

2020



ANNUAL REPORT

 ROVIO

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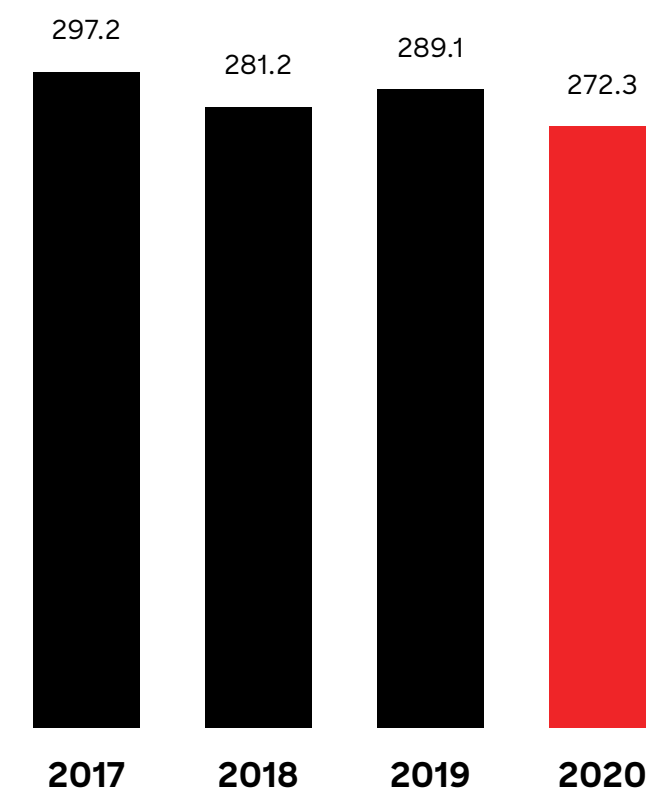
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Rovio in brief

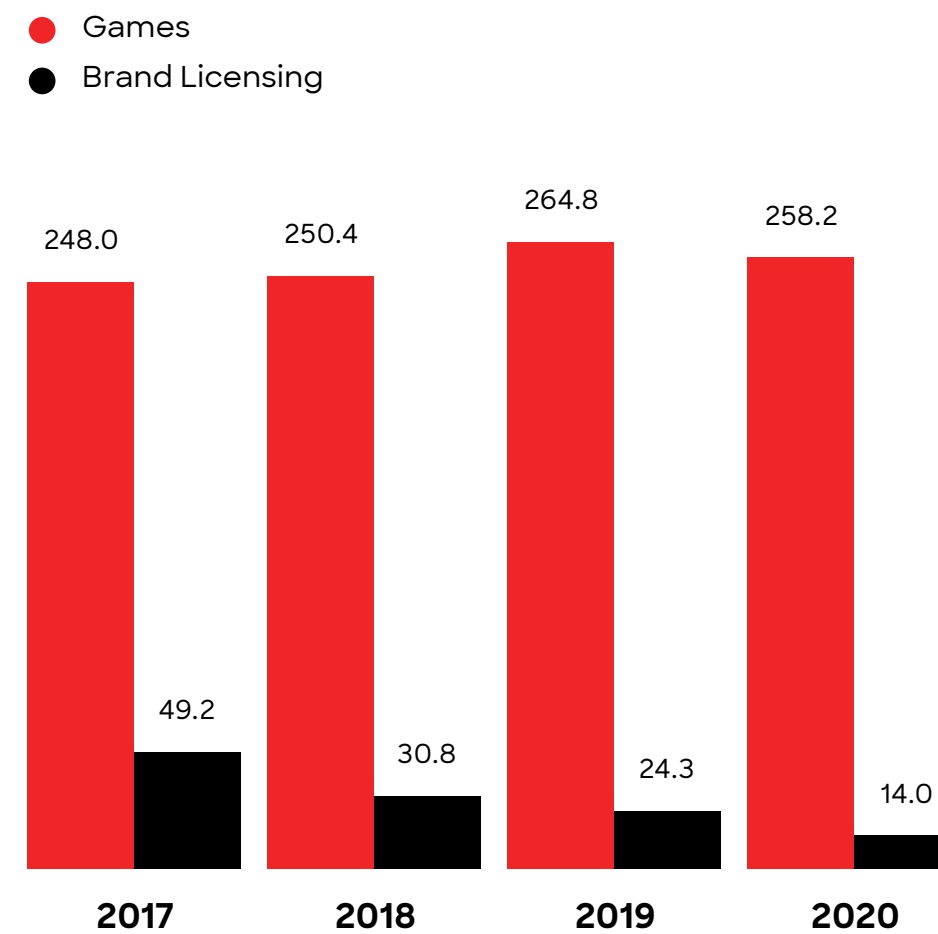
Rovio Entertainment Corporation is a global, mobile-first games company that creates, develops and publishes mobile games, which have been downloaded over 4.5 billion times so far. Rovio is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing. Today, Rovio offers multiple mobile games, animations and produced The Angry Birds Movie in 2016. Its sequel, The Angry Birds Movie 2, was released in 2019. Rovio is headquartered in Espoo, Finland and the company's shares are listed on the main list of NASDAQ Helsinki stock exchange with the trading code ROVIO.

[INVESTORS.ROVIO.COM](http://investors.rovio.com)

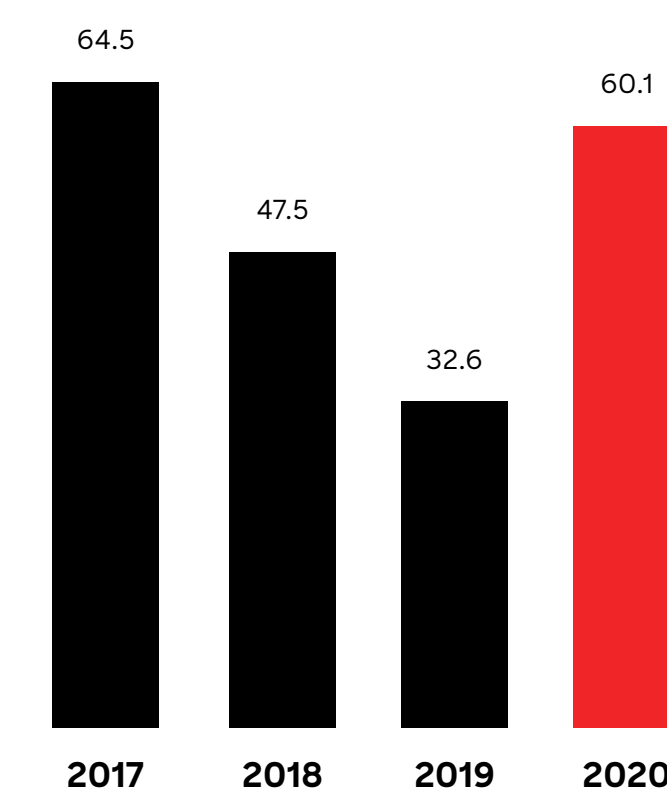
Group revenue, EUR million



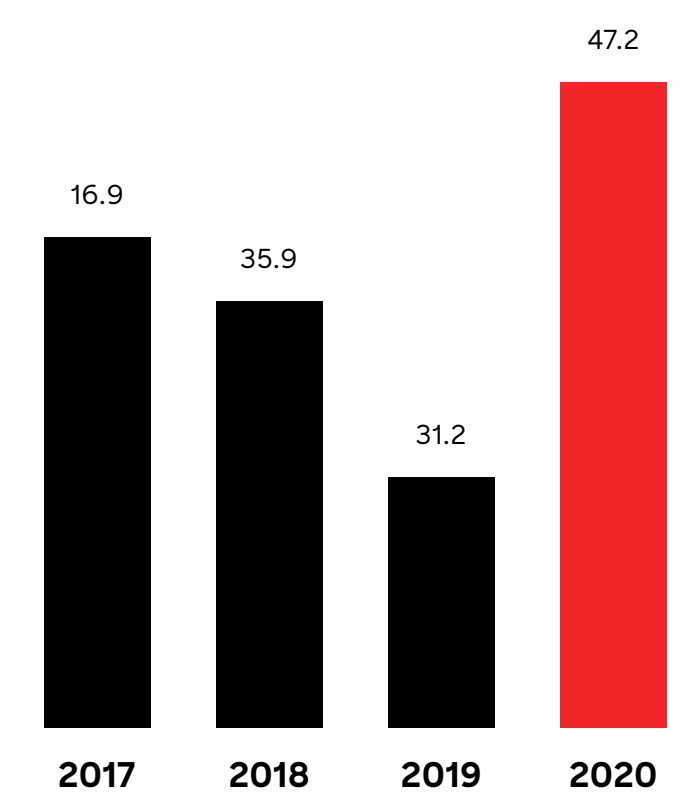
Segment revenue, EUR million



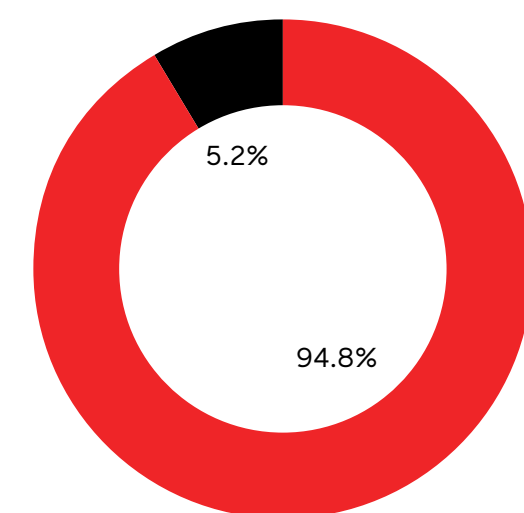
Adjusted EBITDA, EUR million



Adjusted EBIT, EUR million



Revenue per segment, EUR million



2020	
Games	258.2
Brand Licensing	14
Total	272.3

2
26
72

Employees, %
Female / Male / Other

480

Number of employees

33
67

Leadership team, %
Female / Male

53

Number of nationalities

Earnings per share, EUR (EPS)

0.43€

Dividend per share*

0.12€

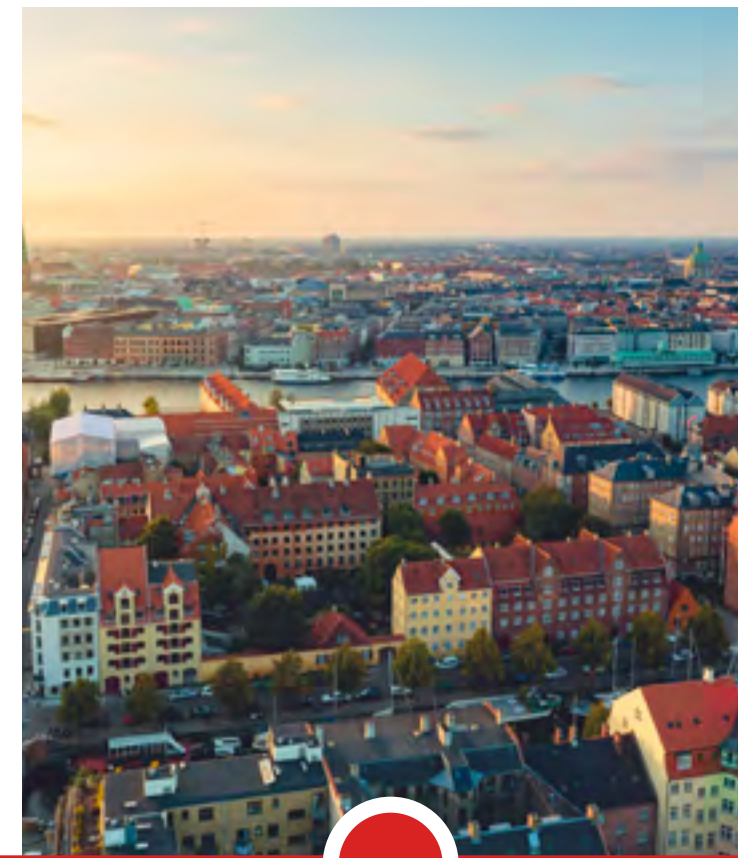
*Board's proposal for Dividend

Highlights of the 2020



Launch of Small Town Murders

In June Rovio launched a new IP game. Small Town Murders is a narrative driven puzzle game developed by Rovios' Puzzle Studio. Game was Rovio's 4th biggest game at the end of 2020.



Rovio Copenhagen

In June Rovio acquired a Darkfire Games, a game studio in Copenhagen, now named Rovio Copenhagen. With the acquisition Rovio strengthened its genre mastery in Role Playing Games. At the end of the 2020 studio had one game, Darkfire Heroes, in soft launch.

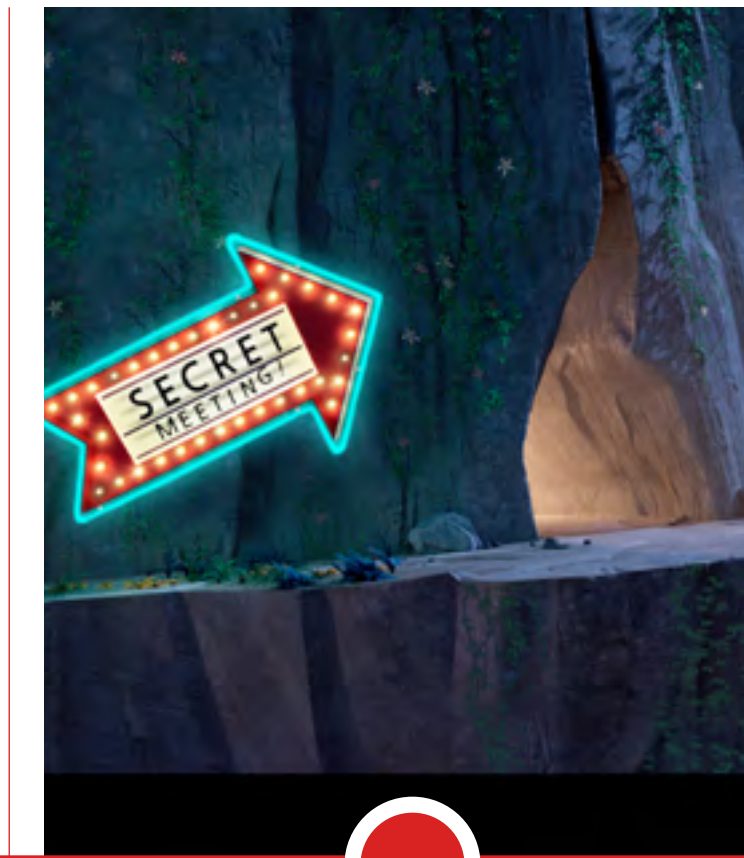


New studio focusing on the Future of Gaming

In May Rovio set up a new studio in Montreal to explore future opportunities around the next paradigm shifts in gaming. Studios' core team has been built during the year, employing 10 people at the end of 2020.

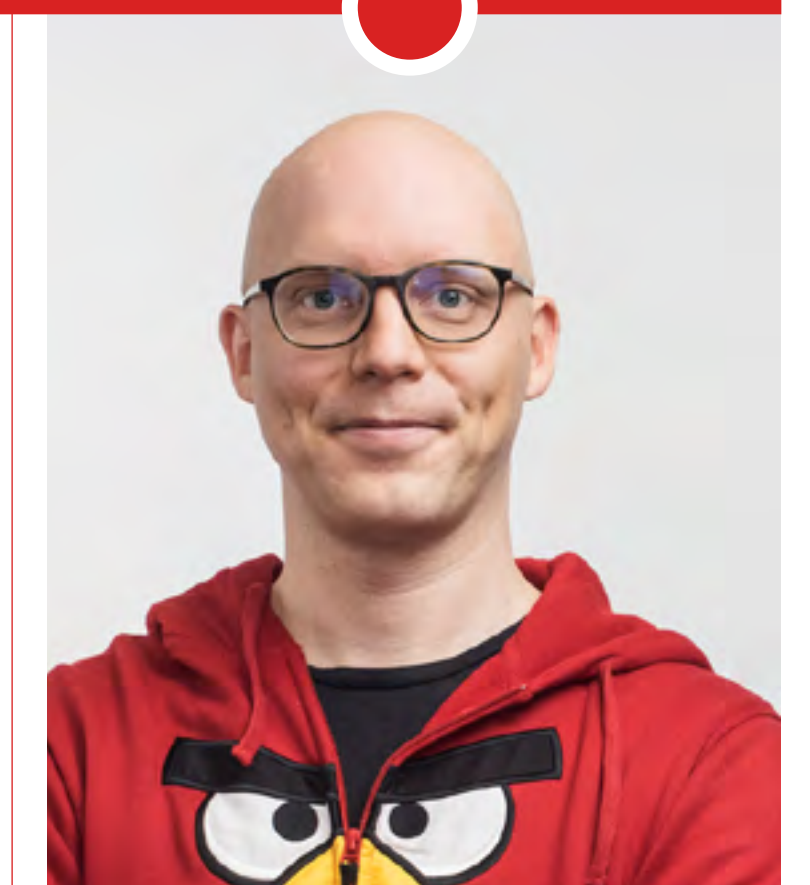
Games stable performance

Revenue of Rovio's biggest game, Angry Birds 2, was relatively stable in 2020. Angry Birds Dream Blast grew in 2020, as did Angry Birds Friends, which is Rovio's oldest live game. Improvements and updates especially in key games enabled a steady revenue stream in Games.



New CEO Alex Pelletier-Normand

Alex was appointed as a new CEO of Rovio. He started in his new role January 1st, 2021. Alex joined Rovio in 2019 to lead Rovio's Games business. He's been a member of Rovio's Leadership Team since joining the company.



Strong profitability and cash flow

Lower level of user acquisition investments and steady games revenue resulted in high-level of profitability throughout the year. Rovio's financial position is strong with cash flow increasing year-on-year each quarter.

CEO Review

Kati Levoranta
CEO until 31
December 2020

The year 2020 was an eventful one from many viewpoints. The COVID-19 pandemic caused major challenges for society and disrupted people's lives globally. Rovio was quick to adapt its way of working. We maintained operational efficiency throughout these new unusual circumstances and continued to execute on our strategy. In 2020, we launched a new game Small Town Murders with new IP, acquired a games studio in Copenhagen and set up a new games studio in Montreal. Our live games portfolio revenue was stable and profitability was at a record high level. During 2020, we also increased Angry Birds brand visibility through different platforms, with for example The Angry Birds Movie 2 being one of the most popular movies on Netflix. And throughout this time, we also managed to recruit world-class talent. Our strong corporate culture was critical to make all this happen.

Mobile games continued to lead the strong growth in the games industry in 2020. As a result of the shelter-at-home effect from COVID-19 pandemic people engaged more than ever with games especially during the second quarter which had a clear peak in downloads, playing times and revenues. The size of the global games market was USD 174.9 billion^[1] in 2020 and it grew by 19.6%^[1] year-on-year. Mobile games was the largest segment in the global games market representing 49%^[1] and USD 86.3 billion^[1] revenue in 2020 with 25.6%^[1] growth year-on-year.

[1] Newzoo 2020

**We maintained
operational
efficiency throughout
these new unusual
circumstances and
continued to execute
on our strategy.**

Games Business

In 2020, Rovio's Games performed steadily in comparable currencies generating EUR 258.2 million revenue representing 95% of Rovio Group revenue and declined 2.5% year-on-year. Our newest game Small Town Murders, launched in June 2020, is an innovative narrative match-3 game from our Puzzle studio in Espoo. The game combines the familiar casual match-3 game mechanics with a story of murder mysteries.

Angry Birds 2 continued to be Rovio's largest and most successful game. The game continues to have a high amount of organic downloads and an engaged player base. Angry Birds Dream Blast was our second largest game and grew year-on-year. Additionally, we made big changes to our oldest live game Angry Birds Friends resulting in year-on-year growth and the year ended with the best quarter in two years. Our new games pipeline continued to be strong having both Angry Birds and new IP games in development.

The user acquisition investments were EUR 58.7 million equaling to 22.7% of Games revenue. The investments in 2020 were thus on a moderate level compared to the year 2019 year and we maintained our 12 month payback targets. Our user acquisition and business intelligence teams spent considerable efforts getting us ready for the upcoming privacy policy changes in Apple iOS in 2021. The upcoming change is a significant one for the industry, but we believe Rovio is in a good position to turn it into an opportunity.

Future of Gaming

Rovio is a company that has always been at the forefront of innovation in the games industry. Exploring new ways to play and engage with players around the world is a high priority in our strategy. In spring 2020, we set up a new studio in Montreal that focuses on the future of gaming initiatives. One example of what we expect in the future is that highly social cross-platform games will gain more momentum. At the end of the year the studio had 10 employees and with the core team now in place we aim to move the game project in to a production phase in 2021. Thus, we plan to continue investing into the studio in 2021. This is an initiative that we see unlocking further mid- to long-term growth opportunities on top of our core mobile free-to-play business. The strategic focus of Hatch Entertainment Ltd. shifted during 2020 to Hatch Kids service and the operation was restructured accordingly.

In February 2021 we announced that Hatch Kids will be ramped down in March 2021 due to soft launch KPI's not supporting a global launch. Going forward, Hatch' proprietary cloud streaming technology will be supporting Rovio's future of gaming projects, including projects in our Montreal studio.

Angry Birds Brand

Our Brand Licensing segment revenue in 2020 was EUR 14 million, representing 5% of Rovio Group revenue and declined 42.5% year-on-year. The business performed in line with our financial expectations for the year with a bit higher income from the first Angry Birds movie. The 2020 Angry Brand highlights included signing the agreement on a long-form animated series called Angry Birds Summer Madness with Netflix, scheduled for launch late 2021, and releasing new Angry Birds short-form series on YouTube and other platforms. The Angry Birds Movie 2 received high viewer ratings on on-demand platforms.

In June, we signed an agreement with IMG Licensing for global representation for Angry Birds brand licensing in consumer products and location-based entertainment. We believe the changes made to the Brand Licensing segment in 2020 lay a strong foundation for a prosperous future for Angry Birds brand and potential to drive mid-to-long run growth and capture additional licensing opportunities with well-timed brand beats and content releases.

Rovio is in a great financial position with a strong, renowned brand, talented and passionate people and with many avenues for long-term growth. I want to thank all the great people I have met and worked with during my time with Rovio and as the company's CEO. It has been a privilege to be with you on this journey, which I will look back with pride. Thank you.

Rovio is in a great financial position with strong renowned Angry Birds brand and company has many avenues for long-term growth.



Rovio as an investment

1 Angry Birds has high brand recognition and appeal to people of all ages

- The Angry Birds IP in games adds visibility and organic downloads. Innovating new ways in consumer categories make sure Angry Birds stays vibrant for decades to come.

2 Rovio has a proven ability to launch successful games and operate them for years through live services.

- New game development with both Angry Birds and new IPs safeguards a differentiated revenue stream for years to come.

3 Diversified and large games portfolio in different genres

- Reduces single title risk and enables cross-promotion within portfolio.
- By developing new IPs Rovio increases exposure to new genres and to a differentiated player base.

4 Rovio is focused on seeking growth in select genres through genre mastery

- This enables Rovio to create more engaging and longer lasting player experiences with faster development times by dedicated teams.

5 Strong balance sheet, cash flow and low financial risk

- These create freedom to make growth investments.
- Rovio does not have significant interest-bearing debt.

6 Multiple avenues for future growth

- A well-structured process and resources to seek drivers for inorganic growth in M&A and to improve the current games portfolio.
- Future of Gaming initiatives add additional growth vectors that may expand beyond mobile.

Strategy and operating environment

Rovio is a mobile first games company operating in games-as-a-service business model. We operate in a highly competitive and dynamic mobile gaming market. Our strategy revolves around building genre mastery in the genres we currently are in, expanding to new potential genres and exploring growth beyond mobile. We believe in growth through utilizing Angry Birds brand, having more new IP games and successful M&A. [INVESTORS.ROVIO.COM](https://investors.rovio.com)

Nerdy fact:

Silver was our first bird developed in the Stockholm studio! She was originally planned to be purple with strong earthquake ability. But we realized that Angry Birds 2 had much less land for the earthquake ability to be useful. This is where we developed her signature loop!

Strategy

In 2020 Rovio rephrased its mission statement: *We craft joy with player-focused gaming experiences that last for decades.* In pursuit of our mission, we focus on three strategic pillars: (1) grow our current core F2P mobile genres Puzzle and Slingshot, (2) expand to new F2P mobile genres and (3) explore future growth opportunities beyond core F2P mobile. We operate in a games-as-a-service (GaaS) business model driving player engagement and monetization through live operations. Our goal is to grow through systematic investments into the three areas both organically and inorganically.

Our current core business is built around F2P mobile games in Puzzle and Slingshot genres through applying genre mastery philosophy to grow both live and new games. We invest into new, carefully selected F2P mobile game genres such as Role Playing Games (RPG) and Strategy with the aim to build genre mastery, and enable new growth vectors in 3-5 years time. Our games utilize both Angry Birds IP and new IPs depending on the fit for each specific game project.

We also actively scout opportunities related to the Future of Gaming. We believe that mobile will continue to be the most popular gaming platform in terms of revenues and reach but social and cross-platform gaming are clear trends in the industry. In 2020 we set up a new studio in Montreal to develop games around these market trends. Strategic focus of Hatch Entertainment shifted during 2020 to Hatch Kids service. In February 2021 we announced that Hatch Kids will be ramped down in March 2021 due to soft launch KPI's not supporting a global launch. Going forward, Hatch'

proprietary cloud streaming technology will be supporting Rovio's future of gaming projects, including projects in our Montreal studio.

Angry Birds, New IP's and M&A as growth drivers

Angry Birds is Rovio's unique asset and key competitive advantage. Our four Angry Birds touch points are Play, Engage, Watch and Consume. We want to address different types of audiences, both new and existing, and bring Angry Birds experiences in various formats. Our ambition is to stay with our fans throughout their lives. Angry Birds IP is a key growth driver for Rovio Games as it brings more visibility, organic downloads and lowers cost-per-installs for our games.

