,205,679.02
Total	**93,096,785.44**	**66,927,884.38**

4. Average number of personnel employed by the group during the financial period

	2017	2016
Average number of personnel	327	345

5. Personnel expenses

	2017	2016
Wages and salaries	29,740,706.28	26,313,057.50
Pension costs	5,046,400.64	4,825,570.56
Other social security expenses	1,216,008.23	1,863,408.49
Total	**36,003,115.15**	**33,002,036.55**

6. Salaries and fees of management

	2017	2016
Members of the Board of Directors	402,500.00	228,220.00

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

	2017	2016
Audit fees	287,562.31	280,858.00
Tax counselling	13,755.00	43,876.77
Other fees	701,336.55	74,913.80
Total	**1,002,653.86**	**399,648.57**

8. Depreciation and impairment

	2017	2016
Depreciation and amortisation according to plan	6,261,489.79	8,468,862.89
Impairment	1,964,775.00	5,781,680.46
Total	**8,226,264.79**	**14,250,543.35**

9. Other operating expenses

	2017	2016
Legal fees and consulting expenses	3,805,286.25	3,235,112.03
External development and testing expenses	5,611,932.18	9,583,440.36
Machinery and software expenses	4,302,059.86	2,434,201.41
Hosting expenses	6,838,989.13	6,637,807.26
Phone, data transfer and office expenses	1,964,753.36	2,179,204.21
User acquisition costs	68,977,771.94	18,221,437.95
Other marketing expenses	3,827,355.84	1,436,830.02
Other operating expenses	3,192,127.88	4,003,409.53
Total	**98,520,276.44**	**47,731,442.77**

The classification of other operating expenses was changed during the financial period. The comparison data has been adjusted to improve comparability.

10. Finance income and expenses

	2017	2016
Interest and financial income		
From group companies	3,172,005.85	3,187,730.61
From others	36,953.61	8,147.07
Forex gains from group companies	239,287.56	8,182.10
Forex gains from others	0.00	489,242.34
Total interest and financial income	**3,448,247.02**	**3,693,302.12**
Interest and financial expenses		
To others	-2,015,469.16	-1,252,315.83
Forex losses to group companies	-388,136.64	-26,711.98
Forex losses to others	-1,257,221.48	-313,383.80
Total interest and financial expenses	**-3,660,827.28**	**-1,592,411.61**
Total interest and financial income and expenses	**-212,580.26**	**2,100,890.51**

11. Income taxes

	2017	2016
Current tax	593,487.42	0.00
Other taxes	353,795.98	1,012,708.99
Change in deferred taxes	4,140,872.90	3,147,541.97
Total	**5,088,156.30**	**4,160,250.96**

Notes to the statement of financial position

12. Intangible assets

Intangible rights	2017	2016
Acquisition cost as at Jan 1	2,213,595.37	2,149,872.97
Additions	36,204.62	64,622.40
Disposals	0.00	-900.00
Acquisition cost as at Dec 31	2,249,799.99	2,213,595.37
Accumulated amortisation and impairment as at Jan 1	-1,361,979.35	-1,172,138.81
Accumulated amortisation of transfers and disposals	0.00	105.00
Depreciation charge for the period	-193,761.36	-189,945.54
Accumulated amortisation and impairment as at Dec 31	-1,555,740.71	-1,361,979.35
Carrying amount as at Dec 31	**694,059.28**	**851,616.02**

Other long-term expenses	2017	2016
Acquisition cost as at Jan 1	44,721,349.91	35,470,773.82
Additions	6,209,985.99	12,834,109.14
Disposals	-188,824.69	-3,583,533.05
Acquisition cost as at Dec 31	50,742,511.21	44,721,349.91
Accumulated amortisation and impairment as at Jan 1	-29,941,683.68	-16,428,475.54
Accumulated amortisation of transfers and disposals	0.00	6,072.91
Depreciation charge for the period	-7,787,536.75	-13,519,281.05
Accumulated amortisation and impairment as at Dec 31	-37,729,220.43	-29,941,683.68
Carrying amount as at Dec 31	**13,013,290.78**	**14,779,666.23**

