

REMUNERATION REPORT

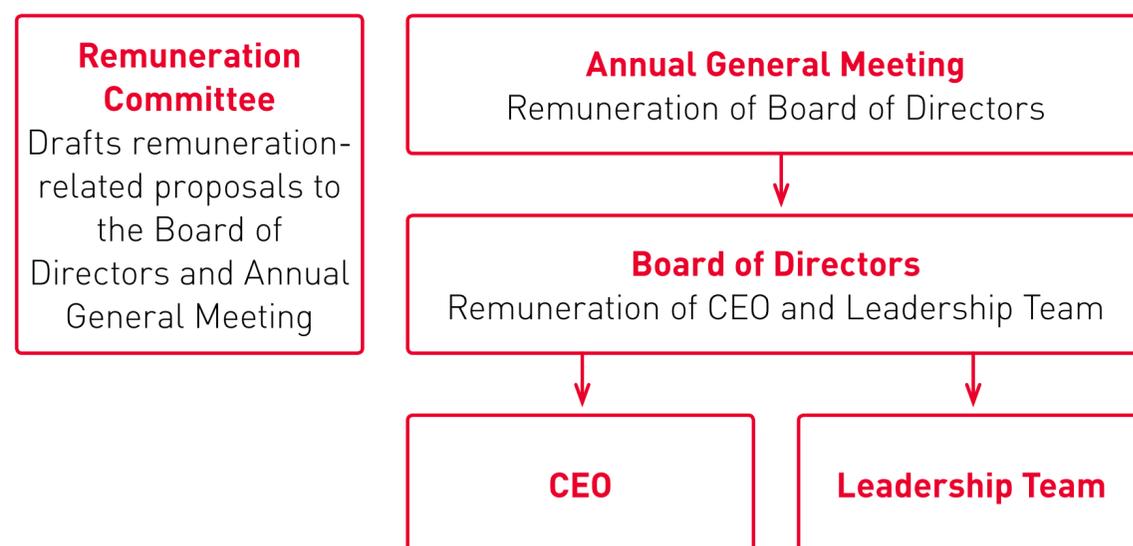
2017

 ROVIO

Remuneration report 2017

Decision-making procedure concerning the remuneration

Remuneration decision-making procedure



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

The remuneration of the CEO and the Leadership team: The Remuneration Committee is responsible for making recommendations to the Board of Directors on compensation matters of the CEO and the members of the Leadership team. The Remuneration Committee also prepares general remuneration principles, short- and long-term incentive schemes and the compensation policy of Rovio Entertainment Corporation, which the Board of Directors approves. The Board of Directors

appoints the CEO and approves his/her compensation as well as the nomination and compensation of other members of the Leadership Team.

Leadership Team and main remuneration principles

The group leadership Team consists of 8 persons (including the CEO) who are all located in Finland. The remuneration of the CEO and the members of the Leadership Team consists of a fixed monthly salary, fringe benefits and both long- and short-term incentive programs. The Board of Directors determines the incentive plan rules, according to which possible incentives are determined and paid.

CEO and Leadership Team

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

Mikael Hed acted as a Head of Animation until March 30, 2017.

Tomi Närhinen acted as a CFO until April 30, 2017.

Rene Lindell acted as a CSO until April 30, 2017.

Wilhelm Taht acted as a Head of Games until 2 March 2018.

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

The remuneration of the CEO and Leadership Team consists of the base salary and fringe benefits, short-term incentives, stock options and restricted shares. The CEO and the members of the Leadership Team do not have any supplemental pension arrangements.