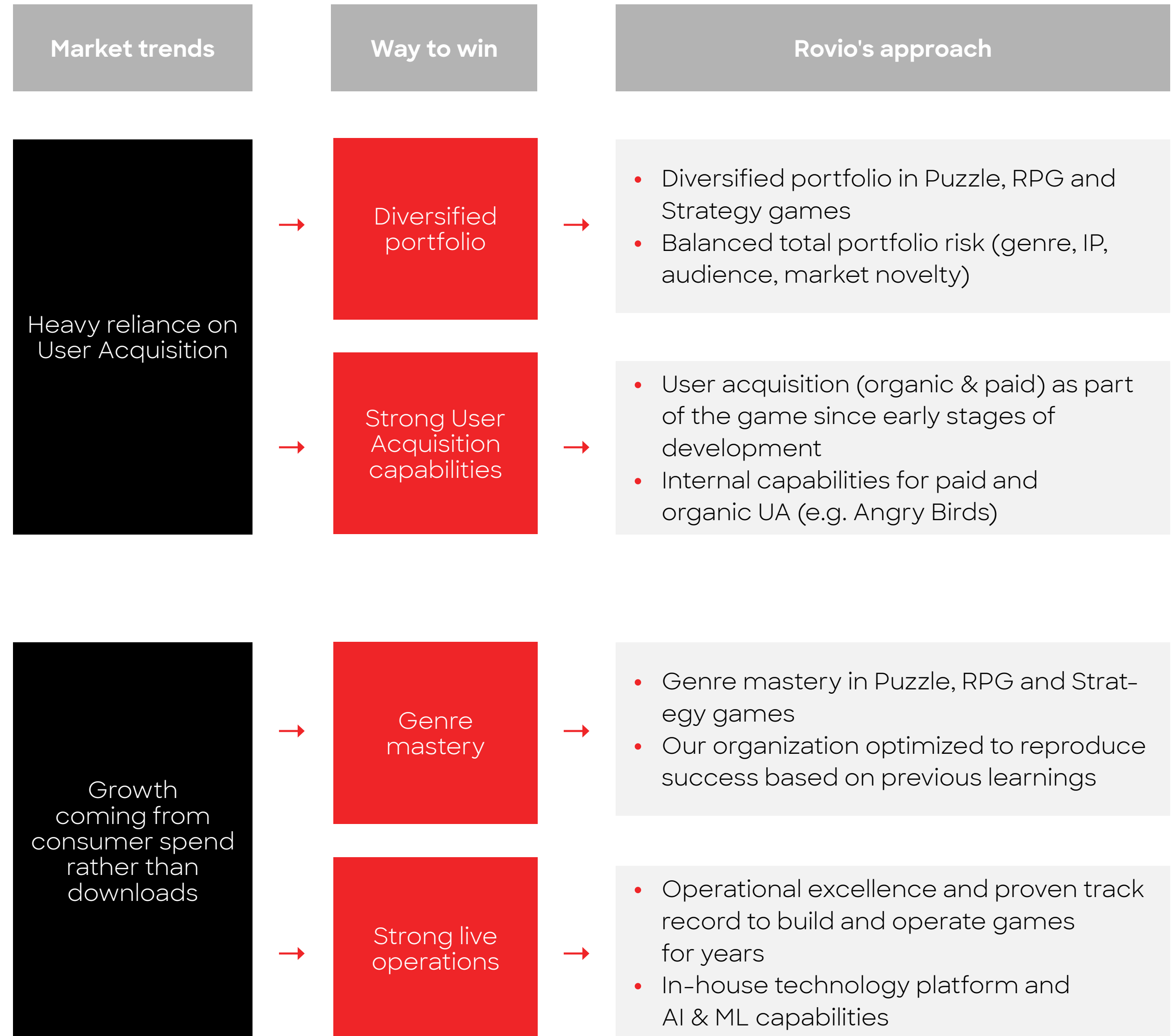
We are diversifying our games portfolio by developing new IPs. This enables us to iterate new types of games for new audiences and helps us to expand to new genres. Overtime we see new IPs driving genre mastery, potentially evolving into new brands.

Through Merger & Acquisitions (M&A) we aim to strengthen Rovio's exposure to the Puzzle, RPG & Strategy genres. M&A can also provide Rovio an access to new genres within broader Casual and Mid-Core categories as well as complementary Future of Gaming initiatives. This results in further diversification of games and IPs and provides additional avenues for revenue growth.

Passionate & skillful teams carry out our strategy

Our strategy focuses around our identity: we are a *mobile-first games company*. Gaming is a creative industry where the foundation of success rests on having the right and the best people. Our passionate and skillful teams are guided by our values: *be bold, embrace innovation and act with integrity*.

Corporate Responsibility is a cornerstone of our strategy and the core themes in our crystallized responsibility strategy are Safe & Responsible Gaming, People & Society and Climate Change & Environment.



Rovio Strategy

Passionate & skillful teams carry out our strategy

Our three strategic pillars

Grow Puzzle & Slingshot genres

Expand to new F2F mobile genres

Explore growth beyond F2P mobile

Our growth drivers

Angry Birds

New IP

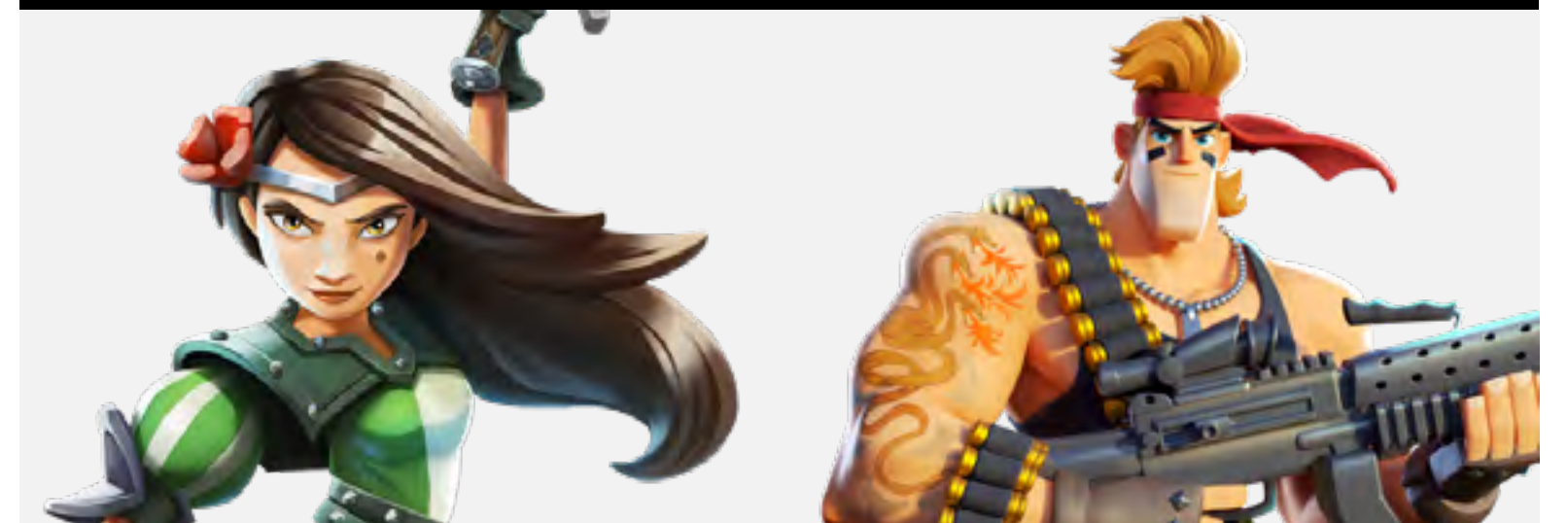
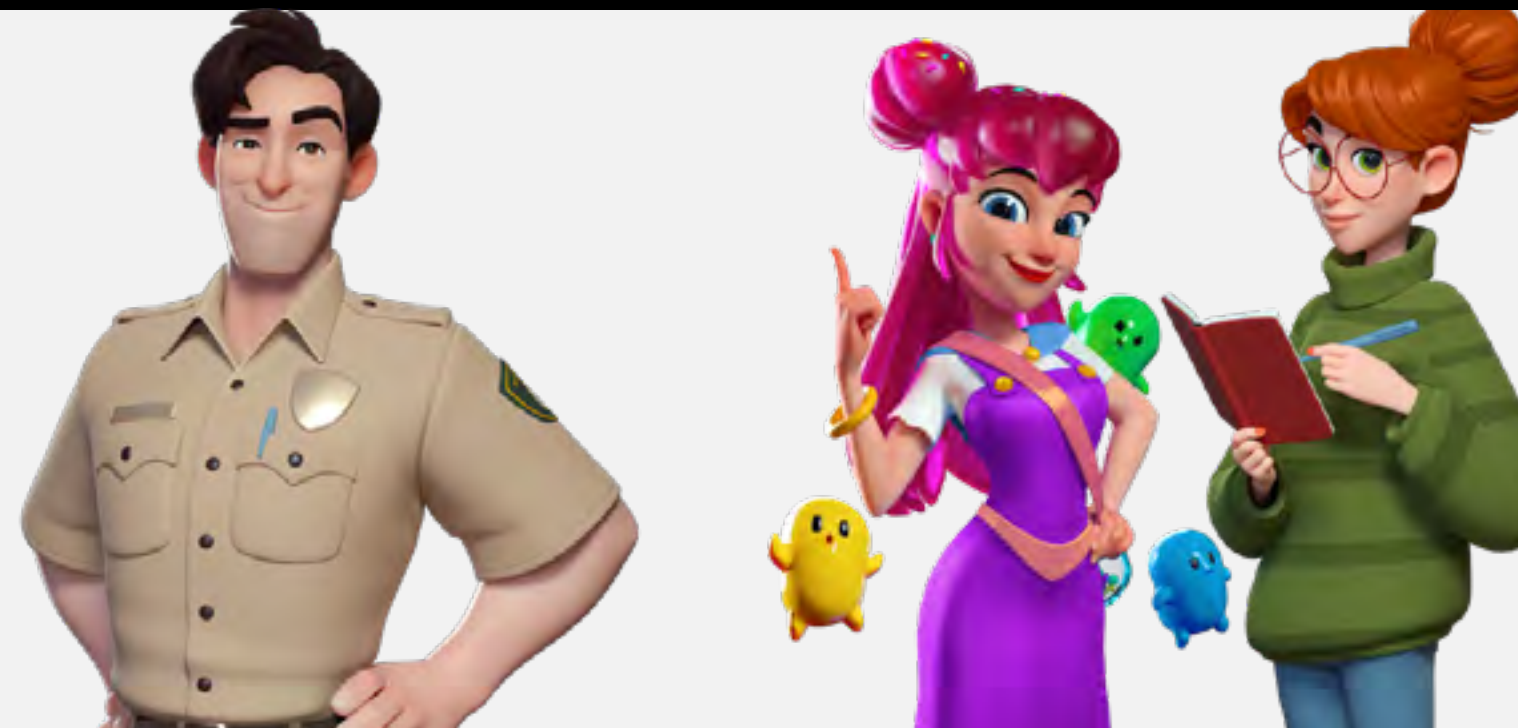
M&A

PLAY

WATCH

CONSUME

ENGAGE



Darkfire Games

PLAYRAVEN

Our cornerstone



Corporate responsibility

Our values



Be bold



Embrace innovation



Act with integrity

CASE

“We strive to promote Rovio’s core focus by bringing new IP and diversification opportunities to advance our games business.”

Jakob Longer, Head of Corporate Development

Mergers and acquisitions

M&A plays an integral role in Rovio’s expansion aspirations for inorganic growth. Our Corporate Development team actively pursues and filters for synergetic studios and partnerships that align with Rovio’s corporate culture, game development philosophy and genre mastery. As a parent company Rovio offers synergies ranging from technology to user acquisition and business intelligence enabling more efficient ways to scale up games.

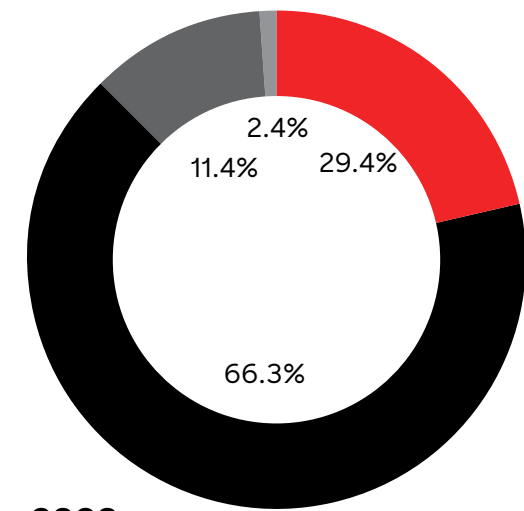
Operating environment

Gaming has become mainstream entertainment with over 2 billion players globally at the end of 2020. Gaming market generated USD 174.9 billion revenue in 2020 across PC, console and mobile. This is more than movie box office, video streaming and recorded music combined. Out of the three key categories, mobile gaming is the largest and fastest growing market. The global mobile gaming market size in end-user generated revenue (in app purchases, subscriptions and paid installs, not including ad revenue) is estimated to be USD 86.3 billion in 2020, which represents 25.6 % year-on-year growth. The growth was partially driven by an increased global gaming activity as a result of COVID-19 shelter-at-home situation when time spending on games were increased.

In the long-term, the global mobile gaming market is expected to grow at Compound Annual Growth Rate (CAGR) of 9.8% during 2020–2030. Rovio's focus is mostly on the western markets (the US and Western Europe), which are expected to grow at 7.8% CAGR during 2020–2023.

Mobile gaming market is driven by mega trends, such as industry maturation, metaverse, collective engagement, and accessible, personalized and curated entertainment. The western market is growing in consumer spend opposed to increasing number of downloads. There are tens of thousands of games available in app stores and hundreds of new games are launched every day. Players have more choices than ever before but they only play a few games per month making user acquisition more challenging. In addition, the share of paid-downloads of total downloads has continued to grow. The upcoming Identifier for Advertisers (IDFA) change by Apple will change how advertising is going to be done on mobile. As a result competition is intense and the market is consolidating fast.

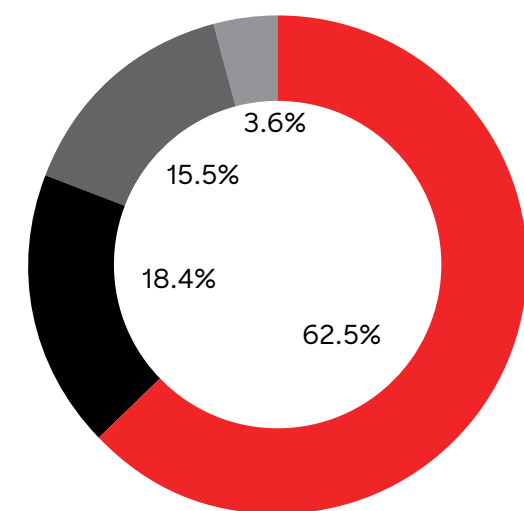
Rovio's games segment revenue per geographic area
EUR million



2020

● Asia and Pacific	55.4
● North America	171.1
● Europe, Middle East and Africa	29.4
● Latin America	2.4
Total	258.2

Mobile gaming market revenue per geographic area,
USD billion



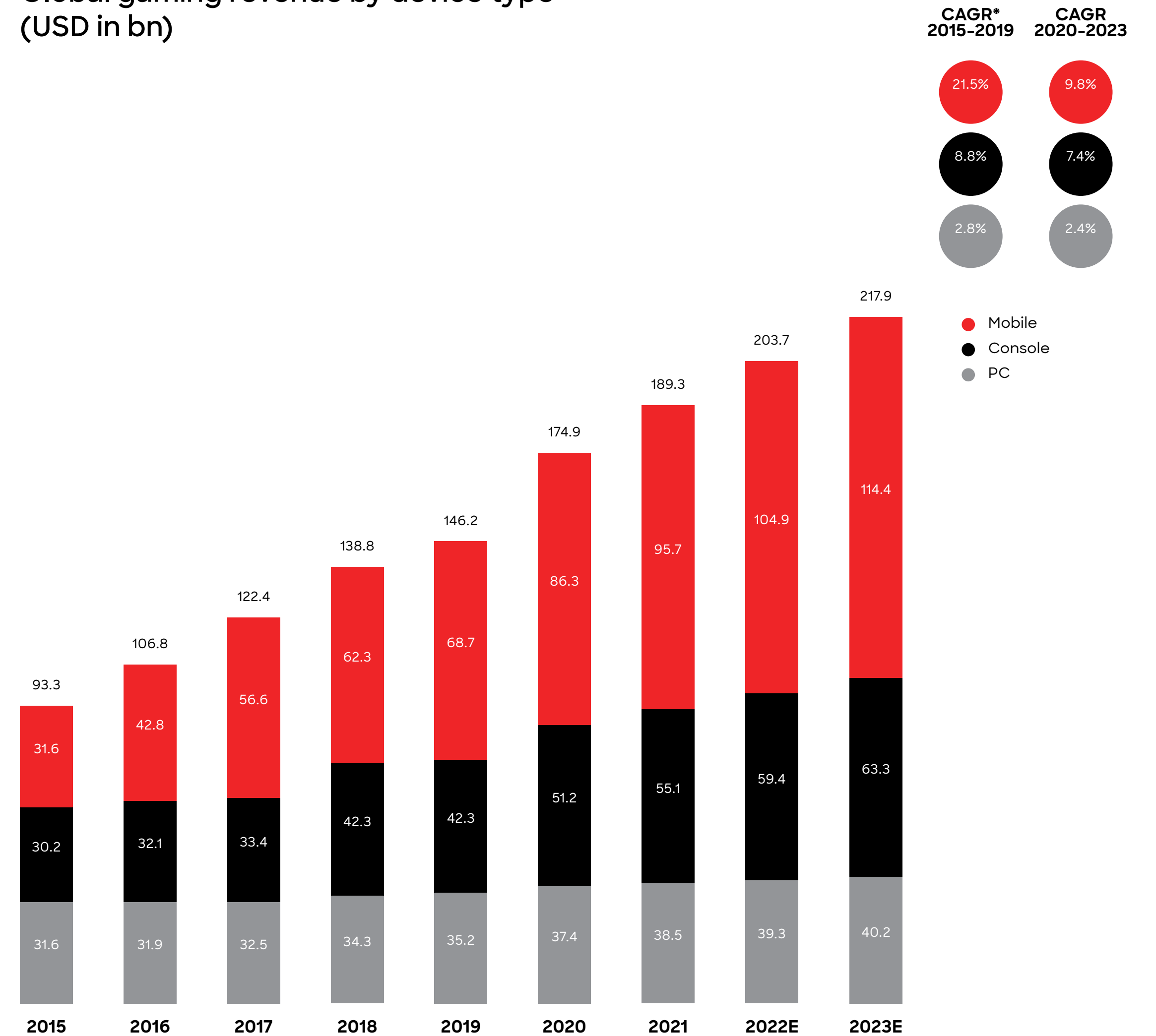
2020

● Asia and Pacific	54.0
● North America	15.9
● Europe, Middle East and Africa	13.4
● Latin America	3.1

Metaverse is a vision of a future virtual universe. Games being social platforms enabling user generated content are becoming more popular especially among digital native Generation Z (1995–2010 born). Collective engagement is a way consumer's passion and engagement can continue to live a life outside the game driven by player communities. Accessible, personalized and curated entertainment allows players to play when, how, where and what they want fueled by cross-platform, cloud gaming, artificial intelligence and machine learning.

Strong capabilities in user acquisition, understanding the player audience and having financial resources is required to reach and sustain a top grossing chart position. Rovio has responded to the trends and changes by diversifying its game portfolio, strengthening its user acquisition capabilities, building genre mastery in its focus genres, and exploring the future of gaming opportunities around the mega trends by opening the Montreal Studio. Rovio has also built strong live operations by creating new content to the existing games on a regular basis.

Global gaming revenue by device type
(USD in bn)



Business

In Games we operate live games and develop new ones based on both Angry Birds and new characters. Innovation is in our DNA and we want to be at the forefront of the future of gaming. In Brand Licensing we use four touch points to engage with Angry Birds audience in all ages: Play, Watch, Consume and Engage.

[INVESTORS.ROVIO.COM](https://investors.rovio.com)



Did you know:
even though Samantha Lee is now considered as one of the central characters in Small Town Murders, she was originally created as the main suspect for an early case in the game.

Business areas in brief

Rovio's operations are divided into two business models: Games and Brand Licensing.

Games business unit creates, develops and publishes mobile games. With brand licensing Rovio licenses Angry Birds brand and its characters to third parties through its exclusive licensing partner.

Both Games and Brand Licensing have their own business models. At the end of 2020, approximately 95% of Rovio's group revenue came from games, and 5% from brand licensing.

Free to play business model of Games

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

Players download games from application stores for free.

Players make in-application purchases

88%
of Games revenue*

Players watch ads in the game

12%
of Games revenue*

Brand Licensing business model

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

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

Royalties from content licensing

65%
of Licensing revenue*

Royalties from product licensing

35%
of Licensing revenue*

Games business unit

Rovio's games business unit operates in a highly dynamic and fast growing mobile gaming market, which is dominated by the free-to-play business model. The unit develops, designs and operates innovative free-to-play mobile games from Rovio's five gaming studios to the global audience. In 2020 Games generated approx. 95 % of Rovio Group revenue, of which 88 % came from in-app-purchases and 12 from in-game advertising.

In June 2020, Rovio launched a new narrative driven puzzle game titled Small Town Murders. The game was developed by Rovio's Puzzle studio in Espoo, Finland. Small Town Murders is a new IP that blends murder mystery storytelling with casual puzzle solving. At the end of 2020, Rovio had 8 games in different stages of development, out of which 2 were in soft launch. One of these games were Angry Birds game and 7 are new IP games.

In May 2020, we set up a new game studio in Montreal, focusing on exploring the future of gaming. During the year we have recruited the core team for the studio composed of veteran developers with experience from both mobile and console.

In June 2020, we acquired a Copenhagen based game studio called Darkfire Games, now named Rovio Copenhagen. The studio has 20 employees focusing on developing Role-Playing Games (RPG). At the end of 2020 the team had one game, Darkfire Heroes, in soft launch in selected markets.

Rovio Games showed steady performance during the year 2020. In the second quarter, Rovio Games experienced a peak in player engagement, game downloads and daily active users due to the shelter-at-home situation of the COVID-19 pandemic. After the peak in March-April, the revenues started to normalize. Our largest game Angry Birds 2 performed very well throughout the year, having introduced updates and

Mrs. Musgrove was the first character to be designed and modelled for Small Town Murders, originally meant to be the main character's aunt. Because of her kind and warm personality, her design is full of round shapes and curves. There is not a single hard edge on her!

in-game events that drove the steady revenue. Our second and third largest games, Angry Birds Dream Blast and Angry Birds Friends, grew year-on-year.

Rovio has five gaming studios whose operations are built on Genre Mastery, which means that each studio has a clear genre focus. Our Puzzle studio (in Espoo) focuses on instantly playable puzzle games, Strategy studio (in Espoo) focus on accessible and social strategy and action games, Stockholm studio focuses on advanced casual, Copenhagen studio's focus is on accessible real-time Role-Playing Games and our Montreal studio focuses on Future of Gaming initiatives. Genre mastery enables the studios to continuously build their knowledge through learning from previous projects and enable launching better games. We strive to build teams that work well together and want to make the best games within their respective genre.

Crafting games for players

Knowing the audience and how to reach them is crucial in game development. Through our vast network of players we gain large amounts of data every day that helps us to improve our current games and develop new games that bring joy to our players for decades.

Innovation and continuous improvement are at the very heart of Rovio. At Rovio, game development is an iterative process of building functionalities, measuring their success with our users, getting the feedback and learnings and continuing perfecting and creating new features. Our game development teams include user acquisition and business intelligence specialists that ensure we are making decisions based on player needs and behaviour. Games are tested in several phases as we have high thresholds to the games we launch globally. Not all games survive through



the tough testing process, however, once a game is globally launched our ambition is to operate them for decades.

Nothing of this would be possible without experienced and talented people with the common passion to create great games. We want to create an environment where people can leverage each other's strengths to continuously learn and develop themselves as professionals and as teams. In 2020 we continued to hire strong talents into our teams fortifying genre mastery which is the bedrock for future success through faster learning experiences and materializing in even better games.

Games lifecycle

The games-as-a-service model implies we improve our live games constantly by adding new content throughout the game's entire lifecycle. We divide the lifecycle of a game into three phases:

Grow: Games that grow future earnings and are actively scaled up. In this phase, user acquisition investments are significant to drive players to the game. Typical team size is larger than for other phases. Low or negative profit margin.

Earn: Games that earn profit today and may have potential for future growth. User acquisition investments may still be significant for games in this category, but typically lower than the revenue generated. New in-game content is continuously developed, and the team's ambition is to continue growing the game, although profit margins are staying on a moderate to high level.

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

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

Rovio's user acquisition investments amounted to 22.7% of games revenues in 2020. User acquisition investments in 2020 were mostly directed to Rovio's Grow games Angry Birds Dream Blast, Sugar Blast and Small Town Murders. Rovio is aiming at 100% return on user acquisition investment after 12 months within its portfolio.

The games-as-a-service model implies we improve our live games constantly by adding new content throughout the games entire lifecycle.



CASE

Future of Gaming

Our operations in Montreal we call Future of Gaming. We are focused on the societal, technological and entertainment trends that are converging to define the types of gaming experiences that players will be expecting and craving for in the next 3-5 years.

Our team is developing the ideas, technologies and partnerships that will position Rovio at the forefront in the gaming landscape. Our goal is nothing short of creating the next cultural phenomenon within Rovio that will entertain and engage players for decades.

“We are trying to answer the question: where is gaming going to be when Angry Birds turns 20 years?”

Ben Mattes, Head of Studio Rovio Montreal

CASE

Rovio Copenhagen

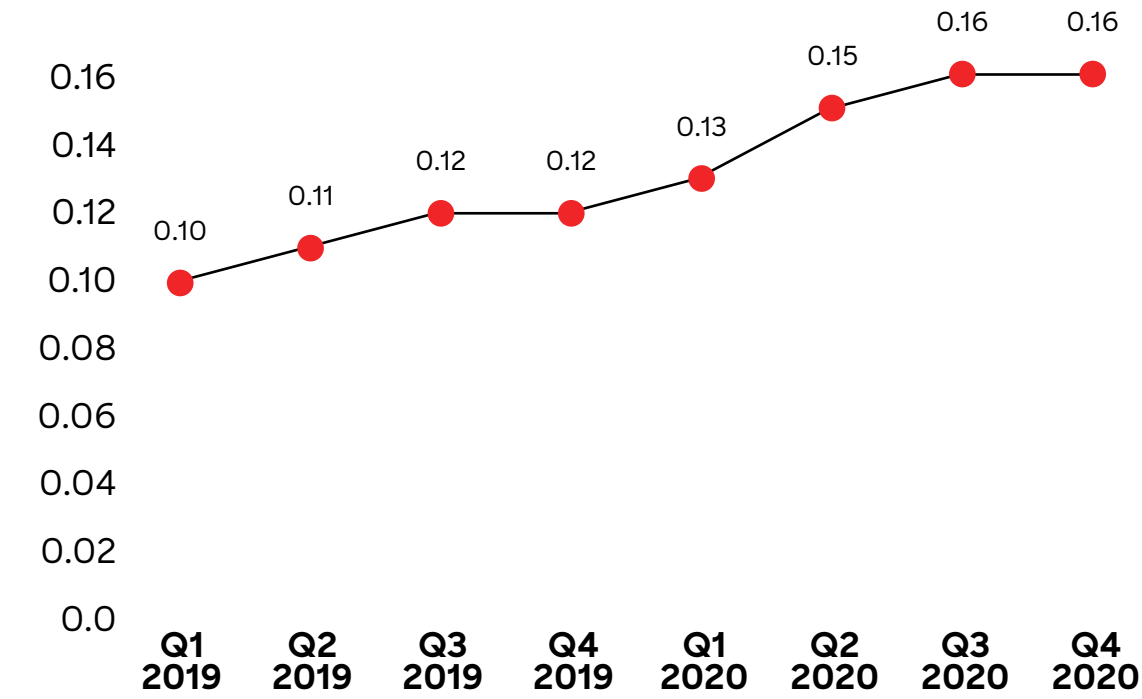
Within the Copenhagen Studio we are focused on the RPG genre, which continues to grow and evolve. The pillars of our work are accessibility, social features, and live operations coupled with great character design and innovative gameplay. The game our team is currently developing is Darkfire Heroes. The game combines a fresh take on real-time combat with deep progression to give players years of entertainment across both single player and multiplayer modes.

