ROVIO

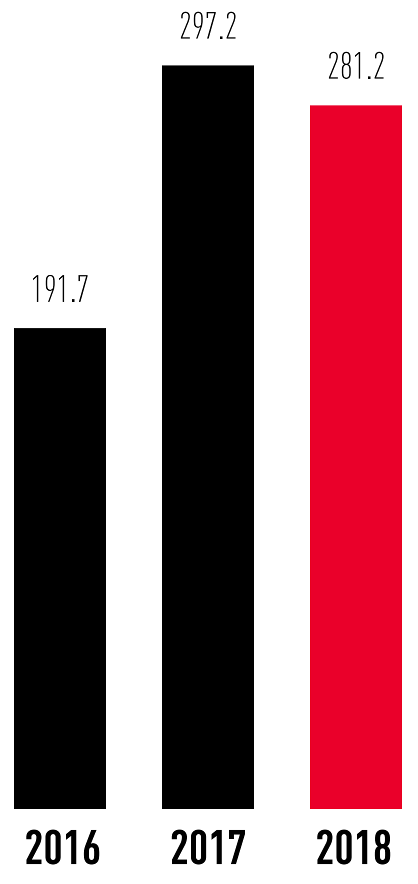
ANNUAL REPORT 2018

CONTENT

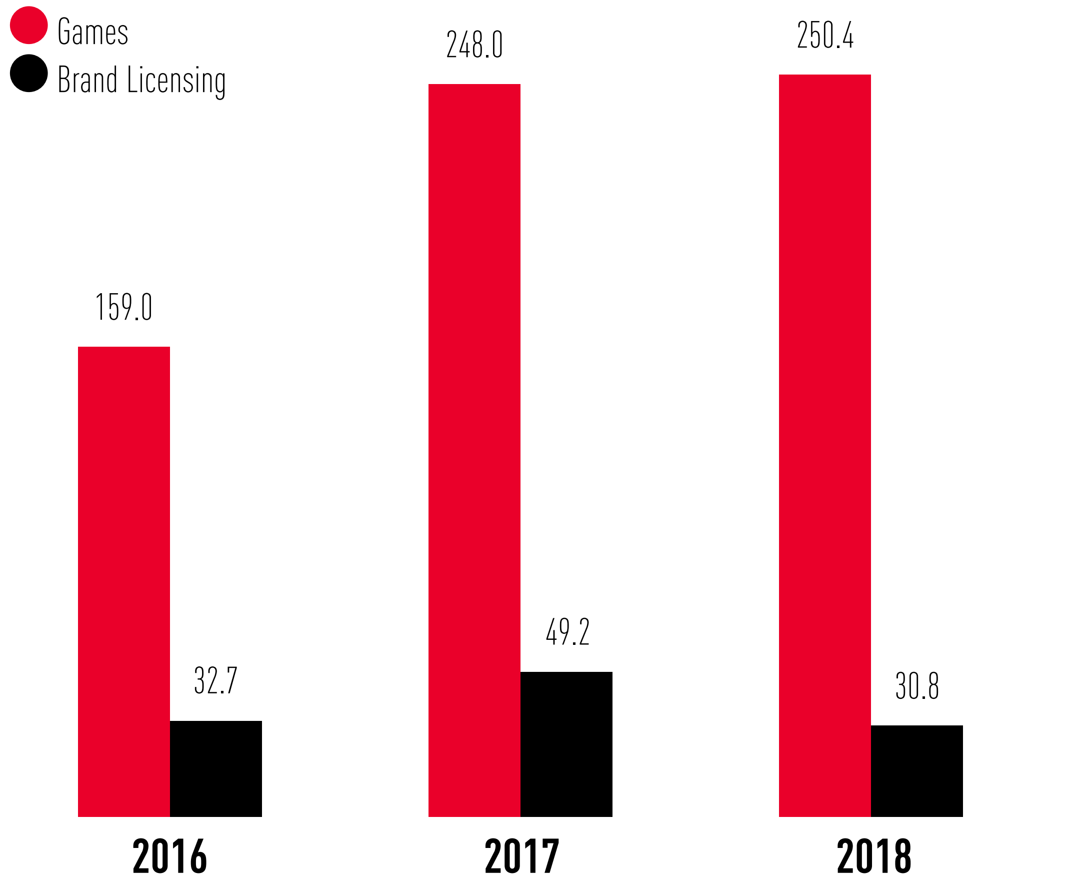
ROVIO IN BRIEF

Rovio Entertainment Corporation is a global, games-first entertainment company that creates, develops and publishes mobile games and which have been downloaded over 4 billion times. The Company is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing. Today, the Company offers multiple mobile games, consumer products, animations and has produced The Angry Birds Movie, which opened number one in theatres in 50 countries and the sequel which is in production. Rovio is headquartered in Finland and the company's shares are listed on the main list of NASDAQ Helsinki stock exchange with the trading code ROVIO.
www.rovio.com

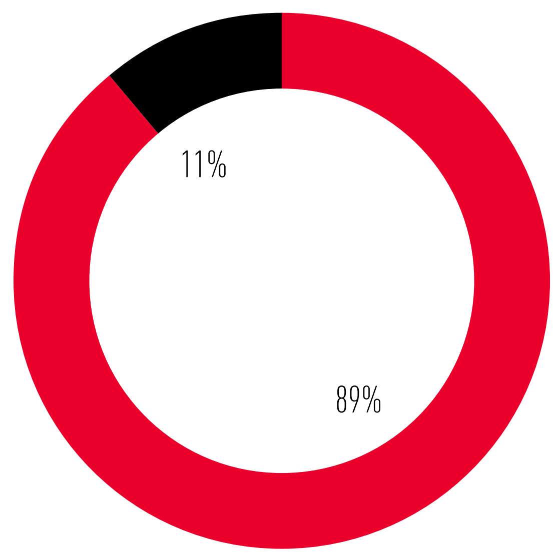
Revenue, EUR million



Revenue, EUR million



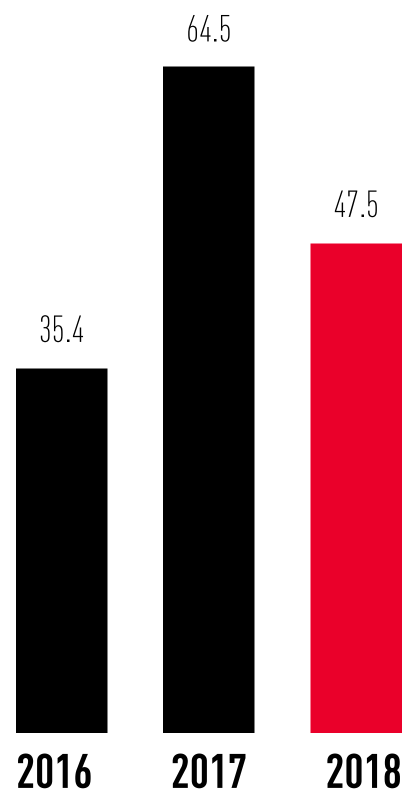
Revenue per segment, EUR million



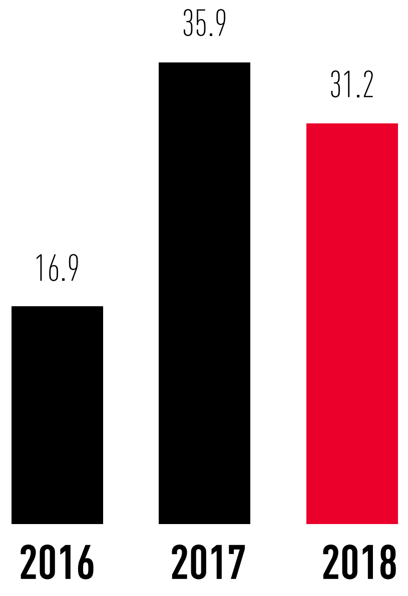
2018

Games	250.4
Brand Licensing	30.8
Total	**281.2**

Adjusted EBITDA, EUR million



Adjusted EBIT, EUR million



24 / 76

Employees, %
Female / Male

418

Number of employees

50 / 50

Leadership team, %
Female / Male

40

Number of nationalities

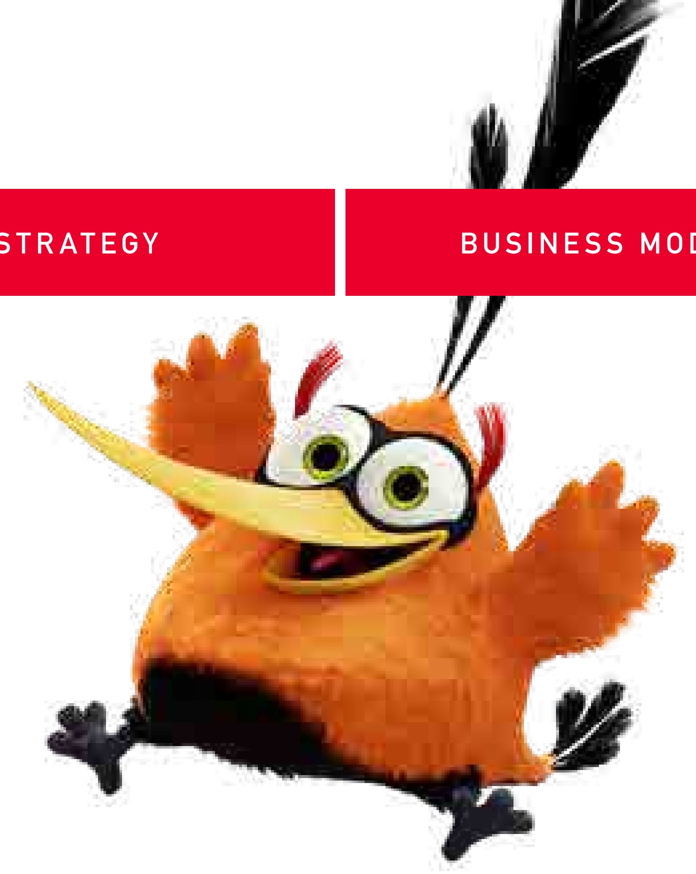
Earnings per share, euros (EPS)

0.31€

Dividend per share*

0.09€

*Board's proposal for Dividend



HIGHLIGHTS OF THE YEAR

Growth of games gross bookings

Average Revenue Per Daily Active User (ARPDAU) grew 31% and Monthly Average Revenue Per Paying User (MARPPU) grew 8%, marking new record numbers for 2018.

Record for the Angry Birds 2 game

Rovio's biggest game Angry Birds 2 reported increased gross bookings in each quarter compared to previous quarters, resulting in a 49% in the full year.

Angry Birds Friends still going strong

Angry Birds Friends has generated 120 million EUR gross bookings since it was released in 2012, and the game continues to enjoy success in its seventh year!

Strategic acquisition

Rovio acquires Finnish gaming studio PlayRaven Oy. The acquisition strengthens Rovio's expansion into mobile strategy games.

Hatch moves to public release

Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80% stake, is developing a cloud-based game streaming service for mobile devices. Hatch has moved from beta to public release on Google Play in the Nordic countries, UK and Ireland.

Magic Leap

Part of the company's strategy to invest in the future of gaming, Rovio released an AR game, Angry Birds FPS: First Person Slingshot, on the Magic Leap One device.

Billions of views

The Angry Birds YouTube channel keeps growing and has already reached over three billion views, making it one of the world's most popular brand channels.

STRONG FINANCIALS ENABLE INVESTMENTS FOR THE FUTURE

Kati Levoranta
CEO

The key drivers of the mobile gaming market were strong in 2018 – the number of smartphones, the number of players and the total spending on gaming continued to grow.

The gaming industry continued to grow in Rovio's main markets of North America and Europe. The previously rapid growth of the Chinese mobile gaming market slowed down as the government did not approve any new games for release between April and November. This did not, however, have a major impact on Rovio's business.

The depreciation of the US dollar, which began in 2017, had a negative impact on our revenue performance in early 2018, but this was balanced out by the stronger dollar in the second half of the year. Competition in the industry remains very intense: Apple's App Store and the Google Play store have more than a million mobile games combined, with hundreds of new games released every day.

Rovio is a strong player in a competitive market.

According to the outlook we published in February 2018, we expected Rovio Group's revenue to be EUR 260–300 million in 2018, with an adjusted operating profit margin of 9–11%. When we specified our outlook further in connection with our Q3 reporting, we estimated Rovio Group's revenue to be EUR 280–290 million, with an adjusted operating profit margin of 10–11%.

In the beginning of the year, we stated that we intend to achieve our financial targets by further developing the revenue-generating capacity of our existing games and by investing in the Angry Birds brand. We also indicated our intention to participate in the consolidation of the games industry. During the year, we also continued to develop new games and invested in new technologies.

To what extent did we succeed?

The 2018 financial results were in line with the outlook released in the beginning of 2018. Our revenue amounted to EUR 281.2 million and our adjusted operating profit margin was 11.1%. Rovio's financial position is strong: the company has positive cash flow of EUR 42.6 million and the equity ratio is 83.7%, cash and cash equivalents stood at EUR 123.6 million at the end of the year.

The positive cash flow and strong balance sheet provide the company with degrees of freedom to invest in product development and user acquisition as well as distribute dividends and, if necessary, make quick moves to carry out acquisitions.

The revenue of the Games business increased slightly, although euro-dominated growth was reduced by the weaker US dollar. The adjusted EBITDA margin of the Games business was robust at 16.3%.

Among our previously launched titles, the most successful games were Angry Birds 2, with gross revenue growth of as much as 49% for the full year, and Angry Birds Friends, which was released back in 2012 and generated steady revenue last year. The financial performance of the games we released in 2017 did not, however, meet our expectations.

During the year, we continued to develop new games and invested in new technologies.

In addition to introducing new innovations to our existing titles in 2018, we also had a strong focus on new game development. At the end of the year, we had 13 games in various stages of the development pipeline, with two titles in test marketing and one awaiting official approval for release in the Chinese market.

User acquisition is an important aspect of the Games business, and user acquisition investments are Rovio's second-largest expense item behind game development. In 2018, we spent EUR 78.6 million on user acquisition, which represents 31.4% of the total revenue of the Games business.

As expected, licensing revenue decreased year-on-year due to the significant peak of the Angry Birds Movie revenue in 2017. According to our estimate, approximately 50% of the total revenue from the movie was recognized in 2017, 15–20% in 2018 and the remaining 30–35% over the next several years.

The sequel to the first Angry Birds Movie, Angry Birds Movie 2, will premiere in August 2019. We have licensed the movie's production to the Sony-owned Columbia Pictures Industries Inc. Under the agreement, Columbia Pictures is also responsible for the marketing and distribution of the movie. Due to the differences in the agreements and production models between the first movie and the sequel, the sequel does not involve the same degree of financial risk for Rovio, and it is expected that revenue from the sequel will begin to be recognized within 2019. Rovio is responsible for the movie's product and content licensing program.

The Angry Birds brand enjoys a high level of global awareness. In addition to games, approximately 70 million units of various kinds of licensed Angry Birds products were sold in over 100 countries last year. A strong brand also helps with the marketing of games. Rovio has always been closely involved in studying and using new technologies. In September, as part of Rovio's development program focused on exploring the future of gaming, the Angry Birds: First Person Slingshot mixed reality game was released on the Magic Leap MR platform. In addition, the cloud-based game streaming service from the 80% Rovio-owned Hatch Entertainment Oy is now available for Android phones and tablets in the Nordic countries, UK and Ireland. We take advantage of machine learning and artificial intelligence in areas including game analytics and the optimization of the user experience.

In December 2018, Rovio acquired PlayRaven Oy, a company that specializes in the development of mobile strategy games. The primary motivation behind the transaction was PlayRaven's skilled and experienced personnel. The acquisition is intended to speed up Rovio's expansion into strategy games. PlayRaven Oy's employees have moved to Rovio's head quarter in Espoo and the team aims to have one game reach the test marketing stage in 2019. Rovio will continue to identify and analyze potential acquisition targets this year.

A positive and inspiring company culture is essential for long-term financial success. In 2018, we continued to develop Rovio's operating methods and culture. As a result of this project, our personnel summarized our values as follows: *be bold, embrace innovation and act with integrity.*

In 2019, we expect our total revenue to grow to EUR 300–330 million and and our adjusted operating profit margin to be 9-11%. In 2019 we aim to release at least two new games, and the first game Angry Birds Dream Blast was launched on January 24th, 2019, and we expect the sequel to the Angry Birds Movie to premiere in August 2019. What is more, Angry Birds will celebrate its 10th anniversary in December 2019, which is a great milestone for us!

Over the course of a decade, Angry Birds games have been downloaded more than four billion times, over 1.8 billion units of Angry Birds branded consumer products have been purchased and videos have been watched more than 3 billion times. These are incredible numbers!

I want to take this opportunity to thank all Rovians and everyone else who has been part of our journey in 2018. We are in a good position to forge ahead and fly into the next decade of Angry Birds!

OPERATING ENVIRONMENT

We operate in three major entertainment markets: mobile gaming, Angry Birds brand and character licensing, and movies. Our Games business unit operates in mobile gaming, which is a large, fast-growing and dynamic global market, whereas our Brand Licensing business unit operates in the licensing market, and through licensing also in movie markets. Brand and character licensing markets, as well as movie markets are large and global but mature markets.

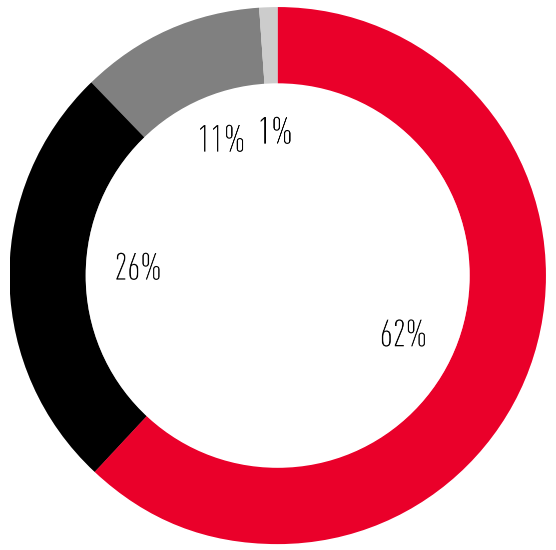
The mobile gaming market continues to grow strongly.

A dynamic and fast-growing mobile gaming market

Mobile gaming has become the largest gaming market in the world according to market intelligence provider Newzoo. This has been enabled by the following drivers: the installed base of smartphones has grown to exceed three billion active units, the number of gamers has grown and is expected to exceed 2.2 billion by the end of 2018, average in-game spend per user is increasing, and the free-to-play revenue model enables higher monetization while also extending the lifespan of games.

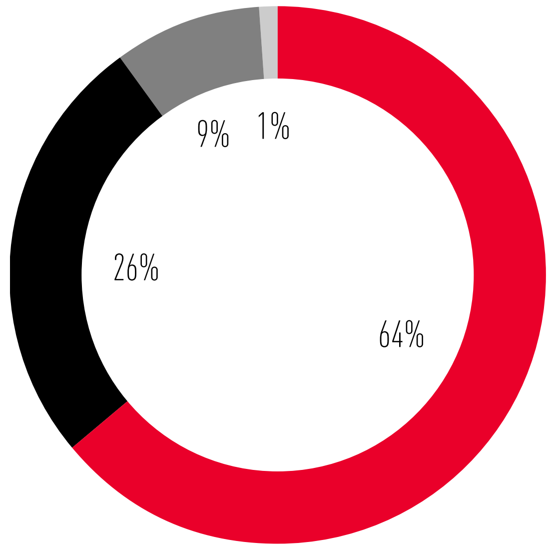
Free-to-play games, where users play the game for free but can choose to make in-app purchases in order to progress more quickly, enable new content or unlock special features and are subject to in-app advertising, have become the dominant revenue model in the market, significantly increasing the revenue potential of mobile games as games have evolved into services. Rovio has responded to the shift in the revenue model by fully transforming its games to the free-to-play model.

Games revenue per geographic area, EUR million



2018

North America	156.1
Europe, Middle East and Africa	64.2
Asia and Pacific	26.8
Latin America	3.4
Total	**250.4**



2017

North America	158.0
Europe, Middle East and Africa	64.0
Asia and Pacific	22.3
Latin America	3.7
Total	**248. 0**

According to market intelligence provider Newzoo's latest global games market report published in January 2019, the global mobile gaming market size in end-user generated revenue was estimated to be USD 63 billion in 2018 which represented 13% year-on-year growth. The global growth rate was somewhat reduced in 2018 from earlier estimates due to the Chinese government's 9-month hiatus in approving new game launches for both foreign and domestic game developers. In December 2018, the Chinese government restarted the approving of new games. Newzoo estimates the global mobile gaming market to grow to USD 72 billion in 2019 which represents 13% year-on-year growth.

In the long-term, the global mobile gaming market is expected to continue its double-digit growth of 13% CAGR during 2018-2021. Rovio's focus is mostly on the Western markets which is expected to grow at 10% CAGR during 2018-21.

Other major market phenomena in 2018 were the emergence in mobile gaming of Battle Royale, previously a popular genre on PC and console devices, and the dominance of hypercasual games in the download charts. Hypercasual games are arcade games that are simple and easy to play, and users typically play them only for short periods of time. These examples showed once again the fast pace of innovation and the many opportunities in the mobile gaming industry. On the other hand, the top-grossing US mobile game chart continued to be populated by the established long-term mobile game franchises throughout 2018, including our top game, Angry Birds 2.

Even though the mobile gaming market is large and growing fast, the barriers to achieve long-term success are becoming increasingly high as only a small portion of published mobile games reach significant scale, and user acquisition costs are increasing. We believe that the industry success factors for overcoming discoverability and user acquisition challenges favor large gaming companies with strong brand awareness such as Rovio. Having 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.

We believe that the challenges of the market create conditions that are more favourable for larger gaming companies such as Rovio.

Entertainment & character licensing and movie market

According to LIMA, the licensing industry's global association, the size of the entertainment & character licensing market was USD 7.1 billion in 2017, calculated in terms of reported royalties received by licensors. Brand licensors typically receive approximately 6% of the retail sales as royalties. North America and EMEA accounted for 74% of the market in 2017, but China and the rest of Asia are growing at the fastest rate. The growth of the global market is typically on par with GDP growth and historical CAGR was 2.9% during 2012–2017.

The market is dominated by global brands with high brand awareness and affinity, and building new brands is expensive and time-consuming. Sales are driven especially by tentpole content, such as movies. Rovio is in a good position to capture future growth with the sequel to the Angry Birds Movie, which was released in 2016. THe sequel is set to be released in August 2019. Our first-ever long-form TV and streaming series are planned for 2020.

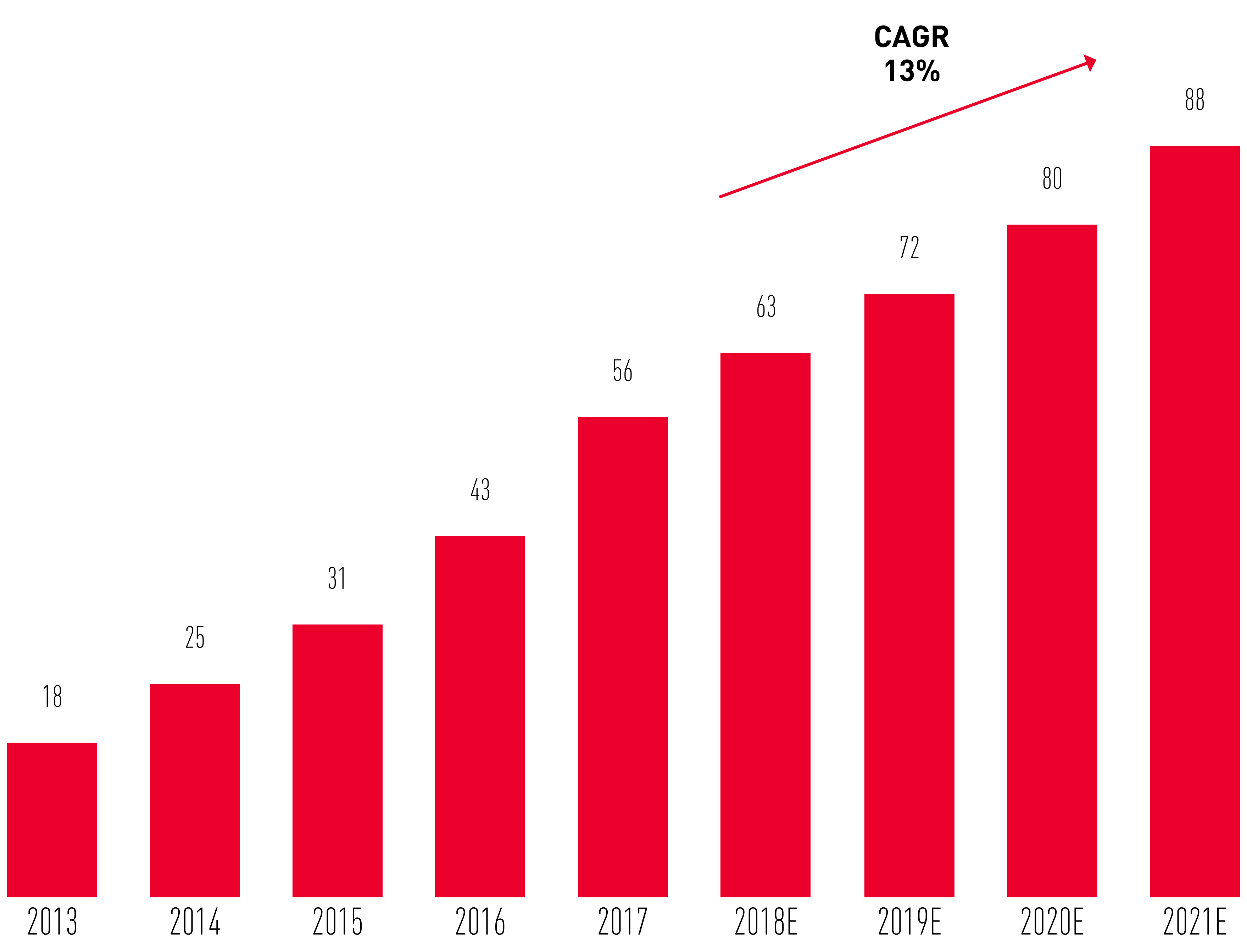
The digital transformation and the growing importance of digital experiences are driving sales and marketing to digital channels and companies are trying to find ways to link physical products to digital channels, for example by using aug-

mented reality (AR). Rovio has pioneered the bridging of the physical and digital worlds and will continue to do that by delivering engaging and innovative solutions to both our consumers and licensing partners. The role of e-commerce is also growing and, as a digital native company, we have been utilizing digital channels for several years.