Total intangible assets	2017	2016
Acquisition cost as at Jan 1	46,934,945.28	37,620,646.79
Additions	6,246,190.61	12,898,731.54
Disposals	-188,824.69	-3,584,433.05
Acquisition cost as at Dec 31	52,992,311.20	46,934,945.28
Accumulated amortisation and impairment as at Jan 1	-31,303,663.03	-17,600,614.35
Accumulated amortisation of transfers and disposals	0.00	6,177.91
Depreciation charge for the period	-6,016,523.11	-7,927,546.13
Impairment	-1,964,775.00	-5,781,680.46
Accumulated amortisation and impairment as at Dec 31	-39,284,961.14	-31,303,663.03
Carrying amount as at Dec 31	**13,707,350.06**	**15,631,282.25**

13. Tangible assets

Machinery and equipment	2017	2016
Acquisition cost as at Jan 1	3,385,402.54	3,486,780.10
Additions	14,673.87	13,455.74
Disposals	0.00	-114,833.30
Acquisition cost as at Dec 31	3,400,076.41	3,385,402.54
Accumulated amortisation and impairment as at Jan 1	-3,079,854.89	-2,595,579.85
Accumulated amortisation of transfers and disposals	0.00	57,041.72
Depreciation charge for the period	-244,966.68	-541,316.76
Accumulated amortisation and impairment as at Dec 31	-3,324,821.57	-3,079,854.89
Carrying amount as at Dec 31	**75,254.84**	**305,547.65**

Total tangible assets	2017	2016
Acquisition cost as at Jan 1	3,385,402.54	3,486,780.10
Additions	14,673.87	13,455.74
Disposals	0.00	-114,833.30
Acquisition cost as at Dec 31	3,400,076.41	3,385,402.54
Accumulated amortisation and impairment as at Jan 1	-3,079,854.89	-2,595,579.85
Accumulated amortisation of transfers and disposals	0.00	57,041.72
Depreciation charge for the period	-244,966.68	-541,316.76
Accumulated amortisation and impairment as at Dec 31	-3,324,821.57	-3,079,854.89
Carrying amount as at Dec 31	**75,254.84**	**305,547.65**

14. Investments

Shares in group companies	2017	2016
Pin Bank Oy	2,500.00	2,500.00
Dark Matter Oy	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 Korea Co., Ltd.*	0.00	71,875.31
Rovio Japan K.K. *	0.00	23,794.98
Rovio Animation Oy	302,500.00	302,500.00
Rovio IP Management Oy	2,500.00	2,500.00
Hatch Entertainment Oy	720,439.68	720,439.68
Rovio UK Limited	12,848.19	12,848.19
Dark Flow Oy	2,500.00	2,500.00
Total	**1,260,351.37**	**1,356,021.66**

* Company dissolved during the 2017 financial year

15. Other shares and investments

Other shares and investments	2017	2016
Shares and investments	200,000.00	200,000.00
Total	**200,000.00**	**200,000.00**

16. Non-current receivables

	2017	2016
Receivables from group companies		
Loan receivables	14,560,051.22	8,551,063.69
Total	**14,560,051.22**	**8,551,063.69**
Other receivables	615,705.66	806,993.61
Deferred tax assets	0.00	1,457,358.07
Total	**615,705.66**	**2,264,351.68**
Total non-current receivables	**15,175,756.88**	**10,815,415.37**

17. Current receivables

	2017	2016
Receivables from group companies		
Trade receivables	2,295,303.89	2,607,866.57
Loan receivables	26,200,729.55	63,460,344.00
Other receivables	8,741,939.18	5,570,112.59
Prepayments and accrued income	1,911,011.68	2,097,091.95
Total	**39,148,984.30**	**73,735,415.11**
Receivables from others		
Deferred tax assets	0.00	0.00
Trade receivables	25,791,109.89	20,533,264.76
Other receivables	2,157,591.20	485,122.72
Prepayments and accrued income	7,383,496.48	11,380,372.50
Total	**35,332,197.57**	**32,398,759.98**
Total current receivables	**74,481,181.87**	**106,134,175.09**

Significant items in prepayments and accrued income	2017	2016
Deferred cost of sales and prepayments	1,115,486.41	775,509.85
Statutory insurance payments	0.00	4,868,802.59
Tax receivables	67,047.22	134,777.27
Accrued licensing revenue	603,610.50	1,614,101.91
Other accrued income	5,597,352.35	3,987,180.88
Total	**7,383,496.48**	**11,380,372.50**