“Copenhagen is over 1000 years old, a perfect fit for making a fantasy RPG.”

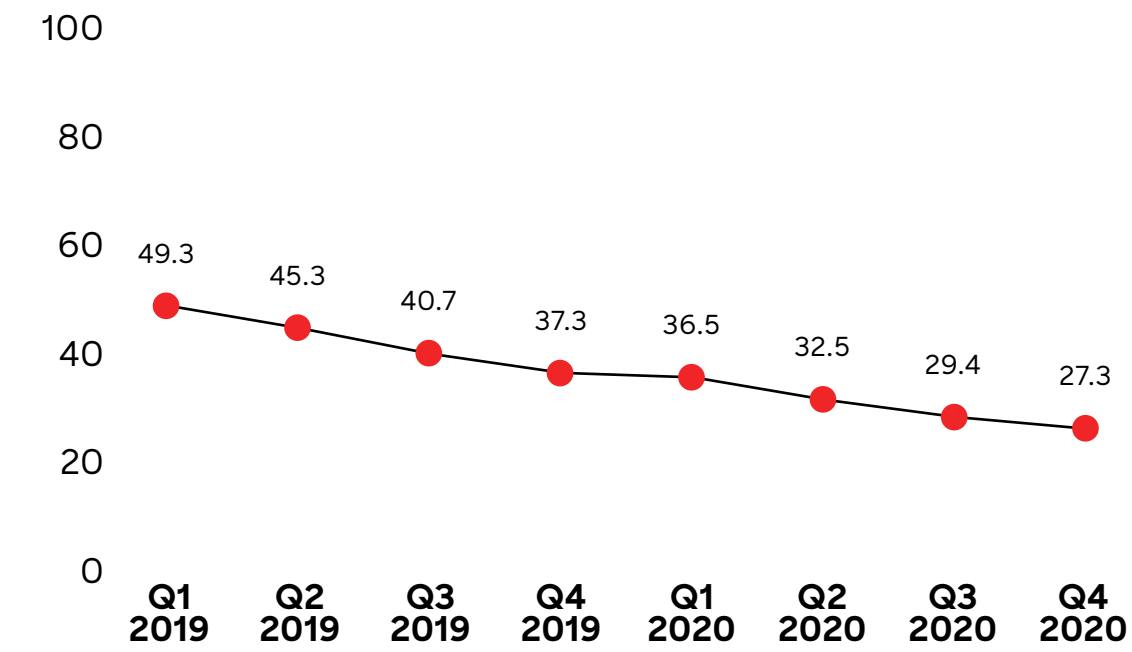
Rune Vendler, Head of Studio Rovio Copenhagen

Development of Rovio's games key performance indicators

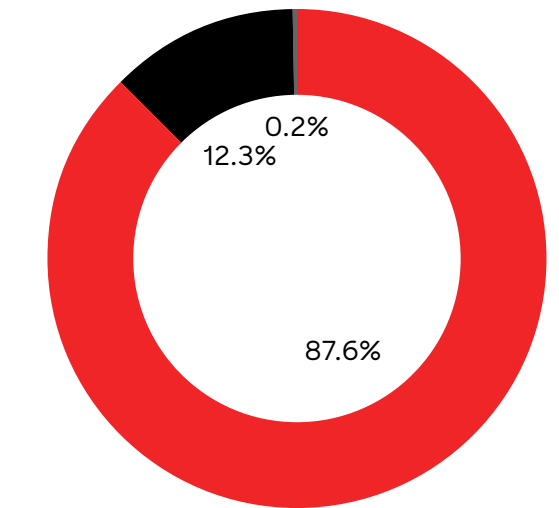
Average revenue per daily active user (ARPDau), EUR



Monthly active users (MAU), Millions



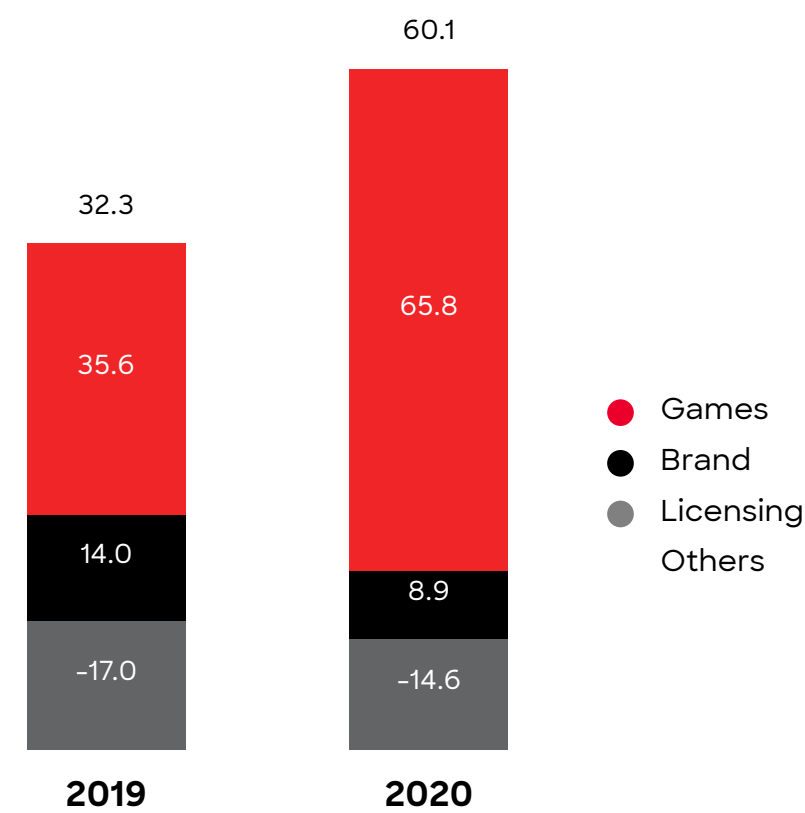
Games revenue disaggregation, EUR million



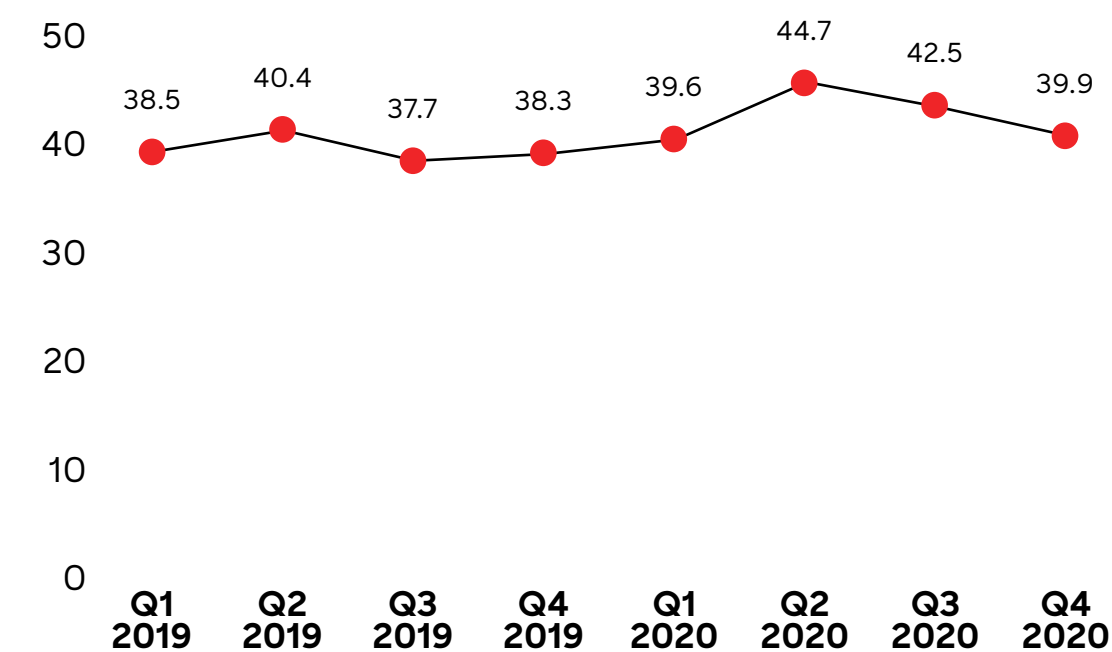
2020

In-application purchases	226.1
Customer contracts	0.5
Advertising	31.6
Total	258.2

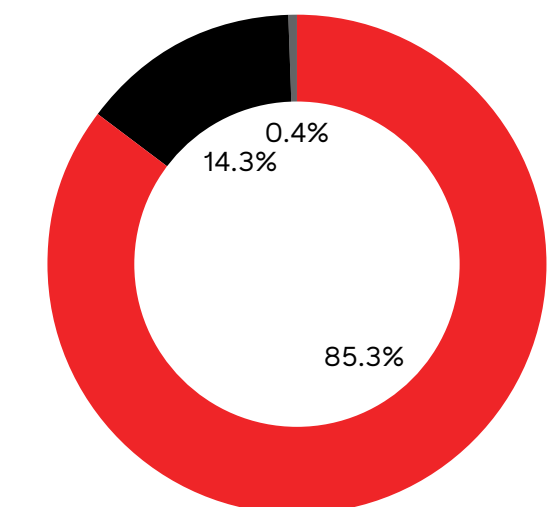
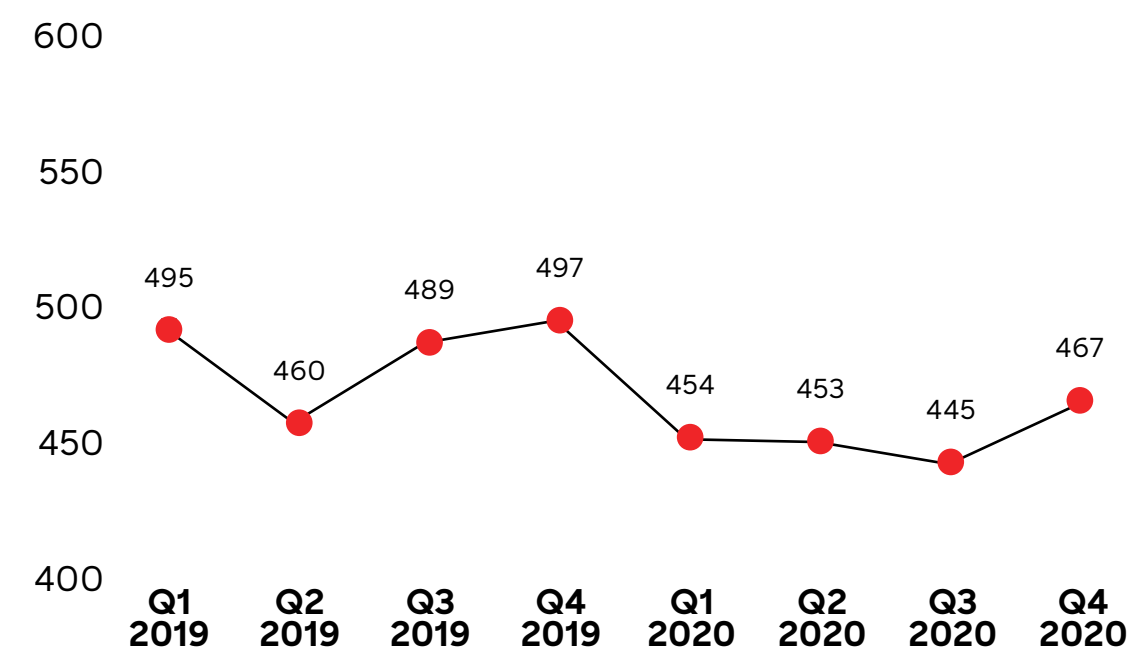
Adjusted EBITDA, EUR million



Monthly average revenue per unique payer (MARPPU), EUR



Monthly unique payers (MUP), Thousands



2019

In-application purchases	225.9
Customer contracts	1.0
Advertising	37.9
Total	264.8

Angry Birds 2

Genre:
Slingshot

Stars*
4.4

Launch:
July 2015

Cumulative gross sales:
468M€

Gross sales 2020:
106M€



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

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

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

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

Features:

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

* stars for current version in the United States' Apple App Store as of January 2021.

Angry Birds Dream Blast

Genre:

Puzzle

Stars*

4.6

Launch:

January 2019

Cumulative gross sales:

121M

Gross sales 2020:

63M€



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

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

Angry Birds Dream Blast free puzzles come with epic features:

- A bubble shooter puzzle game that’s easy to play at home or on the go
- Pop, blast, & crush groups of dream bubbles & solve fun toon puzzles and win.
- Pop & crush many bubbles at once to unleash special powers of your favorite classic Angry Birds friends to solve all puzzles!
- Countless free classic puzzles for fun in Angry Birds Dream Blasts, one of the best toon bubble shooter bird puzzle games.

* stars for current version in the United States’ Apple App Store as of January 2021.

Angry Birds Friends

Genre:
Slingshot

Stars*
4.4

Launch:
February
2012

Cumulative gross sales:
174M€

Gross sales 2020:
28M€



Compete against the World in 24 new Angry Birds levels every week! Or take your chances in the Star Cup as you go head-to-head against individual opponents!

Compete with your friends, come out on top, and climb the leaderboards to become the best Angry Birds player in the World!

Tournament Features:

- NEW Competitive Tournaments starting every Monday, Thursday and Saturday
- Play 24 NEW levels every week
- Challenge opponents and win to advance to higher leagues
- Take hold of the top position for amazing rewards
- Special Themed Tournaments every other week

Star Cup features:

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

* stars for current version in the United States' Apple App Store as of January 2021.

Small Town Murders

Genre:

**Narrative
Puzzle**

Stars*

4.7

Launch:

**June
2020**

Cumulative gross sales:

8M€

Gross sales 2020:

8M€



Every crime is a puzzle & every investigation is just a game.

To get to the bottom of these mysterious crimes, it's going to take a keen eye for detail. Play levels and use a detective's intuition to unravel the match 3 puzzles, investigate crime scenes and uncover hidden objects to solve this murder mystery. Find clues by solving match three puzzles. Use the clues in this detective game to interrogate suspects, and solve the mystery once and for all!

Meet friendly townspeople during your investigations, each with their own story. Team up with Deputy Shanahan, the lovable but slightly hapless sheriff's deputy. Chat with Mrs. Musgrove, a matronly innkeeper who has lived in the area for decades and knows everyone's dirt. Meet plenty more colorful characters of this game in twisting, ever-growing crime mystery stories! But be careful – everyone is a suspect. It's up to you to uncover the real criminal, make a case & bring him to justice.

In Small Town Murders you'll:

- Work as a detective to solve the criminal case
- Put your detective skills to the test in match 3 puzzles.
- Investigate crime scenes to find hidden clues.
- Play tons of levels and experience murderous pursuits as a detective
- Match three or more items to clear them.
- Meet colorful townspeople and swap gossip for juicy clues.
- Interrogate suspects to uncover the criminal case.
- Unravel match 3 puzzles to find hidden objects and solve the murder mystery!
- Enjoy the adaptive music system that reacts to the twists of the eccentric storylines

* stars for current version in the United States' Apple App Store as of January 2021.

Angry Birds Match

Genre:

Puzzle

Stars*

4.3

Launch:

August 2017

Cumulative gross sales:

63M€

Gross sales 2020:

13M€



Explore worlds and collect Hatchlings in this adorable match 3 puzzle game!

Decorate scenes, win new outfits and dress up the Hatchlings to express your style!

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

Features:

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

* stars for current version in the United States' Apple App Store as of January 2021.

CASE

Small Town Murders

When re-contextualizing proven game mechanics with a setting many players are already familiar with, you get *Small Town Murders*, Rovio's first narrative puzzle game. Players of all ages are invited to help crime writer Nora Mistry and a cast of quirky locals to solve darkly humorous murders in the idyllic town of Thornton Grove. The game has world-class match-3 level design to keep players engaged throughout the game. Can you solve the puzzle and crack the case?

“We create engaging stories and in-game challenges for our players to enjoy every day.”

Teemu Hämäläinen, Product Lead for *Small Town Murders*

Angry Birds brand

The original Angry Birds mobile game was launched in December 2009 to a fast-growing touchscreen smartphone market, and quickly became the most recognized game associated with mobile gaming. Today, Angry Birds is far more than mobile games. Over the past 11 years, tens of games, hundreds of consumer products, numerous animated series, and two animated feature-length movies have cemented the brand's place as one of the most beloved entertainment brands in the world.

Audience

Angry Birds enjoys a strong global awareness (94%, BrandWorxx Brand Performance Study 2020), with a broad audience, independent of age and genre. The key demographic for Angry Birds games are adult smartphone users, while the movies, animations, and consumer products reach younger audiences. The vision of the brand is to provide an exciting and fun journey with the Angry Birds, ranging from coherent offering of games, entertainment experiences to licensed products for audience segments of all ages.

Four consumer touchpoints

Play

Games are the strongest strategic pillar for Rovio. Through the years Rovio has published and successfully operated many Angry Birds games through live services. Great examples are older titles Angry Birds 2 and Angry Birds Friends as well as our 2019 launch Angry Birds Dream Blast. At the end of 2020, Angry Birds 2 was in the US top 100 grossing iOS Games chart and Angry Birds Dream Blast in top 150. Rovio currently publishes and operates eight Angry Birds free-to-play mobile games with one new F2P -Angry Birds games in development at the end of 2020.

Watch

Angry Birds content ranges from big screen and long-form animated series licensed productions to short-form streaming content produced in-house.

In March 2020, the Angry Birds Movie 2 was released on Netflix, and according to independent tracking reporting, spent over 50 non-consecutive days in the Top 10 most viewed movies between March and April, with 8 days as number 1. In the third quarter, Rovio conducted a study with the research agency Kids Know Best into streaming video on demand viewership of kids 4-16 in the US and UK. In the US alone, the report showed that in US households with access to subscription video on demand (SVOD) services, the Angry Birds animated series and the Angry Birds Movie are the most watched shows and movies among 4-16 year olds.

In 2020, the production continued on Angry Birds Summer Madness, a long-form animated series set to launch on Netflix in the second half of 2021. Rovio also released two new Angry Birds short-form series on YouTube and other platforms.

Consume

While digital entertainment including games and content was on the rise during COVID-19, consumer products and location-based entertainment businesses were impacted by temporary retail and venue closures across various regions. However, even in the exceptional circumstances, Brand Licensing revenues were on par with our expectations.

During the second quarter, Rovio announced a new partnership, appointing IMG Licensing with global representation for Angry Birds brand licensing in consumer products and location-based entertainment. This represents an operational streamlining at Rovio, as well as a strategic shift from working with 16 regional agencies to a single global agent. In partnership with IMG, Rovio plans to build on the existing licensing programmes and a brand offering that delivers long-term growth across all key segments and regions.

Engage

Through the year, Angry Birds continued delivering engaging content marketing campaigns and digital promotional partnerships. Angry Birds 2 game partnered with the language learning app Duolingo in a non-competitive app-to-app partnership that was executed in a perfect blend of brand collaboration and performance measured activity. We concluded partnerships with the English Premier League team Everton, and the NBA team Chicago Bulls. Both multi-year partnerships promoted the key Angry Birds games, adding mainstream sports viewership in the marketing mix, delivering on social media exposure and media value over the partnership periods.

Responsibility

Acting in a responsible way has always been one of Rovio's overarching principles. We want to be an industry leader in promoting corporate responsibility and help set standards for continuous improvement. We foster a diverse and inclusive work culture. Employees are our greatest asset and being a great workplace where everyone can grow as a professional is the bedrock of Rovio.

[INVESTORS.ROVIO.COM](https://investors.rovio.com)

Did you know, that mobile gaming is the most energy efficient platform of gaming? Mobile devices can be up to 100 times more energy efficient than video game consoles.

People and culture

Rovio is an attractive employer in today's competitive talent market. We want to be an employer that adapts to our employees' life circumstances, supports individual growth and career development. In the international markets for gaming expertise, one of Rovio's competitive advantages is our corporate culture. It is our goal that our international people feel safe and happy in their new home countries. In 2020 this was put under stress with COVID-19 pandemic. Remote working has required us to learn new skills both in the actual work and in how we maintain the Rovio spirit and culture, and the most important factor has been open and constant communication.

Passion and ambition in the heart of every employee

Every Rovian brings a passion to their craft and everything they do. We're not afraid to experiment, take chances and express ourselves. Bringing passion to life requires ambition and the fearlessness to take charge and make a statement.

Diversity drives innovation

The community of Rovians consists of people from 53 nationalities who each bring their own unique perspective to their craft and their projects. We believe diversity is the key to making the best games and entertainment through innovation and continuously gaining knowledge. Our perspective towards gender is broader than male/female distribution. 72% of employees categorized themselves males, 26% females and 2% prefer not to describe or have not described gender. The percentage of women among Rovio's employees is substantially higher than the industry average. Our employee average age at the end of 2020 was 36 years.

Autonomy and accountability delivers results

We believe best results are achieved by giving our teams the freedom and independence to truly own and drive their projects. Our approach is to create strong and talented teams with complimentary talent to run a successful games business with autonomy. We promote an environment where information and best practices are constantly shared between the studios and game teams.

Personnel in figures

Rovio had 480 employees at the end of 2020. 398 employees work in the Games business unit, 13 in Marketing & Licensing unit, and 21 in Hatch Entertainment. The remaining 48 people work in other functions and administration.

Our people carry out our strategy

Talented and
skilful teams

Craftmanship,
creativity and
passion

Being the best at
getting better,
together!



Our values

Be BOLD

Embrace
INNOVATION

Act with
INTEGRITY



Corporate responsibility

We value corporate responsibility, and we want to lead the industry by creating safe and joyful gaming experiences that are made respectful of the environment and crafted in a diverse and inclusive work culture.

Rovio generates many positive social and economic impacts through our games, but our operations may also involve negative impacts. With our corporate responsibility initiatives, we aim to maximize positive impacts and minimize negative impacts.

In December 2020 Rovio renewed its corporate responsibility strategy and clarified the future strategic focus areas for corporate responsibility. Starting from 2021 our efforts will focus on these areas:

- 1. Safe & responsible gaming
- 2. People & society
- 3. Climate & environment

With safe & responsible gaming we aim to create a safe & enjoyable gaming environment for all players. With people & society we work to maintain and build diverse and inclusive work culture and to promote these values in the surrounding society. Climate & environment combines our efforts to mitigate our negative environmental impacts and possibilities to raise awareness on important matters where everybody can act on.

In 2020 we continued the work on the UN initiative -Playing for Planet Alliance - to push climate and environmental agenda in the gaming industry. In the Green Game Jam, we reached 4,1 million people with our climate and environment themed event in our biggest game, Angry Birds 2. We also continued our commitment to fully compensate for CO₂-emissions of our players' mobile devices. In safe & responsible gaming one major milestone in 2020 was the recently published Player Safety Policy that clarifies our approach to user generated content in our games.

COVID-19 pandemic had a significant impact on the way we work. Rovio implemented new ways of working and introduced supporting tools for remote working. Rovio has worked closely with occupational health representatives to address possible employee well-being issues proactively. Our efforts in diversity & inclusion were recognized in the Nordic Business Diversity Index study 2020 where Rovio was ranked as number one in Finland among Nordic public companies in the category of mid-size companies.

In 2020 Rovio continued the strategic partnership with UNICEF Finland. The collaboration has different elements: we give support to the Salmaïtou Senegal Project, which aims to give a second chance to the most vulnerable adolescent girls in and out of school. Also, Staff for UNICEF employee donation model was continued alongside with our support to UNICEF's Project Giga which aims to connect all the schools in the world to the Internet.

In Rovio, the Company's CEO has the ultimate responsibility for the implementation of corporate responsibility. Rovio has a Corporate Responsibility Manager who is responsible for operational execution. Issues related to corporate responsibility are monitored by the Leadership Team. More details are provided in Rovio's corporate responsibility report which is published in Rovio's website: <https://investors.rovio.com/en/responsibility/corporate-responsibility>



CASE

Materiality analysis

Rovio conducted the responsibility materiality analysis to review the expectations for our corporate responsibility work, and to identify the most material topics for the company. The results include valuable input from the external and internal stakeholders and set a foundation for Rovio's corporate responsibility strategy refined at the end of the year. As a result we are better equipped to implement the relevant improvement actions and to reinforce the areas where Rovio is already seen as a trailblazer.

“Continuous improvement is one of the core principles of Rovio corporate responsibility”

Tommi Lappalainen, Corporate Responsibility Manager

Rovio conducted corporate responsibility materiality analysis in summer 2020. The aim of the analysis was to update and analyze the stakeholder expectations and clarify Rovio's future focus areas for corporate responsibility.

The analysis consisted of the following elements:

- In-depth interviews with selected stakeholders
- Open survey to Rovio employees
- Open survey to external stakeholders
- Workshop with leadership team

A wide representation was received, with a total of 18 interviews and 164 survey responses providing a comprehensive view of stakeholder expectations. The most material topics from the analysis are represented in the graph on the right.

The results show that safe and responsible gaming was recognized as the most material. Matters related to employee well-being and other social responsibility matters received a wide representation in the list of most material issues. The carbon footprint of games and digital services represented the environmental issue of the survey results.

Materiality analysis was one of the key inputs for Rovio's renewed corporate responsibility strategy, representing the voice of our stakeholders regarding these important issues.

