# Remedy Entertainment Plc

IFRS financial statements 2021

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### Financial statements

## COMPREHENSIVE INCOME STATEMENT

| In thousands of euro | Note | 1 Jan - 31 Dec 2021 | 1 Jan - 31 Dec 2020 |
|---|---|---|---|
| Revenue | 2, 3 | 44 726 | 41 086 |
| Other operating income | 6 | 1 | 1 |
| Materials and services | 4, 5 | -5 368 | -4 818 |
| Personnel expenses | 4, 7 | -21 152 | -19 016 |
| Depreciation, amortisation and impaiment | 8 | -3 043 | -6 705 |
| Other operating expenses | 4, 9 | -3 757 | -3 299 |
| **Operating profit/(loss)** | | **11 407** | **7 248** |
| Financial income | 10 | 253 | 154 |
| Financial expenses | 10 | -318 | -373 |
| **Net financial expenses** | | **-65** | **-219** |
| **Profit/(Loss) before income taxes** | | **11 342** | **7 029** |
| Income tax expense | 11 | -2 548 | -1 617 |
| **Profit/(Loss) for the financial year** | | **8 794** | **5 412** |
| | | | |
| **Other comprehensive income/(expense)** | | | |
| | | | |
| Items that may be subsequently reclassified to profit or loss | | - | - |
| **Total other comprehensive income/(expense) for the financial year** | | **-** | **-** |
| | | | |
| **Total comprehensive income/(expense) for the financial year** | | **8 794** | **5 412** |
| | | | |
| **Profit/(Loss) for the financial year attributable to** | | | |
| Owners of the company | | 8 794 | 5 412 |
| | | | |
| **Total comprehensive income/(expense) attributable to** | | | |
| Owners of the company | | 8 794 | 5 412 |
| | | | |
| **Earnings per share** | 12 | | |
| Basic earnings per share, euro | | 0.67 | 0.45 |
| Diluted earnings per share, euro | | 0.65 | 0.43 |

## BALANCE SHEET

| In thousands of euro | Note | 31 Dec 2021 | 31 Dec 2020 | 1 Jan 2020 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| Development costs | | 15 110 | 7 593 | 7 255 |
| Total intangible assets | 13 | 15 110 | 7 593 | 7 255 |
| Tangible assets | 14 | 3 178 | 3 271 | 3 104 |
| Right-of-use assets | 15 | 1 075 | 1 936 | 2 725 |
| Investments | 16 | 3 000 | - | - |
| Non-current receivables | 16, 21 | 705 | 553 | 521 |
| Deferred tax assets | 11 | 6 | 18 | 5 |
| **Total non-current assets** | | **23 074** | **13 370** | **13 610** |
| **Current assets** | | | | |
| Inventory | 16-17 | 17 | - | - |
| Trade and other receivables | 16-17 | 20 163 | 5 619 | 1 989 |
| Contract assets | 2 | 2 348 | 8 602 | 9 223 |
| Other current financial assets | 16 | 4 139 | - | - |
| Cash and cash equivalents | 16 | 51 384 | 23 690 | 19 550 |
| **Total current assets** | | **78 052** | **37 911** | **30 762** |
| **Total assets** | | **101 126** | **51 281** | **44 372** |
| **EQUITY** | | | | |
| Share capital | | 80 | 80 | 80 |
| Share premium | | 38 | 38 | 38 |
| Invested non-restricted equity reserve | | 55 779 | 13 748 | 13 748 |
| Retained earnings | | 31 522 | 22 232 | 17 095 |
| **Total equity** | 18 | **87 419** | **36 098** | **30 960** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Government loan | 19, 21 | 1 837 | 2 755 | 3 674 |
| Lease liabilities | 15 | 218 | 1 100 | 1 919 |
| Deferred tax liabilities | 11 | - | 194 | 1 149 |
| **Total non-current liabilities** | | **2 055** | **4 050** | **6 742** |
| **Current liabilities** | | | | |
| Government loan | 19, 21 | 919 | 919 | - |
| Lease liabilities | 15 | 884 | 869 | 830 |
| Derivative instruments | 19-21 | - | 56 | - |
| Trade and other payables | 19, 21-22 | 9 848 | 9 289 | 5 840 |
| **Total current liabilities** | | **11 651** | **11 133** | **6 670** |
| **Total liabilities** | | **13 706** | **15 183** | **13 412** |
| **Total equity and liabilities** | | **101 126** | **51 281** | **44 372** |