18. Equity

	2017	2016
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	750,533.44	750,533.44
Additions to invested unrestricted equity	35,683,235.02	0.00
Invested unrestricted equity reserve December 31	**36,433,768.46**	**750,533.44**
Retained earnings January 1	91,002,586.96	73,441,048.43
Cash dividends	-4,496,906.78	0.00
Retained earnings December 31	**86,505,680.18**	**73,441,048.43**
Profit for the period	19,577,177.06	17,561,538.53
Profit for the period	**19,577,177.06**	**17,561,538.53**
Total equity	**143,250,015.70**	**92,486,510.40**
Capitalised development expenses	**-12,716,075.02**	**-5,368,673.93**
Distributable equity as at December 31	**129,800,550.68**	**86,384,446.47**

Calculation on distributable equity	2017	2016
Retained earnings	86,505,680.18	73,441,048.43
Profit for the period	19,577,177.06	17,561,538.53
Invested unrestricted equity reserve	36,433,768.46	750,533.44
Capitalised development expenses	-12,716,075.02	-5,368,673.93
Total	**129,800,550.68**	**86,384,446.47**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share (2016: EUR 0.06 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 recognised as a liability in the financial statements on December 31, 2017.

19. Non-current liabilities

	2017	2016
Loans from financial institutions	2,466,154.00	2,466,154.00
Total	**2,466,154.00**	**2,466,154.00**

20. Current liabilities

	2017	2016
Liabilities to group companies		
Trade payables	4,315,746.29	8,797,602.92
Accrued liabilities	0.00	2,526.59
Total	**4,315,746.29**	**8,800,129.51**
Liabilities to others		
Loans from financial institutions	0.00	16,666,666.67
Advances received	5,480,133.11	9,707,229.33
Trade payables	6,907,440.31	6,692,558.46
Other payables	584,824.58	624,749.09
Accrued liabilities	23,141,292.17	21,101,975.46
Total	**36,113,690.17**	**54,793,179.01**
Total current liabilities	**40,429,436.46**	**63,593,308.52**

Significant items in accrued liabilities	2017	2016
Personnel expenses	14,354,771.39	11,281,667.72
Taxes	2,615,784.78	0.00
Deferred revenue	1,634,906.62	2,814,859.71
Other accrued liabilities	4,535,829.38	7,005,448.03
Total	**23,141,292.17**	**21,101,975.46**

21. Deferred taxes

Deferred tax assets	2017	2016
From financial year loss	0.00	1,457,358.07
From timing and temporary differences	0.00	0.00
Total	**0.00**	**1,457,358.07**

Commitments and contingencies

Equipment lease commitments	2017	2016
Due within one year	131,639.74	46,366.16
Due in subsequent years	142,828.05	68,180.35
Total	**274,467.79**	**114,546.51**

Other commitments	2017	2016
Enterprise mortgages	30,000,000.00	30,000,000.00
Total	**30,000,000.00**	**30,000,000.00**

Contingent liabilities

Office rental commitments	2017	2016
Due within one year	2,093,846.60	2,097,317.94
Due in subsequent years	3,589,289.84	5,533,801.00
Total	**5,683,136.44**	**7,631,118.94**

Holdings in other entities

Group companies	Holding (%)	Issued capital
Rovio Stars Oy, Espoo	100%	8,000.00
Rovio Asia Ltd, Hong Kong	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 Oy, Espoo	100%	2,500.00
Dark Matter Oy	100%	2,500.00
Rovio UK Ltd	100%	12,848.19
Pin Bank Oy, Espoo	100%	2,500.00
Rovio IP Management Oy, Espoo	100%	2,500.00
Dark Flow Oy, Espoo	100%	2,500.00
Hatch Entertainment Oy, Espoo	80%	2,500.00
Rovio Animation Company, United States	0%	7.74

All group companies are consolidated to the parent company's financial statements.

Other associated companies	Holding (%)
Sunwoo Entertainment Co., Ltd, South Korea	34.74%
Fun Academy Oy, Helsinki	19.99%

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 March 2, 2018

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

Niklas Zennström
Member of the Board

Kati Levoranta
CEO

Auditor’s note

The auditor's report has been issued today.