The most material aspects - Grouped in order of importance

Leadership commitment
to responsible business culture

1

- Promoting safe and responsible gaming
- Non discrimination and anti-harrassment
- Equal pay for men and women

2

- Wellbeing at work
- Promoting diversity and inclusion
- Skills development of employees
- Data protection and privacy
- Open and transparent communication

3

- Carbon footprint of games and digital services
- Public policies
- Licenced products are safe, environmentally and socially sustainably produced

Corporate responsibility focus areas

Safe and responsible gaming		2020
Active involvement in industry development to promote safe and responsible gaming ¹		
Responsibility of licensed products		
New manufacturer commitments ²		19
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		5
Scope of audit reports in very high-risk countries		100%
Scope of audit reports in high-risk countries		31.3%
Employee well-being and diversity		
Diversity and equality: nationalities		53 nationalities
Share of women/men among employees		women 26% / men 72% / other 2%
Employee age structure (under 35, 35-50, over 50)		47% under 35 50% 35-50 3% over 50

Responsible business conduct	
Coverage of Code of Conduct, Anti-Corruption and Compliance trainings among employees, target is to reach 100% coverage	Trainings are organized regularly and the training coverage is continuously monitored
Environment	
CO ₂ emissions: Business travel ³ , total + per person Offices ⁴ , total + per person Remote work ⁵ , total + per person	Total 154 t, 0.36 t per person Total 190 t, 0.55 t per person Total 10 t, 0.02t per person
CO ₂ emission offset	100% offset, In total 354 t through UN climate carbon offset platform
CO ₂ emission offset for players' mobile devices ⁶	18,256 carbon tons offset (CO ₂ e / year) through UN Carbon offset platform

¹More details in section 2.1 of the report, safe and responsible gaming in our corporate responsibility report.

²By signing the manufacturer's commitment, manufacturers commit to respecting Rovio's trademarks, complying with the Rovio Code of Conduct for Partners and agree to have relevant audits performed.

³The figure is based on data obtained from service providers and includes air travel by employees based in Espoo and Stockholm, representing 92% of the Group's personnel. The figures are not available for the other operating countries. Travel emissions were reduced significantly due to COVID-19.

⁴The 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.

⁵Remote work CO₂ emissions are based on the typical set-up: laptop and one external screen. Time period is based on the company's remote work recommendation during COVID-19. Calculation is based on the average amount of employees (470) in 2020.

⁶Figure is based on the carbon emissions generated by our games' daily active users each charging one top-end mobile device once per day. Calculations are based on Rovio's methodology described in chapter 2.1 safe and responsible gaming.



Governance

Our business is driven by our values:

Being bold, embracing innovation and activating with integrity. We craft joy with player-focused gaming experiences that last for decades.

READ MORE: [HTTPS://INVESTORS.ROVIO.COM/EN/GOVERNANCE](https://investors.rovio.com/en/governance)

Nerdy fact:

Take the world population of 7.8 billion and multiply it by 51,021 and you get the amount of birds flung in Angry Birds 2 game in 2020. We'll save you the pain; it's 398 trillion!

Members of the Board of Directors in 2020



Kim Ignatius

Chairman of the Board of Directors

BSc (Econ.), Helsinki School of Economics and Business Administration

Born 1956, Finnish citizen

- Chairman of Rovio's Board of Directors since 2020
- Member of Rovio's Board of Directors since 2017
- Chairman of Rovio's Audit Committee since 2017
- Member of Rovio's Remuneration Committee since 2017 and Chairman of the same until 2020
- Independent of the Company and its major shareholders

Primary work experience

- Member of the Board of Directors and Chairman of the Audit and Risk Committee of Fortum Oyj in 2012-2020
- Executive Vice President and Member of the management team of Sanoma Corporation in 2017
- Chief Financial Officer of Sanoma Corporation in 2008-2016
- Member of the Board of Directors and Chairman of the Audit Committee of Millicom International Cellular S.A. in 2011-2014
- Executive Vice President and CFO of TeliaSonera AB in 2003-2008
- Executive Vice President and CFO of Sonera in 2000-2003
- CFO of Tamro in 1997-2000
- Various domestic and international management positions with Amer Oyj in 1984-1997

Positions of trust

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

Share ownership (December 31, 2020)

- 9,000 shares

Kaj Hed

Vice Chairman of the Board of Directors

Electrical engineer, studies of financing

Born 1955, Finnish citizen

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

Primary work experience

- Chairman of the Board of Kiosked Oy Ab in 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 in 1992-2003

Positions of trust

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

Share ownership (December 31, 2020)

- 12,919,000 shares owned through Moor Holding AB, a company under his control and 11 shares owned through 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
- Member of Rovio's Remuneration Committee since 2019 and Chairman of the same since 2020
- Member of Rovio's Audit Committee since 2020

Positions of trust

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

Share ownership (December 31, 2020)

- 6,459,500 shares owned through Brilliant Problems Oy, a company under her control and 6 shares owned through Oivor AB.

Björn Jeffery

Member of the Board of Directors

Born 1981, Swedish citizen

Independent of the Company and its major shareholders

- Member of Rovio's Board of Directors since 2020
- Independent of the Company and its major shareholders

Primary work experience

- Outer Sunset AB/Jeffery LLC, Advisor 2018-present
- Toca Boca, CEO and Co-Founder in 2010-2017
- Sago Mini, Member of the Board of Directors in 2013-2017
- The Bonnier Group, Director, Digital Commerce in 2010-2011
- Twingly, Member of the Board of Directors in 2009-2016
- The Bonnier Group, Director, Future Media & Technology of Bonnier R&D in 2009-2010
- Good Old, CEO & Co-Founder in 2005-2009
- Manolo.se, Co-Founder in 2004-2008
- Jeffery & Edling, Co-Founder in 2005-2006
- Sydsvenskan, Journalist in 2003-2005

Positions of trust

- Acast, Member of the Board of Directors and Remuneration Committee
- Kinzoo Technologies Inc, Member of the Board of Directors

Share ownership (December 31, 2020)

- 0 shares





Jeferson Valadares

Member of the Board of Directors

MSc, Computer Science, Artificial Intelligence BS, Computer Science

Born 1975, Brazilian citizen

- Member of Rovio's Board of Directors since 2019
- Member of Rovio's Remuneration Committee since 2020
- Independent of the Company and its major shareholders

Primary work experience

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

Share ownership (December 31, 2020)

- 0 shares

Leemon Wu

Member of the Board of Directors

M.Sc. in Business Administration and Economics

Born 1975, Swedish citizen

- Member of Rovio's Board of Directors since 2020
- Member of Rovio's Audit Committee since 2020
- Based on overall evaluation Leemon Wu is considered not to be independent from the company's significant shareholder Moor Holding AB.

Primary work experience

- Moor Holding AB, Chief Investment Officer since 2018
- Family office advisory, Global equities in 2016–2018
- C WorldWide Asset Management, Senior Portfolio Manager in 2007–2016
- Carnegie Investment Bank, Financial analyst in 2001–2007
- AB Custos, Investment Analyst in 1999–2001

Positions of trust

- Acast, Member of the Board of Directors
- Avanza AUTO, Member of the Advisory Board
- Avanza Fonder, Member of the Board of Directors
- Important Looking Pirates, Member of the Board of Directors

Share ownership (December 31, 2020)

- 0 shares



Mika Ihamuotila**Chairman of the Board of Directors until March 31, 2020**

Ph.D. (Econ.) Born 1964, Finnish citizen

- Chairman of the Board of Directors in 2017-2020
- Member of the Board of Directors in 2013-2020
- Member of Rovio's Audit Committee and Remuneration Committee in 2017-2020
- Independent of the Company and its major shareholders

Jenny Wolfram**Member of the Board of Directors until March 31, 2020**

LL.M, Born 1990, Finnish citizen

- Member of Rovio's Board of Directors in 2017-2020
- Member of Rovio's Audit Committee and Remuneration Committee in 2017-2020
- Independent of the Company and its major shareholders

Fredrik Löving**Member of the Board of Directors until April 30, 2020**

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

- Member of Rovio's Board of Directors in 2019-2020
- Member of Rovio's Remuneration Committee in 2020
- Independent of the Company and its major shareholders

Leadership Team



Kati Levoranta

CEO until December 31, 2020

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

Born 1970, Finnish citizen

- CEO in 2016-2020
- Member of Rovio's Leadership Team since 2012
- Head of Sales, EMEA at Rovio in 2015
- Chief Legal Officer at Rovio in 2012-2015

Primary work experience

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

Positions of trust

- Member of the Board of Directors of Finland Chamber of Commerce
- Member of the Board of Directors of OP Cooperative

Share ownership (December 31, 2020)

- 46,242 shares

Alexandre Pelletier-Normand

Head of Games (appointed as CEO as of January 1, 2021)

B.Sc. (Computer Science)

Born 1980, Canadian citizen

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

Primary work experience

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

Positions of trust

- Member of the Board of Directors of Execution Labs

Share ownership (December 31, 2020)

- 11,982 shares





Ville Heijari

CMO

Undergraduate Student of Philosophy

Born 1978, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2020)

- 47,580 shares

Heini Kaihu

Head of HR

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

Media) Born 1973, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2020)

- 21,731 shares





René Lindell

CFO

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

Born 1976, Finnish citizen

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

Primary work experience

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

Share ownership (December 31, 2020)

- 19,720 shares

Jakob Longer

Head of Corporate Development

Bachelor of Business – Financial Planning & Financial Management

Born 1989, Australian citizen

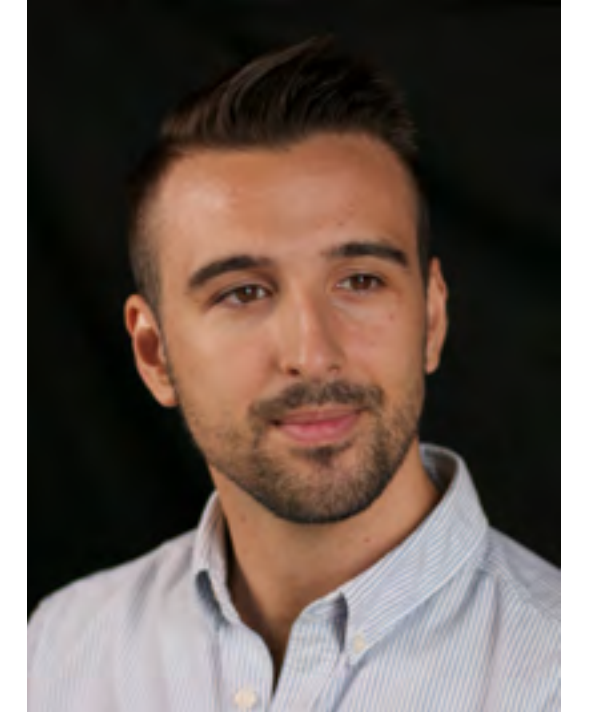
- Joined Rovio in 2012
- Head of Corporate Development since 2020
- Member of Rovio's Leadership Team since 2020
- Executive Producer/Product Manager at Match & Build at Rovio 2016
- Business Development Specialist, Rovio Stars at Rovio 2013 – 2016
- Controller, Finance Department at Rovio 2012 – 2013

Primary work experience

- Chief of Staff & Director of Operations, Mobile at Wargaming 2019 – 2020
- Director of Strategy & Research, Mobile at Wargaming 2017 – 2018

Share ownership (December 31, 2020)

- 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 in 2012–2016

Primary work experience

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

Share ownership (December 31, 2020)

- 9,127 shares

The following former member of the Leadership Team left their position in 2020:

Simo Hämäläinen

Head of Brand Licensing until January 31, 2020

Corporate governance statement 2020

Introduction

Rovio Entertainment Corporation (“Rovio” or “Company”) is listed on Nasdaq Helsinki Ltd. Rovio complies with Finnish legislation, in particular the Limited Liability Companies Act, Accounting Act and Securities Markets Act, as well as Rovio’s Articles of Association and corporate governance principles ratified by the Company’s Board of Directors. Rovio complies fully with the Corporate Governance Code for Finnish Listed Companies 2020. The Corporate Governance Code is available at www.cgfinland.fi/en/corporate-governance-code/.

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

Rovio’s Board of Directors and the Board’s Audit Committee have reviewed this Corporate Governance Statement. Rovio’s auditor, Ernst & Young Oy, has verified that the statement has been issued, and that the description of the main features of the internal control and risk management systems related to the financial reporting process contained herein are consistent with the Financial Statements. Rovio’s Board of Directors has approved this Corporate Governance Statement in its meeting on February 18, 2021.

The Corporate Governance Statement 2020 and Rovio’s Annual Report for 2020 were published on March 3, 2021, and they are available at: investors.rovio.com/en/financials-reports/reports-and-presentations.

Corporate governance

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

General meeting of shareholders

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

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

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

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

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

General meetings of shareholders in 2020

Rovio’s Annual General Meeting was held on March 31, 2020 at Palace in Helsinki. No other general meetings of shareholders were held in 2020.

Board of Directors

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

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

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

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

The Board of Directors approves Rovio Group's ethical values, evaluates and monitors issues pertaining to significant risks and risk management activities and risk management policies.

In addition, the Board of Directors shall appoint the Chief Executive Officer and his/her possible deputy and approves the appointment of the 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 approves the overall remuneration principles and overall framework within the Rovio Group, including the short and long term incentive plans and review and adopt the remuneration report and remuneration policy.

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

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

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

Board of Directors meetings in 2020

Until the Annual General Meeting held on March 31, 2020, the Board of Directors comprised of the following seven (7) members: Chairman Mika Ihamuotila, Vice Chairman Kaj Hed, Camilla Hed-Wilson, Kim Ignatius, Fredrik Löving, Jenny Wolfram and Jeferson Valadares.

The Annual General Meeting on March 31, 2020 resolved that the Board of Directors comprises seven (7) members and re-elected Kaj Hed, Camilla Hed-Wilson, Kim Ignatius, Fredrik Löving and Jeferson Valadares as members of the Board and Björn Jefferey and Leemon Wu were elected as new members for the term ending at the closure of the Annual General Meeting in 2021. Kim Ignatius was elected as Chairman and Kaj Hed as Vice Chairman for the same term of office. Fredrik Löving resigned from the Rovio Board as of May 1, 2020, after which the Rovio Board continued with the six remaining members.

Among the members of the Board of Directors, Kim Ignatius, Björn Jeffery, Fredrik Löving, Jeferson Valadares are independent of Rovio and its significant shareholders. Based on overall evaluation Leemon Wu is considered not to be independent from the company's significant shareholders. Kaj Hed and Camilla Hed-Wilson are dependant of Rovio's significant shareholders.

The Board of Directors met or held a teleconference 19 times in 2020. The average attendance of members at Board meetings was 99%. The main focus of the Board of Directors in 2020 was the monitoring and supervision of the Company's financial reporting, carrying out the governance duties pertaining to listed companies, Games and Brand Licensing business strategies, strategy and the funding for Hatch Entertainment Oy, strengthening the games portfolio and development of new games and following the major changes within the industry, the evaluation and preparation and the balancing of risks and financing of potential M&A activities, monitoring and assessing the performance of the management of the company and making the related decisions, reviewing the remuneration models for personnel

and management and the balancing of risk and financing of the Rovio Group. Special attention was given to monitoring the impact of Covid-19 on the business. The Board carries out a self-evaluation of its performance.

The fees paid to the Board of Directors in 2020 totalled EUR 471,600.00.

Attendance in 2020	Meetings of the Board of Directors
Kaj Hed	19/19
Camilla Hed-Wilson	18/19
Kim Ignatius	19/19
Mika Ihamuotila (member until March 31, 2020)	4/4
Björn Jeffery (member as of March 31, 2020)	15/15
Fredrik Löving (member until April 30, 2020)	7/7
Jeferson Valadares	19/19
Jenny Wolfram (member until March 31, 2020)	4/4
Leemon Wu (member as of March 31, 2020)	15/15

Performance evaluation of the Board of Directors

The Board of Directors conducted a self-assessment of its work and working methods in 2020. The key objective of the assessment is to evaluate the operations of the Board during the year and to function as basis for the development of the work of the Board and the diversity. The Board discussed the self-assessment results both within the Board and together with the management.

Principles concerning the diversity of the Board of Directors

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

The Annual General Meeting held on March 31, 2020 confirmed the number of Board members as seven and re-elected five of the members who served on the Board in the preceding year and elected two new members. After the resignation of Fredrik Löving, 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 and technology. All of the members have professional experience in various types of positions and from various industries and are from

various countries: Finland, Brazil and Sweden. The members represent different ages between 37 and 65 years, and the duration of their service on the Rovio Board of Directors is 1-15 years.

Board committees

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

Audit Committee

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

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

The Audit Committee consists of the Chairman and at least two members. The Committee meets regularly at least four times per year. The term of office of the members is one year. The majority of the Committee members shall be independent of the company and at least one member shall be independent of significant shareholders. The members of the Committee must have sufficient expertise and experience with respect to the Committee's area of responsibility and the mandatory tasks relating to auditing. Due to the mandatory auditing duties, at least one member of the Committee must have expertise specifically in accounting, book-keeping or auditing. A person participating in the day-to-day management of the Company cannot be appointed as a member of the Committee.

In its organizational meeting held on March 31, 2020, Rovio's Board of Directors appointed Kim Ignatius as the Chairman of the Audit Committee, with Camilla Hed-Wilson and Leemon Wu as members.

In 2020, 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, approving plans related to internal auditing and internal control and handling reports related to these functions, reviewing the finance function and treasury updates, evaluating the risk management process and reviewing the risk analysis, reviewing Rovio's corporate governance statement, supervising the effectiveness and development of Compliance processes including discussing legal updates, monitoring the changes to IFRS standards, reviewing the dividends, share buy-back programs, and the outlook and target setting for the company 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 2020 is shown below:

Attendance in 2020	Meetings of the Audit Committee
Kim Ignatius	5/5
Camilla Hed-Wilson (as of March 31, 2020)	4/4
Leemon Wu (as of March 31, 2020)	4/4
Mika Ihamuotila (until March 31, 2020)	1/1
Jenny Wolfram (until March 31, 2020)	1/1

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

Remuneration Committee

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

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

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

In its organizational meeting held on March 31, 2020, Rovio's Board of Directors appointed Camilla Hed-Wilson as the Chairman of the Remuneration Committee, with Kim Ignatius and Fredrik Löving as members. Fredrik Löving resigned from the Board as of May 1, 2020 after which the Rovio Board elected Jeferson Valadares to replace Fredrik Löving as a member of the Remuneration Committee.

In 2020, the Remuneration Committee met seven times to discuss the following matters: evaluating the Leadership Team's compensation models and levels, evaluating short-term and long-term incentive programs and preparing a proposal for the Board, discussing the talent management process, reviewing the succession plans and activities concerning key individuals, reviewing and evaluating the results of personnel surveys and monitoring recruitment processes. The Remuneration Committee prepared for the search process and supported in the appointment of the new CEO. In 2020 the Remuneration Committee also specifically focused on the impact of the

COVID-19 pandemic on Rovio as well as on the working from home mode, and the wellbeing of employees, COVID-19 guidelines and preventive measures. The Remuneration Committee carries out a self-evaluation of its performance.

The meeting attendance of the members of the Remuneration Committee in 2020 is shown below:

Attendance in 2020	Meetings of the Remuneration Committee
Kim Ignatius	7/7
Camilla Hed-Wilson	7/7
Jeferson Valadares (as of May 1, 2020)	4/4
Fredrik Löving (March 31-April 30, 2020)	1/1
Mika Ihamuotila (member until March 31, 2020)	2/2
Jenny Wolfram (member until March 31, 2020)	2/2

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

Chief Executive Officer (CEO) and the Leadership Team

CEO

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

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

On November 30, 2015, Rovio's Board of Directors appointed Ms. Kati Levoranta as the CEO of Rovio. She served as Rovio's CEO from January 1, 2016 to December 31, 2020. On December 21, 2020, Rovio's Board of Directors appointed Mr. Alexandre Pelletier-Normand as Rovio's new CEO as of January 1, 2021.

Leadership Team

In 2020 the Leadership Team consisted of Kati Levoranta, René Lindell, Alexandre Pelletier-Normand, Ville Heijari, Minna Raitanen, Heini Kaihu ja Jakob Longer. 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 2020, the Leadership Team focused on implementing the game portfolio strategy, while clarifying the company's future gaming strategy. With regard to acquisitions, expertise was strengthened and one acquisition was also completed. The Brand Licensing business was further streamlined by concentrating the licensing of consumer products and activity parks under a single global agent. In addition, work was done to further develop the managerial skills and management principles and practices of the personnel. In 2020 specific focus was on the impact of the COVID-19 pandemic on Rovio as well as on the working from home mode, and the wellbeing of employees, COVID-19 guidelines and preventive measures.

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

Risk management

Purpose

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

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

Rovio's enterprise risk management

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

Risk definition and risk categories

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

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

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

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

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

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

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

Risk management in 2020

In 2020 risk management, special focus was on risk identification and mitigation in topics such as privacy matters, the Angry Birds Brand, user acquisition and game portfolio related risks. Also operational risks related to Covid-19 were under constant monitoring during the year.

Internal control

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

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

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

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

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

Internal audit

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

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

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

The Audit Committee reviews and approves the Internal Audit plans, which are executed either by Rovio internally or outsourced to reliable partners, especially in areas that require fully independent and/or specialized knowledge and capabilities.

Internal audit in 2020

The previously prepared internal audit plan was followed in 2020 and it was supplemented during the year. In accordance with the plan, various audit areas were presented to the Board of Directors, which selected corporate governance processes, documentation and operating methods as the focus area for 2020. Rovio's internal audit partner KPMG carried out the process assessment and validation. Based on the internal audit performed by KPMG, no material areas requiring immediate action were identified.

Auditing

Rovio Entertainment Corporation has one external auditor.

The Annual General Meeting of March 30, 2020, elected the audit firm Ernst & Young Oy, a firm of Authorized Public Accountants, as Rovio's auditor. APA Terhi Mäkinen elected as the auditor with principal responsibility. Ernst & Young Oy has been Rovio's auditor since 2013.

In 2020, Rovio paid a fee of EUR 373 153,26 for auditing services. Additionally, Rovio paid the auditor EUR 7 250,95 for other non-audit related services.

Insider management

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

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

The managerial persons may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to Rovio's shares or other financial instruments during a closed period of thirty (30) calendar days before the announcement of an interim financial report, half-year report or a year-end report, including the day of publication of said report. Rovio has further expanded the trading restrictions during the closed period to cover such emplo-

ees and other persons, who are not managerial persons but may have access to information on the interim financial report(s) or the year-end report or otherwise have regular access to essential financial information of Rovio due to their position or duties at Rovio (so-called "closed period employees").

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

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

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

Related party transactions

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

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

Rovio has defined the parties that are related to the company and maintains a list of individuals and legal persons who are considered as related parties and is monitoring the list regularly. Related party transactions that are material to sharehol-

ders and that deviate from normal business operations or are not made according to ordinary business terms and conditions, shall be published in accordance with the Securities Market Act and the Nasdaq Helsinki rules of the Exchange.

Disclosure policy

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

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

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

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

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

Remuneration report

1. Introduction Letter from the Chair of the Remuneration Committee



Camilla Hed-Wilson
Chair of the
Remuneration Committee

Dear Shareholders,

A resilient and healthy working environment at Rovio is the foundation for success and sustainable performance also in the future, even more than before. The ability to foster creativity and boost innovation are prerequisites for long-term success.

Despite the unprecedented year due to the global pandemic behind us, the Remuneration Policy, as well as Rovio's remuneration practices, have stood the test of time. The company's remuneration framework must allow Rovio to be able to attract and retain talent to ensure the company achieves its goals.

Rovio's CEO Kati Levoranta left the company at the end of the year 2020. Following a comprehensive CEO search process and interviews with many top industry veterans, Alexandre Pelletier-Normand was appointed to the role as of January 1, 2021. Alexandre Pelletier-Normand's strong track record during and before his Rovio years proved to be a great match with Rovio's strategic focus and needs. This is an example of the company's succession pipeline and ability to secure talent to leadership positions in-house.

The role of the CEO and leadership team is to pave the way and enable the teams to create and release record-breaking games. In order to be successful, Rovio needs to employ top talent with specific expertise areas and a high level of professionalism. As every Rovian contributes to the company's performance, success is shared with everyone.

The successful release of new games backed with a strong and diversified live-games portfolio will build future growth, which will continue to be our primary focus going forward.

The Rovio Remuneration Report 2020 has been aligned with the Rovio Remuneration Policy to describe the events in 2020. The Remuneration Report and Remuneration Policy have been prepared and issued in accordance with the Finnish Corporate Governance Code 2020 and the EU's Second Shareholder Rights Directive 'SHRD II'. The Remuneration Policy was presented to the Annual General Meeting held on March 31, 2020.

1.1. Recap of Company performance in 2020

Rovio was quick to adapt its way of working to meet the requirements of the global ‘new normal’. Operational efficiency was maintained while executing the strategy: launching a new game, acquiring a new game studio, as well as setting up a new game studio. On the other hand, players got more engaged with games, especially during the second quarter which had a clear peak in downloads, playing times and revenues. The live games portfolio revenue was stable and profitability was at a record high level. Exploring new ways to play and engage with players around the world is a high priority in our strategy. During 2020, Angry Birds brand visibility increased through different platforms. This in conjunction with the agreement with IGM Licensing for the global representation of Angry Birds brand licensing in consumer products and location-based entertainment provide a strong foundation and potential for growth supported by the well-established brand.

High profitability contributed to 2020 short-term incentives while the incentives based on revenue growth target was not achieved. For the year 2021, growth is of utmost importance, and this is also reflected in the targets set for the year.



1.2. Remuneration Policy at a glance

The aim of the Remuneration Policy is to ensure the alignment of pay and performance in Rovio. To achieve this, Rovio has built a remuneration framework that creates an incentive to drive the Company’s success and shareholder value creation in the long term. Framework will also support the Company’s growth strategy focusing on games business while leveraging the Angry Birds brand and new IP through games and other entertainment. The Remuneration Policy is set to be consistent with the remuneration framework applied to all Rovio employees.

The General Meeting resolves on the remuneration of the Board. The proposal for the General Meeting is prepared by the Remuneration Committee. The Board decides on the remuneration of the CEO. The Remuneration Committee organizes practicalities related with the CEO’s remuneration and prepares proposals for the Board’s decision-making. The Remuneration Committee regularly evaluates the appropriateness of the CEO’s remuneration in order to ensure it is aligned with the Company’s strategy and shareholder interests.

The basis for determination of the Board’s remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board in order to fulfill their duties.

Remuneration of the CEO is based on the following guiding principles:

- Total remuneration opportunity will be sufficiently competitive in relation to typical market level in relevant peer companies
- Variable remuneration forms a significant part of the total remuneration opportunity in order to align remuneration with achieved performance and shareholder value creation
- The majority of variable remuneration is long-term and share-based, emphasizing long-term performance and link to shareholder value development
- Requirements for share ownership and clawback provisions are set for the CEO in order to promote continuously cumulating share ownership in Rovio and optimal risk taking.

1.3. Application of the Remuneration Policy in 2020

During the year 2020, The Board of Directors has evaluated that the total remuneration opportunity is sufficiently competitive in relation to typical market level in peer group companies by conducting a benchmark study to analyze CEO and executive management compensation against peer companies.

During the change of the CEO contractual obligations have been followed as per Policy and binding contract between the parties. The remuneration of the newly appointed CEO follows the Remuneration Policy.

