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# Annual Report 2020

REMEDY ENTERTAINMENT PLC

# From the CEO

**2020** will go down in history as an exceptional time in many ways.

For Remedy, it will be remembered as our 25th anniversary year, highlighted by great achievements.

We had a record-breaking financial year despite the absence of a major new game launch, Control passed 2 million sold units, Remedy signed two game projects with Epic Games Publishing with attractive terms, and we progressed well both with our game projects and internal developments.

**IN 2020**, Remedy worked on four game brands and five main games in development

under these brands. The games included Control with 505 Games, Crossfire with Smilegate, two unannounced game projects with Epic, and our free-to-play co-op game codenamed Vanguard.

**THROUGHOUT** the year, we continued to improve our ways of working to ensure well-designed, planned, led, and resourced projects in our multi-project environment.

By the end of 2020, Remedy employed 275 gaming industry professionals.

Additionally, from 31 external development partners, 370 external talents worked with our games during 2020.

We continue on this path to strengthen our production capabilities, growing our headcount selectively while we increase scalability with external development and iterate towards bigger games.

**OVERALL**, 2020 was a boon for the gaming industry, as consumer demand and the gaming market thrived.

Our industry will keep growing and evolving with new gaming platforms and subscription and streaming services.

While consumer demand for great games keeps on growing, also publishers and holders of platforms and services have an exceptionally strong demand for new high-quality games and game developers.

At the same time, the industry consolidation and high entry barrier

to AAA game development has meant that the number of independent and distinguished developers has been decreasing.

The market has developed favourably for us, and we have met the challenges in order to take advantage of the opportunities presented.

**REMEDY** has evolved into a category-defining, creative super-developer in the fast-growing global gaming industry.

We have built a strong foundation for long-term growth and in December 2020, we launched our ambitious plans for 2021–2025. This marks the beginning of our next growth phase.

**DURING** the next five years, Remedy aims to create and own several successful games and game brands with

long-term hit potential. To capture more value in the future, we will strengthen our capabilities to self-finance and self-publish selected future games, and work with strong publishing partners on certain games.

The 41.5 million euro proceeds of our directed share issue in February 2021 support us on our way towards these goals.

**AS** we look ahead into 2021 and beyond, we see that Remedy has high-potential brands, good partners, a professional organization, and the world-class talent needed to achieve our ambitious goals.

With 25 years under our belt, the next five will be the most exciting ones yet.



**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.

Remedy receives 45% of the net revenue from *Control*'s digital game sales.

**CONTROL** has become a critical and commercial success since its original 2019 release on PlayStation 4, Xbox One and PC.

By the end of 2020, the game had sold over two million copies and received several Game of the Year awards.

IN 2020, we launched two paid game expansions titled The Foundation and AWE and an "Ultimate Edition" ver-

sion, which includes the main game and both expansions.

Throughout the year, *Control* was added to new stores, platforms, and subscription and streaming services.

The next generation console versions of the game were developed during 2020 and released in early 2021 on PlayStation 5 and Xbox Series X|S.

**WHILE** increasing the sales and steadily growing the awareness of the game, post-launch activities have also supported its longer-term opportunities.

*Control* is a high-quality game that provides a deep, immersive world and gaming-experience, and long-term business potential for years to come.

# 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 one billion dollars in annual revenue.

**DURING** 2020, Remedy continued to develop the single player campaign for Crossfire's upcoming 2021 releases.

Crossfire HD on PC is expected to be released in China by Smilegate and Tencent, and CrossfireX on Xbox in the western markets by Smilegate and Microsoft.

In addition to development payments, the Crossfire projects provide Remedy a royalty opportunity.

