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# ANNUAL REPORT

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## FROM THE CEO

2019 was a good year financially for Remedy and an important milestone in our longer-term growth plans formed at the end of 2016.

During 2017 and 2018, we began building the basis and making investments to enable our future growth: we built

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**"We reached  
the first growth  
milestone."**

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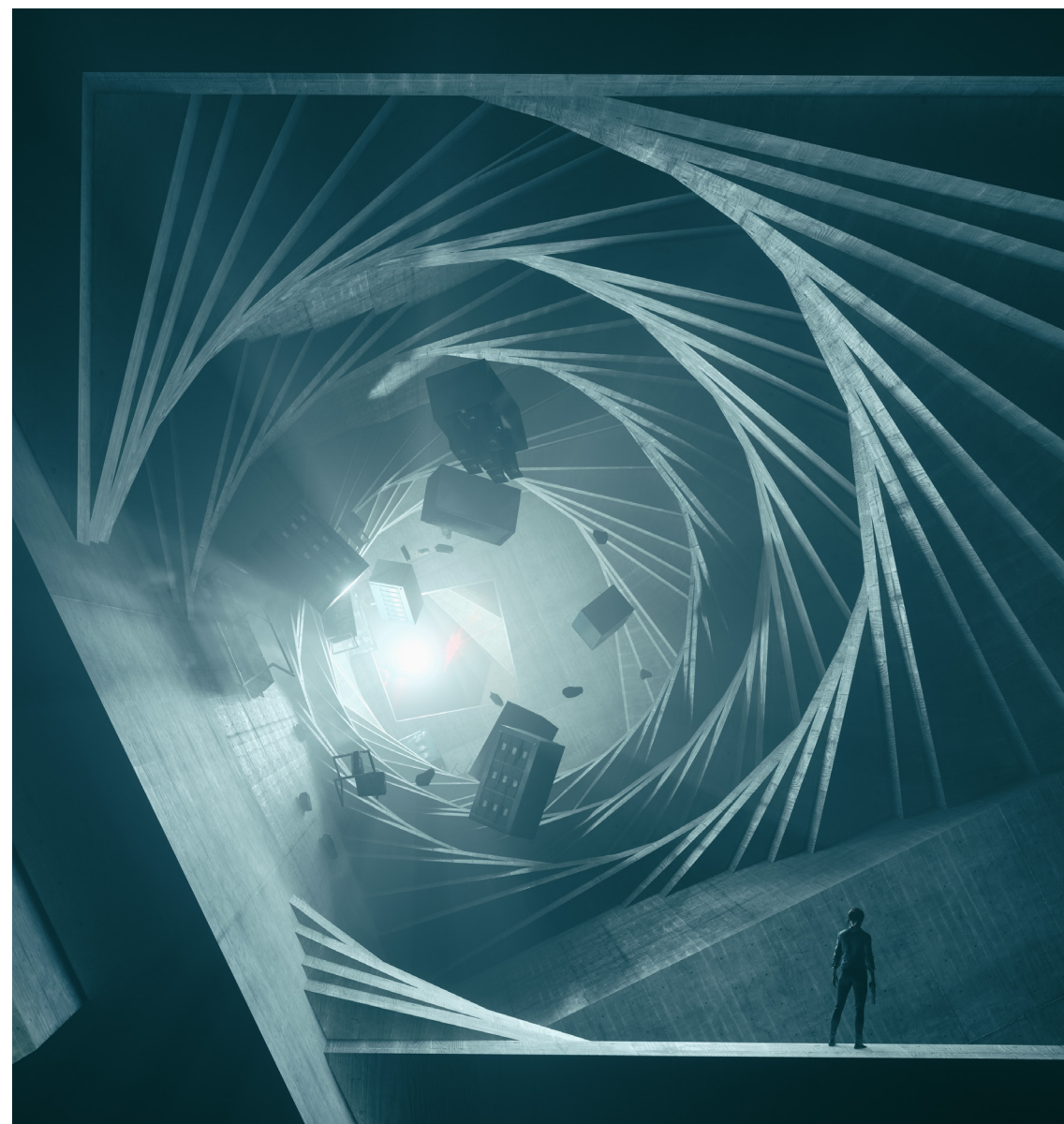
new game teams, initiated new projects, developed our skills and improved how we work and collaborate.

By early 2019, we reached key strategic targets: we had developed our capabilities to create high quality, longer lasting games, we had successfully transformed into a multi-project model organization, and had taken a stronger position in the value chain by both working on partners' and Remedy's game brands.

**I**N early 2019, we started a new phase.

We continue creating longer lasting games in engaging worlds, systematically pursue strong business ownership of our games.