To strengthen the connection with the shareholder value creation in the long term, two new share-based incentive programs were launched in 2020: a performance share plan for key employees including CEO and members of the Leadership Team as well as an Employee share saving plan introduced to all employees in Finland and Sweden with voluntary participation.

The remuneration related decisions taken during the year 2020 followed the initiation and approval process described in the Remuneration Policy. The Board has not deemed it necessary to utilize clawback nor make deviations to the Remuneration Policy during the year 2020.

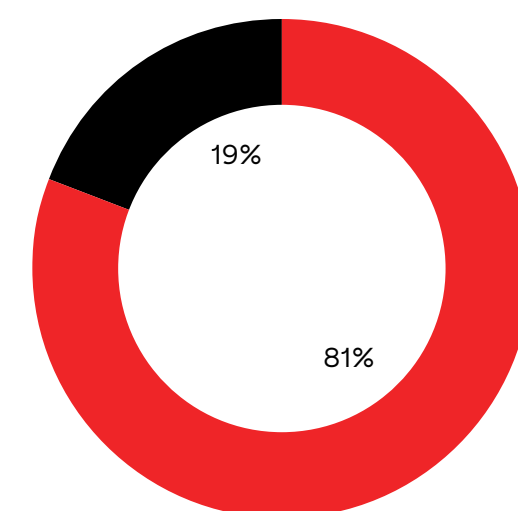


2. Remuneration of the CEO in 2020

Remuneration of the CEO consists of a fixed monthly salary, fringe benefits, and both short- and long-term incentive programs. To secure alignment with the expected performance and shareholder value creation, at the target level of performance, the fixed base salary is expected to form less than 50%, short term incentives 10-20%, and long-term incentives 30-50% of the total remuneration.

In 2020, the CEO of Rovio was paid a total remuneration of EUR 469,109. Of the remuneration mix based on year 2020 the actual payout was 81% fixed and 19% variable (Graph 1). The fixed proportion is formed by the fixed monthly salary including fringe benefits, while the variable proportion is formed by the vesting of restricted shares granted. The performance criteria set for 2019 short-term incentive plan were not met and as a result, no bonus was paid in 2020.

Remuneration of the CEO in 2020



2020

● Fixed 81%
● Variable 19%

Graph 1

In 2020, the CEO of Rovio was paid EUR 378,240 as fixed salary including taxable fringe benefits. The CEO does not have a supplementary pension plan in place. As per contractual obligations, Kati Levoranta will receive fixed salary and fringe benefits worth 6 months notice period in addition to 12 months severance pay. The final payment of these items will take place in April 2021.

The CEO is eligible for a short-term incentive plan in which the payout is determined by the Group's weighted revenue and adjusted EBIT margin. The targets set for 2020 were met at the level of 30%. The payout of EUR 108,000 will be paid in March 2021. For each performance period, the short-term incentive opportunity is capped at 100% of the base salary annually.

Rovio established an employee share savings plan (ESSP) in January 2020. As a reward for the commitment, Rovio grants the participating employees one free matching share (gross) for every two savings shares acquired with their savings, including the proportion to be paid in cash to cover applicable taxes and tax-related costs. The first plan period commenced on April 1, 2020 and ends on August 31, 2022. The CEO has participated in the employee share saving plan, and with the saved amount 620 shares have been purchased. Assuming that the CEO maintains the purchased shares until the end of holding period, 310 matching shares (gross value) will be granted once the programme has come to an end in August 2022.

The CEO and the members of the Leadership Team and selected key employees are entitled to the Performance Share Plan (PSP). The PSP offers the participants a possibility to earn shares for reaching the required levels set for the performance criteria. The performance criteria for the plan are Rovio's Adjusted Operating Profit (EBIT, %, Hatch Entertainment Ltd. excluded) and Relative Games Revenue Growth (%). The PSP consists of three annually commencing performance periods, covering the consecutive calendar years of 2020, 2021 and 2022. Each performance period is directly followed by a one-year waiting period. Under the first performance period of the PSP, the performance criteria were met as 50% of the maximum. The

CEO is awarded with 45,000 performance shares including proportion equivalent to cover taxes and tax-related costs. The performance period continues with a one-year waiting period.

The CEO and the members of the Leadership Team and selected key employees are also eligible for a Restricted Share Plan (RSP), in which predetermined number of shares is paid after restriction period. For the RSP 2018-2020 the restriction period came to an end in 2020, and the CEO received full ownership of 7,969 shares. The transfer price was EUR 5.6109 totalling EUR 44,713 as well as EUR 46,155 paid to cover taxes and tax-related costs. Kati Levonranta retains rights to 15,000 restricted shares (gross value) under the Restricted share plan 2019-2021. The restriction period for this lot of restricted share units comes to an end in June 2021.

During the years 2017-2019, Rovio had a stock option plan for all employees, including the CEO and the Leadership Team. Kati Levoranta did not exercise any options during the year 2020. As of December 31, 2020, she holds 90,000 options under the programme 2018A. In accordance with the terms and conditions of the option scheme, the share subscription period for series 2018A option rights began on June 1, 2020, and the subscription period will continue until May 31, 2021. Cur-

rently, the share subscription price under the 2018A series option rights is EUR 5.08 per share and the subscription period will continue until May 31, 2021. Kati Levoranta retains rights to 90,000 options under the programme 2019A. The subscription price for the 2019 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during May 2 -31, 2019. Currently the subscription price is EUR 7.04 per share. For the 2019A programme the vesting period will continue until May 31 2021, which will be followed by a one-year subscription period. An overview of the Company share plans can be found in the Annual Report

The aim is that over time, the CEO's shareholding in Rovio accumulates to a value corresponding to the value of 50 % of the CEO's annual gross fixed salary. The Board may set transfer restrictions to shares paid as reward, or shares subscribed with stock options as it sees appropriate. Kati Levoranta has accumulated shares worth more than 50% of the annual gross fixed base salary based on valuation from December 31, 2020.

Table 1 below illustrates Rovio remuneration components, actual remuneration paid in 2020 and accrued remuneration for CEO Kati Levoranta.

Component	Actual paid in 2020	Accrued Remuneration
Fixed Salary + Fringe Benefits	EUR 378,240	Fixed salary and fringe benefits worth 6 months notice period in addition to 12 months severance pay.
Short-Term Incentives	EUR 0 Based on performance period 2019 with potential payout in March 2020	EUR 108,000 Based on performance period 2020 with payout in March 2021
Long-Term Incentives	EUR 90,869 Based on restricted shares vested in 2020	<p>Ongoing schemes:</p> <p>Employee share saving plan: 620 shares purchased with the saved amount which entitle to 310 matching shares (gross value).</p> <p>Performance share plan: 45,000 performance shares including cash proportion equivalent to cover taxes and tax-related costs.</p> <p>Restricted share plan: 15,000 shares outstanding (gross value)</p> <p>Stock option plan: 2018A (vested): 90,000 options 2019A plan (unvested): 90,000 options</p>

Table 1 Remuneration of the CEO

3. Remuneration of the Board of Directors in 2020

The Annual General Meeting on March 31, 2020, 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
- Vice chairman of the Board of Directors: EUR 7,500 per month
- Member of the Board of Directors: EUR 5,000 per month
- Additional monthly compensation to the Chairman of the Audit Committee: EUR 2,500 per month. When the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, no additional compensation shall be paid. As this has been the case during 2020, no additional remuneration has been paid.

The Company compensates Board members' reasonable travel expenses arising from Board or committee work. 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 471,500** EUR in 2020 (519,000 EUR in 2019) as shown in the Table 2.

Board Member	Member of Board since	Board fees (EUR)	Shareholding*
Kim Ignatius (Chairman of the Board of Directors and chairman of the audit committee)	Chairman since April 2020, Member since 2017	108,000	9,000
Kaj Hed (Vice Chairman)	Vice Chairman since May 2017, Chairman in 2005-2006 and 2008-2017	90,000	12,919,000 shares owned through Moor Holding AB, a company under his control and 11 shares owned through Oivor AB.
Camilla Hed-Wilson (Chairman of the Remuneration Committee)	Since 2011	60,000	6,459,500 shares owned through Brilliant Problems Oy, a company under her control and 6 shares owned through Oivor AB.
Björn Jeffery	Since 2020	45,000	-
Jeferson Valadares	Since 2019	60,000	-
Leemon Wu	Since 2020	45,000	-

Table 2 Remuneration of the Board

*December 31, 2020

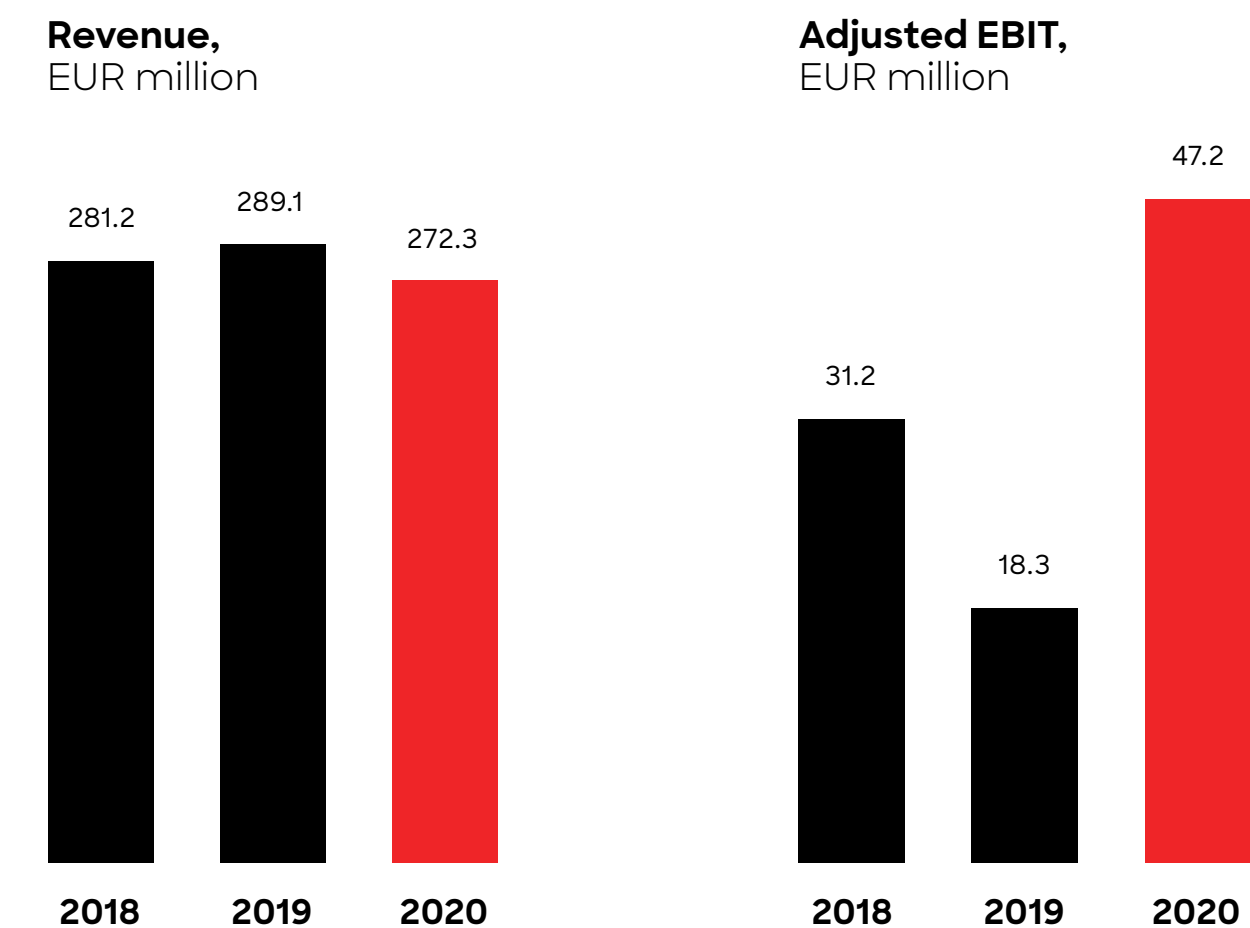
** Mika Ihamuotila acted as a Chairman and member of Board until March 31, 2020 (paid Board fees EUR 28,500), Jenny Wolfram acted as a Member of Board until March 31, 2020 (paid Board fees EUR 15,000), Fredrik Löving acted as a Member of Board until April 30, 2020 (paid Board fees EUR 20,000).

4. Historical development of remuneration and Company performance

As Rovio is a mobile-first gaming company aiming for long-term growth, its financial performance is best described by revenue and EBIT. Rovio was listed in the Helsinki stock exchange in September 2017, the historical development performance and rewards is shown from the full financial year 2018 onwards. The three-year development of financial figures are illustrated in Graph 2.

Remuneration development over a three-year period for the Board of Directors, CEO, and Rovio employees is shown in Table 3. For the Board of Directors, the figure is illustrated as an average of actual Board fees paid during the year. The remuneration for the CEO consists of actual compensation during the respective year, covering fixed base salary, fringe benefits, and paid short- and long-term incentives. Rovio employee remuneration is calculated as wages and salaries during the year divided by the average number of employees during the financial year.

In alignment with the pay for performance philosophy and the Remuneration Policy, the variable remuneration forms a significant part of the total remuneration opportunity for the CEO in order to align remuneration with achieved performance and shareholder value creation. In addition, for the CEO, the majority of variable remuneration is long-term and share-based, emphasizing long-term performance and a link to shareholder value development. Although the remuneration framework is applied to all employees globally, the employee remuneration is not weighted on the variable remuneration to the same extent as with the CEO. However, the incentive target setting is aligned across the Company.



Graph 2

Average remuneration (in EUR)	2018	2019	2020
Board of Directors*	82,333	71,340	69,000
CEO*	568,442	636,632	469,109
Rovio employee**	80,224	67,964	79,926

Table 3

*Actual paid during the year

**Wages and salaries during the year (excluding CEO) divided by the average number of employees during the financial year

The figures for different groups illustrated in the table are not fully comparable, as remuneration for the Board of Directors and the CEO is based on cash paid during the year, whereas the average Rovio employee remuneration level is based on accruals.

Financial statements

Fun fact:

Angry Birds Dream Blast is actually the first Rovio game to represent our main bird trio as younglings and without confrontation with the Piggies.

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Report of the Board of Directors

Dividend proposal

The parent company's distributable funds amount to EUR 185,326,802.90, of which the profit for the period is EUR 52,855,821.49. The Board of Directors proposes to the Annual General Meeting to be held on March 30, 2021 that a dividend of EUR 0.12 per share be paid (EUR 0.09 for 2019). Based on the number of shares outstanding as of the balance sheet date, December 31, 2020, the total amount of the dividend is EUR 8,817,510.60.

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 2021

The mobile gaming market continues to grow with casual gaming being a major growth driver. The ongoing changes in consumer behavior and underlying market trends are accelerated by the COVID pandemic and plays an important role in both current games operation and new game development. This, combined with industry changes like Apple's privacy policy fuels the near-term uncertainty in the market environment.

We will focus on improving the performance of our key live games and on launching new innovative products. We continue to show diligence in our UA spend. Depending on market conditions, the performance of our investments, and the launch of new games, we aim to increase our UA investments to build growth for the coming years. This may have implications on short-term profitability.

We will continue investing in our Future of Gaming initiatives, taking advantage of the trends we see in consumer behavior and building our positioning in the rapidly evolving market.

In addition, we seek growth through synergistic acquisitions that can deliver long-term value growth.

Rovio in brief

Rovio Entertainment Corporation is a global, mobile-first games company that creates, develops and publishes mobile games, which have been downloaded over 4.5 billion times so far. Rovio is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment and consumer products in brand licensing.

Today, Rovio offers multiple mobile games, animations and produced The Angry Birds Movie in 2016. Its sequel, The Angry Birds Movie 2, was released in 2019.

Rovio is headquartered in Finland and the company's shares are listed on the main list of NASDAQ Helsinki stock exchange with the trading code ROVIO.

(www.rovio.com)

Market review

According to market intelligence provider Newzoo's latest global games market report published in January 2021, the global mobile gaming market size in end-user generated revenue was estimated to be USD 86.3 billion in 2020 which represented 25.6% year-on-year growth driven by a heightened global gaming activity as a result of Covid-19 physical limitations. Newzoo estimates the global mobile gaming market to grow 10.9% in 2021.

In 2020-2023, the global mobile gaming market is expected to grow at 9.8% CAGR and the Western market at 7.8% CAGR.

Key financial performance indicators

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

€ 000	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Revenue	272,293	289,084	281,171	264,018	274,094	259,175
EBITDA	60,031	32,347	47,841	71,870	27,198	35,715
EBITDA margin, %	22.0%	11.2%	17.0%	27.2%	9.9%	13.8%
Operating profit	42,542	18,069	31,507	62,848	23,452	31,147
Operating profit margin, %	15.6%	6.3%	11.2%	23.8%	8.6%	12.0%
Profit for the period	32,124	13,216	24,573	52,856	20,694	26,105
Return on equity, %	24.4%	10.8%	21.5%	34.6%	15.4%	21.7%
Equity ratio, %	82.3%	80.5%	83.7%	88.6%	87.4%	86.1%

Group revenue and results 2020

Rovio's revenue declined by 5.8% compared to the previous year and amounted to EUR 272.3 million (289.1). The decline year-on-year was attributed to both Brand Licensing- and Games segments with most of the decline due to the expected declining revenue profile from the Angry Birds movies.

The Games segment revenue declined 2.5% to EUR 258.2 million (264.8). In comparable currencies, the year-on-year revenue of Games segment declined by approximately 1%. The Games segment gross bookings were EUR 259.2 million (263.2) and declined 1.5% year-on-year. In comparable currencies, the games gross bookings were stable year-on-year.

The revenue of the Brand Licensing segment was EUR 14.0 million (24.3) and declined close to our expectations at 42.5% year-on-year. The revenue consisted of EUR 9.1 million (16.2) from Content Licensing, the majority of which was income from the first Angry Birds Movie, and EUR 4.9 million (8.1) from Consumer Products. The decline in Consumer Products was due to the ending of promotions and campaigns related to the second Angry Birds movie released in 2019.

The Group's adjusted EBITDA increased to EUR 60.1 million (32.6), or 22.1% (11.3%) of revenues.

The Group's adjusted operating profit increased to EUR 47.2 million (18.3) and adjusted operating profit margin increased to 17.3% (6.3%). Excluding Hatch Entertainment, the Group's adjusted profit increased to EUR 54.6 million (29.2) and adjusted operating profit margin 20.1% (10.1%). The adjustments during the reporting period amounted to in total of EUR 4.7 million and were related to restructuring of Brand Licensing and Hatch Entertainment, the acquisition of Darkfire Games studio (in total EUR 0.1 million) and the cancelling of the Angry Birds Legends-game project with EUR 4.6 million asset write-off. The adjustments in January-December 2019 amounted to EUR 0.3 million and were related to the restructuring of Brand Licensing unit.

The Games segment's adjusted EBITDA was EUR 65.8 million (35.6) or 25.5% (13.4%) of revenues. The user acquisition investments in the reporting period were EUR 58.7 million (99.7) or 22.7% of games revenues (37.7%).

The Brand Licensing segment's adjusted EBITDA was EUR 8.9 million (14.0) and adjusted EBITDA margin was 64.1% (57.8%). The decrease in EBITDA from last year was due to lower revenues.

The Group's profit for year 2020 was EUR 32,1 million (13,2) and earnings per share EUR 0.43 (0.17).

Games - Segment

The Games segment's revenue declined by 2.5% in 2020 and amounted to EUR 258.2 million (264.8). In comparable currencies, the revenue declined by approximately 1%. During the year, the Games-segment focused on developing its live game portfolio according to the Games as a Service strategy, profitable user acquisition and developing new games.

In 2020, Rovio released one new game with a new IP, Small Town Murders in June. The user acquisition for the game was gradually scaled up during the year and the game achieved a EUR 15 million annualized run-rate level at the end of the year.

The gross bookings of Rovio's largest game Angry Birds 2 decline 1.8% year-on-year, due to much lower level of user acquisition. Rovio's second largest game Angry Birds Dream Blast grew 9.7% and Rovio's third largest game Angry Birds grew 8.8%. At the end of the year Angry Birds Friends reached its best annualized revenue run-rate since 2018.

During 2020, Games segment's user acquisition investments amounted to EUR 58.7 (99.7) million, or 22.7% (37.7) of Games segment's revenue. The user acquisition investments were lower year-on-year and during the year we followed our 12-month payback target. The user acquisition investments for the full year 2020 were divided between the different category of games as follows: 67.7% into the "Grow" games (Angry Birds Dream Blast Sugar Blast and Small Town Murders) and 32.2% into the "Earn" games (Angry Birds 2, Angry Birds Match, Angry Birds Friends and Angry Birds Pop), of which majority into Angry Birds 2.

The Games segment's adjusted EBITDA increased by 84.7% to EUR 65.8 million (35.6) in the reporting period and adjusted EBITDA margin was 25.5% (13.4). The increase in EBITDA was driven by stable revenues of key games combined with a lower level of user acquisition year-on-year.

In 2020, Rovio bought Dark Fire Games -studio in Copenhagen that focuses on RPG genre and had one game in soft launch Dark Fire Heroes during the year.

The Games segment's capital expenditure in 2020 amounted to EUR 2.4 million (1.1).

Brand Licensing Segment

The revenue of the Brand Licensing segment in 2020 was EUR 14.0 million (24.3) and declined 42.5% year-on-year which was a bit lower than expected due to higher revenues from first Angry Birds movie in the last quarter. The Brand licensing revenues consisted of EUR 9.1 million (16.2) from Content Licensing, the majority of which was income from the first Angry Birds Movie, and EUR 4.9 million (8.1) from Consumer Products. The revenues of Brand Licensing declined due to lower revenues from the first Angry Birds Movie as well as due to lower consumer products sales.

The Brand Licensing segment's adjusted EBITDA was EUR 8.9 million (14.0) and adjusted EBITDA margin was 64.1% (57.8%). The lower EBITDA in the reporting period was due to lower revenues.

Other segment

Hatch Entertainment Ltd, Rovio's subsidiary, is developing a cloud-based game streaming service for mobile and smart TVs.

In 2019, Rovio announced that alternative financial structures and partnerships would be explored for Hatch. During the first quarter of 2020 Rovio announced its decision to end the financing round that was started in 2019 and that strategic alternatives for Hatch will be further evaluated.

The competition in game streaming intensified during 2019 while 5G networks and devices rollout has been slower than expected. Due to the changes in the operating environment Hatch Entertainment decided to focus its strategy. Going forward, Hatch will focus on Hatch Kids, a subscription and streaming based digital entertainment and edutainment service tailored for children and families, that was in soft launch on Android in six countries and on iOS in Finland during the reporting period. Hatch restructured its operations during the first half of 2020 to align with the updated strategy with annualized cost savings of approximately EUR 6 million. The new cost level actualized from June 2020 onwards. Hatch operating profit impact during 2020 was EUR -7.6 million (-10.9).

Changes in group structure

Rovio group's fully owned subsidiary Rovio Animation Ltd was merged with the parent company during the financial period.

Rovio established a new entity Rovio Interactive Entertainment game studio in Montreal, Canada to explore and develop future of entertainment and games.

Rovio acquired all outstanding shares of Darkfire Games - a mobile games studio in Copenhagen, Denmark focusing on developing mobile role-playing-games. At the time of the of acquisition Darkfire Games had 20 employees. The company was renamed Rovio Copenhagen post acquisition. The purchase price was less than the

acquired net assets and the profit from the bargain purchase, preliminarily amounting to EUR 0.2 million, which was fully recognized as other income during 2020.

Rovio Entertainment Corp. converted its inter-company loans to Hatch Entertainment Ltd., consequently, Rovio Entertainment's ownership of Hatch Entertainment increased from 80% to 90.5%.

Rovio group's fully owned subsidiary Rovio Animation Ltd was merged with the parent company during the financial period.

Scale of research and development activities

Due to the nature of Rovio's business, a significant part of the group's costs and investments are directly or indirectly related to the development of new products, IP's, and business models. Depending on the nature and phase of the development, the relevant costs are either treated as operational expenses or capital expenditure and amortized according to plan. During the financial year, capitalised product development costs amounted to EUR 2.8 million (2019: EUR 1.4 million).

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

As a result of the worldwide coronavirus pandemic Covid-19 the company's business environment has changed, and changes are expected to continue. The pandemic and especially the impact it has on the global economy, may affect Rovio's business and business performance either directly or indirectly.

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

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

The most significant risks are related to the financial performance of Rovio's top games in the market, the continuous development of these games, and ability to develop new successful games. Risks in user acquisition relate to the accuracy of the profit models and the impact on the Group's net profit. New games introduced

by competitors and changes in the competitive landscape may also impact the success of Rovio's games revenues, size of user acquisition investments, and the Group's profit. Changes in governmental regulations in different countries can have both short- and long-term implications for the business.

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

The Company engages in business in several currencies, with the euro and U.S. dollar being the most significant.

Fluctuations in exchange rates, particularly between the euro and the U.S. dollar could have a material impact on the Company's result.

More details on the risks, uncertainties, and Rovio's risk management can be found online at www.rovio.com.

Personnel

During 2020, Rovio's average number of employees was 470 (450). The Games business unit employed 381 people (341), the Brand Licensing business unit 18 people (32), administrative functions 43 people (37) and Hatch Entertainment 28 people (40).

	2020	2019	2018
Average number of employees during the financial year	470	450	388
Wages and salaries paid during the financial year (EUR thousand)	38,142	31,350	32,015

Governance and management

At its meeting on March 31, 2020, Rovio's Board of Directors elected Kim Ignatius 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, Camilla Hed-Wilson and Leemon Wu as members. Board of Directors also elected a Remuneration Committee from among its

members, with Camilla Hed-Wilson as the Chairman and Kim Ignatius and Fredrik Löving as member.

On May 4th, 2020 Rovio announced that Mr. Fredrik Löving, a member of the Rovio Board of Directors since 2019 and a member of the Remuneration Committee, resigned from the Rovio Board as of May 1, 2020. The Board continued with the six remaining members until the next Annual General Meeting. The Board elected Jeferson Valadares to replace Fredrik Löving as a member of the Remuneration Committee.

On October 5, 2020 Rovio announced that Rovio's CEO Kati Levoranta will leave the company at the end of 2020.

On December 21st, Alexandre Normand-Pelletier, Rovio's Head of Games was appointed as Rovio CEO, starting on January 1st, 2021.

Rovio's management has been presented in a separate Remuneration Statement, that is available for download at [INVESTORS.ROVIO.COM/EN](https://investors.rovio.com/en).

Authorised public accountants Ernst & Young Oy was the Company's auditor, with APA Terhi Mäkinen 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 [INVESTORS.ROVIO.COM/EN](https://investors.rovio.com/en).

