



ANNUAL REVIEW 2018

Remedy Entertainment Plc is a globally successful game company founded in 1995 and based in Espoo, Finland.

We create story-driven console and computer games with renowned partners such as 505 Games, Microsoft, Rockstar Games and Smilegate.

Remedy's games are built using our proprietary Northlight game engine and tools.

Our past games include Death Rally, Max Payne, Max Payne 2: The Fall of Max Payne, Alan Wake, Alan Wake's American Nightmare and Quantum Break.



CEO'S REVIEW

2018 CONCLUDED the building phase of Remedy's strategy, set at the end of 2016. These past two years can be summarised as a time of successful transformation.

FIRST AND FOREMOST, we began the evolution of what Remedy's games will be.

We focused on console and PC games that offer longer-lasting gaming experiences while still staying true to our core strengths of memorable characters, deep stories and polished action gameplay.

The games we have been developing have followed these principles in a way that makes them stand out in the market and allows the underlying gaming franchises expand further.

THE SECOND KEY pillar is how we operate as a company and develop our games.

We have transformed from a single project organisation into operating on

a multi-project model, in which we have simultaneous game projects at different stages of development.

The projects share certain competences and resources such as our proprietary Northlight technology, certain centralised development services and support functions such as IT and administration.

Having multiple game projects gives us more growth opportunities, provides more career choices for our people, enables us work more efficiently and balances risks.

THE THIRD FOCUS area has been expanding our position in the games industry value chain.

While one important part of our business is the subcontracting-based collaboration with Smilegate, we have developed into a game company that creates and holds the ownership of the other three game IP we are working on. Becoming a

**"IT IS TIME FOR
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publicly listed company has given Remedy the financial security needed for this evolution.

TRANSFORMATION HAS also required personnel growth. Our number of personnel increased over 30 % for the second year in a row and reached 200 employees at the end of 2018.

During these two years of transformation, our revenue continued to grow for the fifth consecutive year and increased 17.6% from the previous year to 20.1 million euros.

Despite of our growth investments, the 2018 result was positive with an

**"OUR REVENUE CONTINUED
TO GROW FOR THE FIFTH
CONSECUTIVE YEAR."**

operating profit of 0.6 million euros.

This combined with our strong cash position enables Remedy to pay a moderate dividend to our shareholders.

SPECIFICALLY IN 2018, we reached important milestones. We had two simultaneous game projects in full production mode and using our Northlight technology.

CrossFire is our first foray into the first-person shooter genre. The first project took 2.5 years and was finalized in fall 2018. We continue to deepen our collaboration with the game's publisher and owner Smilegate

with a second *CrossFire* game project.

Control on the other hand is a game

created and owned by Remedy and published by 505 Games. We also have two other own game projects, an unannounced title and Vanguard, in early stages of development.

THE BIG TRANSFORMATION has now been done and we have built a stronger basis for future growth. It is time for us to move to the next phase.

We will keep on improving and building further our capabilities that support the growth we seek.

On 27 August 2019 we will see a concrete result of our development and transformation, as *Control* is launched worldwide.

This marks a new era in Remedy history, as our goal from now on is to launch at least one game or game expansion annually.



Tero Virtala
Chief Executive Officer
Remedy Entertainment

CONTROL™

CONTROL IS A GAME brand created and owned by Remedy and published by 505 Games, a subsidiary of the Italian entertainment company Digital Bros.

The project revenues are based on development payments from the publisher and share of game sales revenue.

SET IN A UNIQUE and ever-changing world that juxtaposes our familiar reality with the strange and unexplainable, *Control* is a third-person action-adventure game combining Remedy's trademark gunplay with supernatural abilities.

AFTER A SECRETIVE agency in New York is invaded by an otherworldly threat, players will take on the role of Jesse Faden, the new Director struggling to regain *Control*.

THIS SANDBOX-STYLE, gameplay-driven experience built on Remedy's proprietary Northlight engine challenges players to master a combination of supernatural abilities, modifiable loadouts and reactive environments while fighting through the deep and mysterious worlds Remedy is known and loved for.



DEVELOPER
Remedy

PUBLISHER
505 Games

AVAILABLE
27 August 2019

PLATFORMS
PlayStation 4
Xbox One
PC

OPERATION FROST

CROSSFIRE IS ONE of the most popular FPS (first-person shooter) games in the world, with over 650 million registered and 8.5 million simultaneous players in 80 countries.

Created and owned by the Korean game company Smilegate, *CrossFire* generates over billion dollars in annual revenue.

REMEDY'S FIRST *CrossFire* game project is a single player campaign titled *Operation Frost*, which was finished during fall 2018.

The project revenues are based on development payments

from the publisher and potential royalties.

OPERATION FROST is Remedy's first FPS game and took roughly two and a half years to complete.

It is followed by another *CrossFire* project, which Remedy signed with Smilegate in October 2018.