However, competition is fierce in the licensing market and retail windows are getting shorter and shorter. In a tight competitive landscape, working with top-tier partners in the industry has become increasingly important. Recognizing this, we have partnered with the Sony-owned Columbia Pictures Industries for the Angry Birds Movie 2 and we have managed to secure an attractive list of consumer products licensing partners for the movie year 2019 and beyond.

Mobile Gaming Market growing

Market size of global mobile games 2013-2021 (USD Billions)



* Source: Newzoo 10/2018

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

ROVIO AS AN INVESTMENT

1 A diversified portfolio of high-quality games with a large global user base

- A strong and diversified game portfolio with multiple popular games.
- 84% of the Games business unit's gross bookings is generated by the top five games in terms of gross bookings.
- Rovio's games have a large user base with more than four billion downloads as well as 58.9 million monthly active users (MAU) and 8.1 million Daily Active Users (DAU) on average [1].
- The Company's diverse game portfolio enables cross-promotion to existing users.

2 Proven talent and process to continuously develop successful games across genres

- Rovio employs experienced game developers and has a sophisticated game development process to create new games.
- The Company aims to develop games in accordance with its "fewer, bigger and better" portfolio logic to support long-term revenue generation — games that have potential for a long lifetime, to reach top-grossing lists and to become digital hobbies.
- Rovio is pursuing genre mastery in certain genres of its choice, and it has award-winning games in various genres, such as slingshot, puzzle, role-playing and real-time player vs. player games.

3 Angry Birds is a global brand with wide and high global awareness as well as proven longevity and versatility

- Angry Birds games achieved one billion downloads in 2012 and the total amount of game downloads exceeded four billion in early 2018.
- The Angry Birds brand has a very high global awareness of 97% [2].
- Having been around since 2009, the Angry Birds brand has proven its longevity and versatility: about 70 million licensed Angry Birds products of various kinds were sold in 2018.
- The Angry Birds Movie opened number one in theaters in 50 out of 88 countries in May 2016 and the total box office revenue from the movie exceeds USD 350 million.

4 Significant expertise in user acquisition, engagement and retention to drive the monetization of the games

- Rovio has an efficient user acquisition model premised on a significant number of organic downloads based on the popularity of the Angry Birds brand as well as a sophisticated, analytical approach to paid user acquisition.
- Rovio has demonstrated its ability to engage users and monetize user activity within its games. User engagement is promoted through a Game-as-a-Service (GaaS) model.
- The Company has been able to increasingly convert users into paying users as well as to increase the spend per active user.

5 Revenue and profitability

- Rovio's revenue has increased from EUR 142 million to EUR 281 million between the financial years 2015–2018.
- Rovio's adjusted EBITDA has increased from EUR -3.2 million to EUR 47.5 million during the 2015–2018 period.
- In 2017, Rovio adopted a new licensing-based business model in movies and animated series to decrease the Brand Licensing business unit's need for capital expenditure and working capital. Under the new business model, the Company's investments in content production, marketing and distribution are minimal.

6 Experienced leadership team and the ability to retain the best talent

- Rovio's management team has extensive experience from all relevant sectors for the company including games, mobile technology, intellectual property rights, governance and brand management.
- The Leadership Team's track record includes significant operational changes and business transformations: fully transitioning the games monetization model to free-to-play, growing the Games business, restructuring the Brand Licensing business to regain focus on core operations and products, and transforming the business model in movies and animated series to full licensing.
- Rovio is one of the most attractive IT sector employers in Finland, being consistently ranked in the top 10 employers list [3].

[1] during 2018. [2] Based on a survey in which a 15-minute online questionnaire was completed by a total of 7,500 respondents from five countries (USA, UK, China, Russia and Mexico) June 27–July 14, 2017. Source: Lieberman Research Worldwide.

[3] Top 10 IT industry employers in Finland in 2018. The survey was conducted between November 2017 and April 2018. The sample consisted of 10,602 students from 40 higher education institutions in Finland. Source: Universum student survey.

More information for investors

More information on Rovio as an investment can be found in www.rovio.com/investors/investor-relations. The role of Rovio Investor Relations is to provide information to the shareholders, analysts, investors and financial media.

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PEOPLE CARRY OUT OUR STRATEGY

Our strategic focus areas are growing the Games and Brand Licensing businesses, seeking growth and value creation through mergers and acquisitions, and exploring the future of gaming.

ROVIO'S STRATEGY

Our strategic focus areas are growing the Games business, growing the Brand Licensing business, seeking growth and value creation through mergers and acquisitions, and exploring the future of gaming.

Growing the Games business

We grow our free-to-play mobile gaming business through continuously updating and improving our key live games as well as by developing and releasing new games. We strive to release games that become long-lasting digital hobbies through continuously introducing new features and in-game events that increase player engagement and monetization.

In operating live games, the game development, marketing and business intelligence teams work in a coordinated way to improve the game and its business. We like to say this is where art meets science. You need vision and intuition to improve the gameplay while at the same time having the skills to utilize data and scientific methods to prove what works and what doesn't.

Naturally, we will continue to invest in new game development in accordance with our portfolio strategy, which entails carefully choosing the genres where we see opportunities to succeed in the market.

Rovio has a strong position in the casual game genre with a range of Angry Birds games. We have also taken steps to diversify our games portfolio from the casual genre into the mid-core genre both organically and through acquisitions.

We continuously study the market, update our strategy and maintain a balance between short-term and medium-term activities while building future long-term options in a fast-moving market.

Rovio's four pillar strategy

Grow Games business	Grow the Angry Birds brand and Licensing business	Leverage strong consolidation platform	Explore the future of gaming
• Prioritize top live games in UA and resourcing • Increase investments in new games development • Aim to launch at least 2 new games in 2019	• Angry Birds Movie 2 in the second half 2019 • 10th year anniversary of Angry Birds	• Screen and evaluate potential M&A targets • Focus on free-to-play mobile games	• Investigate and invest in new technologies and platforms • Explore external funding and strategic partnerships for Hatch

Growing the Brand Licensing business

The Angry Birds brand is unique to Rovio and we aim to grow our Brand Licensing business in a strategic and sustainable manner. The brand business is dependent on the appeal of the brand and an exciting product offering delivered through high-quality consumer products, location-based entertainment and content partners.

The character entertainment brand business tends to fluctuate over time in step with major brand events, such as the first Angry Birds Movie in 2016 and its upcoming sequel in 2019. Strengthening the baseline brand appeal by delivering an engaging entertainment offering is therefore at the core of brand licensing.

This is accomplished through our range of Angry Birds games and through partnering in movies and animation. We aim to follow up the 2019 release of the movie sequel with our first long-form animated TV and streaming series in as well as live shows and live action TV shows.

Mergers and acquisitions

Rovio's M&A strategy is to find value creation opportunities that align with our business strategy and thus our focus is on the mobile free-to-play games industry. We believe that we can deliver tangible synergies and benefits to many smaller studios through our know-how in live operations, marketing, user acquisition and analytics capabilities. With our M&A activities we seek mainly to strengthen our current game genres, but we are also open to investigating adjacent genres and opportunities for diversification.

Technological advancements change the way people live their lives and the way they play games.

The future of gaming

Technological advancements change the way people live their lives and the way they play games. The touchscreen, the App Store and in-app purchases have all revolutionized the game industry. To be ready to seize future opportunities, we aim to gain first-hand experience through exploring different areas of what we call the future of gaming. This includes experimenting in areas such as virtual reality (VR), augmented reality (AR), mixed reality (MR) and game streaming. We have ongoing activities in all of these areas, mostly together with partners. In game streaming, however, we have invested in our own proprietary technology within our subsidiary Hatch Entertainment Ltd.

CRAFTSMANSHIP, CREATIVITY, PASSION

In each of our three game studios, the studio leadership cultivates the creative and technical expertise of our developers, and helps the game teams channel their craftsmanship, creativity and passion into innovative products.

OUR BUSINESS

Rovio's business is based on two business units: Games and Brand Licensing. Both of these have their own business models. In 2018, approx. 89% of Rovio's revenue consisted of games and 11% of licensing.

Rovio utilizes the Angry Birds brand in Games and Brand Licensing businesses

Business models

Games

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

↓

Players download games from application stores for free

↓

- Players do in-application purchases → 89% of games revenues
- Players watch ads in the game → 11% of games revenues

Licensing

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

↓

Manufacturers make the products and handle distribution. Content creators create content and handle distribution

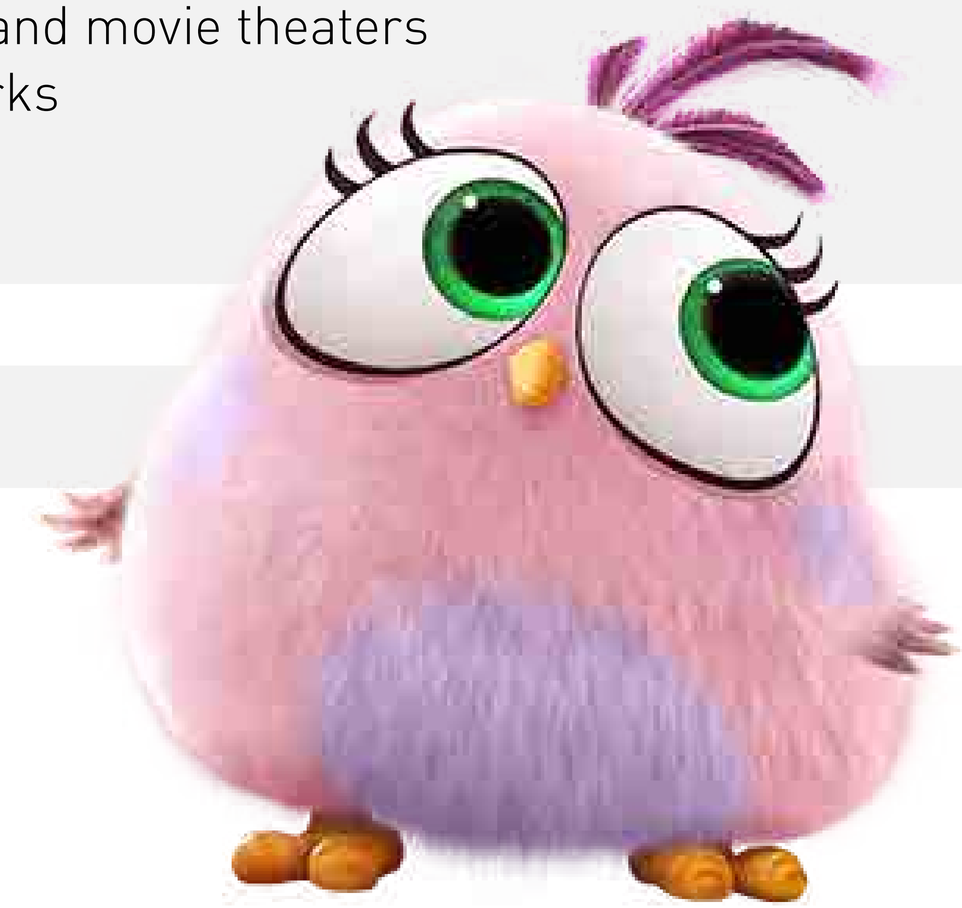
↓

- Royalties from content licensing → 72% of licensing revenues
- Royalties from product licensing → 28% of licensing revenues

Rovio uses the Angry Birds brand in Games and Brand Licensing businesses

BUSINESS AREAS	PUBLICATION	MARKETS/MARKETING	DISTRIBUTION	MONETIZATION
Games • New games development • Developing live games and new projects	• Free-to-play games • Game-updates, events, new 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 Angry Birds brand for content, pro-ducts and services	• Animated content such as movies and series • Consumer products • Activity parks • Live events	• Global and local license holders	• Digital channels • Physical and e-commerce • Television and movie theaters • Activity parks • Events	• License royalties

Brand marketing & development



BE THE BEST AT GETTING BETTER!

Rovio's game studios promote an environment where information, best practices and good ideas are constantly shared between the studios and game teams. Curiosity, continuous learning and improvement reflect the Rovio ethos.

GAMES BUSINESS UNIT

Alexandre Pelletier-Normand
Head of Games

Rovio is an established player in the rapidly growing and developing global mobile games industry. Our Games business unit continues to deliver results by creating and maintaining high quality free-to-play games. In each of our three game studios, the studio leadership cultivates the creative and technical expertise of our developers, and helps the game teams channel their craftsmanship, creativity and passion into innovative products.

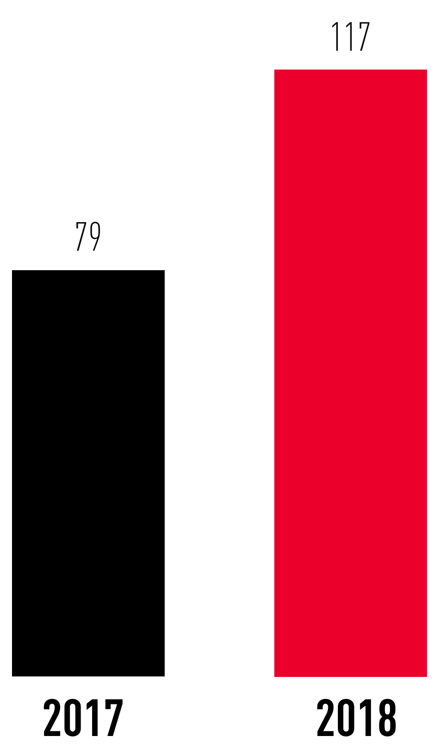
Already worth more than USD 60 billion and still growing rapidly, the mobile gaming market has matured at a fast pace in recent years. Competition is intense and the playing field is dominated by large and established game development companies. In order for any released game to reach significant scale and long term success, developers must master both the creative design and the business and economics of the free-to-play market.

Game studios and teams continuously develop their games to be more entertaining to improve their monetization and player retention.

Free-to-play games can be downloaded and played for free, but players can make optional in-game purchases to speed up their progress or gain access to additional features. In addition to in-game purchases, players can also choose to view advertising in exchange for in-game benefits. In 2018, approximately 88% of Rovio's Games business revenue was derived from in-game purchases and about 11% from advertising.

We continuously monitor our games' life-time value (LTV) per player and the cost of player acquisition (Cost-Per-Install, CPI) per player. The goal is for LTV to exceed the unit cost of user acquisition. Game studios and teams continuously develop their games to improve their monetization and player retention. At the same time, we try to lower our CPI by optimizing user acquisition and leveraging the high visibility of our brand.

Angry Birds 2 game, gross bookings development
EUR million



In 2018, Rovio's game studios focused on improving the previously released games under the Games-as-a-Service principle as well as the development of new game projects. Examples of the successful continued development of live games include Angry Birds 2, which reached record revenues in its third year on the market, and Angry Birds Friends, which has continued to deliver steady performance for more than six years.

At the end of 2018, Rovio had 13 new game projects in various stages of development, with two of these games in soft launch. Rovio's games are targeted for the mass market and our aim is to release games that have the potential to reach a large audience and that are expected to have a long lifecycle on the market.

We have a systematic game development process with clear stages. Best practices and established paradigms are applied to guarantee consistency, quality and a certain level of predictable business outcomes. Nevertheless, we must be bold and make brave decisions to deliver innovative products to the market – attractive, interesting and entertaining games that stand apart from the masses of releases every day.

We want to develop our games in step with the people who play them and listen to their feedback and input on our products. Our priority is to create entertaining games.

To create successful products in the mobile games market, we must balance out the art of game design with excellent technical execution and robust business modelling. The completely digital nature of the ecosystem allows for exact performance measurement of our products and business.

The best environment for making games

Rovio's Games business unit employs approximately 300 professionals divided between the Battle and Puzzle Studios in Espoo, Finland and the RPG Studio in Stockholm, Sweden, as well as shared functions including marketing, user acquisition, analytics, technology, finance and business development.

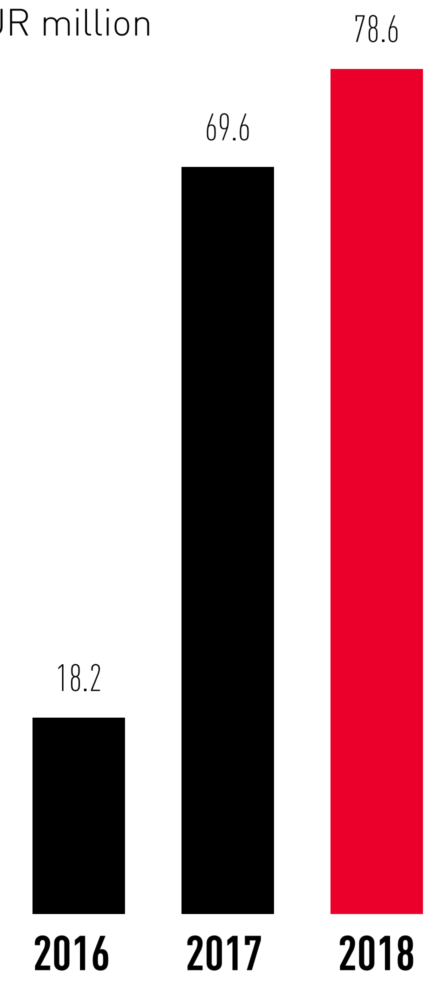
In addition to in-house personnel, the Games business unit liaises with external game studios, specialist service providers and outsourcing partners to assist in the development of games where necessary; for example, when a labor-intensive part of development temporarily requires additional workforce, or when a game requires extensive localization for specific markets.

Rovio's game studios promote an environment where information, best practices and good ideas are constantly shared between the studios and game teams. Curiosity, continuous learning and improvement reflect the Rovio ethos: Be the best at getting better. Valuable lessons learned from each project are applied and refined throughout the organization to make products and processes even better. This atmosphere of sharing creates opportunities for innovation and operational efficiency alike.

Rovio is a very attractive employer in today's highly competitive talent market for many reasons. In the Angry Birds brand, Rovio has a unique, globally recognized IP that offers amazing opportunities in various game genres and categories. Each of our studios focuses on a distinctive genre, presenting a wide range of exciting challenges for seasoned developers.

The established IP and game portfolio, wide variety of projects and stable performance over the years make Rovio both a reliable employer and a valuable business partner within the international developer community.

User acquisition investments,
EUR million



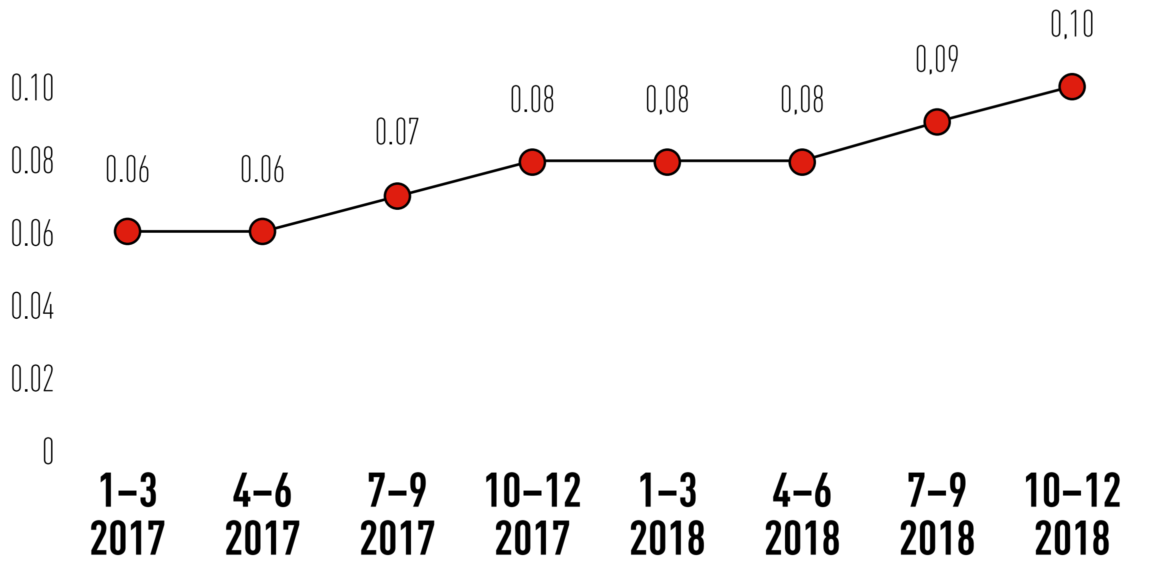
FROM IDEAS TO GLOBAL LAUNCH

Game ideas are produced by individuals or teams, collected and pitched on a weekly basis.	Ideas in line with Rovio's strategy and showing potential are assigned a team.The goal is to evaluate the business case and the game design.	Production, planning, budgeting and resourcing.	Games are built with an agile mindset, allowing adjustments if the market or consumer behaviour changes.	Games are launched in selected markets, acquiring targeted players. Emphasis on retention, monetisation and cost of user acquisition.	Based on the soft lauch KPIs, games are launched globally. Ramping up user acquisition according to the game performance.
	**Team size** 1–3 **How long/mo?** 3–4	**Team size** 3-6 **How long/mo?** 2-6	**Team size** 10–25 **How long/mo?** 2-6	**Team size** 10-25 **How long/mo?** 3-8	**Team size** 10–35