Environmental issues

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

Financing and investments

Total investments for the review period January–December 2020 amounted to EUR 4.7 million (3.9). Rovio refers to the user acquisition costs of the Games segment as investments, but they are recognised as expenses rather than investments due to their average payback period being less than one year.

Rovio's net debt on December 31, 2020 amounted to negative EUR 128.4 million. Rovio's debt consisted of loans from Business Finland (the Finnish Funding Agency for Innovation) of EUR 1.9 million, as well as EUR 8.6 million in leasing debt.

Related party transactions

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

Oivor AB is an entity, that has significant influence over the Rovio Group. In April 2020, EUR 2.9 million was paid out as dividend between the Rovio Group and Oivor.

Ferly is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Oivor AB until 18.12.2020 and he exercises significant influence on the company. Ferly has invoiced Rovio for its services in the amount of CAD 19 thousand (approximately EUR 13 thousand) during the 2020 financial year.

Events after the review period

Rovio Entertainment Corporation has on January 7, 2021 transferred without consideration a total of 29,527 Company's own shares to Company's management team member based on the Company's share-based incentive scheme.

After the review period Rovio decided to discontinue Hatch Kids service and re-focus Hatch cloud streaming technology to support Rovio's future of gaming initiatives. The annualized cost savings are estimated at EUR 3 million.

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

The Annual General Meeting of Rovio Entertainment Corporation was held on March 31, 2020 in Helsinki, Finland. Strict precautionary measures were taken to ensure safety at the meeting despite the corona virus epidemic while at the same time ensuring the shareholders' possibility to exercise their rights.

The Annual General Meeting adopted all the proposals to the General Meeting by the Board of Directors, approved the financial statements for the financial year 2019, approved the remuneration policy for the company's governing bodies and discharged the company's management from liability.

The Annual General Meeting decided that the Board of Directors shall comprise seven (7) members. Mr. Kaj Hed, Ms. Camilla Hed-Wilson, Mr. Kim Ignatius, Mr. Fredrik Löving, Mr. Jeferson Valadares, Mr. Björn Jeffery and Ms. Leemon Wu were elected members of the Board of Directors for the term of office ending at the closure of the Annual General Meeting in 2021. Mr. Kim Ignatius was elected Chairman of the Board of Directors. Mr. Kaj Hed was elected Vice Chairman of the Board of Directors.

The remuneration of the members of the Board of Directors was kept unchanged and monthly remuneration will be paid as follows: to the Chairman of the Board of Directors EUR 9,500, to the Vice Chairman of the Board of Directors EUR 7,500, to the other members of the Board of Directors EUR 5,000 each, and as additional monthly compensation to the Chairman of the Audit Committee EUR 2,500. If the Chairman of the Audit Committee is the Chairman or Vice Chairman of the Board of Directors, no additional compensation will be paid. The company will compensate reasonable travel expenses of the Board members and committee members arising from Board or committee work.

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

In its organizing meeting, which was held immediately after the General Meeting, the Board of Directors elected from amongst its members Mr. Kim Ignatius, (Chair), Ms. Camilla Hed-Wilson and Ms. Leemon Wu as members of the Audit Committee, and Ms. Camilla Hed-Wilson (Chair), Mr. Kim Ignatius and Mr. Fredrik Löving as members of the Remuneration Committee.

Authorizations

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

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 8,126,811 shares, which corresponds to approximately 10 percent of all the current shares of 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 8,126,811 shares, which corresponds to approximately 10 percent of all the current shares of the company. In addition to the authorization to issue new shares, the Board of Directors may decide on the conveyance of an aggregate maximum of 8,126,811 own shares held by the company.

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2021.

Option plans and share-based incentive programs

Rovio operates a long-term incentive program that consists of an employee share saving plan for employees in Finland and Sweden, a performance share plan for key employees including the CEO and members of the Leadership Team, and a restricted share plan for selected key employees. In addition to these, Rovio has a long-term incentive program consisting of an option plan for all employees, including the CEO and the Leadership Team. The last options under the program were allocated in 2019.

Employee share savings (ESS) program

On January 24, 2020 Rovio Entertainment Corporation announced that the Company establishes an Employee Share Savings (ESS) program. The objective of the ESS Plan is to motivate employees to invest in Rovio shares by offering them additional shares in relation to their investment after a designated holding period. The ESS Plan consists of annually commencing plan periods, each one consisting of a 12-month savings period and a holding period following the savings period. The first launch of ESS plan was offered to approximately 420 Rovio employees in Finland and Sweden (excluding employees in Hatch Entertainment Ltd).

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

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

Performance share plan

On January 24, 2020 Rovio Entertainment Corporation announced that the Company has decided to establish a performance share plan for key employees including CEO and members of the leadership team.

The objective of the Performance Share Plan is to motivate the key employees to work to increase shareholder value in the long term by offering them a share-based reward for achieving the set performance criteria established by the Board of Directors of Rovio. The Performance Share Plan consists of three (3) annually commencing performance periods, covering the consecutive calendar years of 2020, 2021 and 2022. Each performance period is directly followed by a one-year waiting period. Waiting periods cover calendar years 2021, 2022 and 2023. The

Performance Share Plan offers the participants a possibility to earn shares for reaching the required levels set for the performance criteria.

The performance criteria for the first performance period of the plan were Rovio's Adjusted Operating Profit (EBIT, %, Hatch Entertainment Ltd. excluded) and Relative Games Revenue Growth (%). The required performance levels will be decided by the Rovio Board of Directors on an annual basis for each performance period at a time. The potential rewards will be paid partly in shares and partly in cash after the end of each relevant waiting period in spring 2022, 2023 and 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment. The rewards to be paid based on the performance period 2020 correspond to the value of an approximate maximum total of 738,000 Rovio Entertainment Corporation shares (including the proportion to be paid in cash). A total maximum of 565,500 shares, including the proportion to be paid in cash, were allocated under the plan as of December 31, 2020.

Restricted share plan program

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 plan was published on May 17, 2018, and continues according to the same set of terms. 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 and with decision by Board of Directors. 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.

The maximum number of shares that can be distributed through the restricted share plan is 1,300,000. Once the maximum number of shares has been allocated, the Board of Directors can decide on a new maximum number. Currently total 636,500 rights entitling to shares had been allocated under the restricted share plan as of December 31, 2020.

Option plans

The option plan provided for the issuance of up to 5,000,000 options. The option plan included three lots of options that were allocated to 2017, 2018, and 2019. These options have a vesting period of two years. Each option entitles its holder to subscribe for one share. 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.

As of December 31, 2020, the 2018 and 2019 of options plans have an ongoing subscription or vesting period. The subscription price for the 2018 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during May 2–31, 2018, and, for the 2019 options, the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during May 2–31, 2019.

A total of 628,835 options were allocated under the 2018 option program as of December 31, 2020 and a total of 966,250 options were allocated under the 2019 option program as of December 31, 2020.

On May 28 2020 Rovio Entertainment Corporation announced that it will apply for the listing of its series 2018A and 2018B stock options, complying with its 2017–2019 option scheme, on the Nasdaq Helsinki Ltd (First North) as of June 1, 2020. The total number of the 2018A series option rights under the 2017–2019 option scheme is 1,616,667 and the total number of 2018B series option rights is 50,000. Each option right entitles its holder to subscribe to one (1) Rovio Entertainment Corporation new

share or Company's treasury share. Rovio Entertainment Corporation's holds 721,417 series 2018A option rights and 39,500 series 2018B option rights.

Currently, the share subscription price under the 2018A series option rights is EUR 5.08 per share. The share subscription price under the 2018B series option rights is EUR 5.26 per share. In accordance with the terms and conditions of the option scheme, the subscription price has been reduced by the amount of dividends decided before the share subscription, on the record date of each dividend payment. The share subscription price shall, nevertheless, always amount to at least EUR 0.01. The adjustment based on the distribution of assets shall not apply to stock option sub-categories 2018B, as resolved by the Board of Directors.

In accordance with the terms and conditions of the option scheme, the share subscription period for series 2018A and 2018B option rights began on June 1, 2020 and the subscription period will end on May 31, 2021. The option rights 2018A and 2018B are freely transferable. The option holders can subscribe the shares during the subscription period by giving the payment and subscription details to their own bank. New shares subscribed with option rights 2018A and 2018B will be listed as additional lots of Company shares on the main list of Nasdaq Helsinki together with the old shares after the share capital increase has been registered.

Option programs in effect during the financial year

2012C: No options outstanding on December 31, 2020. Subscription price EUR 6.00 per share. Subscription period March 1, 2018–February 28, 2020. Each option right entitles its holder to subscribe for one new share. Up to 45,000 shares can be subscribed for based on the option rights.

2015B: No options outstanding on December 31, 2020. 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, 2020. 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, 2020. 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, 2020. 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: No options outstanding on December 31, 2020. Subscription price EUR 11.23 per share. Subscription period October 1, 2019–September 30, 2020. Each option right entitles its holder to subscribe for one new share.

2017B: No options outstanding on December 31, 2020. 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.

2018A: 628,835 outstanding options on December 31, 2020. Subscription price EUR 5.08 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 628,835 shares can be subscribed for based on the option rights.

2018B: No options outstanding on December 31, 2020. 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.

2019A: 956,250 outstanding options on December 31, 2020. Subscription price EUR 7.04 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 956,250 shares can be subscribed for based on the option rights.

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

Shares

The company has 81,328,590 shares outstanding. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share.

During the year Rovio Entertainment concluded a share repurchase program. The purpose of the share repurchase program is to develop the Company's capital structure and/or to use the shares as consideration in potential acquisitions, as part of the Company's share-based incentive program or otherwise for further transfer, retention or cancellation.

On December 31, 2020 Rovio Entertainment Corporation held 7,849,335 of its own shares.

Performance Measures

€ 000	2020	2019	2018
Revenue	272,293	289,084	281,171
EBITDA	60,031	32,347	47,841
EBITDA margin	22.1%	11.2%	17.0%
Adjusted EBITDA	60,130	32,627	47,509
Adjusted EBITDA margin, %	22.1%	11.3%	16.9%
Operating profit	42,542	18,069	31,507
Operating profit margin, %	15.6%	6.3%	11.2%
Adjusted operating profit	47,203	18,349	31,193
Adjusted operating profit margin, %	17.3%	6.3%	11.1%
Profit before tax	40,725	17,724	32,233
Capital expenditure	3,884	3,072	1,311
User acquisition	58,724	99,701	78,594
Return on equity, %	24.4%	10.8%	21.5%
Net gearing ratio, %	-77.6%	-65.7%	-75.3%
Equity ratio, %	82.3%	80.5%	83.7%
Earnings per share, EUR	0.43	0.17	0.31
Earnings per share, diluted EUR	0.43	0.17	0.31
Net cash flows from operating activities	63,591	10,512	42,601
Employees (average for the period)	470	450	388

Per-share indicators

	2020	2019	2018
Earnings per share, EUR	0.43	0.17	0.31
Earnings per share, diluted EUR	0.43	0.17	0.31
Shareholder's equity per share, EUR	2.03	2.07	2.02
Dividend per share, proposed	0.12	0.09	0.09
Dividend payout ratio, %	28.1%	54.3%	29.0%
Effective dividend yield, %	1.9%	2.0%	2.4%
Price/earnings ratio	14.8	26.7	12.5
Highest price	7.19	7.59	10.04
Lowest price	3.10	3.77	3.75
Share price December 31	6.31	4.42	3.82
Market capitalisation, EUR million	513.2	359.2	303.5
Share turnover during the financial year, thousands	61,247	45,142	44,865
Share turnover during the financial year, %	75.3%	55.5%	56.6%
Shares outstanding at the end of the period (thousands)	73,479	79,612	78,852
Shares outstanding at the end of the period, diluted (thousands)	73,983	79,690	79,381
Weighted average adjusted number of shares during the financial period, basic (thousands)	75,287	79,697	79,282
Weighted average adjusted number of shares during the financial period, diluted (thousands)	75,537	79,886	80,161

Calculation principles of IFRS performance measures

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.

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, significant write-downs and impairments, 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.

Dividend per share, which is total dividend divided by number of shares, adjusted for share issues, at the end of the financial period less own shares.

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

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

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

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

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

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

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

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

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

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

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

Reconciliation of Adjusted EBITDA

€000	2020	2019	2018
Operating profit	42,542	18,069	31,507
Depreciation and amortization	17,489	14,278	16,334
EBITDA	60,031	32,347	47,841
Income from Bargain Purchase	-235	-	-653
Restructuring costs arising from employee benefits expenses	171	279	270
Restructuring costs in Other operating expenses	163	1	51
Adjusted EBITDA	60,130	32,627	47,509

Reconciliation of Adjusted Operating Profit

€000	2020	2019	2018
Operating profit	42,542	18,069	31,507
Income from Bargain Purchase	-235	-	-653
Restructuring costs arising from employee benefits expenses	171	279	270
Restructuring costs in Other operating expenses	163	1	51
Restructuring costs in Depreciation and amortization	4,561	-	19
Adjusted operating profit	47,203	18,349	31,193

Consolidated Financial Statements

Statement of consolidated profit or loss and other comprehensive income

€ 000	Note	2020	2019
Revenue	1.1, 1.2	272,293	289,084
Other operating income	1.3, 4.1	595	605
Materials and services	1.4	-74,577	-77,331
Employee benefits expense	1.5, 1.6	-48,905	-41,675
Depreciation and amortisation	2.1, 2.3	-17,489	-14,278
Other operating expenses	1.7	-89,376	-138,336
Operating profit		42,542	18,069
Finance income and expenses	1.8	-1,817	-345
Profit before tax		40,725	17,724
Income tax expense	5.1, 5.2	-8,601	-4,508
Profit/loss for the period		32,124	13,216
Attributable to:			
Equity holders of the parent company		32,124	13,216

€ 000	Note	2020	2019
Other comprehensive income/expense			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		-35	33
Total comprehensive income for the period, net of tax		32,088	13,249
Equity holders of the parent company		32,088	13,249
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, EUR		0.43	0.17
Earnings per share, diluted EUR		0.43	0.17

Consolidated statement of financial position

€ 000	Note	2020	2019
Assets			
Non-current assets		38,574	44,894
Property, plant and equipment	2.1	1,293	964
Intangible assets	2.3	18,704	28,970
Right-of-Use Assets	2.1	8,356	7,888
Investments	3.3	1,966	793
Non-current receivables	3.3	749	679
Deferred tax assets	5.2	7,506	5,601
Current assets		169,880	172,368
Trade receivables	3.3	21,149	32,460
Prepayments and accrued income	3.3	8,049	10,652
Other current financial assets	3.3	1,807	4,521
Money market funds	3.4	50,465	70,169
Cash and short-term deposits	3.4	88,409	54,567
Total Assets		208,453	217,262
Equity and liabilities			
Equity			
Issued capital	3.12	733	733
Reserves	3.12	42,135	41,828
Translation differences	3.12	-508	-478
Treasury shares	3.12	-37,477	-7,122
Retained earnings	3.12	128,415	119,773
Profit for the period	3.12	32,124	13,216
Equity holders of the parent company		165,422	167,951
Total equity		165,422	167,951

€ 000	Note	2020	2019
Liabilities			
Non-current liabilities		6,975	7,700
Interest-bearing loans and borrowings	3.2	855	2,084
Lease liabilities	3.2	6,082	5,588
Deferred tax liabilities	5.2	38	27
Current liabilities		36,057	41,612
Trade and other payables	3.5	7,439	15,169
Interest-bearing loans and borrowings	3.2	1,082	4,282
Lease liabilities	3.2	2,483	2,428
Other current financial liabilities	3.5	836	677
Advances received	3.6	2,016	3,432
Deferred revenue	3.7	5,457	5,216
Income tax payable	5.1	1,910	32
Provisions	3.8	741	225
Accrued liabilities	3.9	14,092	10,151
Total liabilities		43,032	49,311
Total equity and liabilities		208,453	217,262

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent

€ 000	Note	Issued capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
Equity as at January 1, 2020		733	41,828	-7,122	132,989	-478	167,951	0	167,951
Profit (loss) for the period					32,124		32,124		32,124
Issue of share capital	3.12								
Share issue transaction costs	3.12								
Option subscriptions	3.12		307				307		307
Treasury share acquisition	3.12			-30,705			-30,705		-30,705
Other comprehensive income						-31	-31		-31
Share-based payments	1.6			350	2,353		2,702		2,702
Cash dividends					-6,927		-6,927		-6,927
Other adjustments									
Equity as at December 31, 2020		733	42,135	-37,477	160,539	-508	165,422	0	165,422
Equity as at December 31, 2019		733	36,692	-2,730	125,249	-515	159,430	0	159,430
Profit (loss) for the period					13,216		13,216		13,216
Option subscriptions	3.12								
Share issue transaction costs	3.12								
Option subscriptions	3.12		5,135				5,135		5,135
Treasury shares acquisition	3.12			-5,142			-5,142		-5,142
Other comprehensive income						37	37		37
Share-based payments	1.6			750	1,641		2,391		2,391
Cash dividends					-7,117		-7,117		-7,117
Other adjustments									
Equity as at December 31, 2019		733	41,828	-7,122	132,989	-478	167,951	0	167,951

Consolidated statement of cash flows

€ 000	Note	2020	2019
Operating activities			
Profit before tax		40,725	17,724
Adjustments:			
Depreciation and amortisation	2.1, 2.3	17,489	14,278
Net foreign exchange differences		1,253	-474
Gain on disposal of property, plant and equipment	1.3	-3	-14
Finance costs	1.8	587	818
Other non-cash items		2,305	2,108
		62,355	34,442
Change in working capital:			
Change in trade and other receivables and prepayments		11,787	-9,765
Change in trade and other payables		-4,199	-3,403
		69,942	21,274
Interest received		252	503
Interest paid and other finance costs		-827	-1,129
Income tax paid		-5,776	-10,137
Net cash flows from operating activities		63,591	10,512
Investing activities			
Proceeds from sales of tangible and intangible assets	1.3	3	14
Purchase of tangible and intangible assets	2.1, 2.3	-3,884	-3,072
Other investments	3.3	-1,174	-793
Acquisition of subsidiaries, net of cash acquired	4.1	363	0
Net cash flows used in investing activities		-4,692	-3,851

€ 000	Note	2020	2019
Financing activities			
Repayments of financial lease liabilities*	3.1	-2,700	-2,676
Share subscriptions based on option rights	3.12	307	5,135
Proceeds from and repayments of borrowings	3.1, 3.2	-4,032	3,000
Acquisition of treasury shares	3.12	-30,705	-5,142
Share-based payments	1.6, 3.12	350	750
Dividends paid to equity holders of the parent		-6,927	-7,117
Net cash flows from/(used in) financing activities		-43,706	-6,050
Change in cash and cash equivalents		15,194	611
Net foreign exchange difference and value changes in money market funds		-1,056	522
Cash and cash equivalents at beginning of period January 1		124,736	123,603
Cash and cash equivalents at end of period December 31		138,874	124,736
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents in statement of financial position at the end of period		88,409	54,567
Money market funds at end of period		50,465	70,169
Cash and cash equivalents at end of period December 31	3.4	138,874	124,736

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 4,5 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 August 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 18, 2021. 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, 2020 as adopted by the EU. International Financial Reporting Standards refer to standards and interpretations that have been adopted by the EU under the procedure provided in Regulation (EC) No. 1606/2002 of the European Parliament and Council and are in accordance with the Finnish Accounting Act and the Limited Liability Companies Act that complement the IFRS requirements.

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

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

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

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

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters

available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Such changes include for instance revenue, deferred tax assets, movie depreciation and capitalisation of development expenses.

Effects of standards adopted during 2020

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

Amendments to IFRS 3: Definition of a Business.

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

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

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

Items in foreign currency

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

Transactions and balances

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

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

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

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

Group companies

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

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

Current versus non-current classification

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

An asset is current when it is:

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

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

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

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

Other significant accounting principles

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

Standards and interpretations to be applied in future financial periods

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -standards.

Amendments applicable from 2022 and 2023 are not expected to have a significant impact on Rovio.

Comparability of the consolidated financial statements

Rovio acquired all outstanding shares of Darkfire Games – a mobile games studio in Copenhagen, Denmark. The company was renamed Rovio Copenhagen post acquisition. Rovio established a new entity Rovio Interactive Entertainment game studio in Montreal, Canada to explore and develop future of entertainment and games. Rovio subsidiary Rovio Asia Ltd was discontinued during the financial year. This did not have a material impact on the comparability of the company's financial years. Rovio group's fully owned subsidiary Rovio Animation Ltd was merged with the parent company during the financial period. Financial years 2020 and 2019 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 and impairment of goodwill. Adjusting items are discussed in the Report of the Board of Directors.

Events after the reporting period

Accounting policy

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

Events after the review period

Rovio Entertainment Corporation has on January 7, 2021 transferred without consideration a total of 29 527 Company's own shares to Company's management team member based on the Company's share-based incentive scheme.

After the review period Rovio decided to discontinue Hatch Kids service and re-focus Hatch cloud streaming technology to support Rovio's future of gaming initiatives. The annualized cost savings are estimated at EUR 3 million.

Notes to the consolidated financial statements

1. Segments and result

1.1. Segments

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

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

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

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

The Other segment includes the expenses of Rovio's subsidiary Hatch Entertainment, in which the Group holds an 90,5% stake, as well as the Group's unallocated expenses, such as Group management, intellectual property protection, and other expenses that are not directly allocated to the business units.

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

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

Segment profit and loss 2020

€ 000	Games	Brand Licensing	Other	Allocation	Total IFRS segments
Revenue	258,201	13,956	136		272,293
Other operating income	231	0	364		595
Materials and services	73,483	1,094	0		74,577
Employee benefits expense	36,494	1,879	7,468	3,064	48,905
User acquisition	58,724	0	137		58,860
Other operating expenses	19,106	1,491	6,030	3,889	30,516
Allocations	4,855	709	1,388	-6,953	0
EBITDA	65,771	8,783	-14,523		60,031
Depreciation and amortization	8,658	8,088	743		17,489
Operating profit	57,113	695	-15,266		42,542
EBITDA	65,771	8,783	-14,523		60,031
Adjustments	0	159	-60		99
Adjusted EBITDA	65,771	8,942	-14,583		60,130
Operating profit	57,113	695	-15,266		42,542
Adjustments	4,561	159	-60		4,661
Adjusted operating profit	61,674	855	-15,326		47,203
Segment Capital expenditure 2020					
Capital expenditure	2,374	340	1,170		3,884
Segment assets 31.12.2020					
Non-current assets	3,210	13,620	21,744		38,574

Segment profit and loss 2019

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

1.2. Revenue

Accounting principle

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

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

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

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

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

Custom contracts: In custom contracts, Rovio delivers a custom build to be pre-installed in partner's devices, or for distribution via partner's own channel, and receives a pre-defined minimum compensation. The related revenue is recognised "over time". Since operation of the game takes place throughout the contract period and Rovio does not have an obligation to return the minimum guarantee, Rovio recognises corresponding minimum guarantee revenue over the contract period. In case there are incremental costs related to fulfillment of Rovio's obligations

(e.g., penalties, success fees), they are accrued throughout the contract period as well. Revenue related to provision of virtual goods and services is recognised like for in-app purchases, based on the revenue share reports provided by the partner. In case comprehensive data from a partner is not available, both consumable and durable revenues are recognised in the month of purchase.

2. Advertising

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

3. IP Licensing and Tangible Sales

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

4. Animation Broadcasting and Distribution Revenues

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

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

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

Sales tax

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

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

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

Disaggregation of revenue from contracts with Customers

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	2020	2019
Games			
In-application purchases	At a point in time and over time	226,199	225,862
Custom contracts	Over time	469	1,022
Advertising	At a point in time	31,533	37,899
Games total revenue		258,201	264,783
Brand Licensing			
IP Licensing and tangible sales	At a point in time and over time	4,877	8,091
Animation broadcasting and distribution	At a point in time and over time	8,849	15,820
Advertising	At a point in time	230	362
Brand Licensing total revenue		13,956	24,273
Other total revenue	At a point in time and over time	136	28
Group revenue		272,293	289,084

Geographical distribution of revenue

The Group's business is very international. North America, and the United States in particular, is Rovio's largest market. The geographical distribution of revenue per segment is presented below.

For in-app purchases and advertising revenue, the Games segment's revenue has been allocated to the geographical markets based on gross bookings, which can be monitored on a country-specific basis. Revenue from custom contracts is presented based on the customer's home country. Revenue deferrals and other adjustment items have been allocated to the geographical markets in proportion to gross bookings, as they are estimated to largely follow the same structure.

The licensing revenue of the BLU segment has been allocated to the geographical markets based on reported royalties and, for terminating contracts, according to the partner's home country. Revenue from content sales (movie, short form animations) has been allocated to the geographical markets based on the home country of the distribution partner or contractual partner. The advertising revenue allocated to the BLU segment has been allocated to the geographical markets according to the same principle as in the Games segment.

€ 000	2020				2019			
	Games	BLU	Other	Total	Games	BLU	Other	Total
North America	171,089	8,824	0	179,913	169,582	15,712	0	185,294
Latin America	2,352	242	0	2,594	2,747	1,258	0	4,005
Europe, Middle East and Africa	55,379	3,821	136	59,336	59,476	5,408	28	64,912
Asia Pacific	29,381	1,069	0	30,450	32,977	1,895	0	34,872
Total	258,201	13,956	136	272,293	264,783	24,273	28	289,084

1.3. Other operating income

The majority of other operating income in 2020 is related to the Business Finland decision to waive the existing loan for subsidiary amounted of 235 thousand Eur and a 229 thousand bargain profit from the game studio acquisition.

€ 000	2020	2019
Government grants	0	129
Net gains on disposal of property, plant and equipment	3	14
Other operating income	592	462
Total other operating income	595	605

1.4. Materials and services

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

€ 000	2020	2019
External services	74,577	77,331
Total materials and services	74,577	77,331

1.5. Employee benefits expense

Accounting policy

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

€ 000	2020	2019
Wages and salaries	38,142	31,350
Social security costs	2,469	2,101
Pension costs, defined contribution	5,203	4,688
Share-based payments	3,091	3,536
Total employee benefits expense	48,905	41,675

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

1.6. Share-based payments

Accounting policy

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

Equity-settled transactions

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

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

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

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

During the year 2020 Rovio has five 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. On January 24, 2020 Rovio Entertainment Corporation announced that the Company establishes an (4) Employee Share Savings (ESS) program for employees in Finland and Sweden, and (5) a performance share plan for key employees including CEO and members of the leadership team.