## CASH FLOW STATEMENT

| In thousands of euro | Note | 1 Jan - 31 Dec 2021 | 1 Jan - 31 Dec 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from sales | | 26 864 | 38 901 |
| Proceeds from other operating income | | 1 | 1 |
| Paid other operating expenses | | -17 290 | -24 276 |
| Interest received | | 109 | 157 |
| Interest and other financial expenses paid | | -266 | -520 |
| Income taxes paid | | -3 366 | -1 676 |
| **Net cash from operating activities (A)** | | **6 052** | **12 586** |
| **Cash flows from investing activities** | | | |
| Capitalized development costs | 4 | -8 489 | -5 111 |
| Acquisition of intangible and tangible assets | | -1 113 | -1 235 |
| Investments | | -7 000 | - |
| **Net cash used in investing activities (B)** | | **-16 602** | **-6 346** |
| **Cash flows from financing activities** | | | |
| Repayment of current loans and borrowings | | -919 | - |
| Proceeds from non-current loans and borrowings | | 2 | 7 |
| Paid increase in share capital | | 41 992 | - |
| Dividends paid | | -1 961 | -1 328 |
| Repayment of lease liabilities | | -871 | -780 |
| **Net cash from financing activities (C)** | 15, 18-19 | **38 244** | **-2 101** |
| **Net cash from (used in) operating, investing and financing activities (A+B+C)** | | 27 694 | 4 140 |
| **Net increase (decrease) in cash and cash equivalents** | | 27 694 | 4 140 |
| Cash and cash equivalents at 1 January | | 23 690 | 19 550 |
| Cash and cash equivalents at 31 December | 16 | **51 384** | **23 690** |

## STATEMENT OF CHANGES IN EQUITY

| In thousands of euro | Note | Share capital | Share premium | Invested non-restricted equity reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the company | | | | |
| **Balance at 1 January 2021** | | **80** | **38** | **13 748** | **22 232** | **36 098** |
| **Comprehensive income** | | | | | | |
| Profit (Loss) for the financial year | | - | - | - | 8 794 | 8 794 |
| Other comprehensive income | | - | - | - | - | - |
| **Total comprehensive income** | | **-** | **-** | **-** | **8 794** | **8 794** |
| **Transactions with owners of the company** | | | | | | |
| Dividend distribution | 18 | - | - | - | -1 961 | -1 961 |
| Share options granted | 7.3, 24.2 | - | - | - | 2 457 | 2 457 |
| Increase in share capital | | - | - | 40 413 | - | 40 413 |
| Share issue and other share subscriptions | | - | - | 1 618 | - | 1 618 |
| **Total transactions with owners** | | - | - | **42 032** | **496** | **42 528** |
| **Balance at 31 December 2021** | | **80** | **38** | **55 779** | **31 521** | **87 418** |

| In thousands of euro | Note | Share capital | Share premium | Invested non-restricted equity reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the company | | | | |
| **Balance at 31 December 2019, as reported in the FAS financial statements** | | **80** | **38** | **13 748** | **12 517** | **26 383** |
| Impact of IFRS transition | 26 | - | - | - | 4 578 | 4 578 |
| **Restated IFRS balance at 1 January 2020** | | **80** | **38** | **13 748** | **17 095** | **30 960** |
| **Total comprehensive income** | | | | | | |
| Profit (Loss) for the financial year | | - | - | - | 5 412 | 5 412 |
| Other comprehensive income | | - | - | - | - | - |
| **Total comprehensive income for the financial year** | | **-** | **-** | **-** | **5 412** | **5 412** |
| **Transactions with owners of the company** | | | | | | |
| Dividend distribution | 18 | - | - | - | -1 328 | -1 328 |
| Share options granted | 7.3, 24.2 | - | - | - | 1 054 | 1 054 |
| **Total transactions with owners of the company** | | - | - | - | **-274** | **-274** |
| **Balance at 31 December 2020** | | **80** | **38** | **13 748** | **22 232** | **36 098** |

# 1 Basis of preparation

## 1.1 Company information

Remedy Entertainment Plc (hereafter 'Remedy' or 'the company') is a Finnish limited liability company established under the laws of Finland, and its business ID is 1017278-9. It is domiciled in Espoo, Finland and the company's registered address is Luomanportti 3, 02200 Espoo, Finland. Remedy is listed on Nasdaq First North Growth Market Finland since 2017.