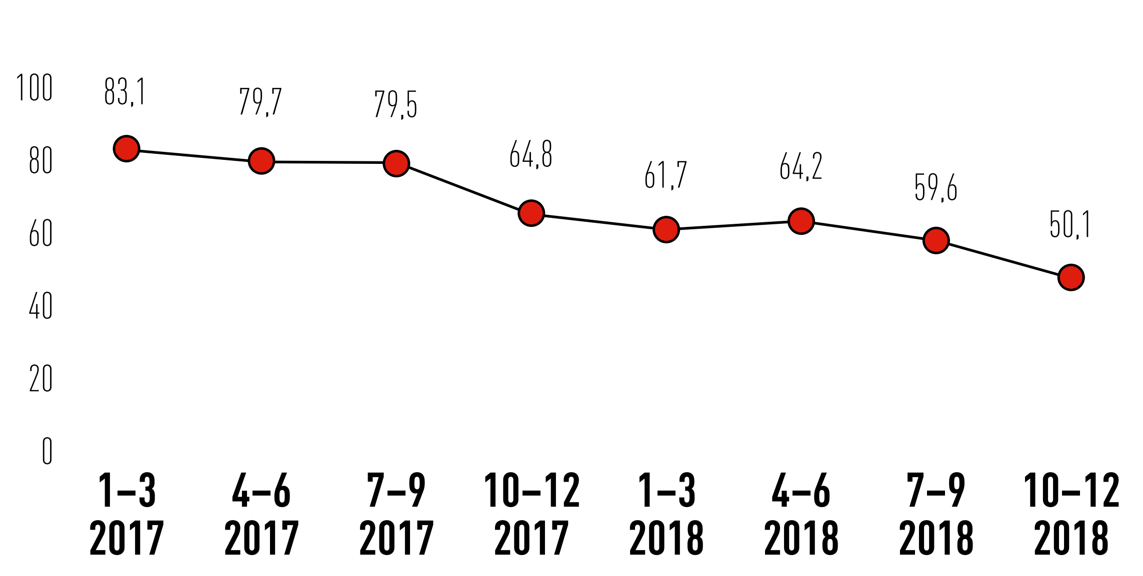
Timeline →

Development of Rovio's games key performance indicators

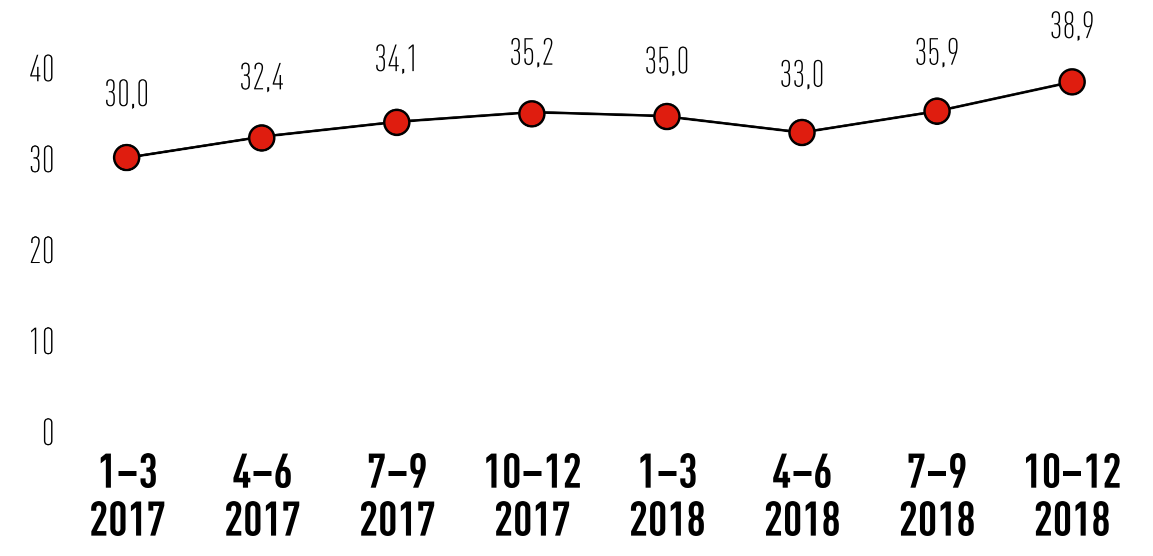
Average revenue per daily active user (ARPDAU),
EUR



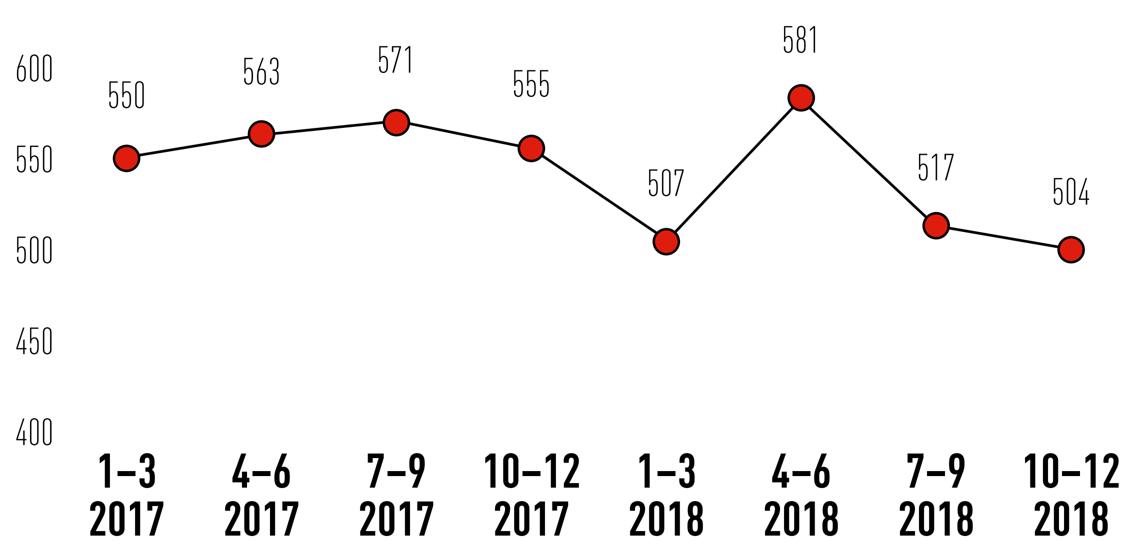
Monthly active users (MAU),
Millions



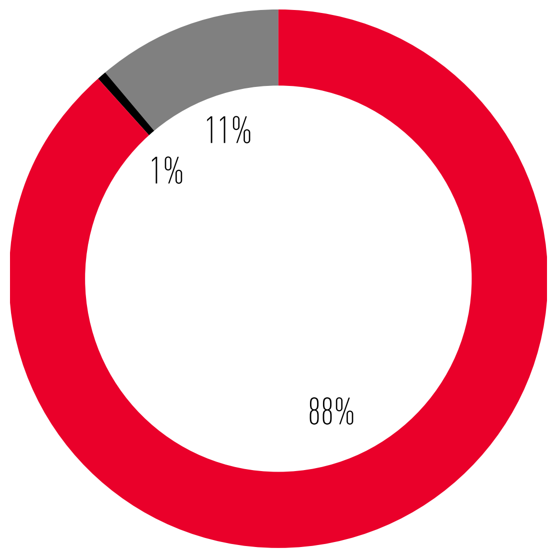
Monthly average revenue per unique payer (MARPPU),
EUR



Monthly unique payers (MUP),
Thousands

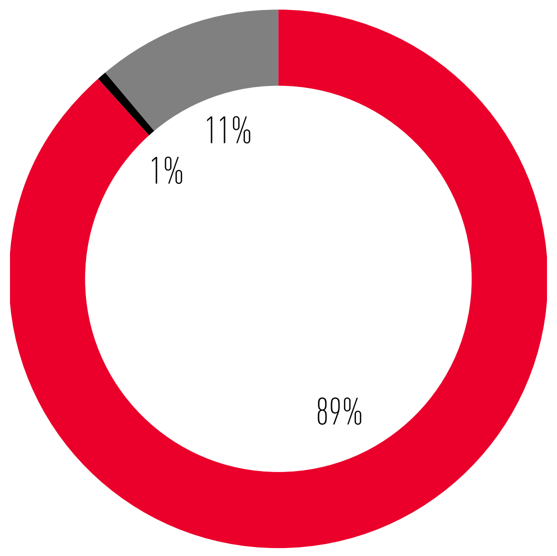


Revenue disaggregation
EUR million



2018

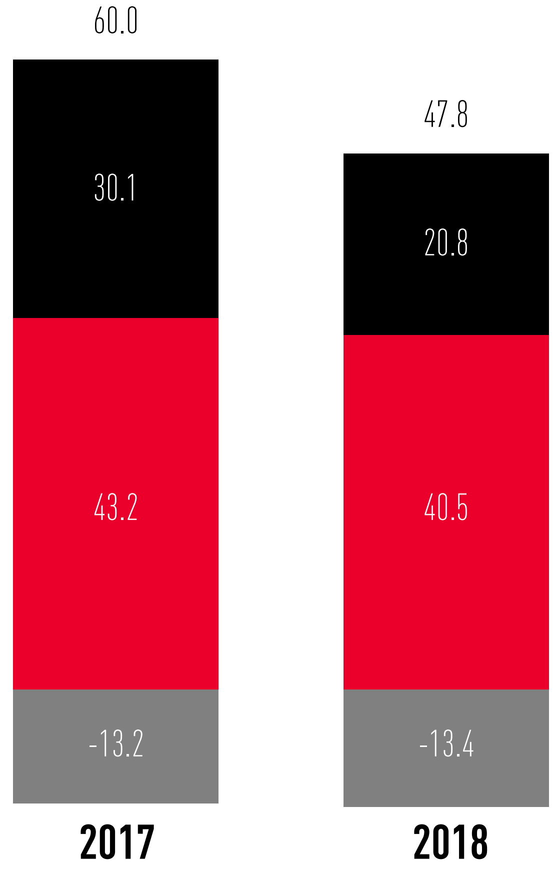
In-application purchases	220.3
Custom contracts	1.5
Advertising	28.6
Total	**250.4**



2017

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

EBITDA development and structure,
EUR million



Games
Brand Licensing
Others

ANGRY BIRDS 2

Genre:

Slingshot

Stars*:

4.5

Launch:

July 2015

Cumulative gross sales:

253M€

Gross sales 2018:

117M€

Description

Play the world's best bird flinging, pig popping game! Use the slingshot to fling birds at the piggies' towers and bring them crashing down – all to save the precious eggs.

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

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

Features

- **Choose your bird.** Choose which bird to put in the slingshot and defeat the pigs with strategy!
- **Multi-stage levels.** Play fun, challenging levels with multiple stages – just watch out for those Boss Pigs!
- **Daily challenges.** Have a minute? Complete a daily challenge and earn some quick rewards.
- **Level up your birds** with feathers and up their scoring power. Build the ultimate flock!
- **Join a clan** to take down the pigs with friends and players around the world.
- **Impress the Mighty Eagle** in Mighty Eagle's Bootcamp and earn coins to use in his exclusive shop.
- **Compete in the arena.** Compete with other players for some friendly bird flinging fun and prove who is the best.
- **Collect silly hats.** Collect hats with different fun themes and level up your birds' fashion game.
- **Bad piggies.** The green baddies are back, stronger, badder, and even greener.
- **Lots of levels.** Play hundreds of levels with more added in regular updates and limited time events.
- **Leaderboards.** Prove who is the best in the world on the global leaderboards.
- **Free to download!** Angry Birds 2 is completely free to play. Although Angry Birds 2 can be downloaded for free, there are optional in-app purchases available.

* Stars for the game in the United States' Apple App Store as of February 2019.

ANGRY BIRDS FRIENDS

Genre:

Slingshot

Stars*:

4.4

Launch:

February 2012

Cumulative gross sales:

120M€

Gross sales 2018:

31M€

Description

Challenge friends and opponents around the world in competitive Angry Bird tournaments! See how your Angry Birds skills stack up against your friends and the world in 3 new tournaments every week, or compete with another player one-on-one in the Star Cup! Come out on top to climb the leaderboards and earn awesome rewards.

Tournament features:

- A new competitive tournament starting every Monday, Wednesday, and Saturday!
- Play 12 NEW levels every week!
- Defeat your opponents and advance to higher leagues.
- See where you place in a leaderboard with all of your friends.
- Special themed tournaments every 2 weeks!
- Earn awesome rewards!

Star Cup features:

- Challenge another Angry Bird Friends player one-on-one.
- Free power up, special slingshot, and level effect on each level.
- Level up your birds! Collect feathers to level up your birds for more scoring power.
- Win streaks! Win more matches in a row to increase your rewards.

* Stars for the game in the United States' Apple App Store as of February 2019.

ANGRY BIRDS MATCH

Genre:

Puzzle

Stars*:

4.3

Launch:

August 2017

Cumulative gross sales:

37M€

Gross sales 2018:

26M€

Description

Dress up or keep it casual.
The cute Hatchlings love to dress up in fun outfits. Play levels and events to get your hands on the cutest outfits for all of your Hatchling friends!

Meet the whole flock!

There are hundreds of Hatchlings to meet, each one of them is cute as a button with their own unique and fun personality. Play levels of fun matching puzzles and meet them all!

Lots of matching puzzles.

Take on tons of fun, cute, and casual puzzles with unique challenges. Defeat the piggies, clean up mud, collect sweet treats and more!

Angry Birds to the rescue!

Red, Bomb, and Chuck from the Angry Birds Movie are there when you need a little help. Match four of more things to bring in the birds and defeat the piggies.

Features

- Simple fun and casual match 3 gameplay
- Swap items to make matches of 3 or more things
- Match 4 or more items to bring out the BIG BIRDS –Red, Bomb and Chuck!
- Use cool, extra powerful Boosters to best even the trickiest of levels
- Tons of fun and challenging levels, and more to come!
- Play special themed events throughout the year!
- Unique challenging puzzles await –pop pigs, collect delicious treats, and more!
- Connect to Facebook and play with friends
- Visit the Hatchlings to try out new hats, or just say hello!
- Meet a whole flock of delightfully darling Hatchlings!

Warning: Critical levels of cuteness!

* Stars for the game in the United States' Apple App Store as of February 2019.

ANGRY BIRDS BLAST

Genre:

Puzzle

Stars*:

4.5

Launch:

December 2016

Cumulative gross sales:

62M€

Gross sales 2018:

21M€

Description

Blast into a Angry Birds puzzle adventure game! The birds are trapped inside balloons, and you can bet the pigs are behind it all. Tap matching balloons to blast them to smithereens and free the flock!

Use your balloon-bustin' skillz to outsmart the pigs and save birds in over 1000 egg-celent levels! Find the smartest way to solve puzzles, crack high scores, and earn three stars.

Grab rewards every day in the Daily Quest. Already got 'em? Then go join the weekly events or chase down this month's puzzle pieces. Blasted through those? How about taking on the world in the global leaderboard?

There's plenty to do, and an ever-growing number of levels to master so get BLASTING!

Features

- **1000+ fun levels** – with more added weekly!
- **Pick up and play** – any time, any place even OFFLINE!
- **Tease your brain** – with challenging & strategic gameplay!
- **Create boosters** – rockets, bombs, laser guns!
- **Daily challenges** – earn free rewards and boosters!
- **Weekly events** – Mighty League, Treasure Hunt and more!
- **Puzzle chase** – find pieces to new puzzles every month!
- **Play with friends** – connect to Facebook, yo!
- **Global leaderboards** – earn your spot with high scores!
- **iMessage stickers** – a little Blast for iMessage!

* Stars for the game in the United States' Apple App Store as of February 2019.

ANGRY BIRDS EVOLUTION

Genre:

RPG

Stars*:

4.3

Launch:

June 2017

Cumulative gross sales:

38M€

Gross sales 2018:

16M€

Description

Something is causing the pigs to herd to Bird Island in droves, and the birds have found their eggs in danger once again. It's up to you to assemble an unstoppable team of evolved super birds and put a stop to the pigs' shenanigans once and for all. Or at least until the next time they pull a stunt like this...

Collect, assemble, and evolve your flock.

100+ crazy new Angry Birds?! We're gonna need a bigger nest. The flock is bigger and badder than ever before. Build your own team, combine super skills and evolve your birds into their ultimate form.

Embark on an epic adventure.

Something sinister is brewing on Bird Island. Why are there so many pigs around? Who is behind the mysterious Bacon Corp? What's the Eagle Force? Who lost the dungeon keys? Find the answers – only in Angry Birds Evolution.

Crush the pigs in explosive battles.

What's worse than egg-stealing pigs? Over 90 different varieties of egg-stealing Pigs, that's what. Pirates, ninjas, tourists – someone has to clean this place up. Let the feathers fly in full contact battles and send the pigs packing.

Join weekly events.

Earn awesome rewards, and get a chance to add extra rare birds to your team by taking part in weekly events. Join by yourself or assemble a clan of buddies to compete with other clans. Build the strongest, most awesome clan on Bird Island and rule the roost!

Compete against other players.

The Oinktagon: two teams enter – only one leaves (victorious). Challenge other players in PVP tournaments of the Bird Island pastime, Pigball, and dominate the leagues for even more awesome rewards.

Features

- Over 100 colorful new characters to hatch and collect.
- Assemble the ultimate flock of birds and take down the pigs with ease.
- 5 Classes of birds with unique abilities.
- Evolve your feathery heroes into unstoppable super birds.
- Explore the island and stop the Bacon Corp.
- Climb up the Eagle Mountain and win ultimate eggs.
- Battle other players in the Oinktagon.
- Join clans to unlock perks, compete with other clans, and chat with clanmates.
- Send out scouts for rewards & challenges.

* Stars for the game in the United States' Apple App Store as of February 2019.

ANGRY BIRDS POP

Genre:

Puzzle

Stars*:

4.4

Launch:

March 2015

Cumulative gross sales:

76M€

Gross sales 2018:

15M€

Description

Join Stella, Red, Chuck, Bomb, and the rest of the Angry Birds in an extra cool bubbleshooter bursting with a nearly endless supply of challenges! Pull off trick shots and popping streaks to activate special pops with unique powers. Those special pops will come in handy when you're rescuing the utterly adorable Hatchlings, or dropping those pesky piggies across the winding level map. Connect to Facebook and compare scores with friends!

Features

- Super easy to pick up and play.
- Over 2000 levels! New levels added every week.
- Regular updates with fun seasonal themes.
- With different level types, you'll never get bored.
- Beautiful graphics and animations. Everything is bursting with color!
- Pop many bubbles in a row to unlock special pops with unique benefits.
- Complete daily challenges for special bonuses.
- Connect to Facebook to challenge friends
- Play as guest birds with their own special pops.
- Use Boosters when you need a helping hand.

* Stars for the game in the United States' Apple App Store as of February 2019.

BATTLE BAY

Genre:

PvP

Stars*:

4.6

Launch:

May 2017

Cumulative gross sales:

23M€

Gross sales 2018:

9M€

Description
Choose a ship, select your weapons and go to battle against opponents around the world. Use team strategy and firepower to take your fleet to the top - it's sink or win!

Choose your ship.
Shooter has a big array of weapons, Speeder is fast and furious, Enforcer is agile and versatile, Defender is a floating tank, and Fixer keeps friendly teammates floating. Level up your ships for more hit points and power!

Collect weapons.
Collect, upgrade and evolve your weapons to gain more firepower. Choose from a huge selection of destructive, defensive or utility items. Acquire special perks to further enhance the power of your gear. Whatever fits your play style and keeps your team from sinking!

Host your own battles.
Host a competition with your friends and guild mates in Custom Battles. Create a lobby and invite up to 10 players into 2 teams, plus up to 5 spectators. Play your own 5v5 tournaments or prove your skills in 1v1 duels.

Join a Guild.
Team up with your friends by joining or creating a guild. Guild leaderboards pit your crew against other bands of blast-happy captains. Who will rise to the top?

Take on quests and achievements.
Finish quests to earn gold and sugar or go on a guild quest marathon for a chance to earn spectacular loot. Pass achievements to earn pearls and powerful items. Prove your Infamy by competing in ranked two-week tournaments for exclusive rewards!

* Stars for the game in the United States' Apple App Store as of February 2019.

BRAND LICENSING BUSINESS UNIT

Simo Hämäläinen
Head of Brand Licensing

In Brand Licensing, we delight hundred's of millions of Angry Birds fans globally through many touch points, from consumer products through animation to unforgettable brand experiences, by licensing Rovio's Angry Birds brand and its characters.

The Brand Licensing business unit consists of two sub-units: Consumer Products licenses the Angry Birds brand for producers of physical products, such as toys, apparel, food and beverages as well as location-based entertainment (activity and entertainment parks). Content Licensing licenses the Angry Birds brand for producers of other digital content who produce products and services. These typically include animated content (movies, series), consumer products, activity parks and live shows which license holders also produce and distribute to retailers and fans of Angry Birds.

Rovio provides production licenses globally by using a wide network of more than 20 licensing agents who represent Rovio and the Angry Birds brand in their respective territories around the world to find licensees, support retail and carry out local marketing.

The Brand Licensing unit's revenue comes mainly from royalties. Average royalties in the licensing industry are on average about 6% of retail prices. The royalty percentage varies depending on the content, product or service category. A strong long-term content roadmap is vital for successful licensing in order to build consumer demand as well as confidence among licensees and retailers.

Over 1.8 billion Angry Birds licensed products have been sold.

Brand Licensing plays a key role in strengthening the brand awareness of Angry Birds and supporting the growth of Rovio's games. The Angry Birds brand enjoys a high level of global recognition and it is one of the biggest licensed mobile gaming brands in the world. In 2018, Rovio sold about 70 million units of licensed Angry Birds merchandise in more than 100 countries and had over 230 licensees. Rovio's 300 short animations were watched over three billion times on the Angry Birds YouTube channel and other online platforms in 2018, and they are available everywhere in the world through various broadcasting and streaming services, such as Netflix.

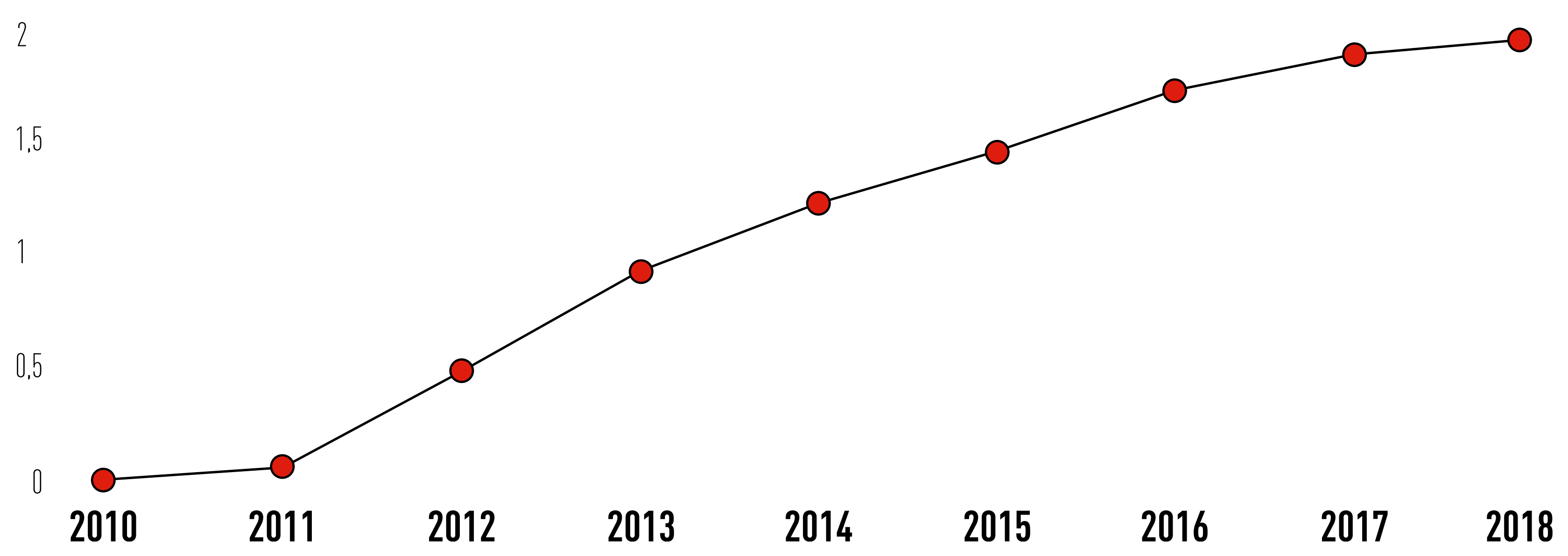
Strong long-term content licensing roadmap

At the heart of Rovio's Brand Licensing strategy is the content roadmap of Angry Birds content and games, which creates demand for the brand and licensed products. In 2018, the Brand Licensing unit focused on building a strong long-term content roadmap to ensure successful licensing for years to come. The roadmap is led by the theatrical release of The Angry Birds Movie 2 in 2019, which already has strong licensing and promotional partners on board, such as Chupa Chups, Kinder, Pez and many other world-class partners.

The Angry Birds Movie 2 has been licensed to the Sony-owned Columbia Pictures Industries, which is also responsible for the marketing, production and distribution of the movie. This makes Rovio's financial risks much smaller compared to the first Angry Birds Movie, which was fully financed by Rovio, and the direct revenue from The Angry Birds Movie 2 will be smaller compared to the first movie.

Rovio is also planning a series of new initiatives to be introduced in 2019 and later, such as the first long-form animation series for TV and a wealth of other new content to further enhance the strong presence of Angry Birds on digital platforms such as the official Angry Birds YouTube channel. In 2018, Rovio further strengthened its digital advantage by announcing the development of an Angry Birds Augmented Reality (AR) application specifically designed to seamlessly connect Rovio's licensed products with the digital Angry Birds universe through AR experiences.

Cumulative sales of Angry Birds licensed products (does not include games), Billion



HATCH STREAMING SERVICE

In 2018 we continued to invest in Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80% stake. Hatch is developing a cloud based game streaming service for mobile devices and TVs. In 2018 Hatch service has been available free with advertising in selected European markets for Android devices. Hatch exploits the bigger data transfer rate and lower latency of upcoming 5G networks and offers a gaming experience free of in-game purchases.