We keep on developing our organization for professionally managed game development,



as well as empower and enable our teams and people to maximally use their special talents to create successful world-class games.

We reached the first growth milestone by the end of 2019 and achieved it in a way that builds a sustainable basis also for long-term growth.

**CONTROL** was released in August 2019 to a great reception, winning multiple Game of the Year awards, and its post-launch sales settled on a good level.

The team continues to work on the upcoming paid game expansions to be released during 2020.

*Control*'s high quality, uniqueness and technical innovation provide opportunities to bring the game to new platforms.

With *Control*, we have succeeded in creating a new game brand and a game that stands out.

All of the above support Remedy's future partner discussions also for projects beyond *Control*, a game that proves the capabilities of our team and technology.

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**REMEDY'S** three other game projects – *Crossfire* story mode, the unannounced game and *Vanguard* – and

technology developments in our Northlight game engine and game development tools proceeded well, supported by our wider business and production developments.

**WE** continue with the next phase of our growth plan in 2020. We will continue to work on the four main game projects we have in development.

We will continue to invest and develop capabilities that support these games to become successes from both creative, production and business perspective, keeping in mind our goal of launching at least one game or game expansion annually.

Even though the launch of our next new game brand will go beyond 2020, we expect 2020 to be a financially good year.



**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 game revenues Remedy receives are based on development payments from the publisher and a 45% share of game sales net 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 the 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.

**CONTROL** was released on PlayStation 4, Xbox One and PC in August 2019. The game was well received and reached an average Metascore of 84/100 from game critics.

*Control* was selected as Game of the Year by over 20 major gaming media outlets and content creators, in addition to receiving





40 other awards and accolades.

*Control* and the underlying, Remedy's proprietary Northlight engine have also received praise for its technological achievements.

*Control* on PC is one of the first games to support multiple ray-traced effects, including ray-traced reflections, contact shadows, and indirect diffuse lighting.

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**"Control was selected as Game of the Year by over 20 major gaming media outlets and content creators."**

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**CONTROL** received post-launch content, including the free Photo Mode and Expeditions updates released in October and December 2019.

Remedy continues to develop *Control* further and has a team working on two paid game expansions (downloadable content, or "DLC") to be released in 2020.



## CROSSFIRE

**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 was 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 was Remedy's first FPS game and took roughly two and a half years to complete.

It was followed by another *Cros-*

*sfire* project, which Remedy signed with Smilegate in October 2018 and worked on throughout 2019.

The development of this second project continues in 2020.

**SMILEGATE** announced at the E3 2019 conference that they are teaming up with Microsoft on *CrossfireX*, which will be the first *Crossfire* title ever to be released on a console platform.

The game will include Remedy's single player campaign when it launches on Xbox One in 2020.

Remedy was included in the *Crossfire* presentation at X019, a major Xbox consumer event held in London in November.

**THE** release schedule and communications regarding *Crossfire* are all handled by the publisher Smilegate.

## UNANNOUNCED PROJECT

**OUR** third, yet unannounced project is an AAA multi-platform game developed on Remedy's proprietary Northlight game engine and tools.

At the end of 2019, the unannounced project was preparing for pre-production with a team of 16 people.

The game will be published by Epic Games and is expected to launch on next generation console platforms and PC in the next few years.

**THE** unannounced game is part of Remedy's strategy of creating and working on its own IPs with the aim of developing them into long-term franchises.

Based on the publishing agreement, Epic Games covers all development costs for the game while Remedy receives a 50% share of the net revenue from game sales.

Remedy also retains the ownership of the game's intellectual property.

## VANGUARD

**THE** goal of Vanguard, our fourth project, is to create a game that combines long-term service-based multiplayer experiences with some of Remedy's unique game features.

Our team of 15 people working on Vanguard acts with a start-up mentality within the stability of a large company.