Remedy Entertainment Plc is a globally successful video game company known for story-driven and visually stunning console and computer games such as Control, Alan Wake and Max Payne. Remedy also develops its own Northlight game engine and game development tools. Founded in 1995, the company employs over 290 game industry professionals from 30 different countries.

The Board of Directors of Remedy Entertainment Plc approved these financial statements for issue in its meeting on 27 April 2022.

## 1.2 Basis of accounting

These are Remedy Entertainment Plc's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared for the Listing to Nasdaq Helsinki and do not constitute financial statements approved by the General Meeting. Financial statements are prepared based on International Financial Reporting Standards (IFRS) as adopted by the European Union and in force as at 31 December 2021. In the EU IFRS are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The company has not early adopted any standard, amendment or interpretation that have been issued but are not yet effective.

Remedy's date of transition to IFRS was 1 January 2020. Until 31 December 2021 the company's financial statements had been prepared in accordance with Finnish Accounting Standards (FAS). The FAS-based accounting policies were presented in the 2020 annual financial statements. Note 26 *Transition to IFRS* discloses the impacts resulting from the adoption of IFRS.

This section 1.2 addresses the general policies applied that relate to the financial statements as a whole. Accounting policies that are specific to a component of the financial statements, together with descriptions of management judgements, related estimates and assumptions, are incorporated into the relevant note to the financial statements. Accounting policies are presented highlighted with a grey background, and management judgements, related estimates and assumptions with a light blue background.

The financial statements are drawn up on the historical cost basis of accounting, except for the following that are measured at fair value: derivative financial instruments and share options. Refer to Note 1.5 *Measurement of fair values* and Note 20 *Fair values of financial assets and financial liabilities* .

The figures in the financial statements are presented in thousands of Euro, except when otherwise indicated. The financial year of the company is the calendar year.

The company's functional and presentation currency is euro. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities denominated in foreign currencies are translated using the closing rates. Foreign exchange differences arising on translation are recognised in profit or loss.

Remedy has not yet adopted the amended standards already issued by the IASB, with the effective dates 1 January 2022 and thereafter. The company will adopt these pronouncements as of the effective date of each of the pronouncements, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date, provided they have been endorsed for use in the EU. Currently Remedy believes that these pronouncements will not have a significant effect on the future financial statements when adopted.

## 1.3 Covid-19 pandemic

The gaming industry has generally seen a boost in game sales during the pandemic and its negative effects have been minimal on Remedy's business during the reporting period.

Remedy's game development and operations have continued according to plans and Covid-19 has not caused any significant changes to project schedules during the reporting period. Majority of employees have been able to work well from home. The company has put an extra effort into internal communications, work equipment and infrastructure, but also finding solutions to support using Remedy's tools externally. Additionally, the company has adapted its performance capture process, as Remedy's studio facilities are in Finland and travel restrictions affect the availability of on-site actors.

The company has evaluated its assets and liabilities concluding that the pandemic has not had an impact on their valuation.

### 1.4 Critical management judgments and key sources of estimation uncertainty

The preparation of IFRS financial statements requires management to make judgments, estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the period-end as well as the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on historical experience of Remedy and other justified assumptions, such as future expectations, considering

Actual results may ultimately differ from the estimates and assumptions made. Changes in accounting estimates may be necessary as a result of new information or more experience, or if the underlying circumstances evolve. The company reviews the estimates and underlying assumptions regularly. Remedy recognizes such changes in the period in which the estimate or the assumption is revised.

Judgements that Remedy management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements, relate to the following areas:
- Revenue recognition: determining performance obligations and stand-alone selling prices, and revenue recognition over time (Note 2 *Revenue* )

For Remedy the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year comprise the following:
- Accrued royalty receivables (Note 2 *Revenue* )
- Capitalization of game development costs and determination of related amortizations (Note 4 *Capitalization of development costs* and 13 *Intangible assets* )

### 1.5 Measurement of fair values

A number of Remedy's accounting policies and disclosures require the measurement of fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are categorised into hierarchy levels that are representative of the inputs used in the valuation techniques as follows, based on the lowest level input that is significant to the fair value measurement

- Level 1: fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that Remedy can access at the measurement date.
- Level 2: fair value is calculated on the basis of inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value is calculated on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, Remedy uses observable market data as far as possible.