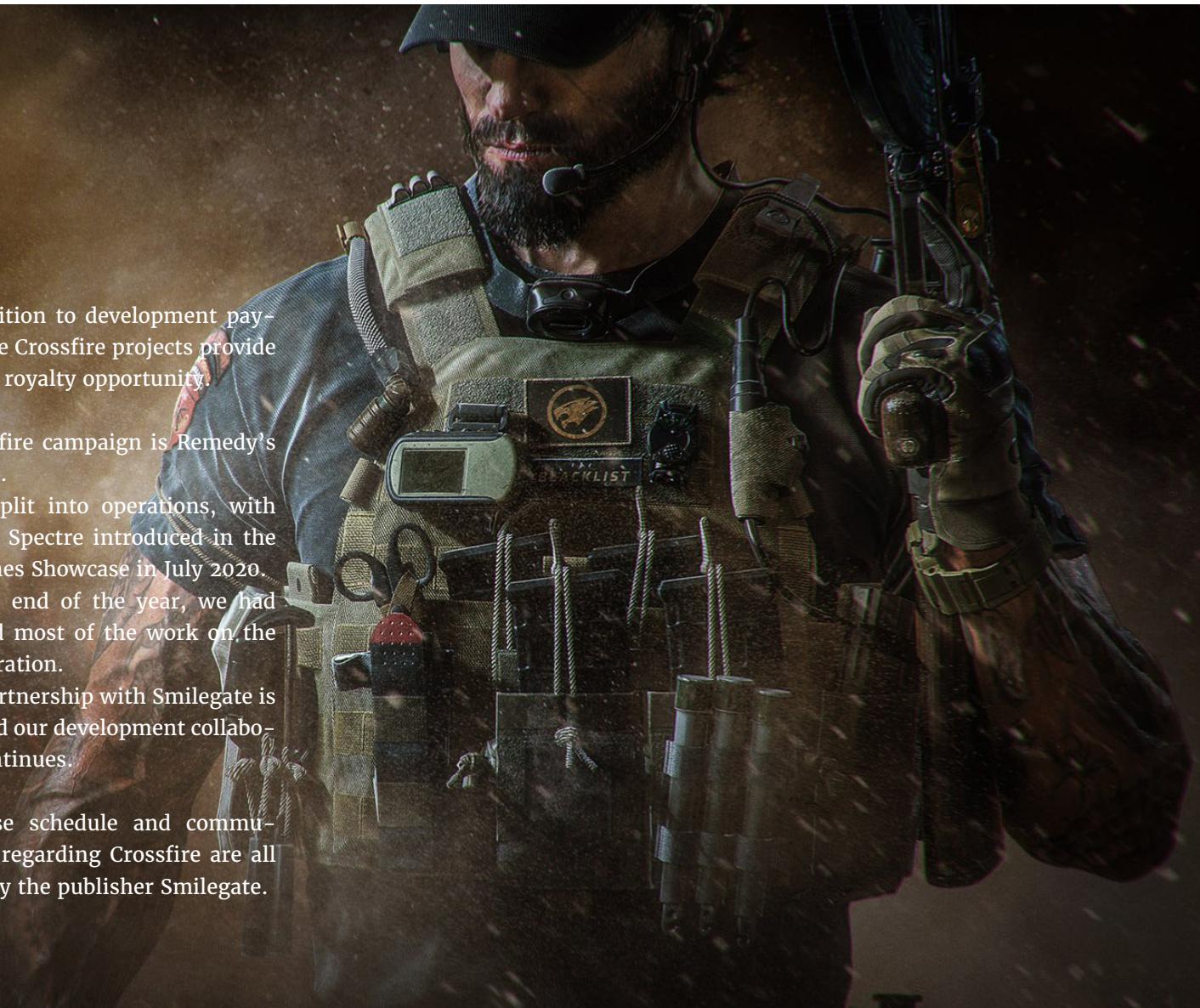
**THE** Crossfire campaign is Remedy's FPS debut.

It is split into operations, with Operation Spectre introduced in the Xbox Games Showcase in July 2020.

By the end of the year, we had completed most of the work on the other operation.

Our partnership with Smilegate is strong and our development collaboration continues.

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



# Unannounced projects with Epic Games

**I**n March 2020, Remedy signed publishing agreements with Epic Games for an AAA game project and a smaller-scale game project.

Both projects are based on a game IP created and owned by Remedy, and we retain full ownership and creative freedom in this regard. Epic fully funds the development and has committed to

making a significant marketing investment. After Epic's development and publishing costs have been recouped, Remedy will receive 50% of the net game sales revenues.

**T**HE games are being developed for console and PC platforms on our Northlight game engine.

The projects progressed well during 2020 and by the end of the year we had close to 100 people working on them. The smaller-scale game has reached the production stage, and the AAA game will be entering full production in spring 2021.