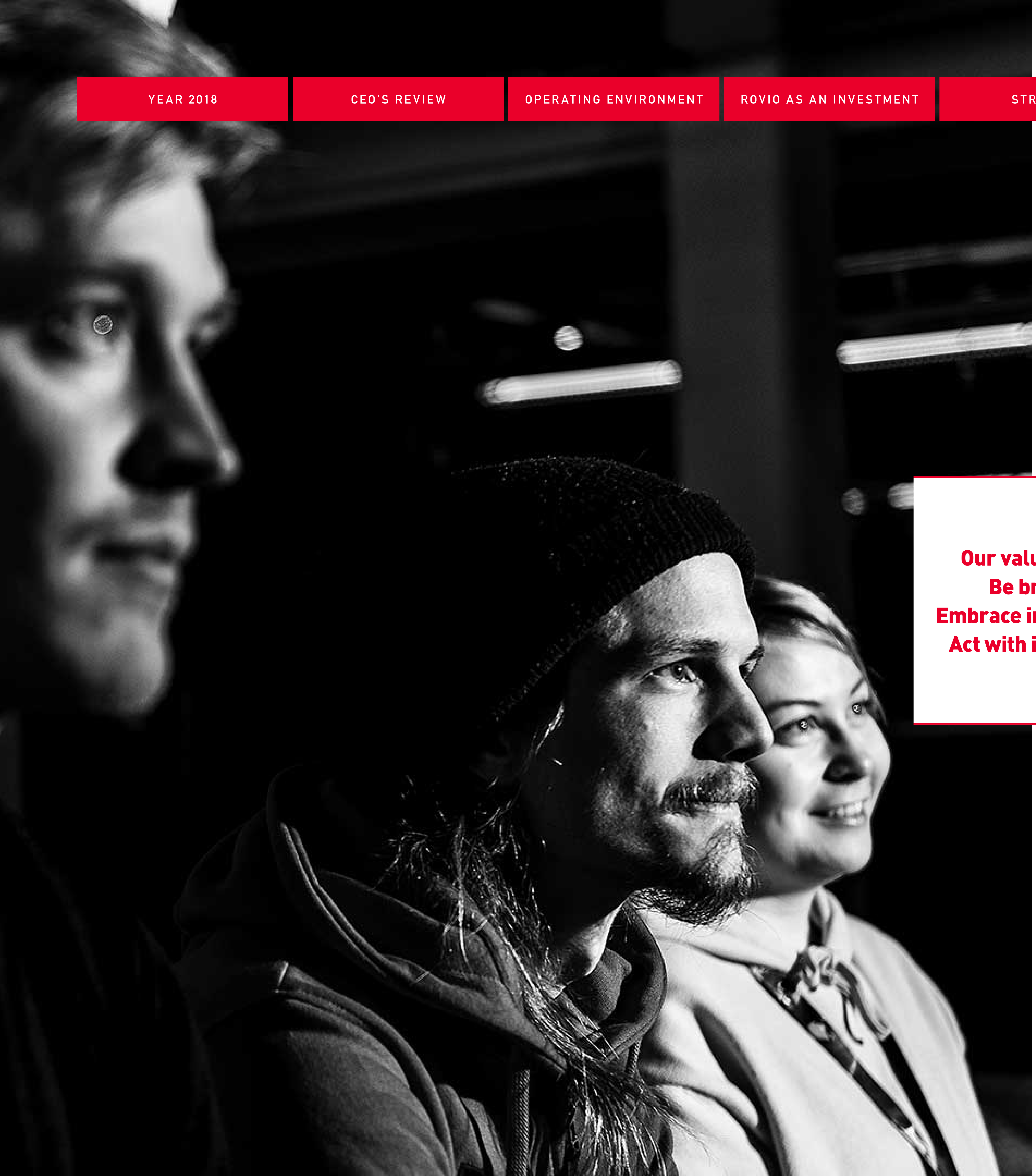
At the end of 2018 more than 100 titles were live in the service, with a new game scheduled to go live each week. Nearly 150 developers and publishers have signed up to bring more than 350 premium games to Hatch.

In 2019 Hatch has started offering Hatch Premium, a paid subscription that removes ads and offers additional content and features, with partners such as NTT Docomo in Japan and Sprint in the US.

In 2018, the operating expenses of Hatch were approximately EUR 7.3 million. To accelerate its growth Hatch Entertainment is seeking external funding and further strategic partnerships. Hence, Rovio is prepared to reduce its ownership in Hatch Entertainment below 50%.

NORDIC WORKPLACE CULTURE

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.



ROVIANS

Our successful 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 employees' life circumstances and supports their individual growth and career development. In the international markets for gaming expertise, one of Rovio's competitive advantages as an employer is our Nordic workplace culture. 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.

Our values are:
Be brave,
Embrace innovation,
Act with integrity.

Personnel in figures

Rovio had 418 employees at the end of 2018, with 98% of these being permanent employees and 2% being fixed-term employees. The typical reason for fixed-term employment is substitution for family leave. Some 78% of our employees work in the Games business unit, approximately 8% in the Brand Licensing business unit and about 6% in Hatch Entertainment. The remaining 8% work in other functions and administration.

Of our employees in 2018, 76% were men and 24% women. The percentage of women and men in Rovio leadership team in 2018 was 50% / 50%. The percentage of women among Rovio's employees is substantially higher than the industry average. Most of our employees are under 45 years of age: 47% are under 35, while 53% are between the ages of 35 and 62.

Winning culture

In 2018, we focused on fostering a winning workplace culture that supports Rovio's growth strategy. As culture is a sum of our shared beliefs, purpose, values and behaviors, we embarked on a journey to put our company's purpose into words: why do we do what we do? We crystallized our values and thought about how we want to do what we do. We invited all employees to take part in workshops to establish a shared understanding of our values and purpose so we can apply them in our day-to-day work.

Implementing our refined values and purpose is a journey. The work for this started in 2018. In 2019 we will continue to work on the outcomes of the culture workshops, applying our values to Rovio's business objectives and continue to apply them on our day-to-day work.

Values

Be bold	Embrace innovation	Act with integrity
We set ambitious targets, take smart risks, move fast and seek results.	We remain curious and care deeply for the experience we provide to our players, fans and partners.	We take ownership for our own and our shared work.
We're here to leave our mark and be the best at always getting better.	We challenge conventions.	We care about and support each other.
We celebrate, learn from and share our successes and mistakes.	We marry data with creativity.	We give and receive valuable feedback to be our best.
	We direct our passion to inspire others.	We talk and listen with respect.

CORPORATE RESPONSIBILITY FOCUS AREAS

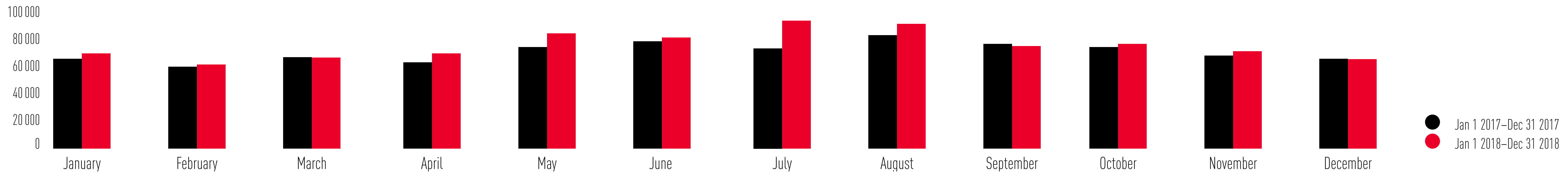
The gaming industry has significant positive social and economic impacts arising from its entertainment value, innovation, technological know-how and creative work. The most significant environmental impacts of the gaming industry are related to energy consumption, both in the game development stage and while gaming, and the manufacturing of gaming hardware. However, the environmental impacts of mobile games are considerably lower than those of console and computer gaming.

Through its mobile games and licensed Angry Birds products, Rovio plays a role in the lives of millions of people every day. While gaming and entertainment are sources of positive experiences and solidarity for people, they can also involve negative effects. Rovio has increasingly focused on safe and responsible gaming, which is Company's highest priority with regard to corporate responsibility. Other focus areas include the responsibility of licensed products, employee well-being and diversity, responsible operating methods and the environment.

Rovio strives to take responsibility into consideration in all of its development efforts, and issues related to responsibility are regularly monitored by the Leadership Team. In 2018, key performance indicators were defined for Rovio's responsibility priorities as part of the development of corporate responsibility.

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

Electricity consumption in the Espoo office, kWh



Corporate responsibility focus areas

Safe and responsible gaming	2018
Being actively involved in industry development to promote safe and responsible gaming	
Responsibility of licensed products	
New manufacturer commitments*	126
Scope of manufacturer commitments in very high-risk countries	100%
Scope of manufacturer commitments in high-risk countries	100%
New social responsibility audit reports from suppliers	39
Scope of audit reports in very high-risk countries	100%
Scope of audit reports in high-risk countries	37.2%
Employee well-being and diversity	
Diversity and equality: nationalities	40 nationalities
share of women/men among employees	women 24%, men 76%
employee age structure (under 35, 35–50, over 50)	46% under 35 51% 35–50, 3% over 50

Responsible business conduct	
Coverage of Code of Conduct, Anti-Corruption and Compliance trainings among employees, target 100%	Code of Conduct training is organized annually. Measurement of the participation rate will begin in 2019.
Environment	
Proportion of electricity used for cloud services that is produced from renewable sources**	63%
CO_2 emissions: business travel***, total + per person offices****, total + per person	 Total 595 t, 1.66 t per person Total 249 t, 0.81 t per person
CO_2 emission offset	100% offset, In total 844 t through UN climate carbon offset platform

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

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

*** The figure is based on data obtained from service providers and includes air travel by employees based in Espoo and Stockholm, representing 86% of the Group's personnel. The figures are not available for the other operating countries

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

OUR BUSINESS IS DRIVEN BY OUR VALUES

Being bold, embracing innovation and acting with integrity

BOARD OF DIRECTORS

Mika Ihamuotila

Chairman of the Board of Directors

Ph.D. (Econ.)

Born 1964, Finnish citizen

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

Primary work experience

- Chairman of the Board of Directors of Marimekko Oyj
- President of Marimekko Oyj 2008–2015 and CEO 2008–2016
- 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, 2018)

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

Kaj Hed

Vice Chairman of the Board of Directors

Electrical engineer, studies of financing

Born 1955, Finnish citizen

- Vice Chairman of Rovio's Board of Directors since 2017 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

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

Share ownership (December 31, 2018)

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

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

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
- The Chairman of the Board of Directors of Wild Sloths Oy
- CEO and the Chairman of the Board of Directors of Brilliant Problems Oy
- A member of the Board of Directors of Oivor AB
- A member of the Board of Directors of New Nordic School Oy

Share ownership (December 31, 2018)

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

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

Share ownership (December 31, 2018)

- 9,000 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

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

Share ownership (December 31, 2018)

- 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
- Co-founder of Zennström Philanthropies
- Member of the boards of Atomico, Zennström Philanthropies, H&M, Farmdrop, Orbital Systems, Oden, Lilium, Pipedrive, Varjo

Share ownership (December 31, 2018)

- 0 shares

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 at Rovio 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, 2018)

- 9,842 shares

Number of options (December 31, 2018)

- 90,000 from option program 2018, 90,000 from option program 2017 and 270,000 from option program 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 52,390

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, 2018)

- 8,444 shares

Number of options (December 31, 2018)

- 40,000 from option program 2018, 40,000 from option program 2017 and 135,000 from option program 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 22,000

Ville Heijari

CMO since April 11, 2018
Undergraduate Student of Philosophy
Born 1978, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2018)

- 37,460 shares

Number of options (December 31, 2018)

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

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 15,000

Simo Hämäläinen

Head of Brand Licensing
M.Sc. (Eng.)
Born 1980, Finnish citizen

- Joined Rovio in 2013
- Head of Brand Licensing at Rovio 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, 2018)

- 3,690 shares

Number of options (December 31, 2018)

- 40,000 from option programme 2018, 40,000 from option programme 2017 and 40,000 from option programme 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 22,500

Heini Kaihu

Head of HR since February 1st 2019
M.A. (English Translation, Communication, Interactive and Digital Media)
Born 1973, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2018)

- 43,690 shares

Number of options (December 31, 2018)

- 17,500 from option program 2018 and 17,500 from option program 2017

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 22,500

Alexandre Pelletier-Normand

Head of Games since January 2nd 2019
B.Sc. (Computer Science)
Born 1980, Canadian citizen

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

Primary work experience

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

Share ownership (December 31, 2018)

- 0 shares

Minna Raitanen

General Counsel

LL.M.

Born 1974, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2018)

- 1,845 shares

Number of options (December 31, 2018)

- 40,000 from option program 2018, 40,000 from option program 2017 and 80,000 from option program 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 13,750

Marjo Kuosmanen

Head of HR until 31 January, 2019

M.Sc. (Economics and Business Administration)

Born 1977, Finnish citizen

Share ownership (December 31, 2018)

- 21,845 shares

Number of options (December 31, 2018)

- 30,000 from option program 2018, 25,000 from option program 2017 and 30,000 from option program 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 13,750

Mikko Setälä

Chief Corporate Development Officer until 11 April, 2018

M.Sc. (Eng.)

Born 1956, Finnish citizen

Share ownership (December 31, 2018)

- 1,722 shares

Number of options (December 31, 2018)

- 25,000 from option program 2018, 25,000 from option program 2017 and 50,000 from option program 2015

Shares allocated in accordance with the Restricted Share Plan (December 31, 2018)

- 10,500

CORPORATE GOVERNANCE STATEMENT 2018

Introduction

Rovio's 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, which are available at https://cgfinland.fi/en/corporate-governance-code/. This statement includes descriptions of Rovio's Corporate Governance and internal control procedures, as well as the main features of its risk management systems. This statement has been prepared separately from the Report of the Board of Directors.

Rovio's Board of Directors and the Board's Audit Committee have reviewed this Corporate Governance Statement. Rovio's auditor, Ernst &Young Oy, has verified that the statement has been issued, and that the description of the main features of the internal control and risk management systems related to the financial reporting process contained herein are consistent with the Financial Statements. Rovio's Board of Directors has approved this Corporate Governance Statement in its meeting on February 13, 2019.

The Corporate Governance Statement and Rovio's financial statements and Report of the Board of Directors for the financial period January 1–December 31, 2018, were published on March 12, 2019, and they are available at https://www.rovio.com/investors/releases-and-publications.

Rovio's shares are listed on Nasdaq Helsinki Ltd. Rovio complies with Finnish legislation, in particular the Limited Liability Companies Act, Accounting Act and Securities Markets Act, as well as Rovio's Articles of Association and corporate governance principles ratified by the Company's Board of Directors. We also observe 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

The ultimate responsibility for the management and operations of the Rovio Group of companies lies with the governing bodies of the parent entity Rovio Entertainment Corporation ("Rovio" or "the Company"): the General Meeting of Shareholders, the Board of Directors and the CEO, supported by the Leadership Team.

General meeting of shareholders

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

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

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

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

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

General meetings of shareholders in 2018

Rovio's Annual General Meeting was held on April 16, 2018, at Finlandia Hall in Helsinki. No other general meetings of shareholders were held in 2018.

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 has quorum when more than half of the members are present.

The Board Charter specifies the duties of the Board of Directors as well as the methods of working at a practical level. In accordance with the Board Charter, the Board of Directors shall decide on the basic strategies of the Rovio Group's business units' business plans and budgets and monitor their implementation, decide on the conditions and boundaries concerning the Group's capital expenditure, decide on the principles related to 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 and financing arrangements, and decide on business acquisitions and divestments 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 decide 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 committee of the Board of Directors, 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, Niklas Zennström, Kim Ignatius and Jenny Wolfram are independent of Rovio and its significant shareholders. Kaj Hed and Camilla Hed-Wilson are beneficial owners of Oivor AB, Rovio's largest shareholder, and thus they are deemed not independent of Rovio's major shareholders.

Board meetings in 2018

In 2018, the Board of Directors was comprised of the following six members: Chairman Mika Ihamuotila, Vice Chairman Kaj Hed, Camilla Hed-Wilson, Kim Ignatius, Jenny Wolfram and Niklas Zennström.

The Board of Directors met or held a teleconference 16 times. The main focus of the Board of Directors in 2018 was the monitoring and supervision of the Company's financial reporting, carrying out the governance duties pertaining to listed companies, the strategies of the Games and Brand Licensing business units and Hatch Entertainment Oy, strengthening the development of new games and understanding the major changes within the industry, the evaluation and preparation of potential M&A activities, reviewing and deciding on remuneration models for personnel and management and the balancing of risk and financing of the Rovio Group.

Attendance in 2018	Meetings of the Board of Directors
Mika Ihamuotila	16/16
Kaj Hed	15/16
Camilla Hed-Wilson	16/16
Kim Ignatius	16/16
Jenny Wolfram	15/16
Niklas Zennström	12/16

The fees paid to the Board of Directors in 2018 totaled EUR 494,000.00.

Members of the Board of Directors in 2018

- **Mika Ihamuotila,** Chairman of the Board of Directors
- **Kaj Hed,** Vice Chairman of the Board of Directors
- **Camilla Hed-Wilson,** Member of the Board of Directors
- **Kim Ignatius,** Member of the Board of Directors and the Chairman of the Audit Committee and Remuneration Comittee
- **Jenny Wolfram,** Member of the Board of Directors
- **Niklas Zennström,** Member of the Board of Directors

Performance evaluation of the Board of Directors

The Board of Directors conducted a self-assesment of its work and working methods in 2018. The key objective of the assesment is to evaluate the operations of the Board during the year and to function as basis for the development of the work of the Board and the diversity.

Principles concerning the diversity of the Board of Directors

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

The Annual General Meeting held on April 16, 2018 confirmed the number of Board members as six and re-elected all of the members who served on the Board in the preceding year. Four of the Board members are men and two are women. The Board members have degrees in four different fields of study, with a majority of the degrees in economics. All of the 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 28 and 63 years, and the duration of their service on the Rovio Board of Directors is 2–13 years.

Board committees

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

Audit Committee

The Board's 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 Charter of the Board's Audit Committee.

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 organizational meeting held on April 16, 2018, Rovio's Board of Directors appointed Kim Ignatius as the Chairman of the Audit Committee, with Mika Ihamuotila and Jenny Wolfram as members.

In 2018, the Audit Committee met five times to discuss the following matters: approval of the Audit Committee's annual plan, reviewing interim financial reports and the related external reporting, reviewing the audit plan and audit-related fees, reviewing audit reports, reviewing impairment calculations, approval of plans related to internal auditing and internal control and the handling of reports related to these functions, reviewing finance and cash flow, evaluating the risk management process and reviewing the risk analysis, approval of Rovio's corporate governance system, reviewing the disclosures of non-financial information, supervising the effectiveness and development of Compliance processes, discussing changes to IFRS standards, discussing dividends and the outlook for 2018 and submitting a proposal to the Board of Directors regarding the selection of auditors. The Audit Committee carries out a self-evaluation of its performance.

The meeting attendance of the members of the Audit Committee in 2018 is shown below:

Attendance in 2018	Meetings of the Audit Committee
Kim Ignatius	5/5
Mika Ihamuotila	5/5
Jenny Wolfram	5/5

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

Remuneration Committee

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

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

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 Audit Committee members shall be independent of the company and at least one member shall be independent of significant shareholders.

In its organizational meeting held on April 16, 2018, Rovio's Board of Directors appointed Kim Ignatius as the Chairman of the Remuneration Committee, with Mika Ihamuotila and Jenny Wolfram as members.

In 2018, the Remuneration Committee met five times to discuss the following matters: monitoring the project to shape values that guide the operations of personnel, evaluating the Leadership Team's compensation models and levels, evaluating short-term and long-term incentive programs and preparing a proposal for the Board, discussing the talent management process, reviewing the succession plans and activities concerning key individuals, reviewing and evaluating the results of personnel surveys and monitoring recruitment processes. The Remuneration Committee carries out a self-evaluation of its performance.

The meeting attendance of the members of the Remuneration Committee in 2018 is shown below:

Attendance in 2018	Meetings of the Remuneration Committee
Kim Ignatius	5/5
Mika Ihamuotila	5/5
Jenny Wolfram	5/5

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

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

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

Leadership Team

The Leadership Team consists of the CEO, CFO, Head of Games, Head of Brand Licensing, General Counsel, CMO and Head of HR. The Leadership Team assists the CEO in planning operations and operative management, as well as prepares matters for discussion by the Board of Directors. Leadership Team meetings are convened by the CEO on a regular basis.

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

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

In 2018, the Leadership Team focused on promoting the execution of the "games as a service" strategy as well as accelerating the development of new games. In addition, the Leadership Team engaged in M&A-related activities and promoted the strengthening of the Angry Birds brand strategy. In the second half of 2018, the Leadership Team also worked closely together with the personnel to clarify Rovio's culture, values and purpose.

In 2018, the Leadership Team was comprised of the following members

- **Kati Levoranta,** CEO
- **René Lindell,** CFO
- **Simo Hämäläinen,** Head of Brand Licensing
- **Minna Raitanen,** General Counsel
- **Ville Heijari,** CMO (as of 11 April, 2018)
- **Marjo Kuosmanen,** Head of HR
- **Mikko Setälä,** Chief Corporate Development Officer (until 11 April, 2018)

Members who joined the Leadership Team in 2019

- **Alexandre Pelletier-Normand,** Head of Games from January, 2019
- **Heini Kaihu,** Head of HR from February, 2019

The following former members of the Leadership Team left their positions in 2018

Wilhelm Taht
Head of Games (until March 2, 2018)
M.Sc. (Econ.)
Born 1980, Finnish citizen

Rauno Heinonen
SVP, Corporate Communications and IR (until April 11, 2018)
M.Soc.Sc. (Communications)
Born 1964, Finnish citizen

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's enterprise risk management

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

Risk definition and risk categories

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

Strategic risks are uncertainties mainly related to changes in Rovio's operating environment and the ability to respond to these changes or to prepare for them. These can be related to e.g. changes in the macro-economic situation, legislative environment, technologies, consumer behaviors and competitive environment.

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

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

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

Risk assessments consider also other aspects than purely financial impacts. Reputational risks arise if Rovio's operations are inconsistent with the expectations of different stakeholder groups, such as the end consumers for Rovio's products, 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 appropriate external communication.

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

Risk management in 2018

In connection with Rovio's listing in 2017, an external and internal risk management assessment was carried out in several areas to ensure that there are no material and unreported risks and that the existing governance and reporting processes are sufficiently robust. Rovio continued the development of its risk management process in 2018. As a result, the identification and reporting of risks was formalized and established as a regular activity, while also taking action to minimize previously identified key risks.

In 2018, special attention continued to be paid to topics such as the requirements stipulated by the EU General Data Protection Regulation (GDPR), which entered into effect in May 2018. The risks related to the Angry Birds brand were also evaluated and measures were continued to minimize potential risks.

Internal control

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

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

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

Rovio's internal control is determined to be effective, when the Leadership Team and the Board of Directors have reasonable assurance, that the organization: operates effectively, reports in conformity with applicable rules, regulations, and standards or with the entity's specified reporting objectives; and complies with applicable laws, rules, regulations, and external standards.

Internal audit

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

Rovio does not have its own internal audit team; the Internal Audit at Rovio is more a process than a function. Internal Audit is led by the Audit Committee, who ultimately decides the procedures and activities to be performed. Some of these may be delegated within Rovio, for instance to the CEO, CFO or General Counsel or outsourced to an external party, if that is more efficient and/or adequate. Internal Audit may work closely together also with external auditors, especially in areas where they mutually support each other's objectives.

Internal Audit is responsible for the development and the approval of an audit plan. The plan typically details proposed approach over the next 12 months. 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.

Internal audit in 2018

The previously prepared internal audit plan was followed in 2018. In accordance with the plan, various audit areas were presented to the Board of Directors, which selected the processes and operating methods of Rovio Group's licensing business as the focus area for 2018. Rovio's internal audit partner KPMG carried out a process assessment and validation. Based on the internal audit performed by KPMG, no material areas requiring immediate action were identified.

Auditors

Rovio Entertainment Corporation 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.

The Annual General Meeting of April 16, 2018, elected the audit firm Ernst & Young Oy, a firm of Authorized Public Accountants, as Rovio's auditor. The auditor with principal responsibility is Mikko Rytilahti. Ernst & Young Oy has been Rovio's auditor since 2013.

In 2018, Rovio paid a fee of EUR 383,040.41 for auditing services. Additionally, Rovio paid the auditor EUR 16,391.70 for other non-audit related services.