### 1.6 Operating profit

Remedy considers operating profit to be a relevant subtotal in understanding the company's financial performance. Since this concept is not defined under IFRS, Remedy has defined it as follows:

Operating profit is the net amount attained when:
+ revenues are added by other operating income, less
- purchase expenses for materials and services
- personnel expenses
- depreciation, amortisation and any impairment losses, and
- other operating expenses.

Remedy recognizes foreign exchange rate differences in profit and loss with the items the difference arises from. All other items are shown below operating profit in profit or loss.

## 2 Revenue

### 2.1 Accounting policy

Currently Remedy has the following two revenue streams:
- Development fees from the company's publishing partners
- Share and royalties of consumer game sales

To determine whether to recognise revenue, Remedy follows a 5-step process as follows:
1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

By nature, the development of game projects is work that spans over several years. Publishing partners usually pay development fees to developers during the game development. These payments are tied to the actual progress of game development. Projects are typically split into milestone deliveries, the approval and payment of which calls for a list of requirements to be fulfilled. Contract amendments are usually needed to adjust, for example, the terms of the milestone deliverables, the payments and the platforms on which the game is to be distributed. Generally modifications do not give rise to a distinct performance obligation and thus modifications are accounted for as if it was part of the original contract. Remedy typically retains most rights to the developed IP and the partner in question receives an exclusive right or license to publish and sell the game. The exclusivity granted to the publisher means that the publisher receives all rights related to any and all commercial use of the game. Thus Remedy effectively licenses the IP. After the development phase, most of Remedy's games are sold to consumers through different digital and retail platforms, organised by the publishing partners.

Agreements typically provide that Remedy is entitled to receive a share of the consumer sales revenues (variable consideration), in addition to receiving development fees. The amount of such revenue depends on the game in question and the actual terms of the agreement with the publisher. The agreement terms vary from contract to contract. The revenue share is calculated from net sales, which takes into account deductions such as platform fees and quality assurance costs of the game. Once the game starts to sell and before paying the game developer, the publisher is in some contracts allowed to deduct upfront specific costs, such as development fees paid to developer and marketing. This mechanism is called recouping. Some contracts may include an one-time shipping bonus element which is also considered a variable consideration, since it is promised as a performance bonus on achievement of a specified milestone.

The contracts define the core businesses of the developer and the publisher. The key right granted under the agreement is the exclusive publishment right which is granted to the publishers from the signature date. Remedy's contracts contain two performance obligations: transfer of a license, and development activities. Development activities are tight to making sure the product itself, the game, is produced in timely manner and in such scope that has been agreed with the publisher. Transfer of a license means that publisher has the exclusive right to publish the game, collect the gross revenue for the game sales and after agreed deductions pay Remedy the revenue share.

The transaction price for the development fee is based on the work load for the project and split to milestones based on the amount of deliverabes required in certain milestone. This means that milestones reflect accrual basis and also define the right to invoice. Revenue share or royalty is the amount of consideration which Remedy expects to be entitled to in exchange for transferring services to a customer. Revenue is measured at transaction price, stated net of VAT and other sales-related taxes. The transaction price structure is set out in the contract. The publisher is responsible of pricing of the game and on agreeing discount campaigns. On game development contracts the total consideration is formed through milestone payments and revenue share. Milestone payments are non-variable and revenue share is a variable component which is a derivative of consumer game sales to Remedy. Remedy does not have a significant financing components in its contracts with customers.

In estimating the stand-alone selling price for milestone development fees Remedy applies cost plus method (expected cost plus a profit margin). The margin is adjusted for differences in customers and other factors. Transaction price is allocated to development fee and royalties, depending on a contract. Transaction price of development fees is allocated based on milestones achieved, which correspond to the percentage of completion stage of the project. The revenue share or royalty is allocated based on actual consumer game sales through platforms. This is according to the nature of video game development business.