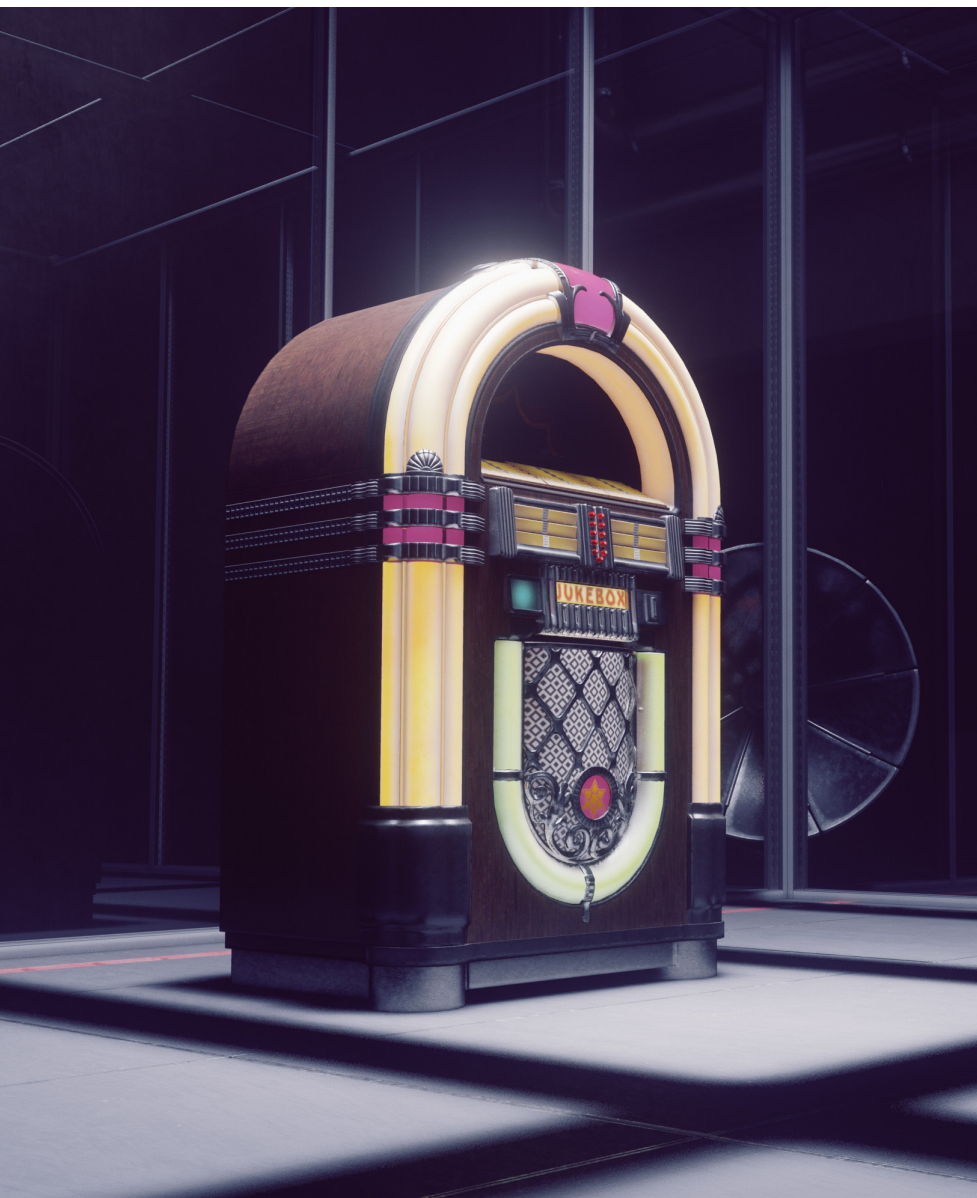
**DURING** 2019, the Vanguard team focused on concepting, market research, designing,

building the technical foundation, prototyping, iterating and assessing the biggest risks.

The project has reached the stage of having the first internally playable development version of the game.

At the end of 2019, project Vanguard was preparing for pre-production phase of development.





## n<sup>o</sup>rthlight<sup>®</sup>

REMEDY STORYTELLING TECHNOLOGY

**DURING** 2019, we continued to develop and utilize Remedy's proprietary Northlight game engine and game development tools with a team of 40 people.

With the exception of Vanguard, all of our game projects are built on Northlight's game engine.

**NEW** technology and tools developed for *Control* were finalized, tested and polished. These included AI, new animation technology that utilizes motion matching, various content creation tools, PlayStation 4 support and NVIDIA RTX ray tracing.

The Northlight team also played an important supportive role in optimizing and releasing *Control*.

An extra effort was put into developing workflows for creating high-quality creatures and digital doubles, automating game release and patching workflows to support

multiple platforms.

The game engine also received performance improvements across the board.

**THE** Northlight team built and developed further selected technical support functions, such as build pipelines, improving debugging and prototyping tools and as well as developing a shared asset library for our various game teams to use for managing game assets.

The team also started to develop systems and processes that enable game teams to add online functionality to future games. At first, the focus has been on back-end features required by the Vanguard project.

Additionally, there has been on-going work so that Northlight is prepared for the next generation consoles arriving in 2020.



## PEOPLE & HR

TO support our longer-term growth objectives, Remedy's recruitment team has successfully attracted more talent to our development teams.