First look of the *Operation Frost* campaign was revealed in a teaser trailer aimed at the Chinese market in January 2019.

The release schedule and communications regarding the campaign are all handled by the publisher Smilegate.

DEVELOPER
Remedy

PUBLISHER
Smilegate

UNANNOUNCED THIRD PROJECT

REMEDY KICKED off a third simultaneous game project at the end of 2017 based on the company's strategy of developing longer-lasting games and franchises.

During 2018, the project has proceeded to a concept and design phase with related team building efforts.

CODENAME VANGUARD

THE SMALL Vanguard development team acts with a start-up mentality within the stability of a large company. At the end of 2018, Vanguard consisted of a small team working on designs and prototyping.

Its mission is to challenge conventions and to prototype and ship new types of ongoing live multiplayer game experiences, alongside Remedy's established and growing core game development teams and the Northlight technology group.

The aim is to make groundbreaking video games that uphold the Remedy name.



NORTHLIGHT IS Remedy's proprietary game engine and a set of development tools showcased in *Control* and *CrossFire*.

The engine makes Remedy's games stand out in the market both visually and technically.

NORTHLIGHT FEATURES a next-generation physically based renderer combined with global illumination and particle lighting.

The engine also combines state-of-the-art performance-captured facial animation with photorealistic scanned characters and enab-

les real-time playback and rewind of physics and large-scale destruction.

DURING 2018, the 40-strong team behind Northlight put effort into AI, animation technology, game development tools, and support for PlayStation 4 as well as regular technology updates and practices related to them.

Additionally, developing *Control* on several gaming platforms, and the NVIDIA RTX ray tracing technology supported by the PC version have been big efforts for the Northlight team.

PERSONNEL

2018 WAS A BUSY year from the Remedy HR perspective. We continued to improve our recruitment process, received over 2700 job applications and hired 52 new employees.

Our headcount reached 200 permanent employees, which is a substantial 34% increase from last year.

Majority of the applications we received during 2018 were solid submissions from potential candidates, which shows that our recruitment outreach has become more efficient. We are finding suitable hires earlier, but have also streamlined our recruitment process in general.

TO SUPPORT REMEDY'S growing organisation, we invested in supervisor and leadership work, for which we kicked off training in early 2018 and continued development throughout the year. Similarly personal development and career paths are of great im-

portance at Remedy, which meant that 40 employees moved internally to new and more challenging roles during the year.

Additionally we developed further our ways of giving and getting feedback directly from colleagues, with almost 3000 individual peer-to-peer feedback passed between employees during 2018.

WE ALSO INTRODUCED an employee engagement tool Peakon, which measures employee engagement and satisfaction across different parameters and teams, and compares us to 150 international technology companies that have 100–500 employees and a special focus on personnel matters.

Our engagement score of 8.3 on a scale of 0–10 is higher than in peer companies.

Simultaneously the tool continuously gives us a additional view on the different parts of our operations, helping us develop further.

**"REMEDY RECEIVED OVER
2700 JOB APPLICATIONS AND
HIRED 52 NEW EMPLOYEES."**



AT THE END OF THE YEAR our employees represented game industry professionals from 24 different nationalities with 55% Finns, and 45% from abroad.

All of our employees are based in Espoo, Finland, where we relocated to a bigger office in May 2018.

The freshly renovated studio building came in handy, as it offers a more functional environment fitted to our game projects' needs.

This has also supported improvements in internal communications.

2018 WAS THE SECOND year we organised the Remedy Developer Day, which is our very own conference for employees and invited games industry guest speakers.

The event has received extremely positive feedback, but it has also been noted by other international game developers.

We also announced in June 2018 a new option scheme targeted at key employees.

WE CONTINUE TO INVEST and improve our HR and personnel side, as we want to be an even more attractive employer to the very sought-out game industry professionals, both to our current and new employees.

KEY FIGURES

FAS, half-year numbers unaudited	H2 - 2018	H2 - 2017	FY - 2018	FY - 2017
Revenue, 1 000 €	10 922	8 862	20 149	17 168
Revenue growth, %	23.3 %	1.9 %	17.3 %	4.6 %
EBIT, 1 000 €	997	1 389	609	2 006
% of Revenue	9.1 %	15.7 %	3.0 %	11.7 %
Result for interim period, 1 000 €	880	943	532	1 469
% of Revenue	8.1 %	10.6 %	2.6 %	8.6 %
Average headcount during interim period	179	145	169	139
Result per share, €	0.073	0.078	0.044	0.122
Balance total, 1 000 €			28 261	26 652
Net cash, 1 000 €			20 089	20 694
Cash position, 1 000 €			23 028	22 589
Gearing, %			-89.9 %	-94.8 %
Equity ratio, %			79.1 %	81.9 %
Number of shares at the end of interim period			12 072 150	12 072 150