Remedy recognizes revenue when (or as) the company satisfies a performance obligation by transferring a promised service (i.e. an asset) to a customer. Development fees are recognized over time, since all the related criteria are met. Revenue from royalties is also recognised over time after entitlement to royalty revenue has been filled, based on relevant actual sales.

### 2.2 Assumptions and estimation uncertainties

Remedy management has used judgement in respect of the following:
· Revenue recognition over time: Certain amount of judgement is required in over-time revenue recognition as this is based on estimates of contract revenues and on the measurement of project progress. As the customer approves the development work as it progresses, and is involved in directing the development activity, it is generally considered that control is transferred over time and revenue is recognised accordingly. Remedy management has used judgement when determining milestones and estimating stand-alone prices for each milestone to reflect the correct share of total price of the contract
· Accrued royalty receivables: Royalty revenue cash flow is based on agreed payment terms with partners and can differ at certain periods quite much from accrual basis revenue recognized within the period.

### 2.3 Disaggregation of revenue

Below revenue is disaggregated by geographical market[1] and the source of created intellectual property (IP):

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Europe | 12 527 | 15 723 |
| Rest of the world | 32 199 | 25 363 |
| **Total** | **44 726** | **41 086** |

[1] Based on the geographic location of customers.

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Development fees | 36 012 | 26 037 |
| Royalties | 8 714 | 15 049 |
| **Total** | **44 726** | **41 086** |

### 2.4 Trade receivables and contract assets

| In thousands of euro | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Receivables, which are included in Trade and other receivables (Note 16) | 17 115 | 2 818 |
| Contract assets | 2 348 | 8 602 |

The contract assets primarily relate to revenue earned by Remedy but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when Remedy issues an invoice to the development partner. There are no provisions for credit losses in respect of contract assets at either year-end, since the company considered the related credit risks to be insignificant. Contract liabilities usually do not arise in Remedy's current contracts due to the contract terms.

### 2.5 Unsatisfied or partially unsatisfied contracts

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied at 31 December 2021.

# 3 Operating segments

## 3.1 Accounting policy

Remedy management has identified one operating segment in the business. This is because the company's game development business is global, and sales channels are the same regardless of where the players are. Therefore financial performance and positions cannot be divided into different segments in such way that it improves the ability to analyze and manage the company. Remedy measures revenue for each game, but does not allocate all costs, assets and liabilities by game. The single operating segment is reported in a manner consistent with the internal management structure of Remedy and the internal financial information provided to the Chief Operating Decision Maker (the CEO) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance. Operating profit is the key measure utilised in assessing the performance of the company.

The non-current segment assets are based on the geographic location of the assets. Unallocated assets include financial instruments and deferred taxes. In the financial years 2020-2021 all assets of the company resided in Finland. Segment revenue of geographic loacations has been based on the geographic location of customers and is disclosed in Note 2.2 *Disaggregation of revenue.*

## 3.2 Major clients

In the year ended Remedy had 3 major clients that individually accounted for at least 10 % of total revenues (2020: 3 clients).

## 4 Capitalization of development costs

The development costs capitalized comprise the following:

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Personnel costs | 4 688 | 2 796 |
| External services | 3 081 | 482 |
| Other costs | 721 | 1 833 |
| **Total** | **8 489** | **5 111** |

The accounting policies applied to development costs together with other disclosures on development costs are presented in Note 13 *Intangible assets.*

## 5 Materials and services

### 5.1 Accounting policy

Materials and services mainly consist of expenses for external services. They generally comprise expenses related directly to outsourcing, licensing, agencies and distribution channels. Those expenses may vary year to year based on project development or sales volumes. This item excludes foreign currency differences, refer to Note 1.6 O*perating profit.*

### 5.2 Breakdown of expenses for materials and services

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| External services | -8 381 | -6 629 |
| Purchase expenses | -85 | -23 |
| Change in inventory | 17 | - |
| **Total** | **-8 449** | **-6 652** |

## 6 Other operating income

### 6.1 Accounting policy

Other operating income comprises income from activities outside the ordinary business of Remedy.

## 7 Personnel expenses

### 7.1 Accounting policy

The line item Personnel expenses in the comprehensive income statement comprises the following employment benefits: short-term employee benefits, post-employment benefits, other long-term employee benefits[1], termination benefits[1], and share-based payments (refer to Note 7.3 *Share-based payments* below).