# Vanguard

**OUR** Vanguard team is developing a free-to-play co-op game. Their mission is to combine a service-based multiplayer experience with selected world-building and narrative strengths of Remedy.

**DURING** 2020, the team continued to iteratively develop the first playable version.

They have been continuously evaluating and learning, resulting in adjustments and changes both to the game and to the team itself.

The development is still in its early stages, but the pace of development and our first external tests and research show promise.

**VANGUARD** uses the Unreal 4 engine. The publishing model for the game has yet to be decided.



# Northlight

**REMEDY'S** proprietary Northlight game engine and tools are used by Control, Crossfire and the two unannounced projects we are developing with Epic Games.

**DURING** 2020, the Northlight team of 50 people supported the Crossfire projects as they prepared for the upcoming releases of CrossfireX and Crossfire HD.

Remedy's engine and tools were developed further to support the next generation consoles PlayStation 5 and Xbox Series X|S, including support for ray tracing.

**NORTHLIGHT** also catered to the remote working environment, which required developments and changes

to Remedy's tool chains, pipelines, and back-end systems.

Despite the challenges of the pandemic, the team continued developing the engine and tools according to plan, adding and improving features in a steady stream of new Northlight version releases to be implemented in our game projects.

**AT** the end of 2020, the Northlight team began planning the next generation of our tools and implemented a new build pipeline and improvements to DevOps (game development and IT operations) to ensure a continuous delivery system, which is essential since we are more frequently releasing new games and game versions to the market.

# People & HR

**DURING** 2020, Remedy received over 3018 relevant job applications, which led us to hire 39 permanent employees.

Our headcount grew by 11% and reached 275 employees, 52% of which represent 29 different nationalities, the rest being Finns.

**DUE** to the Covid-19 pandemic, the majority of Remedy's employees worked remotely during 2020.

We had already prepared for certain risky yet unlikely events, and we set up a special strike team to build on our capabilities.

The team was able to further mitigate the effects of the pandemic and enabled Remedy to move quickly into productive remote work.

As a result of this, our people stayed healthy and productive both from home and at the studio throughout the year.

**DESPITE** of the pandemic, we continued to support our people and their professional development.

During 2020, over 40 people have been able to progress their career within Remedy.

We also took leadership and supervisor work further and developed the ways we collect and give feedback.

**IN** 2020, our Employee Engagement Score was 8.2 on a 0–10 scale. The overall engagement decreased slightly from 2019, but this happened in other companies as well.

Remedy is benchmarked against other similar-sized tech companies worldwide, and we have scored above the average benchmark ever since the measurement tool was introduced in 2018.

Additionally, our employee turnover continued to improve from 7.5% (2019) to 7.1% (2020).



# Responsibility

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

Essentially we ask: what we do, who does it, and how?

**REGARDING** our products, Remedy's aim is to ensure maximum product safety and compliance.

For the most part, our products are action-adventure video games designed for mature audiences, so we pay careful attention to appropriate reviews and labeling.

Before their release, our games are reviewed in all relevant market territories such as Europe and the USA by the relevant video game entertainment ratings 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.

**SUSTAINABILITY** and environment friendliness are also of high importance.

Remedy aims to take environmental aspects into account in all its actions and promote sustainable solutions in its choices and processes.

Remedy's main environmental impacts stem from the office and computer hardware energy consumption and, indirectly, product distribution.

No major environmental risks have been identified in Remedy's business operations.

**ALL** Remedy's released games are available as digital downloads. Compared to boxed products, digital downloads do not require physical packaging, reducing material consumption and the car-

bon 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.

**SOCIAL** responsibility, personnel well-being, and diversity as well as human rights are part of our core values.

Remedy's diverse team of over 275 game industry professionals comprises people from all walks of life, representing 30 nationalities. 48% of our employees are of Finnish nationality and 52% are other nationalities. 18% of our personnel are women and 82% men, which is close to the gaming industry average. The proportion of women has risen by 5 percentage points from the end of 2017.

At Remedy, we aim for professional and high-quality work, but

also believe in a healthy work-life balance.

We want to ensure our employees' mental and physical well-being both at work and home. We support personal development and career progression with systematic feedback and coaching.

All Remedy employees and job candidates are treated equally, and we comply with Finnish law and the Non-Discrimination Act.