Share-based incentive programs

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

Current stock option programs

	Number of options Jan 1	Changes in the 2019 reporting period				Number of options Dec 31	Changes in the 2020 reporting period				Number of options Dec 31	
		Granted	Forfeited	Exercised	Expired		Granted	Forfeited	Exercised	Expired		
2012C	45,000					45,000					45,000	0
2015A	1,437,400			1,424,869	12,531	0						0
2015All	383,500			383,500		0						0
2017A	1,014,650		187,000			827,650					827,650	0
2017B	25,500					25,500					25,500	0
2018A	1,143,250	53,000	222,500			973,750		78,500	115,774			779,476
2018B	25,500		15,000			10,500			1,434			9,066
2019A	0	1,243,000	84,500			1,158,500		202,250				956,250
2019B	0	15,000	5,000			10,000						10,000
Weighted average subscription price, €		7.05			2.81			6.49	5.08		4.93	
Total	4,074,800	1,311,000	514,000	1,808,369	12,531	3,050,900		280,750	117,208		898,150	1,754,792

Restricted Share Plan

	Number of RSUs Jan 1	Changes in the 2019 reporting period			Number of RSUs Dec 31	Changes in the 2020 reporting period			Number of RSUs Dec 31
		Granted	Forfeited	Exercised		Granted	Forfeited	Exercised	
RSU 2017-2019	116,900		24,750	92,150	0			0	
RSU 2018-2019	266,145	45,000	22,500	248,645	40,000		40,000	0	
RSU 2018-2020	82,845	5,000	17,500	70,345		11,500	58,845	0	
RSU 2019-2020	0	83,500	7,500	76,000		8,000	68,000	0	
RSU 2019-2021	0	134,500	15,000	119,500		17,000		102,500	
RSU 2020-2021	0	60,000		60,000	134,250	5,250		189,000	
RSU 2020-2022	0			0	228,250	22,750		205,500	
RSU 2020-2023	0			0	91,000	11,500		79,500	
RSU 2021-2022	0	60,000		60,000				60,000	
Total	465,890	388,000	87,250	340,795	425,845	453,500	76,000	166,845	1,215,431

* Rovio Entertainment granted total of 164,548 in 2019 and 81,354 in 2020 of 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	2020	2019
Expenses recognised for option programs	985	1,718
Expenses recognised for the Restricted Share Plan - share component	2,106	1,816
Total	3,091	3,534

Authorizations

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

- The Annual General Meeting held on 31, March 2020 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 8,126,811 shares (approximately 10% of all the current shares in the company).
- The Annual General Meeting held on 31, March 2020 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 8,126,811 shares (approximately 10 percent of all the current shares of the company). In addition to the authorization to issue new shares, the Board of Directors may decide on the conveyance of an aggregate maximum of 8,126,811 own shares held by the company.

Both authorizations will be in force until the closing of the next Annual General Meeting, however no longer than until June 30, 2021.

Option programs in effect during the financial year

2018A: 779,476 outstanding options on December 31, 2020. Subscription price EUR 5.08 per share. Subscription period June 1, 2020–May 31, 2021. Each option right entitles its holder to subscribe for one new share. Up to 779,476 shares can be subscribed for based on the option rights, corresponding to 1.2% of the company's share capital and votes.

2018B: 9,066 outstanding options on December 31, 2020. 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 9,066 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2019A: 956,250 outstanding options on December 31, 2020. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 956,250 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.

2019B: 10,000 outstanding options on December 31, 2020. Subscription price EUR 7.13 per share. Subscription period June 1, 2021–May 31, 2022. Each option right entitles its holder to subscribe for one new share. Up to 10,000 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

1.7. Other operating expenses

€ 000	2020	2019
Legal fees and consulting expenses	1,837	3,263
External development and testing expenses	8,227	7,241
Server expenses	8,910	8,207
Machinery and software expenses	3,973	3,896
Phone, data transfer and office expenses	944	1,281
Marketing expenses	62,632	108,272
Other operating expenses	2,853	6,176
Total other operating expenses	89,376	138,336

The marketing expenses are divided as follows:

€ 000	2020	2019
User acquisition costs	58,860	99,812
Other marketing expenses	3,772	8,460
Total marketing expenses	62,632	108,272

Audit fees

€ 000	2020	2019
Audit	402	430
Other services	7	5
Total	409	435

1.8. Finance income and expenses

€ 000	2020	2019
Finance income		
Other interest and finance income	346	503
Foreign exchange gain	1,904	661
Total finance income	2,250	1,164
Finance costs		
Interest on debts and borrowings	215	653
Interest on lease liabilities	235	263
Other finance costs	140	37
Total interest expense	590	953
Foreign exchange loss	1,631	556
Other finance expenses	1,847	0
Total finance expenses	3,478	556
Total finance income and expenses	-1,817	-345

2. Intangible and tangible assets and lease payments

2.1. Property, plant and equipment

Accounting policy

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

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

- Machinery and equipment: 3–5 years

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

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

Reconciliation of beginning and ending balances by classes of assets

€ 000	Machinery and equipment	
Cost or valuation		
January 1, 2019		5,534
Additions		992
Disposals		0
Exchange differences		124
Reclassification		-607*
January 1, 2020		6,043
Additions		841
Disposals		-61
Exchange differences		-31
Reclassification		0
December 31, 2020		6,791
Depreciation and impairment		
January 1, 2019		-4,928
Depreciation charge for the period		-309
Disposals		0
Exchange differences		-128
Reclassification		286*
January 1, 2020		-5,079
Depreciation charge for the period		-530
Disposals		66
Exchange differences		-44
Reclassification		0
December 31, 2020		-5,499
Net book value	2020	2019
December 31	1,293	964

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

€ 000	Right-of-Use assets		
	Property	Machinery and equipment	Total
Cost			
At January 1, 2019	0	607*	607
Adoption of IFRS 16	5,620	0	5,620
Additions	4,254	263	4,517
At January 1, 2020	9,874	869	10,744
Additions	3,013	0	3,013
Disposals	0	16	16
At December 31, 2020	12,887	885	13,773
Amortization and impairment			
At January 1, 2019	0	286*	286
Amortization	2,328	243	2,570
At January 1, 2020	2,328	529	2,856
Amortization	2,390	170	2,560
At December 31, 2020	4,718	699	5,417
Carrying amount			
At December 31, 2019	7,547	341	7,888
At December 31, 2020	8,169	187	8,356

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

2.2. Goodwill and intangible assets with indefinite lives

Accounting policy

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

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

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

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

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

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

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

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

2.3. Intangible Assets

Accounting policy

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

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

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

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

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

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

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

Research and development costs

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

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

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

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

The Group capitalises development costs for a project in accordance with its accounting policy. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established

project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits expected.

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

Basic information about intangible assets

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

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

Reconciliation of beginning and ending balances by classes of assets

€ 000	Develop- ment costs - Games	Trademarks	Develop- ment costs - Movie	Develop- ment costs - Other	Total
Cost or valuation					
January 1, 2019	24,297	1,242	62,983	20,273	108,795
Additions	686	193	0	734	1,612
Disposals	0	0	0	-136	-136
Transfer between classes	0	75	0	0	75
January 1, 2020	24,983	1,510	62,983	20,871	110,346
Additions	2,764	188	0	650	3,603
Disposals	0	0	-114	0	-114
Transfer between classes	0	0	0	1,078	1,078
December 31, 2020	27,747	1,698	62,869	22,599	114,914
Depreciation and impairment					
January 1, 2019	20,708	793	35,240	18,200	74,942
Depreciation and impairment for the financial period	2,038	197	7,805	1,390	11,431
Transfer between classes	0	0	0	0	0
January 1, 2020	22,746	990	43,045	19,591	86,373
Depreciation and impairment for the financial period	1,455	276	6,954	1,154	9,838
Transfer between classes	0	0	0	0	0
December 31, 2020	24,401	1,266	49,998	20,745	96,211
Carrying amount					
December 31, 2019	2,237	520	19,938	1,280	23,974
December 31, 2020	3,546	432	12,871	1,854	18,703

€ 000	Develop- ment costs - Games	Trademarks	Develop- ment costs - Movie	Develop- ment costs - Other	Total
Advance payments for intangible assets					
January 1, 2019	4,288	312	0	574	5,175
Additions	388	43	0	402	832
Write-downs and other disposals	-8	-9	0	-574	-591
Reclassification between asset classes	0	-75	0	-344	-420
January 1, 2020	4,668	271	0	57	4,996
Additions	184	109	0	318	611
Write-downs and other disposals	-4,614*	-15	0	0	-4,629
Reclassification between asset classes	-229	-110	0	-322	-661
December 31, 2020	9	255	0	53	317

*The development of Angry Birds Legends -game was discontinued in November, as its' KPI's did not meet expectations. The capitalized development expenses, a total of EUR 4.6 million, were written off and recorded as expense during the financial year.

3. Capital structure and capital management

3.1. Financial assets and liabilities

Accounting policy

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

Initial recognition

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

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

Financial assets

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

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

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

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

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, if the strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group management and
- the risks that affect the performance of the financial assets held within 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
- Money market funds
- Cash and cash equivalents (comprising of balances with banks)

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

Write-off

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

Financial liabilities

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

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in profit or loss as financial income or expense when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation is also presented as finance income or expense in the statement of profit or loss.

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

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

The contractual rights to receive cash flows from the asset have expired or

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

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

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

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

Offsetting of financial instruments

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

Reconciliation of financial liabilities

€ 000	2019	Cash flow impact	Changes with no cash flow impact			2020
		Additions / Disposals	Additions / Disposals	Net foreign exchange differences	Changes in fair value	
Non-current financial liabilities	2,084	0	-1,229	0	0	855
Current financial liabilities	4,282	-4,032	832	0	0	1,082
Lease liabilities	8,016	-2,700	3,248	0	0	8,565
Total financial liabilities	14,383	-6,732	2,851	0	0	10,503

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

*Disposals include 229 thousand EUR loan which was waived according to the Business Finland's decision.

3.2. Financial liabilities

Financial liabilities: interest-bearing loans and borrowings

€ 000	Capital	Interest, %	Maturity	December 31, 2020	December 31, 2019
Non-current liabilities					
Loan from credit institution	855	1.00	2022-2025	855	2,109
Lease liabilities					
Machinery and equipment		3.27	2022-2022	113	38
Property		3.00	2022-2024	5,969	5,550
Total non-current interest-bearing loans and borrowings				6,937	7,697
Current liabilities					
Loan from credit institution	1,082	1.00	2021	1,082	1,120
Convertible note Docomo		6.00	2021	0	3,162
Lease liabilities					
Machinery and equipment		3.27	2021	78	90
Property		3.00	2021	2,405	2,338
Total current interest-bearing loans and borrowings				3,566	6,710
Total interest-bearing loans and borrowings				10,503	14,407

Fair values of non-current liabilities

€ 000	Capital	December 31, 2020	December 31, 2019
Loan from credit institution	1,938	1,841	2,923

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

The investments consist of a cash investment in the funds. Investments are valued as acquisition cost because fair value of the fund cannot be determined reliably.

€ 000	December 31, 2020	December 31, 2019
Investments in funds	1,966	793
Total investments	1,966	793

Non-current receivables mainly comprise rent deposits paid.

Non-current receivables

€ 000	December 31, 2020	December 31, 2019
Long-term rental deposits	749	679
Deferred tax assets	7,506	5,601
Total non-current receivables	8,255	6,280

Trade receivables and other receivables

€ 000	December 31, 2020	December 31, 2019
Trade receivables	21,149	32,460
Other current financial assets	610	4,521
Prepayments and accrued income	9,246	10,652
Total trade receivables and other receivables	31,006	47,632

Prepayments and accrued income comprise the following items:

€ 000	December 31, 2020	December 31, 2019
Deferred cost of sales and prepayments	1,675	2,467
Mandatory insurance payments	56	17
Tax receivables	1,197	67
Accrued licensing revenue	480	445
Other accrued income	5,838	7,656
Total	9,246	10,652

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

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

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

Credit loss risk and corresponding need for credit loss provision is continuously assessed also with regard to these customers. On December 31, 2020, it was deemed that outstanding balances associated with these parties do not constitute a material risk of credit losses. Credit risk is discussed in more detail in note 3.11.

Aging analysis of trade receivables at December 31:

€ 000	Total	Neither past due nor provision	Past due					> 365 days
			< 30 days	30-60 days	61-90 days	91-180 days	181-365 days	
2020 Gross	21,540	19,545*	913*	465	247	7	71	292
- Provision for credit loss of receivables	-390	0	-5	-19	-37	-3	-35	-292
December 31, 2020	21,149	19,545	908	442	210	4	36	0
2019 Gross	32,867	27,438*	4,737*	57*	295	3	2	335
-Provision for credit loss of receivables	-408	0	-24	-3	-43	-1	-1	-335
December 31, 2019	32,460	27,438	4,714	54	251	2	1	0

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

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

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

	Not past due	< 30 days	30-60 days	61-90 days	91-180 days	181-365 days	> 365 days
Default rate as of January 1, 2018	0.5%	0.5%	0.5%	15%	40%	60%	100%

Provision for credit loss of current trade receivables

€ 000	2020	2019
January 1	408	326
Realised and written-down	-30	-83
Change	12	165
December 31	390	408

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, and the money market funds.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank receivables, and money market funds, as they are considered an integral part of the Group's cash management.

€ 000	December 31, 2020	December 31, 2019
Cash and cash equivalents	88,409	54,567
Money market funds	50,465	70,169
Total	138,874	124,736

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 the interest paid on them is determined by the agreed interest rate, and the maturity of the deposits.

3.5. Trade and other payables

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

€ 000	31.12.2020	31.12.2019
Trade payables	7,439	15,169
Other payables	910	677
Advances received	2,016	3,432
Total	10,366	19,278

3.6. Advances received

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

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

€ 000	2020	2019
January 1	3,432	6,517
Licensing MG's recognised as revenue	-1,106	-4,254
Games MG's recognised as revenue	-544	-492
Other items	235	1,661
December 31	2,016	3,432

3.7. Deferred revenue

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

€ 000	2020	2019
Liabilities		
January 1	5,662	6,615
Deferred during the year	5,539	5,662
Released to the statement of profit or loss	-5,661	-6,615
December 31	5,539	5,662
Current	5,539	5,662

€ 000	2020	2019
Assets		
January 1	445	313
Deferred during the year	338	445
Released to the statement of profit or loss	-445	-313
December 31	338	445
Current	338	445

3.8. Provisions

Accounting policy

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

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

Restructuring provisions

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

Reconciliation of beginning and ending balances by types of provisions

€ 000	Restructuring	Other provisions	Total
January 1, 2019	0	562	562
Additions	0	0	0
Utilised	0	-337	-337
January 1, 2020	0	225	225
Additions	0	709	709
Utilised	0	-193	-193
December 31, 2020	0	741	741

3.9. Accrued liabilities

€ 000	31.12.2020	31.12.2019
Salaries and other personnel costs	11,337	6,658
Accrued costs	882	1,110
Revenue share	896	1,157
Other accrued liabilities	1,718	1,226
Total	14,833	10,151

3.10. Government grants

Accounting policy

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

When Rovio Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on a pattern of consumption of the benefits of the underlying asset by equal annual instalments. Government grants have been received from several projects. The difference between Business Finland -loan's interest and market based interest is accounted as government grant. There are no unfulfilled conditions or contingencies attached to these grants.

€ 000	2020	2019
January 1	50	0
Received during the year	0	179
Released to the statement of profit or loss	0	-129
December 31	50	50

3.11. Financial risks

Objectives and methods of financial risk management

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

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

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

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

Market risk

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

Interest rate risk

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

The Group manages its interest rate risk by constantly monitoring the sensitivity to adverse changes in floating borrowing interest rates and investing its excess cash to corresponding maturities with similar terms. At December 31, 2020, 100% of the Group's borrowings are at a variable rate of interest (2019: 100% variable rate). On December 31, 2020, 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
2020	Euro	+100	-21
2019	Euro	+100	-32

Foreign currency risk

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

The Group's most significant currencies are the Euro (Functional currency), United States dollar (USD) and Chinese Yuan Renminbi (CNY) and Swedish krona

(SEK). The currency risks arise through business transactions, monetary balance sheet items and net investments in foreign subsidiaries.

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

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

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in US Dollars (USD) exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material. The movement in the pre-tax effect is a result of a change in the monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars. The table factors in cash, accounts receivable, and accounts payable positions.

€ 000	Change in USD rate	Effect on profit
2020	5%	1,522
	-5%	-1,522
2019	5%	1,393
	-5%	-1,393

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 utilised for long-term funding.

Credit risk

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

Trade receivables

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

Open customer receivables are regularly monitored. On December 31, 2020, the Group had eight customers (2019: 7 customers) with over EUR 500,000 of outstanding trade receivables. These customers accounted for approximately 93% (2019: 93%) of the Group's trade receivables. The Group had four customers (2019: five customers) with over EUR 1 million of outstanding trade receivables. These customers accounted for approximately 79% (2019: 89%) of the Group's trade receivables.

On each reporting date, any impairment of receivables from material customers is analysed individually. In addition, minor receivables are classified into a single group and their possible impairment is analysed as a group. The calculation is based on actual incurred historical data. The Group's maximum credit risk on December 31, 2020 and 2019 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 12-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, 2020, approximately 61% will fall due within one year (2019: 74%) based on the carrying amounts in the statement of financial position. The Group has adequate alternative financing options and strong cash reserves at the end of the financial year.

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

€ 000	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
December 31, 2020						
Interest-bearing loans and borrowings	-	0	1,082	855	0	1,938
Lease liabilities	-	621	1,863	6,082	0	8,565
Trade and other payables	-	7,442	0	0	0	7,442
Total	-	8,063	2,945	6,937	0	17,944

€ 000	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
December 31, 2019						
Interest-bearing loans and borrowings	-	3,162	1,159	2,045	0	6,366
Lease liabilities	-	596	1,832	5,588	0	8,016
Trade and other payables	-	15,169	0	0	0	15,169
Total	-	18,927	2,991	7,633	0	29,551

Capital management

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

For the purpose of the Group's capital management, capital includes issued capital, share premium, invested unrestricted equity reserve and other equity items

attributable to the equity holders of the parent. The primary objective of capital management is to maximise the shareholder value.

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

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

€ 000	2020	2019
Equity ratio, %	82.3%	80.5%
Equity	165,422	167,951
Advances received	2,016	3,432
Deferred revenue	5,457	5,216
Total assets	208,453	217,262
Return on Equity, %	24.4%	10.8%
Profit/loss before tax	40,725	17,724
Total equity, beginning of period	167,951	159,430
Total equity, end of period	165,422	167,951
Net gearing, %	-77.6%	-65.7%
Interest-bearing loans and borrowings	10,503	14,383
Cash and short-term deposits	138,874	124,736
Equity	165,422	167,951
Non-current interest-bearing loans and borrowings	6,937	7,673
Current interest-bearing loans and borrowings	3,566	6,710
Cash and short-term deposits	138,874	124,736
Net debt	-128,371	-110,354

Fair values of financial instruments

Accounting policy

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

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

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

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

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

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

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

3.12. Equity

Equity comprises issued capital, other reserves and retained earnings. Rovio's issued capital for the financial year ended December 31, 2020 amounted to EUR 733,390 and the number of shares was 81,328,590, Rovio held 7,849,335 of its own shares. All shares have equal voting rights and entitle the shareholders to an equal share of the company's profits per share. No changes in issued capital occurred during the years 2020 and 2019.

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

Reconciliation of the number of shares

	Total number of shares	Issued capital, €000	Invested unrestricted equity fund, €000
January 1, 2019	79,447,542	733	36,692
Additions due to share issue	1,820,569		5,135
Additions based on option subscriptions	0		0
December 31, 2019	81,268,111	733	41,828
Additions based on option subscriptions	60,479		307
Acquisition of own shares	0		0
December 31, 2020	81,328,590	733	42,135

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 2020, Rovio Entertainment granted 81,354 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, 2020 Rovio Entertainment Corporation held 7,849,335 of its own shares.

Rovio Entertainment Corporation has on January 7, 2021 transferred without consideration a total of 29,527 Company's own shares to Company's management team member based on the Company's share-based incentive scheme.

Translation differences

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

Dividend policy

Rovio's long-term goal is to distribute approximately 30 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, 2020.

€ 000	2020
Retained earnings	92,844
Profit for the period	52,856
Invested unrestricted equity reserve	42,743
Capitalised development expenses	-3,116
Total	185,327

Distributions made and proposed

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share (2019: 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, 2020. A total of EUR 6,927 thousand was paid as dividends for 2020.

Accounting policy

The Company recognises 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 authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

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

Earnings per share

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

€ 000	31.12.2020	31.12.2019
Profit for the period attributable to equity holders of the parent, €000	32,124	13,216
Shares (thousand)		
Weighted average number of outstanding shares	75,287	79,697
Diluted weighted average number of outstanding shares	75,537	79,886
Undiluted earnings per share, EUR	0.43	0.17
Earnings per share adjusted for dilution, EUR	0.43	0.17

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 recognised in the statement of profit or loss.

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

over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

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

Changes in the Group structure are disclosed in Note 4.4.

Business combinations

Rovio Entertainment Corp. has acquired all shares of Darkfire Games ApS on June 3, 2020. Darkfire Games ApS is a Copenhagen-based Danish company that focuses on developing mobile role-playing games. Darkfire Games ApS has at the time of the acquisition 20 employees. The company was renamed Rovio Copenhagen post 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. Acquired company had not in its books recognized certain assets and liabilities and after

recognition, the transferred assets exceeded the transferred liabilities. Rovio Copenhagen ApS has been consolidated into the group starting on June 3, 2020. Company did not have external revenue during the 2020 and approximately EUR 1,2 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	216
Non-current receivables	33
Trade receivables and other receivables	98
Cash and cash equivalents	387
Total assets	734
Accounts payable and other payables	-476
Total liabilities	-476
Net assets	259
Total consideration paid in cash	24
Gain from bargain purchase	235
Cash flow effect on the acquired businesses:	
Total consideration paid in cash	-24
Cash and cash equivalents	387
Net cash flow of the acquisition	363

The acquired business contributed revenues of EUR 0,2 million and operating profit of EUR -1,5 million to the group for the period from 3 June 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated operating profit would have been EUR 0,2 million and net profit of EUR -2,4 million respectively. The operating profit for the financial year 2020, excluding the impact of the acquired businesses, is approximately EUR 44,0 million.

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, 2020.

Control is achieved when Rovio Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Rovio Group controls an investee if, and only if, Rovio Group has:

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

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

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

Rovio Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Rovio Group obtains control over the subsidiary and ceases when Rovio Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Rovio Group gains control until the date Rovio Group ceases to control the subsidiary.

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

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

Consolidated companies

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

Name of the company	Domicile	Holding (%)	
		2020	2019
Rovio Stars Ltd	Finland	100	100
Rovio Asia Ltd*	Hong Kong	0	100
Blue Bird Distribution, Inc	United States	100	100
Rovio (Shanghai) Commerce and Trading Co., Ltd	China	100	100
Rovio Sweden AB	Sweden	100	100
Rovio Animation Ltd**	Finland	0	100
Dark Matter Ltd	Finland	100	100
Rovio UK Ltd	United Kingdom	100	100
Rovio IP Management Ltd	Finland	100	100
Pin Bank Ltd	Finland	100	100
Dark Flow Ltd	Finland	100	100
Hatch Entertainment Ltd	Finland	90.5	80
PlayRaven Ltd	Finland	100	100
Rovio Copenhagen Aps	Denmark	100	0
Rovio Interactive Entertainment Ltd	Canada	100	0

*Company dissolved/divested during the 2020 financial year

**Rovio Animation Ltd was merged with the parent company at 1.12.2020

4.3. Changes in group structure

Rovio acquired on June 3, 2020 all outstanding shares of Darkfire Games – a mobile games studio in Copenhagen, Denmark focusing on developing mobile role-playing-games. At the time of the acquisition Darkfire Games had 20 employees. The company was renamed Rovio Copenhagen post acquisition. The purchase price was less than the acquired net assets and the profit from the bargain purchase, preliminarily amounting to EUR 0.2 million, which was fully recognized as other income during 2020.

Rovio group's fully owned subsidiary Rovio Animation Ltd was merged with the parent company during the financial period.

Rovio established a new entity Rovio Interactive Entertainment game studio in Montreal, Canada to explore and develop future of entertainment and games.

Rovio subsidiary Rovio Asia Ltd was discontinued during the financial year.

4.4. Related party transactions

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

€ 000		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Entity with significant influence over the Group:					
Oivor AB	2020	-	-	-	-
Trema International Holdings B.V.	2019	-	-	-	-
Associates					
Fun Academy Oy (ownership divested in 2018)	2020	-	-	-	-
	2019	-	-	-	-
Other related party companies					
Ferly (formerly Kaiken Entertainment)	2020	13	0	0	-
	2019	8	14	0	-
Group management					
Key management personnel of the Group	2020	-	-	-	-
	2019	-	-	-	-
Members of the Board of Directors	2020	-	-	-	-
	2019	-	-	-	-

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, 2020, EUR 2.9 million was paid out as dividend between the Rovio Group and Oivor. On December 21, 2020 Rovio Entertainment Corporation (the "Company") received a notification pursuant to Chapter 9, Section 5 The shareholders of Oivor AB have on 18 December 2020 resolved to distribute as dividends shares in Rovio Entertainment Corporation held by Oivor AB to its shareholders. Hedennan AB, a shareholder of Oivor AB, has on 18 December 2020 sold the shares in Rovio Entertainment Corporation received as dividend to Oy Impera Ab (which is beneficially owned by Mikael Hed).

Ferly (formerly Kaiken Entertainment) is a company controlled by Mikael Hed and, therefore, Rovio's related party. Mikael Hed is a minority owner of Oivor AB and Trema International Holdings B.V. and he exercises significant influence on the companies. Rovio recognized licensing income of EUR 8 thousand during the 2019 financial year. Ferly has invoiced Rovio for its services in the amount of CAD 19 thousand (approximately EUR 13 thousand) during the 2020 financial year.