Short-term employee benefits comprise wages, salaries, fringe benefits, annual leave and bonuses. Remedy recognises these benefits in the period in which employees perform the work.

Post-employment benefits are payable to employees after the completion of employment. In Remedy these benefits relate to pensions. The pensions are arranged in external pension institutions. Pension plans are classified as either defined benefit plans or defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity, and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the related benefits. All other plans are classified as defined benefit plans. Remedy only has defined contribution plans. Obligations for contributions are expensed in the period during which the services are provided. Remedy records prepaid contributions as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits are all employee benefits other than short-term, post-employment and termination benefits. Examples include long-term paid absences such as sabbatical leave.

Termination benefits are based on the termination of employment, not on work performance. These benefits consist of severance payments. Termination benefits are payable when employment is terminated by Remedy before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

[1] No such benefits were provided by Remedy during the financial years 2021 or 2020.

### 7.2 Expenses recognised in profit or loss

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Wages and salaries | -15 496 | -15 123 |
| Contributions to post-employment plans (defined contribution) | -2 611 | -2 297 |
| Other social security expenses | -589 | -543 |
| Share-based payment transactions (equity-settled) | -2 457 | -1 054 |
| **Total** | **-21 152** | **-19 016** |
| The average number of employees for the financial year totalled | 280 | 265 |

Disclosures on the remuneration of the key management personnel are provided in Note 24 *Related party transactions.*

### 7.3 Share-based payments

#### 7.3.1 Accounting policy

Remedy has four share-based incentive plans: Option plan 2018, Option plan 2019, Option plan 2020 and Option plan 2021. The plans are equity-settled share-based payment transactions. The options were issued for no consideration. The options are measured at the grant-date fair value using the Black-Scholes model, and recognized as employee benefit expenses over the vesting period, together with a corresponding increase in equity (retained earnings).

#### 7.3.2 Description of share option plans

The option plans are part of the Board of Directors' longer-term plan to introduce a long-term share-based incentive program to the company's key persons, corresponding to a total of 10 % of all company shares and votes after a potential subscription. In case employment is terminated before the subscription period begins, the employee loses the grant to the options unless the board separately decides that the employee is entitled to keep the option grant or certain part of it.

**The 2018 plan:**

The Board of Directors of Remedy Entertainment Plc has, by virtue of the authorization granted by the Annual General Meeting held on 26 March 2018, decided at its meeting held on 8 June 2018 to adopt an option plan “Option Plan 2018”

Originally, the maximum total number of option rights issued was 400 000, entitling their holders to subscribe for a maximum of 400 000 new shares of the company or existing shares held by the company, corresponding to 3.21 % of all company shares and votes after a potential subscription if executed with only new shares. In May 2021, Remedy Entertainment Plc cancelled a total of 97 500 option rights 2018 held by the company. After the cancellation, the remaining 302 500 option rights 2018 entitle holders to subscribe for 302 500 company shares. Under the terms and conditions of the plan, option rights will be granted without payment and the Board of Directors decides on the distribution of option rights until the beginning of the share subscription period. The share subscription period began on 1 June 2021 and ends on 31 May 2024. The share subscription price is 7.02 euros, which is the trade volume-weighted average price of the company’s share on First North Growth Market Finland marketplace during 1 March – 31 May 2018 with an addition of 10 %.

The Board of Directors has allocated 302 500 option rights until the end of the period under review, and no option rights remain for the company to allocate later.

On 27 May 2021, Remedy Entertainment Plc announced that the company will apply to list its 2018 option rights on the Nasdaq Helsinki Ltd First North Growth marketplace. The option rights have been listed on said marketplace as of 1 June 2021.

On 30 September 2021, Remedy Entertainment Plc announced share subscriptions based on stock options 2018. Between 1 June and 15 September 2021, a total of 226 300 Remedy Entertainment Plc’s new shares were subscribed to with the company’s stock options 2018. For subscriptions made with the stock options 2018, the entire subscription price of EUR 1 588 626 was entered into the company’s reserve for invested unrestricted equity. The shares subscribed for under the stock options 2018 were registered in the Finnish Trade Register on 30 September 2021, as of which date the new shares carry shareholder rights. Between 16 September and 31 December 2021, a total of 4 250 Remedy Entertainment Plc’s shares were subscribed to with the company’s stock options 2018. For subscriptions made with the stock options 2018, the entire subscription price of EUR 29 835 was entered into the company’s reserve for invested unrestricted equity. The shares subscribed with these stock options were registered in the Finnish Trade Register on 27 January 2022, as of which date the new shares carry shareholder rights.