Remuneration element	Purpose	Description												
Base salary	To offer appropriate base salary based on the role.	Fixed monthly salary and fringe benefits according to company policy.												
Short-term incentives (STI)	To support the business strategy by rewarding and incentivizing the CEO and members of the Leadership Team for improvements on short-term performance.	<p>The CEO is eligible for the Leadership Team Short-term incentive plan (STI 2018). The bonus is determined linearly by the Group's adjusted EBITDA. The maximum bonus is 100% of the base salary.</p> <p>The Leadership Team members are eligible for the Leadership Team Short-term incentive plan (STI 2018). STI of Head of Games is determined linearly by the Games business unit's adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). STI of Head of Brand Licensing is determined linearly by the Brand Licensing Unit's adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). Other Leadership Team members' STI is determined linearly by the Group's adjusted EBITDA (100%). The maximum bonus for the Leadership Team members is 100% of the base salary.</p>												
Long-term incentives (LTI)	To align interests of the shareholders and employees, and reward employees for increasing the value of the company.	<p>All employees are entitled to stock option plans. The number of options granted depends on the person's position. Exercise prices vary depending on the option program. The price is based on either the fair value of stock at the grant date or the volume weighted average price in the previous month the options were granted. Exercise periods vary depending on plans.</p> <p>The CEO and the members of the Leadership Team and selected key employees are also entitled to a restricted share plan, in which pre-determined number of shares is paid after restriction period, which can differ from 12 months to 36 months based on the business needs.</p>												
Pension	To provide the CEO and the members of the Leadership Team security for their retirement.	The CEO and the Leadership Team members participate in the statutory Finnish pension system, the Finnish TyEL, which provides for a retirement benefit based on years of service and earnings according to prescribed rules and regulations. No supplemental pension arrangements are provided. The CEO's agreement shall expire by the end of the month of the CEO's 63rd birthday.												
Terms and conditions	To ensure business continuity of Rovio and to provide financial security and competitive terms of employment to the CEO and the members of the Leadership Team.	<p>The CEO's service agreement can be terminated by the CEO or the company with a notice period of six months. If the company terminates the CEO's service agreement for reasons not attributable to the CEO, the company is obligated to pay the CEO as a severance pay an amount corresponding to twelve months of the CEO's salary, provided that the CEO performs his/her duties under the agreement during the notice period. The company has the right to cancel the CEO's service agreement if the CEO materially violates the terms and conditions of the agreement. In such a case, the agreement is terminated immediately, and the Company does not have any payment obligation.</p> <p>For the other members of the company's Leadership Team, the notice period is three to six months irrespective of which party terminates the agreement.</p>												
Pay mix for the CEO and Leadership Team	To align interests of the CEO, the members of the Leadership Team, and the shareholders by rewarding executives appropriately based on achieving short-, and long-term targets of the company.	<p>Legend: ● Base salary ● LTI-target ● STI-target</p> <table border="1"> <caption>Pay Mix Data</caption> <thead> <tr> <th>Group</th> <th>Base salary</th> <th>LTI-target</th> <th>STI-target</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>26%</td> <td>24%</td> <td>50%</td> </tr> <tr> <td>Leadership team</td> <td>22%</td> <td>24%</td> <td>53%</td> </tr> </tbody> </table>	Group	Base salary	LTI-target	STI-target	CEO	26%	24%	50%	Leadership team	22%	24%	53%
Group	Base salary	LTI-target	STI-target											
CEO	26%	24%	50%											
Leadership team	22%	24%	53%											

Incentive plans in 2018

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

In order to support the business strategy by rewarding and incentivizing Leadership Team members and other employees for improvements on short-term performance, Rovio has a unified short-term incentive plan in place for all employees. In Games business unit, the bonus is based on Games adjusted EBITDA (70%) and Group's EBITDA (30%). In Brand Licensing Unit (BLU), the bonus is based on BLU's Adjusted EBITDA (70%) and Group's adjusted EBITDA (30%). For the employees in the Support Functions, the bonus is based on Group's EBITDA (100%). The bonus pool is capped to 50% of total employee salary expense and the pool size varies between 0–50% depending on either business unit and/or Group's pre-bonus adjusted EBITDA. In addition, the maximum individual bonus is 100% of base salary. The board sets the thresholds for minimum and maximum bonus annually.

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

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

Stock option plans are intended to reward personnel from the positive change in company's share value and to align the interest of the employees and shareholders. As of 2017, all new stock option plans are directed to all employees.

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

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

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

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

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

Remuneration report

Remuneration of the Board of Directors in 2017

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

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

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

If the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, such separate remuneration shall not be paid. The Board members are entitled to compensation for cost in accordance with government travel rules. Board members do not have an employment relationship or service contract with Rovio and they are not covered by any of Rovio's short- or long-term incentive plans. Fees paid to the members of the Board of Directors were 402,500 EUR in 2017.

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

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

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

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

**** 31st December 2017.

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

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

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

The remuneration of the CEO and the members of the Leadership Team consists of fixed base salary, fringe benefits, annual short-term incentive plan, stock options and restricted share plan. In 2017, there were different short-term incentive plans for different business units. Target levels in the short-term incentive plans were 50% of the base salary for the CEO and the members of the Leadership Team.

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

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

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

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

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