We received over 2 770 relevant job applications in 2019, which led us to hire 52 permanent employees.

Remedy's headcount increased 24% during 2019 and reached 248 full-time employees.

They represent game industry professionals from 26 different nationalities, with 50% Finns and 50% from abroad.

OUR HR continued to develop and support our growing organization with a long-term emphasis on improving supervisor work and leadership.

A good example of this are more systematic and regular ways to gather and give feedback that improve the ways we work in our projects and as a company, as well as help our people to develop professionally and affect their career

paths within Remedy. Together with our overall progress, these improvements resulted in 69 employees being promoted during 2019.

OUR Employee Engagement Score was 8.4 on a 0–10 scale in 2019.

Remedy is benchmarked against other similar-sized tech companies worldwide. We have continued to score above the average benchmark ever since the measurement tool was introduced in 2018.

With the help of the feedback data gathered from our personnel, supervisors have been able to focus on development areas relevant to their specific teams.

Additionally, our employee turnover has steadily improved from 14.3% (2017) to 9.5% (2018) to 7.5% (2019). This is yet another indication that our efforts in talent management are progressing well.



# KEY FIGURES

FAS, unaudited	H2-2019	H2-2018	FY-2019*	FY-2018*
Revenue, 1 000 €	17 846	10 922	31 645	20 146
Revenue growth, %	63.4%	23.3%	57.1%	17.3%
EBIT, 1 000 €	5 073	997	6 534	609
% of revenue	28.4%	9.1%	20.6%	3.0%
Result for review period, 1 000 €	4 068	880	5 238	532
% of revenue	22.8%	8.1%	16.6%	2.6%
Average headcount during review period	243	179	228	169
Result per share, €	0.337	0.073	0.434	0.044
Balance sheet total, 1 000 €			35 896	28 261
Net cash, 1 000 €			15 876	20 089
Cash position, 1 000 €			19 550	23 028
Net gearing, %			-60.2%	-89.9%
Equity ratio, %			73.5%	79.1%
Dividend proposal per share, €			0.11	0.10