**The 2019 plan:**

The Board of Directors of Remedy Entertainment Plc has, by virtue of the authorization granted by the Annual General Meeting held on 8 April 2019, decided at its meeting held on 11 July 2019 to adopt an option plan “Option Plan 2019” directed to the key persons as decided separately by the Board of Directors.

The maximum total number of option rights issued is 400,000, entitling their holders to subscribe for a maximum of 400,000 new shares of the company or existing shares held by the company, corresponding to 3.21 percent of all company shares and votes after a potential subscription if executed with only new shares. Option rights will be granted without payment. The Board of Directors decides on the distribution of option rights until the beginning of the share subscription period. The share subscription period begins on 1 June 2022 and ends on 31 May 2025. The share subscription price is EUR 9.23, which is the trade volume-weighted average price of the company’s share on First North Growth Market Finland marketplace during 1 April – 30 June 2019 with an addition of 10 percent.

The Board of Directors has allocated 375 000 option rights until the end of the period under review, and 25 000 option rights remain for the company to allocate later to key persons decided by the Board of Directors.

**The 2020 plan:**

The Board of Directors of Remedy Entertainment Plc has, by virtue of the authorization granted by the Annual General Meeting held on 6 April 2020, decided at its meeting held on 2 July 2020 to adopt an option plan “Option Plan 2020” directed to the key persons as decided separately by the Board of Directors.

The maximum total number of option rights issued is 400,000, entitling their holders to subscribe for a maximum of 400,000 new shares of the Company or existing shares held by the Company. The option rights will be granted without payment. The Board of Directors may allocate option rights until the beginning of the share subscription period. The share subscription period shall begin on 1 June 2023, and end on 31 May 2026. The share subscription price is EUR 22.21, which is the trade volume weighted average price of the Company’s share on the Nasdaq Helsinki Ltd maintained Nasdaq First North Growth Market Finland marketplace during 1 April – 30 June 2020, with an addition of 10 percent.

The Board of Directors has allocated 200 500 option rights until the end of the period under review, and 199 500 option rights remain for the company to allocate later to key persons decided by the Board of Directors.

**The 2021 plan:**

The Board of Directors of Remedy Entertainment Plc has, by virtue of the authorization granted by the Annual General Meeting held on 14 April 2021, decided at its meeting held on 20 September 2021 to adopt an option plan "Option Plan 2021" directed to the key persons as decided separately by the Board of Directors.

The maximum total number of option rights issued is 350 000, entitling their holders to subscribe for a maximum of 350 000 new shares of the company or existing shares held by the company, corresponding to 2.68 % of all company shares and votes after a potential subscription if executed with only new shares. Option rights will be granted without payment. The Board of Directors decides on the distribution of option rights until the beginning of the share subscription period. The share subscription period begins on 1 June 2024 and ends on 31 May 2027. The share subscription price is 47.09 euros, which is the trade volume-weighted average price of the company's share on First North Finland marketplace during 1 June – 31 August 2021 with an addition of 10 %.

The Board of Directors has allocated 309 500 option rights until the end of the period under review, and 40 500 option rights remain for the company to allocate later to key persons decided by the Board of Directors.

### 7.3.3 Key terms and conditions

The key terms and conditions related to the plans are as follows:

| **Plan** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|
| Nature of the plan | Share option | Share option | Share option | Share option |
| Grant date | 8 June 2018 | 10 Sept 2019 | 20 Oct 2020 | 6 Oct 2021 |
| Vesting period | 3 years | 3 years | 3 years | 3 years |
| Subscription period | 1 June 2021- 31 May 2024 | 1 June 2022- 31 May 2025 | 1 June 2023- 31 May 2026 | 1 June 2024- 31 May 2027 |
| Vesting condition | Employment requirement | Employment requirement | Employment requirement | Employment requirement |
| Number of options | 76 200 | 375000 | 200 500 | 309 500 |
| Current exercise price, euro | 7.02 | 9.23 | 22.21 | 47.09 |
| Share price at grant date, euro | 8.3 | 10.6 | 33.5 | 40.1 |
| Settlement | In shares | In shares | In shares | In shares |

