

Please note that this is a translation for information purposes only. The official half-year report has been released only in Finnish language.

## HALF-YEAR REPORT SUMMARY 1.1.–30.6.2018 (Unaudited)

# Game projects reached important milestones, investments in growth continued – Remedy successful in a major game industry event

### Highlights from January–June 2018:

- Revenue €9,224 (8,306) thousand, change 11.1%.
- Operating profit (EBIT) €-388 (617) thousand, change -162.9%.
- EBIT affected by investments to own IP (intellectual property), growing the size of the game development teams and moving to a new, custom built office. Company does not activate product development costs.
- Game projects have proceeded on planned schedules.
- Remedy's single player campaign for *CrossFire 2* currently in the polishing stage of development.
- *Control* (earlier known as codename P7) was announced at the major game industry event E3 in Los Angeles and garnered notable positive attention from the media.
- Third game project is in early stages of planning and negotiations with potential partners.
- Early research work on Northlight related to NVIDIA's ray tracing technology was announced.
- Company moved to freshly renovated premises in Espoo, suited for our increasing headcount.
- Newly appointed CFO Terhi Kauppi started working at Remedy.
- Board decided on new option program targeted at key personnel.

### Key figures

FAS (UNAUDITED)	H1-2018	H1-2017	FY-2017
Revenue, €1,000	<b>9,224</b>	8,306	17,168
Growth in revenue, %	<b>11.1%</b>	7.6%	4.6%
Operating profit (EBIT), €1,000	<b>-388</b>	617	2,006
Operating profit, % of revenue	<b>-4.2%</b>	7.4%	11.7%
Result for the period under review, €1,000	<b>-348</b>	527	1,469
Result for the period under review, % of revenue	<b>-3.8%</b>	6.3%	8.6%
Balance sheet total, €1,000	<b>27,330</b>	23,673	26,652
Net cash, €1,000	<b>14,231</b>	22,226	20,694
Net gearing, %	<b>-66.3%</b>	-106.5%	-94.8%
Equity ratio, %	<b>78.6%</b>	88.2%	81.9%

Number of personnel on average during the period under review	158	136	139
Earnings per share, €	-0.029	0.048	0.122
Earnings per share, € (diluted)	-0.028	0.048	0.122
Number of shares at the end of the period	12,072,150	11,018,000	12,072,150

## Comments by CEO Tero Virtala

“Remedy’s revenue increased by 11.1% year-on-year in January–June, amounting to €9.2 million. Our revenue was mainly comprised of development fees from game publishers of our two game projects *Control* and *CrossFire 2*, and partly of sales and royalty revenues from *Quantum Break*. Share of returns from the *Alan Wake* “Going Away” sales campaign recognized in revenue of comparison period 2017 were less significant during the review period.

Our operating profit decreased by 162.9% year-on-year during January–June, amounting to -4.2% of the revenue. Our financial result was negatively affected by investments in growing *Control*’s development team to a full production size, recruiting in regards of the third game project and Remedy’s move to bigger office and its renovation. Remedy does not activate product development costs, meaning that all development investments affect our profit directly.

At the end of the review period, Remedy had three simultaneous game projects in very different stages of production. Single player campaign we developed for Smilegate Entertainment Ltd. as a part of their larger *CrossFire 2* game was carried to the polishing stage of development. Cooperation with Smilegate continues. Smilegate is responsible for publishing, marketing and communications of *CrossFire* games.

Our second game project *Control* (earlier known as P7) is in full production mode. The game was announced at E3, where *Control* was chosen to be unveiled at Sony’s PlayStation media briefing. Electronic Entertainment Expo a.k.a. E3 is the most notable game industry event held annually in Los Angeles, where *Control* was a well-received surprise for both gamers and game media. Based on first reactions, the game’s visually astonishing world and its mysterious atmosphere as well as the diverse gameplay mechanics gained interest from the general public. In addition to the trailer revealed during Sony’s briefing, the game was available at E3 as a behind closed doors demonstration a.k.a. demo, which demonstrates key features of the game. The demo was shown to over 500 major game media representatives and industry influencers during three days, reaching visibility in over 100 industry publications. *Control* additionally received 25 nominations and awards, including “Best of E3” from the renowned publication Gamespot.

*Control* will be released on PlayStation 4 and Xbox One console platforms as well as Steam PC gaming platform in 2019. Remedy and the game's publisher 505 Games have made a marketing cooperation deal with Sony, ensuring *Control* notable visibility on PlayStation platforms. From the wide audience reached with a multiplatform release, we're targeting gamers who are looking for unique games that offer gameplay-driven experiences. Based on our strategy, we're strengthening our position in the game development value chain. Accordingly, *Control* remains as Remedy's intellectual property, which comes with the responsibility of a larger-than-usual share of development costs related to the game.

Our third game project kicked off at the end of 2017 has reached a typical early stage of development, which includes presenting game concepts and having preliminary negotiations with potential partners.

During the review period, we've developed further our Northlight technology, which is used as a development platform and game engine for Remedy's games. Especially PlayStation 4 support, animation technologies and game development tools have been improved. In addition to technological advancements, we've been able to strengthen the team behind Northlight and its production processes. As a result, the game projects get their hands on the latest version of Northlight more often than before.

The Northlight team members were one of the few and selected game developers granted with early access to conduct research on NVIDIA's RTX technology. The research aims to utilize real-time ray tracing in video games. Ray tracing is a rendering technique based on tracing light rays, adding quality and accuracy to photorealistic graphics. Remedy discussed the experiments and initial results at the industry-renowned Game Developers Conference 2018 in San Francisco.

Our recruitment is attracting well, as we received over 1300 job applications during the review period. *Control* with its media attention have strengthened Remedy's reputation as an employer who offers a chance to be part of making unique games. We moved to a freshly renovated office in Espoo, fit for our larger number of staff. Our growth will continue based on current and upcoming game projects, for which the new premises and available financial resources create an excellent opportunity.

In addition to attracting new talent, it's important to commit to our existing ones. The Board's decision on the new option program is part of our long-term share-based incentive scheme aimed at the company's key personnel."