Espoo March 2, 2018

Ernst & Young Oy, Authorised Public Accounting firm

Mikko Rytilahti
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 (Translation of the Finnish original)

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, 2017. 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
Revenue recognition *We refer to the note 1.2.*	
Revenue is recognised when the risks and rewards of the underlying products and services have been transferred to the customer. Due to the multitude contracts and variety of contractual terms there is a risk that revenue is not recognised in the correct period. 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. 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) as there is a risk that revenue is not recognised in the correct period.	To address the risk of material misstatement relating to revenue recognition, we performed, among others, the following audit procedures: • 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 analysed 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. • We also considered the adequacy of the disclosures in respect of revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of intangible assets *We refer to the note 2.3.*	
At the balance sheet date, the value of intangible assets amounted to 53.1 M€ (2016 73.8 M€), which represented 28% (49%) of the total assets and 38% (85%) of the total equity. The Group amortises the capitalised development expenses related to the movie based on the income received and consumption of economic benefits from the distribution of the movie. Other capitalised development costs are amortised on a straight-line basis over the period of expected future sales from the related project. The group tests its intangible assets for impairment at least annually or more often if there is an indication of impairment. The management makes significant estimates and judgments when determining the level at which intangible assets are tested and whether there is any 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. 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. The valuation of intangible assets was determined to be a key audit matter due to the magnitude of the balance and management judgment.	We performed, among others, the following audit procedures: • We assessed the compliance of the Group's accounting policies over the capitalisation of development costs, valuation and amortisation methods and assessed the compliance with applicable accounting standards. • We engaged our internal specialists who assisted in computing an independent assessment of the cash flow projections, operating margins and discount rates used and assessing 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 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 5 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 2.3.2018

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 Monday, April 16, 2018 at 1:00 p.m. (Finnish time) at the Finlandia Hall, Congress Wing Hall A, at Mannerheimintie 13 e, Helsinki (entrances K1 and M1). The reception of persons who have registered for the Annual General Meeting and the distribution of voting tickets will commence at the venue at 12:00 noon.

Right to attend and registration

Each shareholder, who is registered on the record date of the meeting, Wednesday, April 4, 2018 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who is registered in the company's shareholders' register and who wants to participate in the Annual General Meeting, shall register for the meeting no later than on Wednesday, April 11, 2018 at 10:00 a.m. (Finnish time) by giving a prior notice of participation, which shall be received by the company no later than on the above-mentioned time. Such notice can be given:

- through Rovio's website Register to General meeting
- by telephone to +358 207 888 300 from Monday to Friday between 9:00 a.m. and 4:00 p.m.; or
- by regular mail to Rovio Entertainment Corporation, AGM 2018, Keilaranta 7, FI-02150 Espoo, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal or business identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. The personal data given to Rovio Entertainment Corporation is used only in connection with the Annual General Meeting and with the processing of related registrations.

A shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove at the meeting place their identity and/or right of representation.

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, i.e. on Wednesday, April 4, 2018, would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd. at the latest on Wednesday, April 11, 2018 at 10.00 a.m. (Finnish time). As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

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 2017. Dividend shall be paid to shareholders who on the record date of the dividend payment April 18, 2018 are recorded in the company's shareholders' register held by Euroclear Finland Ltd. The Board of Directors proposes that the dividend be paid on April 25, 2018.

Important AGM dates

- AGM record date April 4, 2018

- Last date to register for the meeting April 11, 2018 at 10.00 am
- Annual General Meeting April 16, 2018
- Proposed ex-dividend date April 17, 2018
- Proposed record date for dividend payment April 18, 2018
- Proposed dividend payment date April 25, 2018

Financial publications in 2018

- Financial Statements Bulletin 2017 on Friday March 2, 2018
- Annual Report 2017 including financial statements and notes to the financial statements, corporate governance statement, salary and remuneration report on March 22, 2018
- Interim Report for January–March 2018 on Thursday May 17, 2018
- Interim Report for January–June 2018 on Friday August 17, 2018
- Interim Report for January–September 2018 on Friday November 16, 2018

Investor relations

More information about Rovio as an investment and investor events is available at the company's investor web pages www.rovio.com/investors. Rovio's Investor Relations serves shareholders, analysts and investors.

Contact details are:
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