Insider management

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

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

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

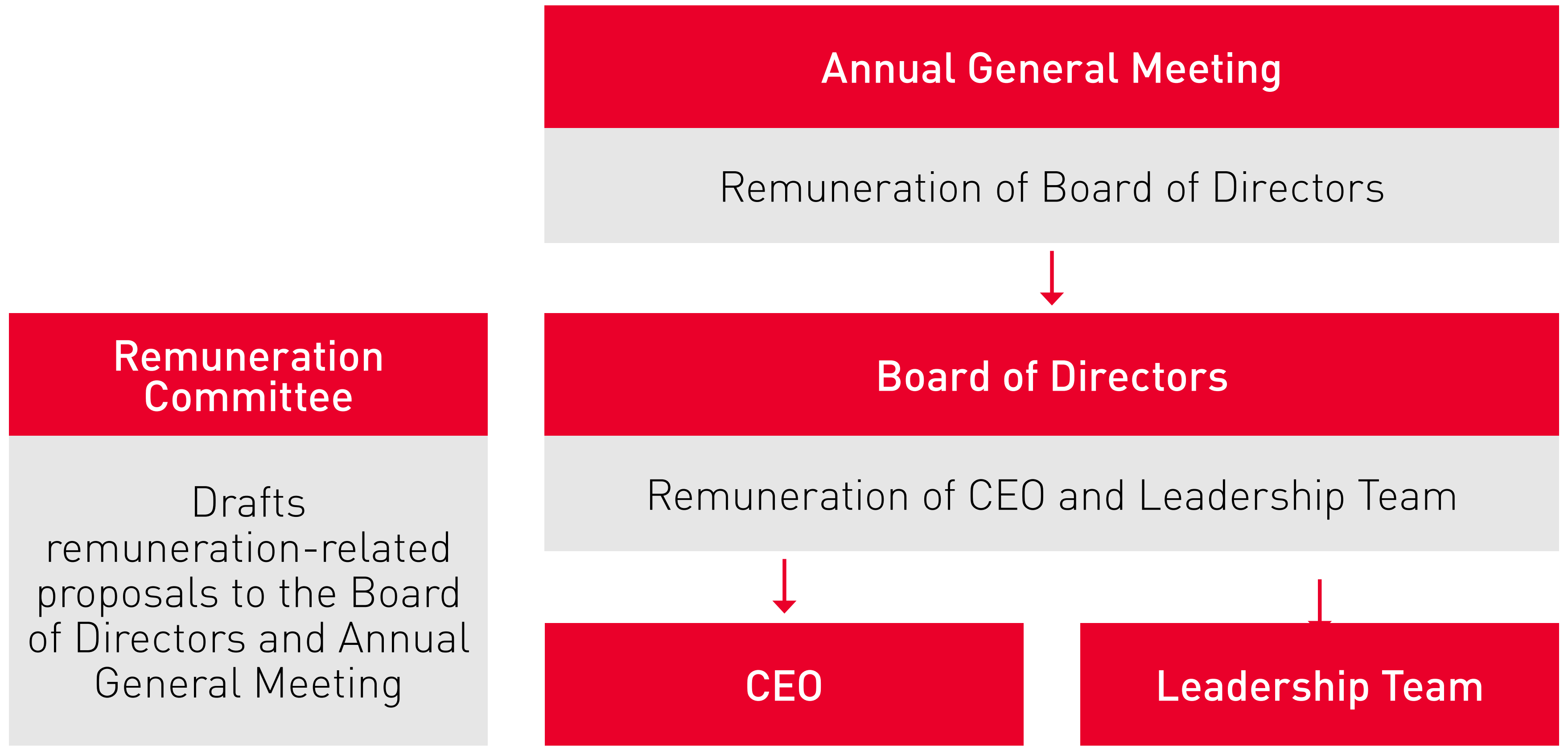
The objective of Rovio's financial and investor communications is to ensure that all market participants have simultaneously and without delay an access to equal, fair, sufficient and simultaneous information on the material factors relating to Rovio and its business, which factors may have an effect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

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

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

REMUNERATION REPORT 2018

Decision-making procedure concerning the remuneration



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 Oy, 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 6 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.

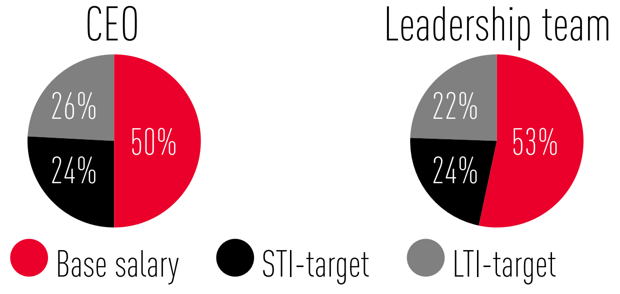
CEO and Leadership Team

Name	Role	Appointment date
Kati Levoranta	CEO	1 January 2016
Wilhelm Taht	Head of Games	1 January 2016
Simo Hämäläinen	Head of Brand Licensing	1 April 2017
René Lindell	CFO	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
Ville Heijari	Head of Marketing	11 April 2018

Wilhelm Taht acted as Head of Games until March 2, 2018.
Mikko Setälä acted as Chief Corporate Development Officer until April 11, 2018.
Rauno Heinonen acted as SVP, Corporate Communication & IR until April 11, 2018.

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

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

Remuneration element	Purpose	Description
Base salary	To offer 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 2019). 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 2019). The bonus is determined linearly and based on adjusted EBITDA. 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.
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 2019

There is one short-term incentive plan in place in 2019

In order to support the business strategy by rewarding and incentivizing Leadership Team members and other employees for improvements on short-term performance, Rovio has a unified short-term incentive plan in place for all employees. The bonus pool is capped to 50% of total employee salary expense and the pool size varies between 0-50% depending on 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 2019

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

The Board has in May 16, 2018 resolved to update the schedule for the stock options 2018 and 2019 while keeping the maximum total number of stock options 2017-2019 unchanged, as well as to add more gross shares to the restricted share unit plan.

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.

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.

Option plan	Exercise period	Exercise price	Options granted	Max number of options	Holders
2015A	August 1, 2017–July 31, 2019	2.85 EUR	2,982,000	3,250,000	48
2015AII	August 1, 2017–July 31, 2019	3 EUR	423,500	750,000	6 (For employees in U.S.)
2017A	October 1, 2019–September 30, 2021	11.41 EUR	1,014,650	1,616,667	289
2017B	October 1, 2019–September 30, 2021	11.50 EUR	25,500	50,000	2 (For employees in U.S.)
2018A	June 1, 2021–May 31, 2022	5.26 EUR	1,143,250	1,616,667	340
2018B	June 1, 2021–May 31, 2022	5.26 EUR	25,500	1,616,666	2
2019A	June 1, 2022–May 31, 2023	Volume weighted average price May 2–31/2019	-	1,616,666	All employees excl. U.S.
2019B	June 1, 2022–May 31, 2023	Volume weighted average price May 2–31/2019	-	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	1,300,000	465,890	101

Remuneration report

Remuneration of the Board of Directors in 2018

The Annual General Meeting on May 30, 2017 resolved that the Chairman of the Board of Directors receive a monthly compensation of EUR 12,000, Vice Chairman of the Board of Directors receive a monthly compensation of EUR 10,000 and members of the Board of Directors a monthly compensation of EUR 5,000.

The Annual General Meeting on April 16, 2018 resolved that the members of the Board of Directors are entitled to the following monthly compensations:

- Chairman of the Board of Directors: EUR 9,500 per month (EUR 114,000 per year)
- Vice chairman of the Board Of Directors: EUR 7,500 per month (EUR 90,000 per year)
- Members of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year) and the 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 Company compensates Board members' reasonable travel costs 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 494,000 EUR in 2018.

Board member	Member of the Board since	Board fees (EUR)	Shareholding*
Mika Ihamuotila (Chairman)	Chairman since May 2017, Member since 2013	124,000	245,190 shares (0.3%) owned through PowerBank Ventures, a company under his control.
Kaj Hed (Vice chairman)	Vice Chairman since May 2017, Chairman in 2005–2006 and 2008–2017	100,000	12,919,011 shares owned through Oivor AB*. Oivor AB owns in the aggregate 32,297,528 shares in Rovio and forty percent (40%) of the shares of Oivor AB are controlled by Kaj Hed. *The Rovio shares previously owned by Trema International Holding B.V. have transferred to Oivor AB.
Kim Ignatius (Chairman of the audit and remuneration committees)	Since 2017	90,000	9,000 shares
Camilla Hed-Wilson	Since 2011	60,000	6,459,596 shares owned through Oivor AB*. Oivor AB owns in the aggregate 32 297 528 shares in Rovio and twenty percent (20%) of the shares of Oivor AB are controlled by Camilla Hed-Wilson. *The Rovio shares previously owned by Trema International Holding B.V. have transferred to Oivor AB.
Niklas Zennström	Since 2011	60,000	-
Jenny Wolfram	Since 2017	60,000	-
Total		**494,000**	**19,632,707**

* 31.12.2018

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

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 2018 the total accrual-based cash compensation for the CEO was EUR 405,743, which included base salary of EUR 337,640 and short-term bonus of EUR 68,103. In addition, CEO received 90,000 options based on the applicable option plans. The total accrual-based cash compensation for the members of the Leadership Team was EUR 1 208 541, which included base salary of EUR 1,046,688 and short-term bonus of EUR 161,853. In addition, the members of the Leadership Team received 205,000 options based on the applicable option plans.

	Fixed base salary (EUR)	STI* (EUR)	Vested options 2015A*	Unvested options 2017A**	Unvested options 2018A***	Restricted shares received**	Restricted shares receivable***
CEO Kati Levoranta	337,640	68,103	270,000	90,000	90,000	20,000	52,390
Leadership Team*	1,046,688	161,853	575,000	187,500	205,000	30,500	97,500
Total	**1,384,328**	**229,956**	**845,000**	**277,500**	**295,000**	**50,500**	**149,890**

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

** Number of options/shares received as December 31, 2018.

*** Number of options/shares receivable as December 31, 2018.

FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

Dividend proposal

The parent company's distributable funds amount to EUR 158,924,820.16, of which the profit for the period is EUR 26,105,301.07. The Board of Directors proposes to the Annual General Meeting to be held on April 9, 2019 that a dividend of EUR 0.09 per share be paid (EUR 0.09 for 2017). Based on the number of shares outstanding as of the balance sheet date, December 31, 2018, the total amount of the dividend is EUR 7,096,707.45.

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 2019

In 2019, Rovio expects Group revenues to grow to EUR 300–330 million and adjusted operating profit margin between 9% and 11%.

Basis for outlook

In 2019, Rovio Games business continues developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and development of new games. Target is to launch at least two new games in 2019 (the first one, Angry Birds Dream Blast, was launched on January 24th). The expected timing of the second launch is during the second half of the year.

The user acquisition investments are expected to be around 30% of Games revenues for the full year with payback target of 12 months. The amount of user acquisition may vary depending on development of the games' monetization, timing of new game launches and the level of competition in the market.

The Brand Licensing segment revenues are expected grow in 2019 with focus on the second half of the year when the Angry Birds Movie sequel is scheduled for release.

The first half of 2019 is expected to have revenues at a similar level or slightly better than the last half of 2018 while the profit is less than the average for the whole year of 2019. Overall, the largest revenue growth and profit contribution is expected from the second half of 2019. The profit margin excluding Hatch Entertainment is expected to be between 12% and 14%.

Rovio in brief

Rovio Entertainment Corporation is a global, games-first entertainment company that creates, develops and publishes mobile games which have been downloaded over 4 billion times. The Company is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing. Today the Company offers multiple mobile games, animations and has produced The Angry Birds Movie, which opened number one in theaters in 50 countries, and the sequel to which is set for theatrical release in 2019. Rovio is headquartered in Finland and the Company's shares are listed on the main list of the NASDAQ Helsinki stock exchange with the trading code ROVIO. (www.rovio.com)

Market review

According to market intelligence provider Newzoo's latest global games market report published in January 2019, the global mobile gaming market size in end-user generated revenue was estimated to be USD 63 billion in 2018 which represented 13% year-on-year growth. The global growth rate was somewhat reduced in 2018 from earlier estimates due to the Chinese government's 9-month hiatus in approving new game launches for both foreign and domestic game developers. In December 2018, the Chinese government restarted the approving of new games. Newzoo estimates the global mobile gaming market to grow to USD 72 billion in 2019 which represents 14% year-on-year growth.

In the long-term, the global mobile gaming market is expected to continue its double-digit growth of 13% CAGR during 2018–2021. The Western market is expected to grow at 10% CAGR during 2018–21.

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Key financial performance indicators

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

		Group			Parent company	
€000	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Revenue	281,171	297,158	191,704	259,175	260,429	181,289
EBITDA	47,841	59,987	35,376	35,715	33,104	33,871
EBITDA margin, %	17.0%	20.2%	18.5%	13.8%	12.7%	18.7%
Operating profit	31,507	31,378	16,886	31,147	24,878	19,621
Operating profit margin, %	11.2%	10.6%	8.8%	12.0%	9.6%	10.8%
Profit for the period	24,573	20,597	10,560	26,105	19,577	17,562
Return on equity, %	21.5%	23.4%	19.1%	21.7%	20.9%	26.0%
Equity ratio, %	83.7%	77.9%	64.1%	86.1%	80.0%	63.3%

Group revenue and results 2018

Rovio Group full year revenue amounted to EUR 281.2 million (297.2). The 5.4% decrease in revenue compared to last year was due to the large revenue peak from the Angry Birds Movie in second quarter of 2017. In comparable currencies, the revenue decrease was approximately 3%.

The Games segment revenue grew 1.0% to EUR 250.4 million (248.0). In comparable currencies, the year-on-year revenue of Games segment grew by approximately 4%.

The revenue of the Brand Licensing segment declined 37.4% to EUR 30.8 million (49.2). The revenue consisted of EUR 22.2 million (38.0) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 8.6 million (11.2) from Consumer Products. The year-on-year comparability of Content Licensing is impacted by the revenue peak from the Angry Birds Movie in second quarter of 2017.

The Group's EBITDA declined to EUR 47.8 million (60.0), or to 17.0% (20.2) of revenues. The Group's adjusted EBITDA was to EUR 47.5 million (64.5), or 16.9% (21.7) of revenues. The year-on-year decline in EBITDA was due to the peak in movie revenues in 2017.

The Group's operating profit grew to EUR 31.5 million (31.4) and the operating profit margin was 11.2% (10.6). The Group's adjusted operating profit was EUR 31.2 million (35.9) and adjusted operating profit margin 11.1% (12.1). Adjustments in January-December 2018 were in total EUR -0.3 million of which EUR 0.3 million were related to the closure of Rovio's game studio in London and EUR -0.7 million related to bargain profit from the acquisition of PlayRaven, a mobile game studio based in Helsinki. Adjustments in January-December 2017 amounted to EUR 4.5 million and were related to the reorganization of the Brand Licensing unit and Rovio's Initial Public Offering.

The Games segment's adjusted EBITDA was EUR 40.8 million (43.2) or 16.3% of revenues (17.4). Games segment's profitability was lower year-on-year due to higher user acquisition investments during the last quarter of 2018. The user acquisition investments grew to EUR 78.6 million (69.6) or 31.4% of revenues (28.1). The growth in user acquisition investments was possible due to improved performance of Angry Birds 2.

The Brand Licensing segment's adjusted EBITDA was EUR 20.8 million (31.9). Brand licensing segment's EBITDA decreased year-on-year due to the revenue peak of the Angry Birds Movie in the second quarter of 2017.

The Group's profit before taxes was EUR 32.2 million (26.6) and earnings per share EUR 0.31 (0.27). The diluted earnings per share were EUR 0.31 (0.27).

Games Segment

The Games segment's revenue in the January-December 2018 period grew to EUR 250.4 million (248.0), or 1.0% year-on-year. The depreciation of the US dollar against the Euro impacted negatively on annual revenues, and the year-on-year growth in comparable currencies was approximately 4%. During the year, the Games-segment focused on developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and developing new games.

The gross booking of Angry Birds 2 grew 49% year-on-year, being Rovio's most successful game in 2018. The growth in user acquisition cost was thus focused on Angry Birds 2. Of Rovio's other games, Angry Birds Friends and Angry Birds Match held on to their revenue levels while the older portfolio continued to decline. During the year, Rovio had three games in soft launch, one of which is directed to the Chinese market and waits for government approval to be launched.

During the year, the user acquisition payback target was extended from 8–10 months to 8–12 months. The extended payback time and the improved monetization of Angry Birds 2 enabled the significant increase in user acquisition investments to EUR 78.6 million (69.6) or 31.4% of Games revenues (28.1).

The Games segment's adjusted EBITDA decreased to 40.8 million (43.2) and the adjusted EBITDA -margin to 16.3% (17.4). The decrease was mainly due to increased user acquisition investments during the latter part of the year, with expected payback mostly in 2019.

During the last quarter of 2018 Rovio acquired the Helsinki, Finland -based PlayRaven, a game studio specialized in making mobile strategy games. PlayRaven's experienced team will continue developing strategy games as a part of Rovio's Games business.

The Games segment's total capital expenditures decreased to EUR 0.3 million (4.1) in 2018. This was mainly due to a Games segment focus on internal games development during the year, while investments in productions by external studios decreased.

Brand Licensing Segment

The revenue of the Brand Licensing segment for full year 2018 amounted to EUR 30.8 million (49.2) which was 37.4% lower than in 2017, as expected. The revenue consisted of EUR 22.2 million (38.0) from Content Licensing, the majority of which was income from the Angry Birds Movie, and EUR 8.6 million (11.2) from Consumer Products. The year-on-year comparability is impacted by the revenue peak of the Angry Birds Movie in second quarter of 2017.

The Brand Licensing segment's adjusted EBITDA for full year 2018 decreased to 20.8 million (31.9) due to the revenue peak of the Angry Birds Movie in 2017. The profitability was still on a good level, and the adjusted EBITDA margin grew to 67.5% of revenues (65.0).

There were no material investments during the year, due to the business unit's strategy to license the production and distribution of the movie sequel and other content.

During the year, the Brand Licensing Unit prepared the licensing program for the Angry Birds Movie 2 and entered into licensing agreements with known consumer brands, such as Chupa Chups, Crocs and Pez. A license agreement concerning the Angry Birds Movie sequel and following years was signed with Jazwares, a toy company specializing in digital brands. In May, the indoor section of the world's largest Angry Birds themed park opened in Doha, Qatar. The park is 17,000 square meters in size and includes a vast array of rides, entertainment experiences where fans can immerse themselves in Angry Birds lore and experiences. In February Rovio released the fourth season of the Piggy Tales -short form animated series on YouTube. In June, Rovio launched a new animation mini-series in YouTube with our partner Everton Football Club. The Angry Birds YouTube channel has over 2.8 million subscribers and a total of 1.4 billion minutes of Rovio's animations were watched over a total of 650 million views. In addition, Angry Birds animations had a total of 2.2 billion views in China in 2018.

During the year, Brand Licensing Unit signed a production agreement for an animated TV-series with CAKE Entertainment. The series is planned to be released in 2020. Rovio also entered into an agreement for an Angry Birds reality-TV production with Big Fish Entertainment.

Rovio is developing an application especially directed to children and families to support the Angry Birds Movie sequel and the brand. The application combines physical licensed products with the digital Angry Birds world using Augmented Reality and is planned to be launched in spring 2019.

Other segment

Hatch Entertainment Ltd, a subsidiary in which Rovio holds an 80% stake, is developing a cloud-based game streaming service. Today more than 100 titles are currently live in the service, with a new game scheduled to go live each week. Nearly 150 developers and publishers have signed up to bring more than 350 premium games to Hatch. Hatch has moved from beta to public release on Google Play in the Nordic countries, UK and Ireland. In August, Hatch announced cooperation with Deutsche Telekom allowing DT subscribers in Germany to play Hatch as much as they want without worrying about data charges. In December, Finnish mobile operator Elisa partnered with Hatch to arrange the world's first eSports tournament over a 5G network. For now, the Hatch service remains free with advertising in European markets.

Hatch Premium, a paid subscription that removes ads and offers additional content and features, will be piloted in Japan starting in the first quarter of 2019 with strategic partner NTT DOCOMO, Japan's largest mobile operator. The companies are partnering to launch Hatch on NTT DOCOMO's Android TV and smartphones.

In 2018, the operating expenses of Hatch were approximately EUR 7.3 million. During 2019, Rovio will explore alternative financial structures to accelerate Hatch growth.

Changes in Group structure

In the first quarter 2018, Rovio divested its 34.74% ownership of Sunwoo Entertainment Co., Ltd, that was an associate company to the Rovio Group. Rovio sold its share of the company to the majority owner for an amount of EUR 37,000. The book value of the shares was zero and the proceeds were recorded as other income.

In the fourth quarter Rovio divested its 19,99% ownership in Fun Academy for EUR 40,000 to the remaining shareholders of Fun Academy. The book value of the shares was zero and the proceeds were recorded as other income.

In the fourth quarter Rovio acquired all shares of PlayRaven Oy. PlayRaven is a Helsinki-based Finnish company that focuses on developing mobile strategy games. PlayRaven was founded in 2013 and at the time of acquisition had 25 employees. The purchase price was less than the acquired net assets and the profit from the bargain purchase, approximately EUR 0.7 million, was fully recognized as other income during the fourth quarter.

Scale of research and development activities

Due to the nature of Rovio's business, a significant part of the Group's costs and investments are directly or indirectly related to the development of new products, IP's, and business models. Depending on the nature and phase of the development, the relevant costs are either treated as operational expenses or capital expenditure and amortized according to plan. During the financial year, capitalized product development costs amounted to EUR 1.0 million (2017: EUR 8.0 million).

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

The Company's liquidity and cash flow is strong, and the profitability outlook remains positive, which enables the Company to continue to execute its business in accordance with its strategy.

Based on the Company's assessment, there were no material changes in the risks and uncertainties during the 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. Changes in governmental regulations in different countries can have both short- and long-term implications for the business.

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

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

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

Personnel

From January to December 2018, Rovio's average number of employees was 388 (416). The Games business unit employed 297 people (304), the Brand Licensing business unit 33 people (62), and other operations, including Hatch Entertainment and administrative functions employed 58 people (50).

The average number of employees declined year-on-year due to the restructuring of the Brand Licensing business and support functions in 2017. The new movie content licensing model was implemented during the first quarter of 2017, which enabled the Company to operate with a smaller number of employees.

	2018	2017	2016
Average number of employees during the financial year	388	416	476
Wages and salaries paid during the financial year (EUR thousands)	32,015	40,871	39,659

Governance and management

At its meeting on April 16, 2018, 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 recognizes its responsibility as a global company and strives to work with reputable, environmentally and socially responsible parties.

Financing and investments

Total investments for the review period January–December 2018 amounted to EUR 1.3 million (8.5), down 84.5%. Rovio refers to the user acquisition costs of the Games segment as investments, but they are recognized as expenses rather than investments due to their average payback period being less than one year.

At the end of 2018, Rovio's total interest-bearing loans amounted to EUR 3.6 million (2.5), consisting of product development loans from Tekes (the Finnish Funding Agency for Innovation).

At the end of 2018, the company had a revolving credit facility with an undrawn balance of EUR 20.0 million.

Related party transactions

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

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

In April, 2018, EUR 2.9 million was paid out as dividend between the Rovio Group and Trema.

In August 2018, the company sold to Mikael Hed a US patent relating to a remotely controllable vehicle invention of which Mikael was the original inventor. Rovio did not anticipate any meaningful value from the patent to the company and thus it was sold for EUR 38 thousand covering the costs of the patent application process. In addition, Rovio would receive a share of potential future net revenue arising from the patent. Mikael Hed is a minority owner of Oivor AB and Trema International Holdings B.V. and he exercises significant influence on the companies.

Ferly (formerly Kaiken Entertainment) is a company controlled by Mikael Hed and, therefore, Rovio's related party. Rovio recognized licensing income of EUR 10 thousand during the 2018 financial year (EUR 18 thousand during the 2017 financial year). Ferly has invoiced Rovio for its services in the amount of CAD 60 thousand (approximately EUR 40 thousand) during the 2018 financial year.

Events after the review period

After the review period a total of 17,200 Rovio Entertainment Corporation's new shares were subscribed for with stock options. The entire subscription price of EUR 49,020.00 was recorded into the invested unrestricted equity reserve.

As a result of the share subscriptions, the number of Rovio Entertainment Corporation's shares increased to 79,464,742 shares. The shares subscribed for under the stock options were registered in the Trade Register on January 30, 2019, as of which date the new shares established shareholder rights.

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 Board has in May resolved to update the schedule for the stock options 2018 and 2019 while keeping the maximum total number of stock options 2017–2019 unchanged, as well as to add more gross shares to the restricted share unit plan.

The option plan provides for the issuance of up to 5,000,000 options. Each option entitles its holder to subscribe for one share. The option plan includes three lots of options that can be allocated to 2017, 2018, and 2019. Options have a vesting period of two years. The subscription price for the 2017 options is the share price in Rovio's Initial Public Offering. The subscription price for the 2018 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during 2–31. May 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during 2–31. May 2019. A total of 1,040,150 options were allocated under the 2017 option program as of December 31, 2018 and a total of 1,168,750 options were allocated under the 2018 option program as of December 31, 2018.