\* AUDITED

Revenue M€

**31.6**

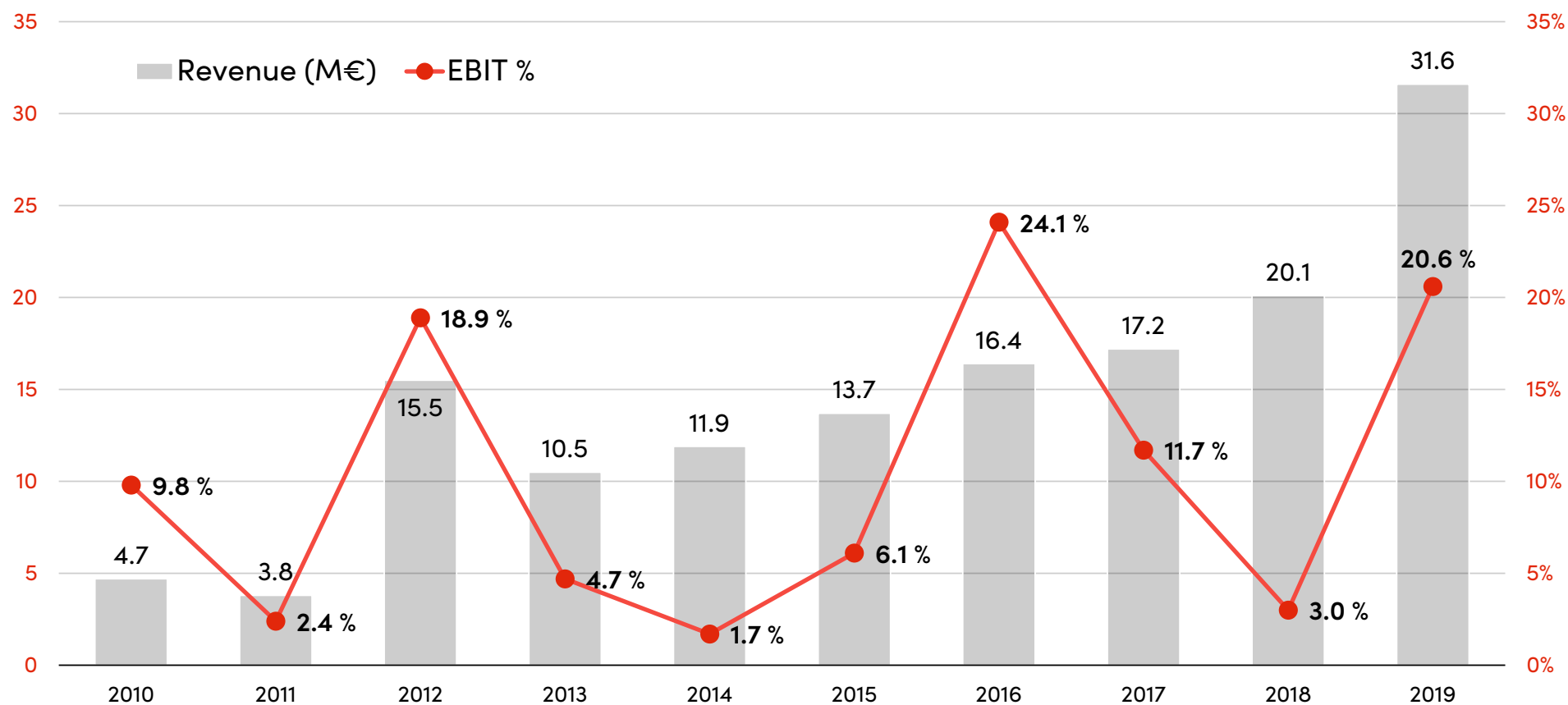
57%  
growth

EBIT M€

**6.5**

21% of  
revenue

# FINANCIAL DEVELOPMENT



# GOVERNANCE

## Board of Directors



**MARKUS MÄKI**  
Chairman



**CHRISTIAN FREDRIKSON**



**OSSI POHJOLA**



**JUSSI LAAKKONEN**



**HENRI ÖSTERLUND**

## Executive Team



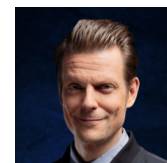
**TERO VIRTALA**  
Chief Executive Officer



**MARKUS MÄKI**  
Chief Technology Officer



**TERHI KAUPPI**  
Chief Financial Officer



**SAMI JÄRVI**  
Creative Director



**JOHANNES PALOHEIMO**  
Chief Commercial Officer



**MIKAELA ÖBERG-MATTILA**  
HR Director



**CHRISTOPHER SCHMITZ**  
Chief Operating Officer

## 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 Growth Market Finland marketplace of Nasdaq Helsinki Ltd.



# RESPONSIBILITY

**REMEDY'S** approach to responsibility is based on three key elements: products, people and practices.

Essentially this means asking what we do, who does it, and how?

**FOR** the most part, Remedy's products are action-adventure video games designed for mature audiences.

Before their release, our games are reviewed in market territories such as Europe and USA by the respective video game entertainment rating bodies such as PEGI and ESRB.

This helps us label our products and marketing material with appropriate age ratings and content categories, which act as guidelines for both consumers and companies.

**ALL** Remedy's released games are available as digital downloads.

Compared to boxed products, digital downloads do not require physical packaging, reducing carbon emissions produced

by manufacturing and distribution.

Our games are developed mostly in a single location, the Remedy office, which gets 85% of its power from renewable energy sources.

**REMEDY'S** diverse team of over 260 game industry professional is comprised of people from all walks of life, representing 27 nationalities.

17% of our employees are women, which is close to the gaming industry average.

While attracting global, experienced game industry talent, Remedy also collaborates with schools and educational institutions in many different ways.

This supports schools in their wider educational needs, motivates and opens paths to worklife for young people, and also serves Remedy's growth.

Complying with Finnish law and the Non-Discrimination Act ensures that all Remedy employees and job candidates are treated equally.

**WITH** our practices, we strive to be a both operationally and financially sustainable company.

This means assessing and mitigating risks constantly as well as maintaining an operational model that enables sustainable long-term growth.

**AS** a Finnish public limited liability company, Remedy's decision-making and governance comply with Finnish law, the company's Articles of Association and the rules and regulation of Nasdaq First North Growth Market Finland marketplace.

Remedy's governance principles are determined by the company's Board of Directors.

When preparing financial statements and half-year reports, Remedy complies with the Finnish Accounting Standards (FAS), which are based on the Accounting Act and Decree of Finnish law, guidance and statements made by the Accounting Board, and the First North Nordic Rulebook.





**Remedy Entertainment Plc** is a globally successful video game company.

The company is known for story-driven and visually stunning console and computer games such as **Control**, **Quantum Break**, **Alan Wake** and **Max Payne**.

Remedy also develops its proprietary **Northlight** game engine and game development tools.

Founded and based in 1995, **Finland**, the company employs over 260 game industry professionals from 27 different countries.

Remedy is listed on the **Nasdaq First North** Growth Market Finland marketplace.