Revenue

20.1

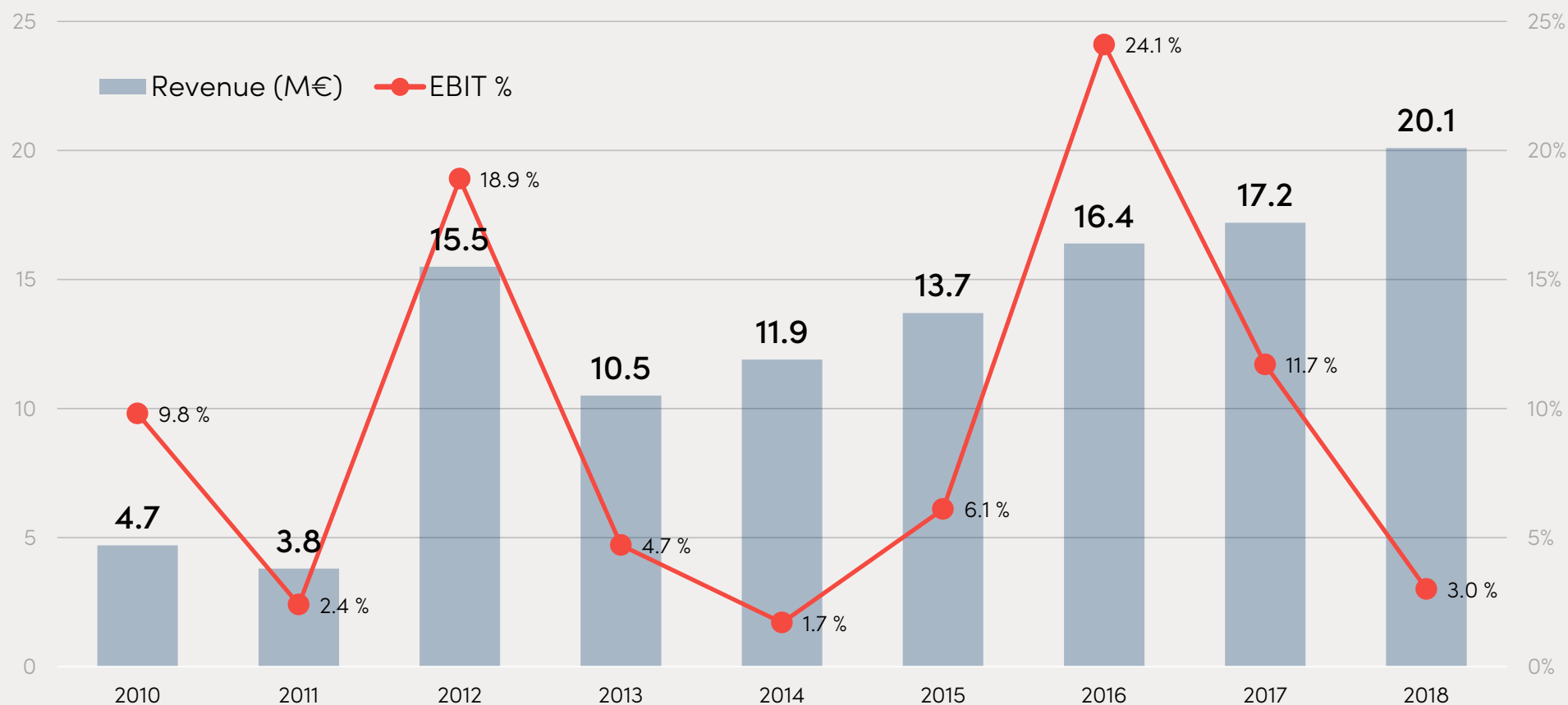
+17.3 %

EBIT

0.6

-69.6 %

FINANCIAL DEVELOPMENT



GOVERNANCE

BOARD OF DIRECTORS

Christian Fredrikson
Board member since 2013

Jussi Laakkonen
Board member since 2017

Markus Mäki (Chairman)
Board member since 1995

Ossi Pohjola
Board member since 2016

Henri Österlund
Board member since 2017

MANAGEMENT

Sami Järvi
Creative Director
At Remedy since 1996

Mikaela Öberg-Mattila
HR Director
At Remedy since 2016

Tero Virtala
Chief Executive Officer
At Remedy since 2016

Terhi Kauppi
Chief Financial Officer
At Remedy since 2018

Johannes Paloheimo
Chief Commercial Officer
At Remedy since 2012

Markus Mäki
Production Director
Founding member 1995

Christopher Schmitz
Chief Operating Officer
Starting on 15.4.2019

AUDITING

The company's elected auditor is KPMG Oy Ab, with Jorma Nurkkala, APA, as the principal auditor.

CERTIFIED ADVISER

The certified adviser of Remedy Entertainment Plc is Alexander Corporate Finance Ltd.

The certified adviser ensures that the company is compliant with the requirements and current obligations of the First North Finland marketplace of Nasdaq Helsinki Ltd.