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 1,300,000. The maximum number of shares before the board resolution was 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 465,890 rights entitling to shares had been allocated under the restricted share plan as of December 31, 2018.

On October 2, 2018 Rovio Entertainment granted 54 763 Company's own shares to Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme.

Decisions of the Annual General Meeting and the organizing meeting of the Board of Directors

The Annual General Meeting of Rovio was held on April 16, 2018. The Annual General Meeting approved the financial statements for the financial year 2017 and discharged the members of the Board of Directors and the CEO from liability for the 2017 financial year. The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.09 per share. The record date of the dividend distribution was April 18, 2018 and the dividend was paid on April 25, 2018.

The Annual General Meeting decided that the Board of Directors shall comprise six (6) members. Mr. Kaj Hed, Ms. Camilla Hed-Wilson, Mr. Kim Ignatius, Mr. Mika Ihamuotila, Ms. Jenny Wolfram and Mr. Niklas Zennström were re-elected members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting in 2019. Mr. Mika Ihamuotila was elected as the Chairman and Mr. Kaj Hed was elected as the Vice Chairman of the Board of Directors.

The Annual General Meeting decided that the members of the Board of Directors will be paid monthly remuneration as follows: Chairman EUR 9,500; Vice Chairman EUR 7,500; other members EUR 5,000 each and EUR 2,500 as additional monthly compensation to the chairman of the Audit Committee. If the chairman of the Audit Committee is the Chairman or Vice Chairman of the Board of Directors, no additional compensation will be paid. Reasonable travel expenses of the Board members and committee members arising from Board or committee work will be compensated.

Ernst & Young Oy, authorized public accountants, was re-elected as the auditor of the company.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares up to a maximum of 7,938,554 shares (approximately 10% of all the current shares in the company).

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares up to a maximum of 15,877,108 shares (approximately 20% of all the current shares of the company).

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2019.

Authorizations

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

The Annual General Meeting held on April 16,2018 authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares up to a maximum of 15,877,108 shares (approximately 20% of all the current shares of the company).

The Annual General Meeting, held on April 16,2018 authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares up to a maximum of 7,938,554 shares (approximately 10% of all the current shares in the company).

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2019.

Information about the option programs

The Annual General Meeting held on May 30, 2017 authorized the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorization, 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 authorization is in force until July 31, 2018. Based on this authorization, 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 1,297,150 2017A options, 29,250 2017B options, 1,206,500 2018A options and 26,250 2018B options under this authorization.

The Annual General Meeting held on April 16, 2018 authorized the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorization, the Board can with one or several decisions issue up to 15,877,108 new shares, options or other special rights entitling to shares. The authorization is in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2019. Based on this authorization, the Board has approved the increase of the restricted share plan by 800,000 share units.

The Board of Directors has in 2018 allocated 363,990 RSUs and in 2017 303,800 RSUs under the restricted share plan.

Option programs in effect during the financial year

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

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

2012C: 45,000 outstanding options on December 31, 2018. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2020. Each option right entitles its holder to subscribe for one new share. Up to 45,000 shares can be subscribed for based on the option rights, corresponding to 0.1% of the company's share capital and votes.

2015A: 1,437,400 outstanding options on December 31, 2018. Subscription price EUR 2.85 per share. Subscription period August 1, 2017–July 31, 2019. Each option right entitles its holder to subscribe for one new share. Up to 1,437,400 shares can be subscribed for based on the option rights, corresponding to 1.8% of the company's share capital and votes.

2015AII: 383,500 outstanding options on December 31, 2018. 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 383,500 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, 2018. 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, 2018. 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, 2018. 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, 2018. 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: 1,014,650 outstanding options on December 31, 2018. 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 1,014,650 shares can be subscribed for based on the option rights, corresponding to 1.3% of the company's share capital and votes.
2017B: 25,500 outstanding options on December 31, 2018. Subscription price EUR 11.50 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.
2018A: 1,143,250 outstanding options on December 31, 2018. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 1,143,250 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.
2018B: 25,500 outstanding options on December 31, 2018. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.
2019A: No options outstanding on December 31, 2018. The subscription price has not been decided. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share.
2019B: No options outstanding on December 31, 2018. The subscription price has not been decided. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share.

Shares

The company has 79,447,542 shares. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share.

During the third quarter Rovio Entertainment started its share repurchase program. The shares were repurchased to be used as a part of the Company's incentive program. The maximum number of shares to be acquired was 650,000 corresponding to 0.8% of the total number of shares at the start of repurchase and the maximum sum to be used for the repurchase was EUR 7.0 million. The share repurchase ceased in December, when the 650,000 shares had been acquired.

On October 2, 2018 Rovio Entertainment granted 54,763 Company's own shares to Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme.

On December 31, 2018 Rovio Entertainment Corporation held 595,237 of its own shares.

PERFORMANCE MEASURES

€000	2018	2017	2016
Revenue	281,171	297,158	191,704
EBITDA	47,841	59,987	35,376
EBITDA margin	17.0%	20.2%	18.5%
Adjusted EBITDA	47,509	64,497	35,376
Adjusted EBITDA margin, %	16.9%	21.7%	18.5%
Operating profit	31,507	31,378	16,886
Operating profit margin, %	11.2%	10.6%	8.8%
Adjusted operating profit	31,193	35,889	16,886
Adjusted operating profit margin, %	11.1%	12.1%	8.8%
Profit before tax	32,233	26,628	15,372
Capital expenditure	1,311	8,450	23,279
User acquisition	78,594	69,599	18,234
Return on equity, %	21.5%	23.4%	19.1%
Net gearing ratio, %	-75.3%	-62.9%	-11.5%
Equity ratio, %	83.7%	77.9%	64.1%
Earnings per share, EUR	0.31	0.27	0.14
Earnings per share, diluted EUR	0.31	0.27	0.14
Net cash flows from operating activities	42,601	59,575	22,845
Employees (average for the period)	388	416	476

Per-share indicators

	2018	2017	2016
Earnings per share, EUR	0.31	0.27	0.14
Earnings per share, diluted EUR	0.31	0.27	0.14
Shareholder's equity per share, EUR	2.02	1.77	1.16
Dividend per share, proposed	0.09	0.09	0.06
Dividend payout ratio, %	29.0%	33.1%	42.6%
Effective dividend yield, %	2.4%	1.0%	-
Price/earnings ratio	12.5	33.9	-
Highest price	10.04	12.34	-
Lowest price	3.75	8.25	-
Share price Dec 31	3.82	9.03	-
Market capitalization, EUR million	303.5	714.9	-
Share turnover during the financial year, (thousands)	44,865	68,906	-
Share turnover during the financial year, %	56.6%	90.9%	-
Shares outstanding at the end of the period (thousands)	78,852	79,171	74,945
Shares outstanding at the end of the period, diluted (thousands)	79,381	80,627	75,923
Weighted average adjusted number of shares during the financial period, basic (thousands)	79,282	75,795	74,945
Weighted average adjusted number of shares during the financial period, diluted (thousands)	80,161	77,370	75,508

Calculation principles of alternative performance measures

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

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

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

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

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

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

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

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

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

User acquisition costs share of Games revenue, %, which is user acquisition costs as a percentage of Games revenue.

Earnings per share, which is the net result for the review period divided by the average number of shares in the review period, less treasury shares.

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

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

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

Net debt, which is calculated by subtracting cash and 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 differs from the actual reported revenue.

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

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

MUP (Monthly Unique Payers), which is defined as the number of devices that made a payment at least once during the calendar month through a payment method for which we can quantify the number of individuals, including payers from our mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers. We only use information provided by Rovio's own payment verification technology.

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

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

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

Reconciliation of Adjusted EBITDA

€000	2018	2017	2016
Operating profit	**31,507**	**31,378**	**16,886**
Depreciation and amortization	16,334	28,609	18,490
EBITDA	**47,841**	**59,987**	**35,376**
Income from Bargain Purchase	-653	-	-
Restructuring costs arising from employee benefits expenses	270	1,841	-
Restructuring costs in Other operating expenses	51	125	-
Listing-related expenses	-	2,544	-
Adjusted EBITDA	**47,509**	**64,497**	**35,376**

Reconciliation of Adjusted Operating Profit

€000	2018	2017	2016
Operating profit	**31,507**	**31,378**	**16,886**
Income from Bargain Purchase	-653	-	-
Restructuring costs arising from employee benefits expenses	270	1,841	-
Restructuring costs in Other operating expenses	51	125	-
Restructuring costs in Depreciation and amortization	19	-	-
Listing-related expenses	-	2,544	-
Adjusted operating profit	**31,193**	**35,889**	**16,886**

CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated profit or loss and other comprehensive income

€000	Note	2018	2017
Revenue	1.1, 1.2	**281,171**	**297,158**
Other operating income	1.3, 4.1	1,075	767
Materials and services	1.4	-79,823	-81,796
Employee benefits expense	1.5, 1.6	-42,639	-51,947
Depreciation and amortization	2.1, 2.3	-16,334	-28,609
Other operating expenses	1.7	-111,942	-104,194
Operating profit		**31,507**	**31,378**
Finance income and expenses	1.8	726	-4,692
Share of profit of associates	4.3	0	-58
Profit before tax		**32,233**	**26,628**
Income tax expense	5.1, 5.2	-7,661	-6,032
Profit/loss for the period		**24,573**	**20,597**
Attributable to:			
Non-controlling interests		0	0
Equity holders of the parent company		24,573	20,597

€000	Note	2018	2017
Other comprehensive income/expense			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		7	-422
Total comprehensive income for the period, net of tax		**24,580**	**20,175**
Attributable to:			
Non-controlling interests		0	0
Equity holders of the parent company		24,580	20,175
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, EUR		0.31	0.27
Earnings per share, diluted EUR		0.31	0.27

Consolidated statement of financial position

€000	Note	2018	2017
ASSETS			
Non-current assets		**45,355**	**57,371**
Property, plant and equipment	2.1	606	478
Intangible assets	2.3	39,028	53,087
Non-current receivables	3.3	843	823
Deferred tax assets	5.2	4,877	2,983
Current assets		**157,803**	**132,795**
Trade receivables	3.3	23,038	29,104
Prepayments and accrued income	3.3	10,111	10,552
Other current financial assets	3.3	1,051	2,327
Cash and short-term deposits	3.4	123,603	90,812
Total assets		**203,158**	**190,166**

€000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Issued capital	3.12	733	733
Reserves	3.12	36,692	35,826
Translation differences	3.12	-515	-521
Treasury shares	3.12	-2,730	0
Retained earnings	3.12	100,676	83,752
Profit for the period	3.12	24,573	20,597
Equity holders of the parent company		**159,429**	**140,386**
Non-controlling interests		0	0
Total equity		**159,429**	**140,386**
Liabilities			
Non-current liabilities		**3,630**	**2,682**
Interest-bearing loans and borrowings	3.2	3,449	2,466
Other non-current financial liabilities	3.2	130	143
Deferred tax liabilities	5.2	51	73
Current liabilities		**40,099**	**47,099**
Trade and other payables	3.5	10,878	8,895
Interest-bearing loans and borrowings	3.2	109	0
Other current financial liabilities	3.5	287	1,897
Advances received	3.6	6,517	8,253
Deferred revenue	3.7	6,216	1,635
Income tax payable	5.1	1,218	4,430
Provisions	3.8	562	762
Accrued liabilities	3.9	14,312	21,227
Total liabilities		**43,729**	**49,781**
Total equity and liabilities		**203,158**	**190,166**

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent

€000	Note	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
Equity as at Dec 31, 2017		**733**	**35,826**	**0**	**104,348**	**-521**	**140,386**	**0**	**140,386**
Adjustments to opening balance									
IFRS 2 amendment					**235**		**235**		**235**
Equity as at Jan 1, 2018		**733**	**35,826**	**0**	**104,584**	**-521**	**140,622**	**0**	**140,621**
Profit (loss) for the period					24,573		24,573		24,573
Option subscriptions	3.12		867				867		867
Treasury shares acquisition	3.12			-3,003			-3,003		-3,003
Other comprehensive income						6	6		6
Share-based payments	1.6			273	3,237		3,510		3,510
Cash dividends					-7,145		-7,145		-7,145
Equity as at Dec 31, 2018		**733**	**36,692**	**-2,730**	**125,249**	**-515**	**159,429**	**0**	**159,429**
Equity as at Jan 1, 2017		**733**	**751**	**0**	**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 Dec 31, 2017		**733**	**35,826**	**0**	**104,348**	**-521**	**140,386**	**0**	**140,386**

Consolidated statement of cash flows

€000	Note	2018	2017
Operating activities			
Profit before tax		32,233	26,628
Adjustments:			
Depreciation and amortization	2.1, 2.3	15,681	28,609
Net foreign exchange differences		-825	2,722
Gain on disposal of property, plant and equipment	1.3	-2	-323
Finance costs	1.8	99	1,969
Share of profit of an associate and a joint venture	4.3	0	58
Other adjustments		-77	0
Other non-cash items		2,994	3,019
		50,104	**62,683**
Change in working capital:			
Change in trade and other receivables and prepayments		7,608	311
Change in trade and other payables		-4,252	-1,132
		53,460	**61,863**
Interest received		259	47
Interest paid and other finance costs		-255	-1,304
Income tax paid		-10,863	-1,032
Net cash flows from operating activities		**42,601**	**59,575**

€000	Note	2018	2017
Investing activities			
Proceeds from sales of tangible and intangible assets	1.3	2	323
Purchase of tangible and intangible assets	2.1, 2.3	-1,311	-8,450
Proceeds from sale of investments		37	0
Acquisition of subsidiaries, net of cash acquired	4.1	20	0
Proceeds from sale of investments in associates and joint ventures	4.4	40	0
Net cash flows used in investing activities		**-1,213**	**-8,127**
Financing activities			
Repayments of financial lease liabilities	3.1	-201	-74
Proceeds of share issue	3.12	0	30,000
Share issue transaction costs	3.12	0	-1,316
Share subscriptions based on option rights	3.12	867	5,683
Proceeds from and repayments of borrowings	3.1, 3.2	-210	-16,667
Acquisition of treasury shares	3.12	-3,003	0
Share-based payments	1.6, 3.12	273	0
Dividends paid to equity holders of the parent		-7,145	-4,497
Net cash flows from/(used in) financing activities		**-9,419**	**13,129**
Change in cash and cash equivalents		31,970	64,577
Net foreign exchange difference		821	-2,710
Cash and cash equivalents at beginning of period Jan 1	3.4	90,812	28,945
Cash and cash equivalents at end of period Dec 31	3.4	**123,603**	**90,812**

Key accounting principles applied in the consolidated financial statements

Basic information about the Group

Rovio Entertainment Corporation is a global, games-first entertainment company that creates, develops and publishes mobile games which have been downloaded over 4 billion times. The Company is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing. Today the Company offers multiple mobile games, animations and has produced The Angry Birds Movie, which opened number one in theaters in 50 countries, and the sequel to which is set for theatrical release in 2019. Rovio is headquartered in Finland and the Company's shares are listed on the main list of the NASDAQ Helsinki stock exchange with the trading code ROVIO. (www.rovio.com)

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

The Board of Directors approved the financial statements for publication on February 13, 2019. In accordance with the Finnish Limited Liability Companies Act, the shareholders may adopt or reject the financial statements at a general meeting of shareholders held after their publication.

Basis of preparation

Rovio's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) valid on December 31, 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.

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 euros, 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.

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

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

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

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

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

Effects of standards adopted during 2018

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

IFRS 15 and IFRS 9 that became mandatory during the 2018 financial year have been adopted already during the financial year that started on January 1, 2016.

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.

The company has adopted the IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 during the first quarter of 2018. As a result of the amendment, the share-based payments that are settled net in shares after withholding taxes are accounted for in full as equity-settled arrangements despite the fact that Rovio pays in cash the taxes related to the rewards on behalf of the participants. Amendments to IFRS 2 regarding the classification and measurement of share-based payment transactions were adopted prospectively and resulted in an increase of EUR 0.2 million in Rovio's equity in the opening balance of 2018.

Items in foreign currency

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

Transactions and balances

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

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

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

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

Group companies

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

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

Current versus non-current classification

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

An asset is current when it is:

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

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

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

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

Other significant accounting principles

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

Standards and interpretations to be applied in future financial periods

Amendments to IFRS 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 recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized 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 16 Leases

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

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

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

IFRS 16 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.

Rovio will adopt the IFRS 16 Leases-standard when it becomes effective, on January 1, 2019 using the modified retrospective approach. In accordance with the IFRS 16 transition guidance, comparative information will not be restated. On adoption, all right-of-use assets will be recorded with an equivalent value recorded for the related lease liabilities. Key judgments and estimates used under IFRS 16 primarily relate to the evaluation of lease terms and the use of discount rates.

Rovio will adopt IFRS using the following recognition exemptions: leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less).

Rovio estimates the lease liability and the lease asset to be recognized in the opening 2019 balance due to adapting IFRS 16 to be approximately EUR 6 million. In addition, approximately EUR 4.5 million will be recognized based on lease agreements commencing in the first quarter of 2019. The adoption is expected to improve EBITDA by slightly under EUR 3 million compared to earlier reporting requirements. It will also have an impact to the presentation of the cash flow statement. Cash flow from operating activities is expected to increase and cash flow from financing is expected to decrease by slightly under EUR 3 million.

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 2.5 million affecting the operating profit during the financial period. In 2018 Rovio acquired 100 % of PlayRaven Ltd shares. The profit from the bargain purchase, approximately EUR 0.7 million, was fully recognized during the financial year. In other respects, the financial periods 2018 and 2017 are comparable.

Adjusted items / Items affecting comparability

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

Events after the reporting period

Accounting policy

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

Events after the review period

After the review period a total of 17,200 Rovio Entertainment Corporation's new shares were subscribed for with stock options. The entire subscription price of EUR 49,020.00 was recorded into the invested unrestricted equity reserve.

As a result of the share subscriptions, the number of Rovio Entertainment Corporation's shares increased to 79,464,742 shares. The shares subscribed for under the stock options were registered in the Trade Register on January 30, 2019, as of which date the new shares established shareholder rights.

Notes to the consolidated financial statements

1. Segments and result

1.1. Segments

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

The 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 capitalized the development costs. These costs are amortized over the life of the asset in question.

The senior operating decision-maker (Rovio's Board of Directors) assesses the Brand Licensing segment's performance as a whole. The Senior Vice President in charge of the segment allocates the resources and sets targets for the subunits 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 recognized centrally and allocated to the reportable segments as a separate line item in management reporting.

Segment profit and loss 2018

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

€000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Segment Capital expenditure 2018					
Capital expenditure	263	153	895		1,311
Segment assets Dec 31, 2018					
Non-current assets	7,878	29,671	7,806		45,355

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 amortization	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
Segment Capital expenditure				
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

1.2. Revenue

Accounting principle

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

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

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

Revenue from the main revenue streams:

1. Games

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

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

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

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

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

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

2. Advertising

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

3. IP Licensing and Tangible Sales

Rovio has licensed the Angry Birds brand to hundreds of partners. 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 recognized as revenue at the end date of the licensing agreement. Until then, the minimum guarantee revenue is recognized 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 recognizes the minimum guarantee based on recouped royalties and if more royalties are received, the excess amount will be recognized as revenue.

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 recognized over the lifetime of the agreement

4. Animation Broadcasting and Distribution Revenues

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

The Angry Birds Movie is distributed in all channels (Theaters, DVD/Blu-ray/VOD/TV) by Columbia Pictures and Sony's subsidiaries. Columbia Pictures acts as a paymaster and manages all money flows in the value chain. Columbia Pictures recoups its agreed costs, including box office -based bonuses and commissions, from the purchase transaction it receives from the distributor, customer or end user, and pays the residual to Rovio. Columbia Pictures reports to Rovio and Rovio recognizes its revenue based on this reporting.

Sales tax

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

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

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

Disaggregation of revenue from contracts with Customers

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

€000	Timing of revenue recognition	2018	2017
Games			
In-application purchases	At a point in time and over time	220,266	219,656
Subscription payments	Over time	0	0
Custom contracts	Over time	1,522	1,384
Advertising	At a point in time	28,615	26,964
Games total revenue		**250,403**	**248,003**
Brand Licensing			
IP Licensing and tangible sales	At a point in time and over time	8,556	11,224
Animation broadcasting and distribution	At a point in time and over time	21,940	37,256
Advertising	At a point in time	271	675
Brand Licensing total revenue		**30,767**	**49,155**
Group revenue		**281,171**	**297,158**

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.

		2018			2017	
€000	Games	BLU	Total	Games	BLU	Total
North America	156,053	21,776	177,829	157,980	38,243	196,222
Latin America	3,393	576	3,969	3,686	2,115	5,801
Europe, Middle East and Africa	64,176	4,937	69,112	64,044	5,874	69,917
Asia Pacific	26,780	3,479	30,259	22,294	2,923	25,217
Total	**250,403**	**30,767**	**281,171**	**248,003**	**49,155**	**297,158**

1.3. Other operating income

The majority of other operating income in 2018 is related to the bargain profit from the game studio acquisition as well as government grants.

€000	2018	2017
Government grants (Note 3.6)	276	93
Net gains on disposal of property, plant and equipment	2	223
Other operating income	797	451
Total other operating income	**1,075**	**767**

1.4. Materials and services

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

€000	2018	2017
Purchases of materials, supplies and goods	8	268
External services	79,815	81,528
Total materials and services	**79,823**	**81,796**

1.5. Employee benefits expense

Accounting policy

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

€000	2018	2017
Wages and salaries	32,015	40,871
Social security costs	1,874	2,242
Pension costs, defined contribution	4,981	5,843
Share-based payments	3,769	2,991
Total employee benefits expense	**42,639**	**51,947**

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

1.6. Share-based payments

Accounting policy

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

Equity-settled transactions

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

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

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

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

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

Share-based incentive programs

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

Valuation parameters for instruments granted during period		2018	2017
	2017A	2018A/2018B	2017A/2017B
Valuation model	**Black-Scholes**	**Black-Scholes**	**Black-Scholes**
Fair value Dec 31, EUR thousands	14	1,117	3,513
Main assumptions:			
Expected volatility	35%	27%	35%
Share price at the valuation date	11.50	5.26	11.50
Forfeiture rate	10%	10%	10%

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

Current stock option programs

		Changes in the 2017 reporting period					Changes in the 2018 reporting period				
	Number of options Jan 1	Granted	Forfeited	Exercised	Expired	**Number of options Dec 31**	Granted	Forfeited	Exercised	Expired	**Number of options Dec 31**
2012A	62,500				62,500	**0**					**0**
2012A(II)	754,900			3,500	751,400	**0**					**0**
2012B	252,500		2,500	205,000		**45,000**			13,000	32,000	**0**
2012B(II)	100,000			100,000		**0**					**0**
2012C	45,000					**45,000**					**45,000**
2012Sb	103,067				103,067	**0**					**0**
2015A	2,817,000	220,000	190,000	1,298,133		**1,683,867**			246,467		**1,437,400**
2015AII	708,500		285,000	29,000		**394,500**			11,000		**383,500**
2017A	0	1,287,150	3,000			**1,284,150**	10,000	279,500			**1,014,650**
2017B	0	29,250	750			**28,500**		3,000			**25,500**
2018A						**0**	1,206,500	63,250			**1,143,250**
2018B						**0**	26,250	750			**25,500**
Weighted average subscription price, EUR		10.28	3.08	3.57	6.09		5.31	10.35	3.07	6.13	
Total	**4,843,467**	**1,536,400**	**481,250**	**1,635,633**	**916,967**	**3,481,017**	**1,242,755**	**346,500**	**270,467**	**32,000**	**4,074,800**

Restricted Share Plan

	Changes in the 2017 reporting period				Changes in the 2018 reporting period			
	Number of RSUs, Jan 1	Granted	Forfeited	Number of RSUs, Dec 31	Granted	Forfeited	Exercised	Number of RSUs, Dec 31
RSU 2017–2018	0	148,400		**148,400**		36,000	112,400	**0**
RSU 2017–2019	0	155,400		**155,400**	5,000	43,500		**116,900**
RSU 2018–2019				**0**	276,145	10,000		**266,145**
RSU 2018–2020				**0**	82,845			**82,845**
Total	**0**	**303,800**	**0**	**303,800**	**363,990**	**89,500**	**112,400***	**465,890**

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

Financial impact of share-based incentives during the financial period

€000	2018	2017
Expenses recognized for option programs	1,490	2,469
Expenses recognized for the Restricted Share Plan – share component	2,279	287
Expenses recognized for the Restricted Share Plan – cash component*	0	235
Total	**3,769**	**2,991**

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

Authorizations

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

- The Annual General Meeting held on April 16,2018 authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares up to a maximum of 15,877,108 shares (approximately 20% of all the current shares of the company).
- The Annual General Meeting, held on April 16,2018 authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares up to a maximum of 7,938,554 shares (approximately 10% of all the current shares in the company).