No person may be discriminated against based on age, ethnic or national origin, nationality, language, religion, belief, opinion, employee representativeness, health, disability, gender, sexual orientation, gender identity or gender expression or other personal characteristics.

This applies to recruitment and hiring, compensation (including salary and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline.

Remedy bases its recruitment decisions on applicants' com-

petencies, skills, and aptitude. Avoiding discrimination in recruitment is not just about meeting legal requirements, but about making sure that the most suitable person is recruited for the job.

**WITH** our practices, we strive to be an operationally and financially sustainable company. This means assessing and mitigating risks constantly as well as maintaining an operational model that supports long-term growth.

Remedy has in place a risk assessment and management model that strives to promote risk awareness throughout the company's functions.

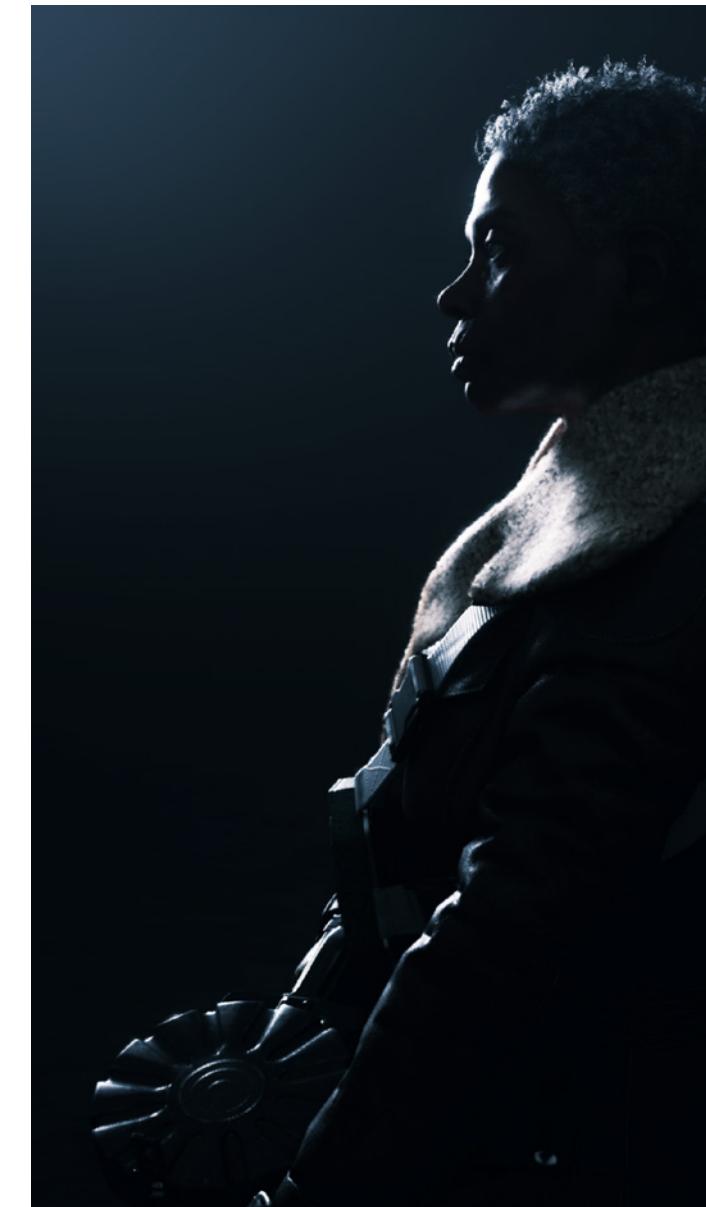
Remedy's risk-related processes aim to recognize risks and their effects, assess them, and address them with appropriate responses.

The goal of the risk management system is to support the entire organization in achieving its strategic, operational, and financial goals.

**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, business reviews 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.

Our principal auditor is elected by the Annual General Meeting. As a First North company, Remedy also has a certified adviser that ensures that the company is compliant with the requirements and current obligations of the marketplace.