Compensation of key management personnel of the Group

€ 000	2020	2019
CEO		
Short-term employee benefits	486	368
Post-employment pension and medical benefits*	-	-
Termination benefits	709	-
Share-based payments	91	398
CEO total	1,286	766
Other key management personnel of the Group		
Short-term employee benefits	1,729	1,375
Post-employment pension and medical benefits*	-	-
Termination benefits	-	-
Share-based payments	385	998
Other key management personnel of the Group, total	2,115	2,373
Total compensation of key management personnel	2,692	3,138

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

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

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		2020	2019
Kim Ignatius	Chairman since 2020 Chairman of the Audit Committee and Remuneration Committee Board member since 2017	108	90
Kaj Hed	Vice Chairman since 2017 Chairman 2008-2017	90	90
Camilla Hed-Wilson	Board member since 2011	60	60
Björn Jeffrey	Board member since 2020	45	0
Leemon Wu	Board member since 2020	45	0
Jeferson Valadares	Board member since 2019	60	45
Mika Ihamuotila	Chairman 2017-2020 Board member until 2020	29	114
Niklas Zennström	Board member until 2019	0	15
Jenny Wolfram	Board member until 2020	15	60
Fredrik Löving	Board member until 2020	20	45
Total		472	519

4.5. Shareholding

10 largest shareholders December 31, 2020

Shareholder	Number of shares	Percentage of shares and votes
1 Rovio Entertainment Oyj	7,849,335	9.7
2 ADVENTUROUS SOLUTIONS	6,459,500	7.9
3 BRILLIANT PROBLEMS OY	6,459,500	7.9
4 IMPERA OY AB	6,459,500	7.9
5 Ilmarinen Mutual Pension Insurance Company	1,640,000	2.0
6 Danske Invest Finnish Institutional Equity Fund	1,600,000	2.0
7 Hed Niklas Peter	1,365,345	1.7
8 Elo Mutual Pension Insurance Company	1,003,004	1.2
9 The State Pension Fund	1,000,000	1.2
10 Vesterbacka Jan-Peter Edvin	884,579	1.1
Ten largest, total	34,720,763	42.7
Other shareholders*	46,607,827	57.3
Number of shares total	81,328,590	100.00

Largest shareholders by sector, December 31, 2020

Rank	Shareholders by sector	Number of shareholders	% of shares
1	Nominee registered and non-Finnish holders	50	41.10
2	Households	15,322	10.63
3	Public sector institutions	5	5.52
4	Financial and insurance institutions	31	6.08
5	Corporations	405	36.38
6	Non-profit institutions	8	0.29
	Total	15,821	100.00
	Of which nominee registered	11	40.91

Largest shareholders by share breakdown December 31, 2020

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	7,482	47.32	388,875	0.48
101-500	5,840	36.94	1,480,566	1.82
501-1000	1,403	8.87	1,134,391	1.4
1,001-5,000	882	5.58	1,865,021	2.29
5,001-10,000	100	0.63	729,270	0.90
10,001-50,000	59	0.37	1,328,515	1.63
50,001-100,000	9	0.06	699,808	0.86
100,001-500,000	18	0.11	4,459,720	5.48
500,001-	17	0.11	69,242,424	85.14
Total	15,810	100.00	81,328,590	100.00
Of which nominee registered	11	0.07	33,271,141	40.91

5. Other notes

5.1. Income taxes

Accounting policy

Current income tax

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

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

Deferred tax

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

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

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

the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

Significant judgments relating to deferred taxes

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

The Group has EUR 25.5 million of unused tax losses carried forward. The Group expects that future taxable profit will be available against which the unused tax losses can be utilised. The losses will expire in 2024–2030.

Income taxes

The major components of income tax expense for the financial years 2020 and 2019:

Reconciliation of the Group's taxes

€ 000	2020	2019
Taxable income for the period		
Current income tax	10,496	5,255
Adjustments in respect of current income tax of previous year	0	0
Deferred tax:		
Relating to origination and reversal of temporary differences	-1,895	-747
Income tax expense reported in the statement of profit or loss	8,601	4,508
Accounting profit before tax	40,725	17,724
The Group's statutory income tax rate of 20%	8,145	3,545
Tax for previous accounting periods	12	-486
Tax effects of foreign subsidiaries	241	210
Change in deferred tax asset profit & loss	-1,895	-747
Other items	1,780	1,834
Non-deductible expenses	201	150
Income taxes	8,601	4,508

5.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

€ 000	January 1, 2020	Released to the statement of profit or loss	December 31, 2020
Deferred tax assets 2020			
Losses not deducted in taxation	325	464	789
Deductible tax losses	5,199	1,440	6,639
Other temporary differences	76	2	78
Deferred tax assets	5,601	1,906	7,506
Deferred tax liabilities 2020			
Other temporary differences	-27	-10	-37
Deferred tax liabilities	-27	-10	-37

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

*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 recognised deferred tax assets totaling EUR 6.6 million for these tax losses.

5.3. Leases and other contingent commitments

Leases

Accounting policy

Rovio has several lease agreements for both office space as well as machinery and equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by the Company. The lease liabilities are recorded at a present value of future lease payments. Lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using incremental borrowing rate. The short-term exemption is used on leases shorter than 12 months, which are recorded as expenses in equal monthly instalments. During the year 2020 EUR 20 thousand was recorded as lease expense.

Future non-cancelable other commitments are as follows.

€ 000	December 31, 2020	December 31, 2019
Other commitments		
Venture Capital investment commitment	611	1,900
Total	611	1,900

Parent Company's Financial Statements

Parent company's statement of profit or loss

	Note	January 1- December 31, 2020	January 1- December 31, 2019
Revenue	1.	264,018,188.18	274,093,970.74
Other operating income	2.	14,076,576.35	143,543.22
Materials and services	3.	-88,010,065.49	-89,584,224.71
Personnel expenses	5.	-33,077,617.51	-26,875,527.45
Depreciation and amortisation	8.	-9,022,843.54	-3,745,233.22
Other operating expenses	9.	-85,136,735.93	-130,580,258.58
Operating profit		62,847,502.06	23,452,270.00
Finance income and expenses	10.	-54,206.54	2,222,265.71
Profit before appropriations and taxes		62,793,295.52	25,674,535.71
Income tax expenses	11.	-9,937,474.03	-4,980,606.67
Profit for the period		52,855,821.49	20,693,929.04

Parent company's statement of financial position

	Note	December 31, 2020	December 31, 2019
Assets			
NON-CURRENT ASSETS			
Intangible assets	12.	17,350,621.06	7,864,006.48
Tangible assets	13.	840,652.41	590,880.58
Investments	14.	32,190,009.60	2,063,183.56
TOTAL NON-CURRENT ASSETS		50,381,283.07	10,518,070.62
CURRENT ASSETS			
Non-current receivables	16.	6,375,705.66	35,325,705.66
Current receivables	17.	32,330,331.48	52,885,784.61
Cash and cash equivalents		130,416,914.66	107,537,358.65
TOTAL CURRENT ASSETS		169,122,951.8	195,748,848.92
Total assets		219,504,234.87	206,266,919.54

	Note	December 31, 2020	December 31, 2019
Equity and liabilities			
EQUITY			
Issued capital	18.	733,390.00	733,390.00
Other reserves	18.	42,743,123.26	42,435,760.88
Retained earnings	18.	92,843,434.66	109,781,092.97
Profit for the period		52,855,821.49	20,693,929.04
TOTAL EQUITY		189,175,769.41	173,644,172.89
LIABILITIES			
Non-current liabilities	19.	402,654.00	1,409,742.46
Current liabilities	20.	29,925,811.46	31,213,004.19
TOTAL LIABILITIES		30,328,465.46	32,622,746.65
Total liabilities		219,504,234.87	206,266,919.54

Parent company's statement of cash flows

	1.1.-31.12.2020	1.1.-31.12.2019
Cash flows from operating activities		
Profit before appropriations and taxes	62,793,295.52	25,674,535.71
Adjustments		
Depreciation and amortisation according to plan	9,022,843.54	3,745,233.22
Unrealised foreign exchange gains (-) and losses (+)	885,157.91	-511,025.08
Gain on disposal of property, plant and equipment	-3,032.25	-1,330.64
Finance income (-) and expenses (+)	230,170.80	0.00
Other non-cash	-154,269.17	0.00
The gain from the merger	-14,050,182.49	-1,711,240.63
Net cash before working capital changes	58,723,983.86	27,196,172.58
Working capital changes		
Increase (-) or decrease (+) in current receivables	8,429,023.34	-6,653,865.56
Increase (+) or decrease (-) in current payables	-3,151,473.05	-3,916,023.40
Net cash before interest and taxes	64,001,534.15	16,626,283.62
Interest and other financial expenses paid	-513,869.89	-775,847.62
Interest and other financial income received	283,699.09	2,487,088.25
Income taxes paid	-4,832,492.65	-9,012,871.95
Net cash before extraordinary items	58,938,870.70	9,324,652.30
Net cash from operating activities (A)	58,938,870.70	9,324,652.30

	1.1.-31.12.2020	1.1.-31.12.2019
Cash flows from investing activities		
Purchase of tangible and intangible assets	-3,908,956.28	-2,506,875.75
Other investments	-1,173,571.32	-792,672.19
Proceeds from sales of tangible and intangible assets	3,032.25	1,330.64
Acquisition of subsidiaries	-123,913.41	-160.00
Repayments of borrowings	5,890,882.73	5,330,016.88
Loans granted	-7,500,000.00	-12,000,000.00
Disposal of subsidiaries	97.07	0.00
Cash flows from investing activities (B)	-6,812,428.96	-9,968,360.42
Cash flows from financing activities		
Paid share issue	307,362.38	5,135,422.44
Acquisition of treasury shares	-30,704,772.54	-5,142,445.38
Share-based payments	349,954.12	750,009.92
Repayments of borrowings	-1,031,750.00	0.00
Dividends paid	-6,926,814.81	-7,117,416.45
Cash flows from financing activities (C)	-38,006,020.85	-6,374,429.47
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	14,120,420.89	-7,018,137.59
Cash and cash equivalents at the beginning of period	107,537,358.65	114,015,624.35
Net of cash in merger 1.12.2020	9,460,195.56	0.00
Net foreign exchange difference and value changes in money market funds	-701,060.44	539,871.89
Cash and cash equivalents at the end of period	130,416,914.66	107,537,358.65

Accounting principles

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

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

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

Rovio Group capitalises directly attributable production costs related to games, animation-series, first Angry Birds movie as intangible assets. Rovio follows the provisions of the Accounting Act and capitalises the intangible assets following the prudence principle.

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

Revenue recognition

Revenues are recognised when goods have been delivered or services rendered, or when the responsibility for the transportation or the product/service has been transferred to the buyer. Revenues from games and advertising are recognised based on information or payment received from the relevant counterparty. Partners pay minimum guarantees for the contract period royalties. Rovio recognises the minimum guarantees over the contract period equally, if more royalties are received, the excess amount will be recognised as revenue. Income that is related to a specific period of time will be recognised in monthly instalments over the life of the contract as per the actual content of the agreement.

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

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

Revenue presentation

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

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

Deferred tax assets and liabilities

A deferred tax liability or asset is recognised due to temporary differences between the tax and book value of assets and liabilities. The deferred tax assets and liabilities have not been booked as an asset or liability since there is no material impact on Rovio.

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	2020	2019
Games	258,067,822.29	264,610,408.63
Licensing and merchandise revenue	3,277,336.99	6,507,438.59
Media revenue	1,451,489.58	1,831,150.16
Service revenue from group companies	1,221,539.32	1,144,973.36
Total	264,018,188.18	274,093,970.74

Geographical distribution	2020	2019
NAM	172,152,023.80	170,770,659.88
LATAM	2,594,412.33	4,004,982.30
EMEA	59,199,625.04	64,884,345.62
APAC	30,072,127.02	34,433,982.94
Total	264,018,188.18	274,093,970.74

2. Other operating income

	2020	2019
Grants received	0.00	128,805.81
Other income	23,361.61	14,737.41
The gain of the merger	14,050,182.49	0.00
Total	14,076,576.35	143,543.22

3. Materials and services

	2020	2019
Material purchases	17,221.1	22,582.39
External services	74,299,070.31	76,834,316.07
External services from group companies	13,693,774.08	12,727,326.25
Total	88,010,065.49	89,584,224.71

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

	2020	2019
Average number of personnel	336	328

5. Personnel expenses

	2020	2019
Wages and salaries	28,030,815.10	22,598,549.74
Pension costs	4,219,580.19	3,493,759.75
Other social security expenses	827,222.22	783,217.96
Total	33,077,617.51	26,875,527.45

6. Salaries and fees of management

	2020	2019
Members of the Board of Directors	471,600.00	519,000.00

The remuneration of the Board of Directors and the salary and fees paid to the CEO are disclosed in Note 4.5 to the consolidated financial statements.

7. Auditor's fees

	2020	2019
Audit fees	373,153.26	367,136.77
Tax counselling	0.00	0.00
Other fees	7,250.95	5,300.00
Total	380,404.21	372,436.77

8. Depreciation and impairment

	2020	2019
Depreciation and amortisation according to plan	3,098,757.18	3,745,233.22
Impairment	5,924,086.36	0.00
Total	9,022,843.54	3,745,233.22

9. Other operating expenses

	2020	2019
Legal fees and consulting expenses	1,535,392.07	1,724,801.85
External development and testing expenses	6,601,985.19	8,192,283.35
Machinery and software expenses	3,915,721.53	3,885,605.28
Hosting expenses	7,147,200.66	6,411,163.69
Phone, data transfer and office expenses	1,930,446.14	2,067,025.55
User acquisition costs	58,484,571.17	98,281,673.20
Other marketing expenses	3,409,604.05	7,588,269.97
Other operating expenses	2,111,815.12	2,429,435.69
Total	85,136,735.93	130,580,258.58

10. Finance income and expenses

	2020	2019
Interest and financial income		
From group companies	909,062.66	1,867,587.38
From others	218,576.36	490,959.11
Forex gains from group companies	44,971.28	63,031.47
Forex gains from others	2,022,831.16	610,515.81
Total interest and financial income	3,195,441.46	3,032,093.77
Interest and financial expenses		
To others	-171,295.99	-349,398.02
Forex losses to group companies	-199,875.55	-278,738.94
Forex losses to others	-2,878,476.46	-181,691.10
Total interest and financial expenses	-3,249,648.00	-809,828.06
Total interest and financial income and expenses	-54,206.54	2,222,265.71

11. Income taxes

	2020	2019
Current tax	9,452,718.68	4,544,221.24
Taxes of previous years	12,422.40	-481,066.41
Change in deferred taxes	472,332.95	917,451.84
Total	9,937,474.03	4,980,606.67

Notes to the statement of financial position

12. Intangible assets

Intangible rights	2020	2019
Acquisition cost as at Jan 1	2,341,006.61	2,304,259.17
Additions	102,872.69	45,406.83
Disposals	-15,314.17	-8,659.39
Transferred in the merger	395,589.89	0
Acquisition cost as at Dec 31	2,824,155.02	2,341,006.61
Accumulated amortisation and impairment as at Jan 1	-1,871,858.15	-1,728,199.89
Accumulated amortisation of transferred in the merger	-272,404.43	0.00
Depreciation charge for the period	-110,774.44	-143,658.26
Accumulated amortisation and impairment as at Dec 31	-2,255,037.02	-1,871,858.15
Carrying amount as at Dec 31	569,118.00	469,148.46

Other long-term expenses	2020	2019
Acquisition cost as at Jan 1	52,875,640.94	51,158,984.28
Additions	2,952,612.70	1,724,493.72
Disposals	0	-7,837.06
Transferred in the merger	64,741,478.27	0.00
Acquisition cost as at Dec 31	120,569,731.91	52,875,640.94
Accumulated amortisation and impairment as at Jan 1	-45,480,782.92	-42,055,968.56
Accumulated amortisation of transferred in the merger	-49,752,000.16	0.00
Depreciation charge for the period	-2,631,359.41	-3,424,814.36
Impairment for the period	-5,924,086.36	0.00
Accumulated amortisation and impairment as at Dec 31	-103,788,228.85	-45,480,782.92
Carrying amount as at Dec 31	16,781,503.06	7,394,858.02

Total intangible assets	2020	2019
Acquisition cost as at Jan 1	55,216,647.55	53,463,243.45
Additions	3,055,485.39	1,769,900.55
Disposals	-15,314.17	-16,496.45
Transferred in the merger	65,137,068.16	0.00
Acquisition cost as at Dec 31	123,393,886.93	55,216,647.55
Accumulated amortisation and impairment as at Jan 1	-47,352,641.07	-43,784,168.45
Accumulated amortisation of transferred in the merger	-50,024,404.59	0.00
Depreciation charge for the period	-2,742,133.85	-3,568,472.62
Impairment for the period	-5,924,086.36	0.00
Accumulated amortisation and impairment as at Dec 31	-106,043,265.87	-47,352,641.07
Carrying amount as at Dec 31	17,350,621.06	7,864,006.48

13. Tangible assets

Machinery and equipment	2020	2019
Acquisition cost as at Jan 1	4,161,631.20	3,544,429.43
Additions	606,395.16	617,201.77
Disposals	0.00	0.00
Acquisition cost as at Dec 31	4,768,026.36	4,161,631.20
Accumulated amortisation and impairment as at Jan 1	-3,570,750.62	-3,393,990.02
Accumulated amortisation of transfers and disposals	0.00	0.00
Depreciation charge for the period	-356,623.33	-176,760.60
Accumulated amortisation and impairment as at Dec 31	-3,927,373.95	-3,570,750.62
Carrying amount as at Dec 31.	840,652.41	590,880.58
Total tangible assets	2020	2019
Acquisition cost as at Jan 1	4,161,631.20	3,544,429.43
Additions	606,395.16	617,201.77
Disposals	0.00	0.00
Acquisition cost as at Dec 31	4,768,026.36	4,161,631.20
Accumulated amortisation and impairment as at Jan 1	-3,570,750.62	-3,393,990.02
Accumulated amortisation of transfers and disposals	0.00	0.00
Depreciation charge for the period	-356,623.33	-176,760.60
Accumulated amortisation and impairment as at Dec 31	-3,927,373.95	-3,570,750.62
Carrying amount as at Dec 31	840,652.41	590,880.58

14. Investments

Shares in group companies	2020	2019
Pin Bank Oy	2,500.00	2,500.00
Dark Matter Oy	2,500.00	2,500.00
Rovio Asia Ltd *	0.00	97.07
Rovio Sweden AB	57,259.26	57,259.26
Rovio (Shanghai) Commerce and Trading Co., Ltd	157,207.17	157,207.17
Rovio Animation Oy**	0.0	302,500.00
Rovio IP Management Oy	2,500.00	2,500.00
Hatch Entertainment Oy	29,852,378.06	720,439.68
Rovio UK Limited	12,848.19	12,848.19
Dark Flow Oy	2,500.00	2,500.00
PlayRaven Oy	10,160.00	10,160.00
Rovio Copenhagen ApS	24,000.00	0.00
Rovio Interactive Entertainment Ltd	99,913.41	0.00
Total	30,223,766.09	1,270,511.37

* Rovio Asia Ltd was discontinued during the financial year

**Rovio Animation Ltd was merged with the parent company 1 December 2020

15. Other shares and investments

Other shares and investments	2020	2019
Shares and investments	1,966,243.51	792,672.19
Total	1,966,243.51	792,672.19

16. Non-current receivables

Receivables from group companies	2020	2019
Loan receivables	5,710,000.00	34,710,000.00
Total	5,710,000.00	34,710,000.00
Other receivables	665,705.65	615,705.66
Deferred tax assets	0.00	0.00
Total	665,705.65	615,705.66
Total non-current receivables	6,375,705.66	35,325,705.66

17. Current receivables

Receivables from group companies	2020	2019
Trade receivables	1,224,675.49	1,152,697.44
Loan receivables	7,000.00	666,629.63
Other receivables	2,846,567.99	12,433,547.41
Prepayments and accrued income	19,837.03	1,075,260.27
Total	4,098,080.51	15,328,134.75

Receivables from others	2020	2019
Trade receivables	21,127,233.27	26,689,580.48
Other receivables	393,921.51	274,480.47
Prepayments and accrued income	6,711,096.19	10,593,588.91
Total	28,232,250.97	37,557,649.86
Total current receivables	32,330,331.48	52,885,784.61

Significant items in prepayments and accrued income	2020	2019
Deferred cost of sales and prepayments	353,810.73	507,220.98
Statutory insurance payments	2,165.77	0.00
Tax receivables	1,099,532.44	3,274,079.10
Accrued licensing revenue	338,169.31	445,077.44
Other accrued income	4,917,417.94	6,367,211.39
Total	6,711,096.19	10,593,588.91

18. Equity

Restricted equity	2020	2019
Issued capital January 1	733,390.00	733,390.00
Issued capital December 31	733,390.00	733,390.00
Total restricted equity	733,390.00	733,390.00
Unrestricted equity		
Invested unrestricted equity reserve January 1	42,435,760.88	37,300,338.44
Additions to invested unrestricted equity	307,362.38	5,135,422.44
Invested unrestricted equity reserve December 31	42,743,123.26	42,435,760.88
Retained earnings January 1	130,475,022.01	122,040,954.79
Cash dividends	-6,926,814.81	-7,117,416.45
Acquisition/disposal of treasury shares	-30,704,772.54	-5,142,445.38
Retained earnings December 31	92,843,434.66	109,781,092.96
Profit for the period	52,855,821.49	20,693,929.04
Profit for the period	52,855,821.49	20,693,929.04
Total equity	189,175,769.41	173,644,172.88
Capitalised development expenses	-3,115,576.51	-7,326,710.37
Distributable equity as at December 31	185,326,802.90	165,584,072.51

Calculation on distributable equity	2020	2019
Retained earnings	92,843,434.66	109,781,092.96
Profit for the period	52,855,821.49	20,693,929.04
Invested unrestricted equity reserve	42,743,123.26	42,435,760.88
Capitalised development expenses	-3,115,576.51	-7,326,710.37
Total	185,326,802.90	165,584,072.51

Treasury shares

On December 31, 2020 Rovio Entertainment Corporation held 7,849,335 of its own shares.

Dividends

The parent company's distributable funds on 31.12.2020 amount to EUR 185,326,802.90, of which the profit for the period is EUR 52,855,821.49. The Board of Directors proposes to the Annual General Meeting to be held on March 31, 2021 that a dividend of EUR 0.12 per share be paid (EUR 0.09 for 2019). Based on the number of shares outstanding as of the balance sheet date, December 31, 2020, the total amount of the dividend is EUR 8,817,510.60. The rest of the financial year profit will be retained in the shareholders' equity.

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

The proposed dividends are subject to approval at the Annual General Meeting of Shareholders and are not recognised as a liability as at 2020 financials.

19. Non-current liabilities

	2020	2019
Loans from financial institutions	402,654.00	1,409,742.46
Total	402,654.00	1,409,742.46

20. Current liabilities

Liabilities to group companies	2020	2019
Trade payables	1,716,574.66	1,367,012.31
Total	1,716,574.66	1,367,012.31

Liabilities to others	2020	2019
Loans from financial institutions	1,031,750.00	1,056,411.54
Advances received	1,271,400.56	2,373,821.84
Trade payables	6,912,195.71	12,607,597.67
Other payables	240,141.20	406,096.83
Accrued liabilities	18,753,749.33	13,402,064.00
Total	28,209,236.80	29,845,991.88

Total current liabilities	29,925,811.46	31,213,004.19
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Significant items in accrued liabilities	2020	2019
Personnel expenses	9,174,962.43	4,908,437.32
Taxes	1,858,114.17	0.00
Deferred revenue	5,457,181.46	5,216,482.14
Other accrued liabilities	2,263,491.27	3,277,144.54
Total	18,753,749.33	13,402,064.00

Commitments and contingencies

Equipment lease commitments	2020	2019
Due within one year	35,769.19	143,097.93
Due in subsequent years	13,162.66	32,808.30
Total	48,931.85	175,906.23

Contingent liabilities

Office rental commitments	2020	2019
Due within one year	1,554,245.28	1,551,100.68
Due in subsequent years	1,424,724.84	2,972,942.97
Total	2,978,970.12	4,524,043.65

Holdings in other entities

Group companies	Holding (%)	Issued capital
Rovio Stars Ltd, Espoo	100%	8,000.00
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
Dark Matter Ltd, Espoo	100%	2,500.00
Rovio UK Ltd, United Kingdom	100%	12,848.19
Pin Bank Ltd, Espoo	100%	2,500.00
Rovio IP Management Ltd, Espoo	100%	2,500.00
Dark Flow Ltd, Espoo	100%	2,500.00
PlayRaven Ltd, Helsinki	100%	2,500.00
Hatch Entertainment Ltd, Helsinki	90.5%	2,500.00
Rovio Copenhagen ApS	100%	6,707.09
Rovio Interactive Entertainment Ltd	100%	99,913.41

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

Group information

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

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

Signatures to the Board of Directors' Report and the Financial Statements

Espoo February 18, 2021

Kim Ignatius
Chairman of the Board

Kaj Hed
Member of the Board

Camilla Hed-Wilson
Member of the Board

Leemon Wu
Member of the Board

Björn Jeffery
Member of the Board

Jeferson Valadares
Member of the Board

Alexandre
Pelletier-Normand
Ceo

Auditor's note

The auditor's report has been issued today.

Espoo February 18, 2021

Ernst & Young Oy, Authorised Public Accountant firm

Terhi Mäkinen, Authorised Public Accountant

List of accounting books, document types and storage methods

General ledger	in electronic format
Journal ledger	in electronic format
Bank statements	in electronic format
Purchase invoices	in electronic format
Sales invoices	in electronic format
Memos	paper
Payroll records with supporting documents	in electronic format
Accounts payable specifications	in electronic format
Accounts receivable specifications	in electronic format
Inventory accounts	in electronic format
Fixed asset accounting specifications	in electronic format
Financial statement notes specifications	in electronic format
Financial statements	bound book

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Rovio Entertainment Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rovio Entertainment Corporation (business identity code 1863026-2) for the year ended 31 December 2020. 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 the 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 and note 7 to the parent company 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

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 to a customer. Due to the multitude of and variety of contractual terms across the group's businesses, there is a risk of defining the timing of the revenue recognition.

The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has 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 537/2014, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

To address the risk of material misstatement relating to revenue recognition, we performed, among others, the following audit procedures:

- We assessed the application of Group's accounting policies over revenue recognition with applicable accounting standards.
- We evaluated the Group's revenue recognition accounting policies and the consistent application of the policies.
- 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 on sample basis to ensure that the related revenue is recorded in the correct period and tested the accruals for deferred and unbilled revenue.
- We also considered the adequacy of the disclosures in respect of revenues.

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 EUR 19 million (at 31.12.2019 EUR 29 million) which represented 9 % (13 %) of the total assets and 11 % (17%) 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 annually the carrying amount of the intangible assets to ensure that the assets are carried at no more than their recoverable amount. The test is done based on discounted future cash flows generated by the asset. An impairment is recorded when the recoverable amount is less than the carrying amount. The management makes judgments when determining the future cash flows based on market conditions and development.

The valuation of intangible assets is significant to our audit due to the magnitude of the balance and the process includes management judgments.

How our audit addressed the Key Audit Matter

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 with applicable accounting standards.
- We assessed the assumptions and methodology used by the Group when preparing the impairment testing model and we focused on the sales and the weighted average cost of capital.
- We considered the sensitivity of the model to changes in key factors and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.
- 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 the Financial Statements

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

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

We also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 21.5.2013, and our appointment represents a total period of uninterrupted engagement of 8 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 18.2.2021

Ernst & Young Oy

Authorized Public Accountant Firm

Terhi Mäkinen

Authorized Public Accountant

More information on Rovio as an investment can be found in

[INVESTORS.ROVIO.COM](https://investors.rovio.com)

**MORE
INFORMATION
FOR INVESTORS**

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



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