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2019.

Information about the option programs

The Annual General Meeting held on May 30, 2017 authorized the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorization, 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 authorization is in force until July 31, 2018. Based on this authorization, 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 1,297,150 2017A options, 29,250 2017B options, 1,206,500 2018A options and 26,250 2018B options under this authorization.

The Annual General Meeting held on April 16, 2018 authorized the Board of Directors to decide on the issuance of new shares or special rights entitling to shares. Based on the authorization, the Board can with one or several decisions issue up to 15,877,108 new shares, options or other special rights entitling to shares. The authorization is in force until the closing of the next Annual General

Meeting, however no longer than until June 30, 2019. Based on this authorization, the Board has approved the increase of the restricted share plan by 800,000 share units.

The Board of Directors has in 2018 allocated 363,990 RSUs and in 2017 303,800 RSUs under the restricted share plan.

Option programs in effect during the financial year

2012B: No options outstanding on December 31, 2018. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.
2012B(II): No options outstanding on December 31, 2018. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2018.
2012C: 45,000 outstanding options on December 31, 2018. Subscription price EUR 6.00 per share. Subscription period March 1, 2016–February 28, 2020. Each option right entitles its holder to subscribe for one new share. Up to 45,000 shares can be subscribed for based on the option rights, corresponding to 0.1% of the company's share capital and votes.
2015A: 1,437,400 outstanding options on December 31, 2018. Subscription price EUR 2.85 per share. Subscription period August 1, 2017–July 31, 2019. Each option right entitles its holder to subscribe for one new share. Up to 1,437,400 shares can be subscribed for based on the option rights, corresponding to 1.8% of the company's share capital and votes.
2015AII: 383,500 outstanding options on December 31, 2018. 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 383,500 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, 2018. 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, 2018. 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, 2018. 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, 2018. 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: 1,014,650 outstanding options on December 31, 2018. 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 1,014,650 shares can be subscribed for based on the option rights, corresponding to 1.3% of the company's share capital and votes.
2017B: 25,500 outstanding options on December 31, 2018. Subscription price EUR 11.50 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.
2018A: 1,143,250 outstanding options on December 31, 2018. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 1,143,250 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.
2018B: 25,500 outstanding options on December 31, 2018. Subscription price EUR 5.26 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 25,500 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2019A: No options outstanding on December 31, 2018. The subscription price has not been decided. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share.
2019B: No options outstanding on December 31, 2018. The subscription price has not been decided. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share.

1.7. Other operating expenses

€000	2018	2017
Legal fees and consulting expenses	2,900	5,015
External development and testing expenses	6,901	6,158
Server expenses	7,086	7,449
Machinery and software expenses	3,966	4,409
Phone, data transfer and office expenses	3,120	3,609
Marketing expenses	83,140	73,555
Other operating expenses	4,828	3,999
Total other operating expenses	**111,942**	**104,194**

The marketing expenses are divided as follows:

€000	2018	2017
User acquisition costs	78,594	69,599
Other marketing expenses	4,546	3,956
Total marketing expenses	**83,140**	**73,555**

Audit fees

€000	2018	2017
Audit	417	388
Other services	16	705
Total	**434**	**1,094**

1.8. Finance income and expenses

€000	2018	2017
Finance income		
Other interest and finance income	271	0
Foreign exchange gain	1,339	680
Total finance income	**1,609**	**680**
Finance costs		
Interest on debts and borrowings	337	811
Other finance costs	86	2
Total interest expense	**423**	**813**
Foreign exchange loss	460	3,746
Other finance expenses	0	813
Total finance expenses	**460**	**5,372**
Total finance income and expenses	**726**	**-4,692**

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 recognized in profit and loss as incurred.

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

- Machinery and equipment 3–5 years

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

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

Reconciliation of beginning and ending balances by classes of assets

€000	Machinery and equipment
Cost or valuation	
January 1, 2017	**5,085**
Additions	400
Disposals	-304
Exchange differences	-147
January 1, 2018	**5,033**
Additions	482
Disposals	-14
Exchange differences	34
December 31, 2018	**5,534**
Depreciation and impairment	
January 1, 2017	**-4,367**
Depreciation charge for the period	-473
Disposals	143
Exchange differences	142
January 1, 2018	**-4,555**
Depreciation charge for the period	-335
Disposals	0
Exchange differences	-38
December 31, 2018	**-4,928**

Net book value	2018	2017
December 31	**606**	**478**

Finance leases

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

€000	31.12.2018	31.12.2017
Acquisition cost	607	366
Accumulated depreciation	-286	-92
Net book value	**321**	**274**

2.2. Goodwill and intangible assets with indefinite lives

Accounting policy

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

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

The value in use calculation is based on a DCF model. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further below in this note.

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

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

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually during the fourth quarter or when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

2.3. Intangible Assets

Accounting policy

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

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

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

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

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

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

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

Research and development costs

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

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

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

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

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

This amount includes investments in the development of games that are expected to be released in 2017 as well as animated TV series still in production. The amount does not include any projects that would not be planned to be finalized and launched.

Basic information about intangible assets

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

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

Reconciliation of beginning and ending balances by classes of assets

€ 000	Development costs - Games	Trademarks	Development costs - Movie	Development costs - Other	Total
Cost or valuation					
January 1, 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	0	-1,235	-1,770	3,005	0
January 1, 2018	**23,452**	**1,205**	**62,983**	**20,119**	**107,759**
Additions	845	37	0	154	1,036
December 31, 2018	**24,297**	**1,242**	**62,983**	**20,273**	**108,795**

€ 000	Development costs - Games	Trademarks	Development costs - Movie	Development costs - Other	Total
Depreciation and impairment					
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	0	-1,015	-1,427	2,441	0
January 1, 2018	**18,771**	**571**	**23,817**	**15,808**	**58,968**
Depreciation and impairment for the financial period	1,937	222	11,423	2,392	15,975
December 31, 2018	**20,708**	**793**	**35,240**	**18,200**	**74,942**
Carrying amount					
December 31, 2017	**4,681**	**634**	**39,166**	**4,310**	**48,791**
December 31, 2018	**3,589**	**449**	**27,743**	**2,073**	**33,853**

* 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, 2017	**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
January 1, 2018	**4,025**	**271**	**0**	**0**	**4,296**
Additions	263	51	0	574	889
Reclassification between asset classes	0	-10	0	0	-10
December 31, 2018	**4,288**	**312**	**0**	**574**	**5,175**

3. Capital structure and capital management

3.1. Financial assets and liabilities

Accounting policy

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

Initial recognition

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

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

Financial assets

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

A financial asset is measured at amortized cost when both of the following conditions are met:

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

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are met:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, if the strategy focuses on earning contractual cash flows or realizing cash flows through the sale of the assets.

- How the performance of the portfolio is evaluated and reported to the Group management and
- The risks that affect the performance of the financial assets held within the that business model and how those risks are managed.

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

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

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

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

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

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

Impairment of financial assets

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

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

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

Write-off

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

Financial liabilities

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

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

Offsetting of financial instruments

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

Reconciliation of financial liabilities

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

		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	0	0	0	0	2,466
Current financial liabilities	16,520	-16,667	0	0	147	0
Lease liabilities	88	-72	258	0	0	274
Total financial liabilities	**19,074**	**-16,739**	**258**	**0**	**147**	**2,740**

3.2 Financial liabilities

Financial liabilities: interest-bearing loans and borrowings

€000	Capital	Interest, %	Maturity	Dec 31, 2018	Dec 31, 2017
Non-current liabilities					
Loan from credit institution	€3,560	1.0	2020–2025	3,449	2,466
Obligations under finance leases contracts		3.27	2020–2021	136	143
Total non-current interest-bearing loans and borrowings				**3,585**	**2,609**
Current liabilities					
Loan from credit institution	€3,560	1.0	2019	109	0
Obligations under finance leases contracts		3.27	2019	210	132
Total current interest-bearing loans and borrowings				**319**	**132**
Total interest-bearing loans and borrowings				**3,904**	**2,741**

Fair values of non-current liabilities

€000	Capital	Dec 31, 2018	Dec 31, 2018
Loan from credit institution	3,560	3,182	2,127

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. The increase is due to R&D loans transferred in the acquisition of the game studio, which are repayable in 2019–2025.

Finance lease liabilities

€000	Dec 31, 2018	Dec 31, 2017
Minimum lease payments		
Within 1 year	210	132
Later than 1 year and no later than 5 years	136	143
Total lease payments	**346**	**274**

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

Non-current receivables mainly comprise rent deposits paid and deferred tax assets.

Non-current receivables

€000	Dec 31, 2018	Dec 31, 2018
Long-term rental deposits	843	823
Deferred tax assets	4,877	0
Total non-current receivables	**5,721**	**823**

Trade receivables and other receivables

€000	Dec 31, 2018	Dec 31, 2017
Trade receivables	23,038	29,104
Other current financial assets	1,051	2,327
Prepayments and accrued income	10,111	10,552
Total trade receivables and other receivables	**34,200**	**41,983**

Prepayments and accrued income comprise the following items:

€000	Dec 31, 2018	Dec 31, 2017
Deferred cost of sales and prepayments	3,555	2,578
Mandatory insurance payments	181	133
Tax receivables	67	173
Accrued licensing revenue	360	732
Other accrued income	5,948	6,936
Total	**10,111**	**10,552**

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

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

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

Credit loss risk and corresponding need for credit loss provision is continuously assessed also with regard to these customers. On December 31, 2018, 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 Dec 31:

€000	Total	Neither past due nor provision	Past due < 30 days	30–60	61–90 days	91–180 days	181–365 days	> 365 days
2018 Gross	23,364	17,803*	2,949*	1,774*	513	121	69	135
Provision for credit loss of receivables	-326	0	-16	-8	-77	-48	-41	-135
Dec 31, 2018	**23,038**	**17,803**	**2,933**	**1,766**	**436**	**72**	**28**	**0**
2017 Gross	29,574	26,739*	693*	999*	282	391	151	318
Provision for credit loss of receivables	-470	0	-21	-7	-14	-85	-25	-318
Dec 31, 2017	**29,104**	**26,739**	**672**	**992**	**268**	**306**	**126**	**0**

*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 as of Jan 1, 2017	0.5%	0.5%	0.5%	15%	40%	60%	100%

Provision for credit loss of current trade receivables

€000	2018	2017
Jan 1	**470**	**1,206**
Realized and written down	-59	169
Change	-85	-905
Dec 31	**326**	**470**

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	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	123,603	90,812
Short-term deposits	0	0
Total	**123,603**	**90,812**

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 are comprised as stated above.

3.5. Trade and other payables

Trade payables are non-interest bearing and generally have a 60-day payment term.

€000	Dec 31, 2018	Dec 31, 2018
Trade payables	10,878	8,895
Other payables	287	1,897
Advances received	6,517	8,253
Total	**17,682**	**19,045**

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.

An MG is paid either in advance or in one or more installments during the 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 recognized 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	2018	2017
Jan 1	**8,253**	**11,480**
Licensing MGs recognized as revenue	-6,554	-9,255
Games MGs recognized as revenue	-474	-1,204
Other items	5,292	7,232
Dec 31	**6,517**	**8,253**

3.7. Deferred revenue

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

€000	2018	2017
Liabilities		
Jan 1	**2,387**	**2,820**
Deferred during the year	6,615	2,312
Released to the statement of profit or loss	-2,387	-2,745
Dec 31	**6,615**	**2,387**
Current	6,615	2,387
Non-current	0	0

€000	2018	2017
Assets		
Jan 1	**604**	**1,614**
Deferred during the year	313	604
Released to the statement of profit or loss	-604	-1,614
Dec 31	**313**	**604**
Current	313	604
Non-current	0	0

3.8. Provisions

Accounting policy

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

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

Restructuring provisions

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

Other provisions

At the end of 2015, Rovio signed a new office lease and accrued the free rent months for a total of EUR 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
Jan 1, 2017	**0**	**824**	**824**
Additions	0	149	149
Utilized	0	-211	-211
Dec 31, 2017	**0**	**762**	**762**
Additions	0	10	10
Utilized	0	-210	-210
Dec 31, 2018	**0**	**562**	**562**

3.9. Accrued liabilities

€000	Dec 31, 2018	Dec 31, 2017
Salaries and other personnel costs	10,251	16,148
Accrued costs	1,012	1,229
Revenue share	1,594	2,153
Other accrued liabilities	1,455	1,698
Total	**14,312**	**21,227**

3.10. Government grants

Accounting policy

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

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

€000	2018	2017
Jan 1	**0**	**0**
Received during the year	276	93
Released to the statement of profit or loss	-276	-93
Dec 31	**0**	**0**

3.11. Financial risks

Objectives and methods of financial risk management

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

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

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

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's 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, 2018, 100% of the Group's borrowings are at a variable rate of interest (2017: 100% variable rate). On December 31, 2018, 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
2018	Euro	+100	-36
2017	Euro	+100	-25

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

€000	Change in USD rate	Effect on profit
2018	5%	1,206
	-5%	-1,206
2017	5%	1,242
	-5%	-1,242

Funding-related risks

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

Capital market, leasing or other financing arrangements can be utilized for long-term funding. At the end of the 2018 fiscal year, Rovio had a revolving credit facility with an undrawn balance of EUR 20.0 million.

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 customer's and business partner's 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 analyses performed on the partner's 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, 2018, the Group had seven customers (2017: eight customers) with over EUR 500,000 of outstanding trade receivables. These customers accounted for approximately 91% (2017: 94%) of the Group's trade receivables. The Group had six customers (2017: five customers) with over EUR 1 million in outstanding trade receivables. These customers accounted for approximately 87% (2017: 86%) of the Group's trade receivables.

On each reporting date, any impairment of receivables from material customers is analyzed individually. In addition, minor receivables are classified into a single group and their possible impairment is analyzed as a group. The calculation is based on actual incurred historical data. The Group's maximum credit risk on December 31, 2018 and 2017 equals the carrying amounts of the receivables, see note 3.3.

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

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

Liquidity risk

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

The objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans. Of the Group's debts on December 31, 2018, approximately 76% will fall due within one year (2017: 81%) based on the carrying amounts in the statement of financial position. The Group has adequate alternative financing options and strong cash reserves at the end of the financial year.

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

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

€000	On demand	Less than 3 months	3–12 months	1–5 yrs	Over 5 yrs	Total
Dec 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**

Capital management

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

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

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

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

€000	2018	2017
Equity ratio, %	**83.7%**	**77.9%**
Equity	159,430	140,386
Advances received	6,517	8,253
Deferred revenue	6,216	1,635
Total assets	**203,158**	**190,192**
	.	.
Return on Equity, %	**21.5%**	**23.4%**
Profit/loss before tax	32,233	26,628
Total equity, beginning of period	140,386	86,839
Total equity, end of period	159,430	140,386
	.	.
Net gearing, %	**-75.3%**	**-62.9%**
Interest-bearing loans and borrowings	3,558	2,466
Cash and short-term deposits	123,603	90,812
Equity	159,430	140,386
	.	.
Non-current interest-bearing loans and borrowings	3,449	2,466
Current interest-bearing loans and borrowings	109	0
Cash and short-term deposits	123,603	90,812
Net debt	**-120,045**	**-88,346**

Fair values of financial instruments

Accounting policy

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

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

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

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

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

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

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

3.12. Equity

Equity comprises issued capital, other reserves and retained earnings. Rovio's issued capital for the financial year ended December 31, 2018 amounted to EUR 733,390 and the number of shares was 79,447,542. 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 2018 and 2017.

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

Reconciliation of the number of shares

	Total number of shares	Issued capital, €000	Invested unrestricted equity fund, €000
Jan 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
Dec 31, 2017	**79,171,275**	**733**	**35,826**
Additions due to share issue	276,267		867
Additions based on option subscriptions	595,237		
Dec 31, 2018	**78,852,305**	**733**	**36,692**

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

Inclusion of the share in the book-entry securities system

The shares are listed in a book-entry securities system. The right to receive funds distributed by the company and the right of subscription when the share capital is increased shall only belong to a person 1) who is registered as a shareholder in the list of shareholders on the record date; 2) whose right to receive payment is recorded on the book-entry account of the shareholder registered in the list of shareholders on the record date and registered in the list of shareholders, or 3) if the share is nominee-registered, on whose book-entry account the share is recorded on the record date and whose custodian of shares is registered in the list of shareholders as the custodian in accordance with section 28 of the Act on Book-Entry System. If the ownership of a share is registered in the waiting list on the record date, the right to receive distributable funds from the company, and the right to subscribe to shares in conjunction with an increase in the share capital, belongs to the party able to furnish evidence of ownership on the record date.

Treasury shares

During the third quarter, Rovio Entertainment started its share repurchase program. The shares were repurchased to be used as a part of the Company's incentive program. The maximum number of shares to be acquired was 650,000 corresponding to 0.8% of the total number of shares at the start of repurchase and the maximum sum to be used for the repurchase was EUR 7.0 million. The share repurchase ceased in December, when the 650,000 shares had been acquired.

On October 2, 2018 Rovio Entertainment granted 54,763 Company's own shares to the Company's management and key personnel. The share grants are part of the Company's share-based incentive scheme. On December 31, 2018 Rovio Entertainment Corporation held 595,237 of its own shares.

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, 2018.

€000	2018
Retained earnings	106,083
Profit for the period	26,105
Invested unrestricted equity reserve	37,300
Capitalized development expenses	-416
Total	**158,925**

Distributions made and proposed

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share (2017: EUR 0.09 per share) be distributed and the remainder be carried over in equity. The dividend proposal must be approved by the Annual General Meeting. The dividend proposal is not recognised as a liability in the financial statements on December 31, 2018. A total of EUR 7,145 thousand was paid as dividends for 2017.

Accounting policy

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

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

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

Earnings per share

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

	Dec 31, 2018	Dec 31, 2017
Profit for the period attributable to equity holders of the parent, €000	24,573	20,597
Shares (thousands)		
Weighted average number of outstanding shares	79,282	75,795
Diluted weighted average number of outstanding shares	80,161	77,370
Undiluted earnings per share, EUR	0.31	0.27
Earnings per share adjusted for dilution, EUR	0.31	0.27

4. Consolidation

4.1 Business combinations and acquisition of non-controlling interests

Accounting policy

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

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

Changes in the Group structure are disclosed in Note 4.4.

Business combinations

On November 30, 2018 the Company acquired all shares in PlayRaven Oy. The acquisition strengthens Rovio's expansion into mobile strategy games. PlayRaven is a Helsinki-based Finnish company that focuses on developing mobile strategy games. PlayRaven was founded in 2013 and had 25 employees at the time of acquisition. The net of the acquisition-date fair value amounts of the identifiable assets acquired, the liabilities assumed and the consideration transferred, the bargain purchase, is recognized as other income at the time of the acquisition. PlayRaven had not in its books recognized certain assets and liabilities, and after recognition, the transferred assets exceeded the transferred liabilities. PlayRaven Oy has been consolidated into the Group starting on November 30, 2018. PlayRaven did not have external revenues in December and approximately EUR 0.3 million of expenses were recorded in Rovio's operating income.

€000	Fair values used in consolidation
Total values of the acquired business on the acquisition date:	
Property, plant, and equipment, and intangible assets	853
Non-current receivables	1,201
Trade receivables and other receivables	163
Cash and cash equivalents	20
Total assets	**2,237**
Non-current payables	1,122
Accounts payable and other payables	480
Total liabilities	**1,601**
Net assets	663
Total consideration paid in cash	10
Gain from bargain purchase	**653**
Cash flow effect of the acquired businesses:	
Total consideration paid in cash	-10
Cash and cash equivalents	20
Net cash flow of the acquisition	**10**

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

Consolidated companies

The following companies are included in the consolidated financial statements:

		Holding (%)	
Name of the company	Domicile	2018	2017
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 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	0
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
PlayRaven Oy	Finland	100	0
Kaiken Kustannus Oy*	Finland	0	0

*Company dissolved/divested during the 2017 financial year.

4.3. Associates

Accounting policy

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

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

Associates

The Group divested its ownership in Sunwoo Entertainment Co., Ltd and Fun Academy during the financial year. See note 4.4 Changes in Group structure for more details. Rovio Group's share of the associates' result for the period was EUR 0.0 million (-0.1).

4.4. Changes in Group structure

Rovio divested its 34.74 % ownership of Sunwoo Entertainment Co., Ltd, that was an associate company to the Rovio Group. Rovio sold its share of the company to the majority owner for an amount of EUR 37,000. The book value of the shares was zero.

In 2018 Rovio divested its 19.99% ownership in Fun Academy for EUR 40,000 to the remaining shareholders of Fun Academy. The book value of the shares was zero and the proceeds were recorded as other income.

In the fourth quarter Rovio acquired all shares of PlayRaven Oy. PlayRaven is a Helsinki-based Finnish company that focuses on developing mobile strategy games. PlayRaven was founded in 2013 and at the time of acquisition had 25 employees. The purchase price was less than the acquired net assets and the profit from the bargain purchase, approximately EUR 0.7 million, was fully recognized during the financial year.

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.	2018	-	-	-	-
	2017	-	-	-	-
Associates					
Sunwoo Entertainment Co., Ltd, (ownership divested in 2018)	2018	-	-	-	-
	2017	-	-	-	-
Fun Academy Oy (ownership divested in 2018)	2018	-	-	-	-
	2017	-	-	-	-
Other related party companies					
Ferly (formerly Kaiken Entertainment)	2018	10	40	9	-
	2017	18	914	18	-
Group management					
Key management personnel of the Group	2018	-	-	-	-
	2017	-	-	35	123
Members of the Board of Directors	2018	-	-	-	-
	2017	-	-	-	-

Related party transactions

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

Trema International Holding B.V. is an entity that until December 18, 2018 had significant influence over the Rovio Group. On December 18, Rovio's shares previously owned by Trema were resolved to be transferred to Oivor AB, who after the change in share ownership exercises significant influence over Rovio Group. Oivor AB's beneficial ownership is the same as Trema's. In April, 2018, EUR 2.9 million was paid out as dividend between the Rovio Group and Trema.

Ferly (formerly Kaiken Entertainment) is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Oivor AB and Trema International Holdings B.V., and he exercises significant influence on the companies. Rovio recognized licensing income of EUR 10 thousand during the 2018 financial year (EUR 18 thousand during the 2017 financial year). Ferly has invoiced Rovio for its services in the amount of CAD 60 thousand (approximately EUR 40 thousand) during the 2018 financial year.

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

Compensation of key management personnel of the Group

€000	2018	2017
CEO		
Short-term employee benefits	406	521
Post-employment pension and medical benefits*	-	-
Termination benefits	-	-
Share-based payments	482	283
CEO total	**888**	**804**
Other key management personnel of the Group		
Short-term employee benefits	1,209	2,600
Post-employment pension and medical benefits*	-	-
Termination benefits	309	506
Share-based payments	366	1,027
Other key management personnel of the Group, total	**1,884**	**4,133**
Total compensation of key management personnel	**2,771**	**4,937**

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

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

Members of the Board of Directors, annual and meeting fees

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

€000		2018	2017
Mika Ihamuotila	Chairman since 2017 Board member since 2013	124	91
Kaj Hed	Vice Chairman since 2017 Chairman 2008–2017	100	140
Kim Ignatius	Chairman of the Audit Committee and Remuneration Committee	90	53
Camilla Hed-Wilson	Board member since 2011	60	42
Niklas Zennström	Board member since 2011	60	42
Jenny Wolfram	Board member since 2017	60	35
Total		**494**	**403**

4.6 Shareholding

Ten largest shareholders as of Dec 31, 2018

	Shareholder	Number of shares	Percentage of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,067,500	2.60
2.	Hed Niklas Peter	1,996,746	2.51
3.	Vesterbacka Jan-Peter Edvin	1,456,229	1.83
4.	Elo Pension Company	1,200,000	1.51
5.	The State Pension Fund	1,000,000	1.26
6.	Sijoitusrahasto Aktia Capital	875,074	1.10
7.	Varma Mutual Pension Insurance Company	677,471	0.85
8.	Rovio Entertainment Oyj	595,237	0.75
9.	Danske Invest Finnish Institutional Equity Fund	580,000	0.73
10.	Sijoitusrahasto Aktia Nordic Small Cap	490,000	0.62
	Ten largest, total	**10,938,257**	**13.77**
	Other shareholders*	68,509,285	86.23
	Number of shares total	**79,447,542**	**100.00**

*Includes nominee-registered shares and also shares held by Oivor Ab (earlier held by Trema International Holdings).