# Key figures

FAS, unaudited	H2-2020	H2-2019	FY-2020	FY-2019
Revenue, 1 000 €	24 115	17 846	41 086	31 645
Revenue growth, %	35.1%	63.4%	29.8%	57.1%
EBIT, 1 000 €	10 084	5 073	13 245	6 534
% of revenue	41.8%	28.4%	32.2%	20.6%
Result for review period, 1 000 €	7 837	4 068	10 337	5 238
% of revenue	32.5%	22.8%	25.2%	16.6%
Average headcount during review period	268	243	265	228
Result per share, €	0.649	0.337	0.856	0.434
Balance sheet total, 1 000 €			48 355	35 896
Net cash, 1 000 €			20 016	15 876
Cash position, 1 000 €			23 690	19 550
Net gearing, %			-56.6%	-60.2%
Equity ratio, %			73.2%	73.5%
Dividend proposal per share, €			0.15	0.11

\* AUDITED

Revenue M€

41.1

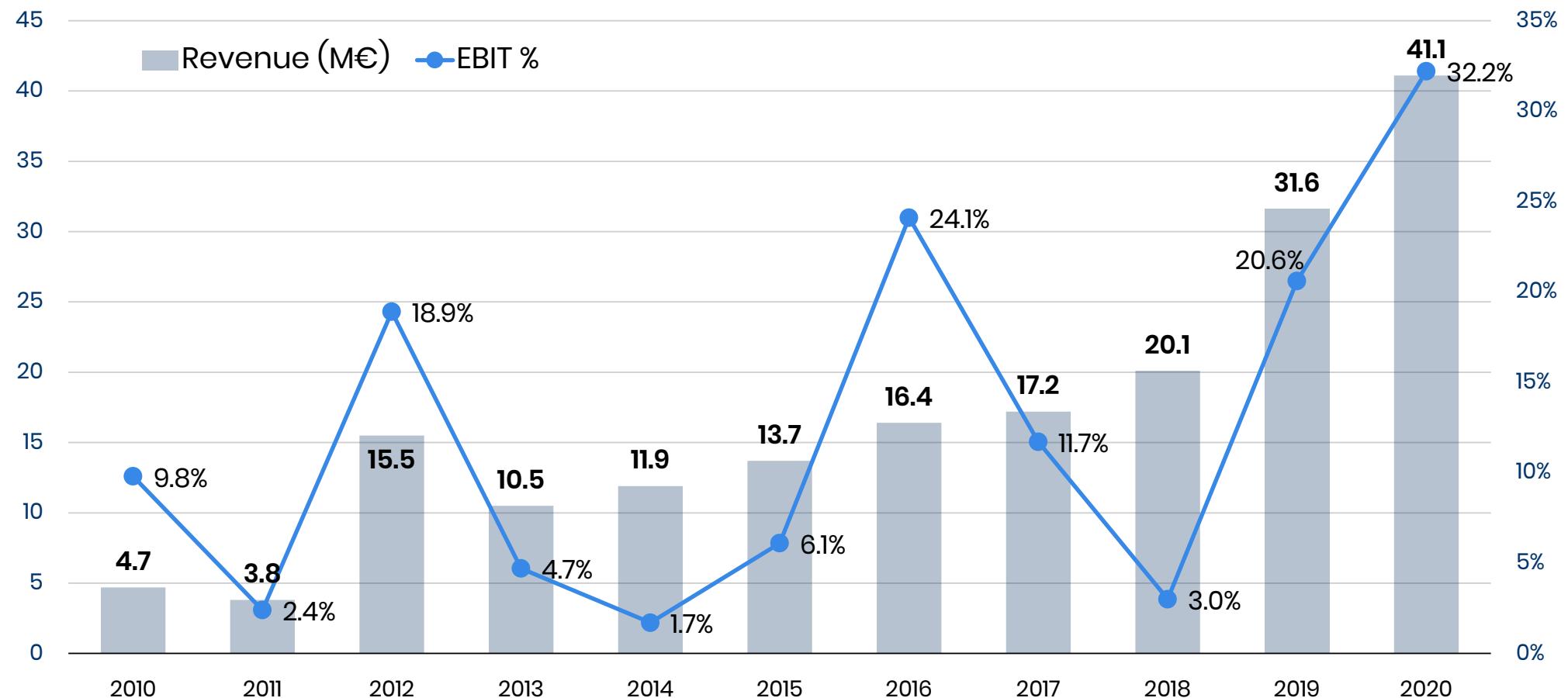
30%  
growth

EBIT M€

13.2

32% 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 Petri Sammalisto, 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.