Largest shareholders by sector, Dec 31, 2018

Rank	Shareholders by sector	Number of shareholders	% of shares
1	Nominee registered and non-Finnish holders	60	68.33
2	Households	17,413	14.39
3	Public sector institutions	6	6.79
4	Financial and insurance institutions	56	7.07
5	Corporations	554	3.33
6	Non-profit institutions	11	0.09
	Total	**18,100**	**100.00**
	Of which nominee registered	11	68.27

Largest shareholders by share breakdown as of Dec 31, 2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	7,208	39.85	446,884	0.56
101–500	7,508	41.51	1,935,266	2.44
501–1,000	1,972	10.90	1,619,746	2.04
1,001–5,000	1,179	6.52	2,511,257	3.16
5,001–10,000	104	0.57	756,274	0.95
10,001–50,000	65	0.36	1,285,754	1.62
50,001–100,000	17	0.09	1,334,957	1.68
100,001–500,000	24	0.13	6,390,803	8.04
500,001–	12	0.07	63,166,601	79.51
Total	**18,089**	**100.00**	**79,447,542**	**100.00**
Of which nominee registered	11	0.06	54,242,045	68.27

5. Other notes

5.1. Income taxes

Accounting policy

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized 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 recognized in profit or loss.

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

Significant judgments relating to deferred taxes

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

The Group has EUR 17.4 million of unused tax losses carried forward. The Group expects that future taxable profit will be available against which the unused tax losses can be utilized. The losses will expire in 2023–2028.

Income taxes

The major components of income tax expense for the financial years 2018 and 2017:

Reconciliation of the Group's taxes

€000	2018	2017
Taxable income for the period		
Current income tax	8,407	7,823
Adjustments in respect of current income tax of previous year	0	3
Deferred tax:		
Relating to origination and reversal of temporary differences	-746	-1,794
Income tax expense reported in the statement of profit or loss	**7,661**	**6,032**
Accounting profit before tax	**32,233**	**26,628**
The Group's statutory income tax rate of 20%	6,447	5,326
Tax for previous accounting periods	5	121
Tax effects of foreign subsidiaries	15	231
Change in deferred tax asset profit & loss	-746	-1,794
Other items	1,685	520
Non-deductible expenses	254	1,628
Income taxes	**7,661**	**6,032**

5.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

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

€ 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**

*Includes the deferred tax assets arising from business combinations.

Rovio Group has unused tax losses that are estimated to be available indefinitely for offsetting against future taxable income. The amount of tax benefit can be reliably estimated, and according to the management's judgment, it is probable that the Group will be able to generate taxable income in the future to cover the accumulated tax losses. The Group has recognized deferred tax assets totaling EUR 3.5 million 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 fulfillment 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.

The 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 capitalized 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 recognized 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 recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Operating lease commitments – the 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, 2018	December 31, 2017
Equipment lease commitments		
Due within one year	301	131
Due in subsequent years	524	142
Total	**824**	**274**
Office rental commitments		
Due within one year	2,613	2,488
Due in subsequent years	4,842	3,659
Total	**7,455**	**6,147**
Other commitments		
Enterprise mortgages	0	30,000
Total	**0**	**30,000**

PARENT COMPANY'S FINANCIAL STATEMENTS

Parent company's statement of profit or loss

	Note	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Revenue	1.	**259,175,298.25**	**260,429,077.62**
Other operating income	2.	416,173.70	295,277.82
Materials and services	3.	-88,208,515.72	-93,096,785.44
Personnel expenses	5.	-30,120,056.65	-36,003,115.15
Depreciation and amortization	8.	-4,568,375.76	-8,226,264.79
Other operating expenses	9.	-105,547,869.11	-98,520,276.44
Operating profit		**31,146,654.71**	**24,877,913.62**
Finance income and expenses	10.	1,795,183.93	-212,580.26
Profit before appropriations and taxes		**32,941,838.64**	**24,665,333.36**
Income tax expenses	11.	-6,836,537.57	-5,088,156.30
Profit for the period		**26,105,301.07**	**19,577,177.06**

Parent company's statement of financial position

	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	12.	9,679,075.00	13,707,350.06
Tangible assets	13.	150,439.41	75,254.84
Investments	14.	1,270,351.37	1,460,351.37
Total non-current assets		**11,099,865.78**	**15,242,956.27**
Current assets			
Non-current receivables	16.	23,325,705.66	15,175,756.88
Current receivables	17.	48,454,214.55	74,481,181.87
Cash and cash equivalents		114,015,624.35	81,245,711.15
Total current assets		**185,795,544.56**	**170,902,649.90**
Total assets		**196,895,410.34**	**186,145,606.17**

	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Equity			
Issued capital	18.	733,390.00	733,390.00
Other reserves	18.	37,300,338.44	36,433,768.46
Retained earnings	18.	95,935,653.73	86,505,680.19
Profit for the period		26,105,301.07	19,577,177.06
Total equity		**160,074,683.24**	**143,250,015.71**
Liabilities			
Non-current liabilities	19.	2,466,154.00	2,466,154.00
Current liabilities	20.	34,354,573.1	40,429,436.46
Total liabilities		**36,820,727.10**	**42,895,590.46**
Total liabilities		**196,895,410.34**	**186,145,606.17**

Parent company's statement of cash flows

	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flows from operating activities		
Profit before appropriations and taxes	32,941,838.64	24,665,333.36
Adjustments		
Depreciation and amortization according to plan	4,568,375.76	8,226,264.79
Unrealized foreign exchange gains (-) and losses (+)	-741,991.48	931,591.26
Finance income (-) and expenses (+)	-1,976,537.74	-930,602.49
Net cash before working capital changes	34,791,685.18	32,892,586.92
Working capital changes		
Increase (-) or decrease (+) in current receivables	26,667,340.99	28,186,430.23
Increase (+) or decrease (-) in current payables	-4,024,087.80	-4,224,069.62
Net cash before interest and taxes	57,434,938.37	56,854,947.53
Interest and other financial expenses paid	-1,318,607.14	-1,519,825.48
Interest and other financial income received	3,313,791.07	2,623,349.84
Income taxes paid	-8,896,945.44	-947,283.40
Net cash before extraordinary items	50,533,176.86	57,011,188.49
Net cash from operating activities (A)	**50,533,176.86**	**57,011,188.49**

	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flows from investing activities		
Purchase of tangible and intangible assets	-615,285.27	-6,072,039.79
Proceeds from sale of investments	77,093.51	0.00
Acquisition of subsidiaries	-10,000.00	0.00
Loans granted	-8,710,000.00	-6,000,000.00
Cash flows from investing activities (B)	**-9,258,191.76**	**-12,072,039.79**
Cash flows from financing activities		
Paid share issue	866,569.98	35,683,235.02
Share issue transaction costs	0.00	-1,316,104.62
Acquisition of treasury shares	-3,002,504.74	0.00
Repayments of borrowings	0.00	-16,666,666.67
Dividends paid	-7,144,698.78	-4,496,906.78
Cash flows from financing activities (C)	**-9,280,633.54**	**13,203,556.95**
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**31,994,351.56**	**58,142,705.65**
Cash and cash equivalents at the beginning of period	81,245,711.15	24,103,530.91
Unrealized foreign exchange differences	775,561.64	-1,000,525.41
Cash and cash equivalents at the end of period	**114,015,624.35**	**81,245,711.15**

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 assets.

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

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

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

Revenue recognition

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

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

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

Revenue presentation

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

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

Deferred tax assets and liabilities

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

Amounts denominated in foreign currencies

Foreign currency denominated balance sheet items are translated into euros using the closing rate of the balance sheet date. The foreign currency denominated profit and loss transactions are translated into euros using the exchange rates at the date of the transaction.

Notes to the statement of profit or loss

1. Revenue by business segment and market area

By business segment	2018	2017
Games	250,353,022.68	247,730,335.97
Licensing and merchandise revenue	6,476,497.25	9,749,603.43
Media revenue	1,199,143.41	1,616,754.55
Service revenue from Group companies	1,146,634.91	1,332,383.67
Total	**259,175,298.25**	**260,429,077.62**

Geographical distribution	2018	2017
North America	156,921,362.96	160,454,196.82
Latin America	3,969,121.96	5,828,749.72
Europe, Middle East and Africa	69,112,470.11	70,248,074.43
Asia Pacific	29,172,343.22	23,898,056.65
Total	**259,175,298.25**	**260,429,077.62**

2. Other operating income

	2018	2017
Grants received	271,716.94	93,123.47
Other income	144,456.76	202,154.35
Total	**416,173.70**	**295,277.82**

3. Materials and services

	2018	2017
Material purchases	14,873.80	40,009.43
External services	79,260,292.03	81,030,427.40
External services from Group companies	8,933,349.89	12,026,348.61
Total	**88,208,515.72**	**93,096,785.44**

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

	2018	2017
Average number of personnel	309	327

5. Personnel expenses

	2018	2017
Wages and salaries	24,936,462.57	29,740,706.28
Pension costs	4,340,716.30	5,046,400.64
Other social security expenses	842,877.78	1,216,008.23
Total	**30,120,056.65**	**36,003,115.15**

6. Salaries and fees of management

	2018	2017
Members of the Board of Directors	494,000.00	402,500.00

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

	2018	2017
Audit fees	383,040.41	287,562.31
Tax counseling	10,500.00	13,755.00
Other fees	5,891.70	701,336.55
Total	**399,432.11**	**1,002,653.86**

8. Depreciation and impairment

	2018	2017
Depreciation and amortization according to plan	4,568,375.76	6,261,489.79
Impairment	0.00	1,964,775.00
Total	**4,568,375.76**	**8,226,264.79**

9. Other operating expenses

	2018	2017
Legal fees and consulting expenses	2,176,547.43	3,805,286.25
External development and testing expenses	6,147,123.43	5,611,932.18
Machinery and software expenses	3,980,762.33	4,302,059.86
Hosting expenses	6,127,451.24	6,838,989.13
Phone, data transfer and office expenses	2,021,587.91	1,964,753.36
User acquisition costs	78,582,977.33	68,977,771.94
Other marketing expenses	2,943,500.97	3,827,355.84
Other operating expenses	3,567,918.47	3,192,127.88
Total	**105,547,869.11**	**98,520,276.44**

10. Finance income and expenses

	2018	2017
Interest and financial income		
From Group companies	1,841,265.90	3,172,005.85
From others	261,989.06	36,953.61
Forex gains from Group companies	339,324.72	239,287.56
Forex gains from others	871,211.39	0.00
Total interest and financial income	**3,313,791.07**	**3,448,247.02**
Interest and financial expenses		
To Group companies	-551,012.00	0.00
To others	-335,834.09	-2,015,469.16
Forex losses to Group companies	-159,189.15	-388,136.64
Forex losses to others	-272,571.90	-1,257,221.48
Other financial expenses		
Reduction in value of investments held as non-current assets	-200,000.00	0.00
Total interest and financial expenses	**-1,518,607.14**	**-3,660,827.28**
Total interest and financial income and expenses	**1,795,183.93**	**-212,580.26**

11. Income taxes

	2018	2017
Current tax	4,386,424.46	593,487.42
Other taxes	558,844.39	353,795.98
Change in deferred taxes	1,891,268.72	4,140,872.90
Total	**6,836,537.57**	**5,088,156.30**

Notes to the statement of financial position

12. Intangible assets

Intangible rights	2018	2017
Acquisition cost as at Jan 1	2,249,799.99	2,213,595.37
Additions	54,459.18	36,204.62
Acquisition cost as at Dec 31	2,304,259.17	2,249,799.99
Accumulated amortization and impairment as at Jan 1	-1,555,740.71	-1,361,979.35
Depreciation charge for the period	-172,459.18	-193,761.36
Accumulated amortization and impairment as at Dec 31	-1,728,199.89	-1,555,740.71
Carrying amount as at Dec 31	**576,059.28**	**694,059.28**

Other long-term expenses	2018	2017
Acquisition cost as at Jan 1	50,742,511.21	44,721,349.91
Additions	416,473.07	6,209,985.99
Disposals	0.00	-188,824.69
Acquisition cost as at Dec 31	51,158,984.28	50,742,511.21
Accumulated amortization and impairment as at Jan 1	-37,729,220.43	-29,941,683.68
Depreciation charge for the period	-4,326,748.13	-7,787,536.75
Accumulated amortization and impairment as at Dec 31	-42,055,968.56	-37,729,220.43
Carrying amount as at Dec 31	**9,103,015.72**	**13,013,290.78**

Total intangible assets	2018	2017
Acquisition cost as at Jan 1	52,992,311.20	46,934,945.28
Additions	470,932.25	6,246,190.61
Disposals	0.00	-188,824.69
Acquisition cost as at Dec 31	53,463,243.45	52,992,311.20
Accumulated amortization and impairment as at Jan 1	-39,284,961.14	-31,303,663.03
Depreciation charge for the period	-4,499,207.31	-6,016,523.11
Impairment	0.00	-1,964,775.00
Accumulated amortization and impairment as at Dec 31	-43,784,168.45	-39,284,961.14
Carrying amount as at Dec 31	**9,679,075.00**	**13,707,350.06**

13. Tangible assets

Machinery and equipment	2018	2017
Acquisition cost as at Jan 1	3,400,076.41	3,385,402.54
Additions	144,353.02	14,673.87
Acquisition cost as at Dec 31	3,544,429,43	3,400,076.41
Accumulated amortization and impairment as at Jan 1	-3,324,821.57	-3,079,854.89
Depreciation charge for the period	-69,168.45	-244,966.68
Accumulated amortization and impairment as at Dec 31	-3,393,990.02	-3,324,821.57
Carrying amount as at Dec 31.	**150,439.41**	**75,254.84**

Total tangible assets	2018	2017
Acquisition cost as at Jan 1	3,400,076.41	3,385,402.54
Additions	144,353.02	14,673.87
Acquisition cost as at Dec 31	3,544,429.43	3,400,076.41
Accumulated amortization and impairment as at Jan 1	-3,324,821.57	-3,079,854.89
Depreciation charge for the period	-69,168.45	-244,966.68
Accumulated amortization and impairment as at Dec 31	-3,393,990.02	-3,324,821.57
Carrying amount as at Dec 31	**150,439.41**	**75,254.84**

14. Investments

Shares in Group companies	2018	2017
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	0.00
Rovio Japan K.K.*	0.00	0.00
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
PlayRaven Oy	10,000.00	0.00
Total	**1,270,351.37**	**1,260,351.37**

*Company dissolved during the 2017 financial year.

15. Other shares and investments

Other shares and investments	2018	2017
Shares and investments	0.00	200,000.00
Total	**0.00**	**200,000.00**

16. Non-current receivables

	2018	2017
Receivables from Group companies		
Loan receivables	22,710,000.00	14,560,051.22
Total	**22,710,000.00**	**14,560,051.22**
Other receivables	615,705.66	615,705.66
Total	**615,705.66**	**615,705.66**
Total non-current receivables	**23,325,705.66**	**15,175,756.88**

17. Current receivables

	2018	2017
Receivables from Group companies		
Trade receivables	1,531,543.08	2,295,303.89
Loan receivables	5,996,646.51	26,200,729.55
Other receivables	10,576,888.96	8,741,939.18
Prepayments and accrued income	1,007,252.11	1,911,011.68
Total	**19,112,330.66**	**39,148,984.30**
Receivables from others		
Trade receivables	20,018,137.82	25,791,109.89
Other receivables	832,872.83	2,157,591.20
Prepayments and accrued income	8,490,873.24	7,383,496.48
Total	**29,341,883.89**	**35,332,197.57**
Total current receivables	**48,454,214.55**	**74,481,181.87**

Significant items in prepayments and accrued income	2018	2017
Deferred cost of sales and prepayments	944,535.23	1,115,486.41
Tax receivables	67,047.22	67,047.22
Accrued licensing revenue	312,571.16	603,610.50
Other accrued income	7,166,719.63	5,597,352.35
Total	**8,490,873.24**	**7,383,496.48**

18. Equity

	2018	2017
Restricted equity		
Issued capital Jan 1	733,390.00	733,390.00
Issued capital Dec 31	**733,390.00**	**733,390.00**
Total restricted equity	**733,390.00**	**733,390.00**
Unrestricted equity		
Invested unrestricted equity reserve Jan 1	36,433,768.46	750,533.44
Additions to invested unrestricted equity	866,569.98	35,683,235.02
Invested unrestricted equity reserve Dec 31	**37,300,338.44**	**36,433,768.46**
Retained earnings Jan 1	106,082,857.24	91,002,586.96
Cash dividends	-7,144,698.78	-4,496,906.78
Acquisition/disposal of treasury shares	-3,002,504.74	0.0
Retained earnings Dec 31	**95,935,653.72**	**86,505,680.18**
Profit for the period	26,105,301.07	19,577,177.06
Profit for the period	**26,105,301.07**	**19,577,177.06**
Total equity	**160,074,683.23**	**143,250,015.70**
Capitalized development expenses	**-416,473.07**	**-12,716,075.02**
Distributable equity as at Dec 31	**158,924,820.16**	**129,800,550.68**

Calculation on distributable equity	2018	2017
Retained earnings	95,935,653.72	86,505,680.18
Profit for the period	26,105,301.07	19,577,177.06
Invested unrestricted equity reserve	37,300,338.44	36,433,768.46
Capitalized development expenses	-416,473.07	-12,716,075.02
Total	**158,924,820.16**	**129,800,550.68**

Treasury shares

On December 31, 2018, Rovio Entertainment Corporation held 595,237 of its own shares.

Dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share (2018: EUR 0,09 per share) be distributed and the remainder be carried over in equity. The dividend proposal must be approved by the Annual General Meeting. The dividend proposal is not recognized as a liability in the financial statements on December 31, 2018.

19. Non-current liabilities

	2018	2017
Loans from financial institutions	2,466,154.00	2,466,154.00
Total	**2,466,154.00**	**2,466,154.00**

20. Current liabilities

	2018	2017
Liabilities to Group companies		
Trade payables	1,749,983.52	4,315,746.29
Accrued liabilities	0.00	0.00
Total	**1,749,983.52**	**4,315,746.29**

Liabilities to others	2018	2017
Loans from financial institutions	0.00	0.00
Advances received	4,665,965.89	5,480,133.11
Trade payables	9,148,840.32	6,907,440.31
Other payables	5,626.05	584,824.58
Accrued liabilities	18,784,157.32	23,141,292.17
Total	**32,604,589.58**	**36,113,690.17**
Total current liabilities	**34,354,573.10**	**40,429,436.46**

Significant items in accrued liabilities	2018	2017
Personnel expenses	8,321,136.37	14,354,771.39
Taxes	535,144.20	2,615,784.78
Deferred revenue	6,215,549.60	1,634,906.62
Other accrued liabilities	3,712,327.15	4,535,829.38
Total	**18,784,157.32**	**23,141,292.17**

21. Deferred taxes

Deferred tax assets	2018	2017
From financial year loss	0.00	0.00
From timing and temporary differences	0.00	0.00
Total	**0.00**	**0.00**

Commitments and contingencies

Equipment lease commitments	2018	2017
Due within one year	200,384.45	131,639.74
Due in subsequent years	136,230.90	142,828.05
Total	**336,615.35**	**274,467.79**

Other commitments	2018	2017
Enterprise mortgages	0.00	30,000,000.00
Total	**0.00**	**30,000,000.00**

Contingent liabilities

Office rental commitments	2018	2017
Due within one year	1,522,012.56	2,093,846.60
Due in subsequent years	1,395,178.18	3,589,289.84
Total	**2,917,190.74**	**5,683,136.44**

Holdings in other entities

Group companies	Holding (%)	Issued capital
Rovio Stars Oy, Espoo	100%	8,000.00
Rovio Asia Ltd, Hongkong	100%	95.53
Blue Bird Distribution, Inc., United States	100%	3.66
Rovio (Shanghai) Commerce and Trading Co., Ltd, China	100%	153,996.64
Rovio Sweden AB, Sweden	100%	55,081.18
Rovio Animation Oy, Espoo	100%	2,500.00
Dark Matter Oy, Espoo	100%	2,500.00
Rovio UK Ltd, United Kingdom	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
PlayRaven Oy, Helsinki	100%	2,500.00

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

Other associated companies	Holding (%)
Sunwoo Entertainment Co., Ltd, South Korea	0.00%
Fun Academy Oy, Helsinki	0.00%

Group information

Rovio Group's parent company is Rovio Entertainment Corporation which is domiciled in Espoo, Finland.

Copies of the consolidated financial report of Rovio Group are available at Rovio Entertainment Corporation's headquarters at Keilaranta 7, 02150 Espoo, Finland.

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Espoo February 13, 2019

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 February 13, 2019

Ernst & Young Oy, Authorised Public Accountant 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

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 2018. 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 group's accounting policies and the note 1.2*	
The 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. Due to the multitude of and variety of contractual terms across the group's businesses, management judgement is needed to account for revenue, and therefore, revenue could be subject to misstatement. 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. Based on the above revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	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 and for revenue streams which have judgmental elements, we evaluated management's assumptions. • We also considered the adequacy of the disclosures in respect of revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of intangible assets *We refer to the group's accounting policies and the note 2.3*	
At the balance sheet date, the value of intangible assets amounted to 39,0M€ (At 31.12.2017 53,1M€), which represented 19% (28%) of the total assets and 24% (38%) 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 is significant to our audit due to the magnitude of the balance and additionally the assessment process includes 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 valuation of intangible assets.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements repre-

sent 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 6 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 13.2.2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

FOR SHAREHOLDERS

Annual General Meeting

Rovio Entertainment Corporation's Annual General Meeting will be held on Tuesday, April 9, 2019 at 2:00 p.m. (Finnish time) in Room 3 at Tennispalatsi. The address is Salomonkatu 15, Helsinki. The reception of registered participants and the distribution of voting tickets will commence at the venue at 1:00 p.m. Coffee will be served before the meeting starting at 1:00 p.m.

Right to attend and registration

Shareholders registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date of the meeting, Thursday, March 28, 2019 have the right to participate in the Annual General Meeting. Shareholder whose shares are registered in their personal Finnish book-entry account are registered in the company's shareholders' register.

Shareholders who are registered in the company's shareholders' register and who wish to participate in the Annual General Meeting shall register for the meeting no later than on Thursday, April 4, 2019 at 10:00 a.m. (Finnish time) by giving notice of participation, which must be received by the company no later than at the aforementioned time. Such notice can be given:

- through the Rovio Entertainment Corporation website: Registration for the Annual General Meeting
- by telephone on +358 207 888 300 from Monday to Friday between 9:00 a.m. and 4:00 p.m.; or
- by regular mail sent to Rovio Entertainment Corporation, AGM 2019, Keilaranta 7, FI-02150 Espoo, Finland.

When registering, shareholders must provide their name, personal or business identification number, address, telephone number and the name of their assistant or proxy representative (if any) and the personal identification number of any proxy representative. The personal data submitted to Rovio Entertainment Corporation is used only in connection with the Annual General Meeting and to process related registrations.

Shareholders, their authorized representatives or proxy representatives must be able to prove their identity and/or right of representation at the meeting venue.

Holders of nominee-registered shares have the right to participate in the Annual General Meeting by virtue of such shares, based on which they, on the record date of the Annual General Meeting (Thursday, March 28, 2019) would be entitled to be registered in the company's shareholders' register of the company maintained by Euroclear Finland Ltd. The right to participate in the Annual General Meeting further requires that the shareholder on the basis of such shares has been temporarily entered in the shareholders' register held by Euroclear Finland Ltd. by 10:00 a.m. on Wednesday, April 4, 2019 at the latest. As regards nominee-registered shares this constitutes valid 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 2018. The dividend shall be paid to shareholders who on the record date of the dividend payment, April 11, 2019, are registered in the company's shareholders' register maintained by Euroclear Finland Ltd. The Board of Directors proposes that the dividend be paid on April 18, 2019.

Important dates

- AGM record date: March 28, 2019
- Deadline for registration for the AGM: April 4, 2019, 10:00 a.m.
- Annual General Meeting: April 9, 2019
- Proposed ex-dividend date: April 10, 2019
- Proposed record date for dividend payment: April 11, 2019
- Proposed dividend payment date: April 18, 2019

Financial disclosure schedule in 2019

- Financial Statement Bulletin 2018: Thursday, February 14, 2019
- Annual Report 2018, including the financial statements and notes to the financial statements, corporate governance statement and remuneration statement 2018: March 12, 2019
- Interim Report for January–March 2019: Thursday, April 25, 2019
- Half Year Financial Report for January–June 2019: Thursday, August 8, 2019
- Interim Report for January–September 2019: Wednesday, October 30, 2019.

Additional information for investors

More information on Rovio as an investment is available at www.rovio.com/investors.

Rovio's Investor Relations function serves shareholders, analysts, investors and financial media.

Contact details for Investor Relations:

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