### 7.3.4 Key assumptions used in Black-Scholes valuation model

The table below lists the inputs to the valuation model used for the plans.

| **Plan** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|
| Grant date | 8 June 2018 | 10 Sept 2019 | 20 Oct 2020 | 6 Oct 2021 |
| Volatility, % | 27 % | 36 % | 54 % | 45 % |
| Option life, years | 6 years | 6 years | 6 years | 6 years |
| Risk-free interest rate, % | 0 % | 0 % | 0 % | 0 % |
| Price at grant date, euro | 8.30 | 10.60 | 33.50 | 40.10 |
| Option value at grant date, euro | 2.63 | 3.99 | 19.41 | 15.49 |

7.3.5 Movements in outstanding share options

The following tables illustrates the changes in the number of outstanding share options during the financial years 2020 and 2021.

| Changes during the reporting period 2018<br>**Pieces** | | | | | **Option plan 2018** | **Option plan 2019** | **Option plan 2020** |
|---|---|---|---|---|---|---|---|
| **Outstanding at 1 January** | **315 250** | **387 000** | **200 000** | **-** | **330 250** | **376 000** | **-** |
| Granted during the year | - | - | 10 500 | 309 500 | - | 33 000 | 200 000 |
| Forfeited during the year | - | - | - | - | - | - | - |
| Returned during the year | -12 750 | -12 000 | -10 000 | - | -15 000 | -22 000 | - |
| Exercised during the year | -226 300 | - | - | - | - | - | - |
| Expired during the year | - | - | - | - | - | - | - |
| **Outstanding at 31 December** | **76 200** | **375 000** | **200 500** | **309 500** | **315 250** | **387 000** | **200 000** |
| **Exercisable at 31 December** | 76 200 | - | - | - | - | - | - |

There were no cancellations or modifications to awards in 2021 or 2020.

## 8 Depreciation, amortisation and impairment

### 8.1 Depreciation, amortisation and impaiment by asset categories

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| *Intangible assets* | | |
| Development costs | -972 | -4 773 |
| **Total** | **-972** | **-4 773** |
| *Tangible assets* | | |
| Machinery and equipment | -734 | -619 |
| Other tangible assets | -472 | -449 |
| **Total** | **-1 206** | **-1 068** |
| **Total depreciation and amortisation, owned assets** | **-2 178** | **-5 842** |
| *Right-of-use assets (leased assets)* [1] | -865 | -863 |
| **Total depreciation and amortisation in profit or loss** | **-3 043** | **-6 705** |

[1] Refer to Note 15.3 *Amounts recognised in profit or loss* for the related analysis by class of right-of-use asset.

Remedy recognised no impairment losses in the financial years 2021 or 2020.

## 9 Other operating expenses

### 9.1 Accounting policy

Remedy's other operating expenses comprise expenses that do not directly relate to the operating activity of businesses within Remedy, such as administrative, IT, marketing and travel expenses.

### 9.2 Breakdown of other operating expenses

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Voluntary personnel-related expenses | -961 | -682 |
| Office space expenses | -118 | -190 |
| IT software and hardware expenses | -1 601 | -1 177 |
| Travel expenses | -121 | -142 |
| Marketing expenses | -64 | -272 |
| Administrative expenses | -1 521 | -1 196 |
| Other expenses | -91 | 24 |
| **Total** | **-4 477** | **-3 634** |

### 9.3 Auditor's fees

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| KPMG | | |
| Audit fees | -37 | -20 |
| Tax advisory services | - | -6 |
| Assignments referred to in 1.1.,2 § of Finnish Auditing Act | -4 | - |
| Other services | -33 | -42 |
| **Total** | **-74** | **-68** |

## 10 Financial income and expenses

### 10.1 Accounting policy

Remedy recognises interest income and interest expenses using the effective interest method. The Company expenses all interest costs. The accounting policies applied to financial assets and financial liabilities are presented more in detail in Notes 16 *Financial assets* , 19 *Financial liabilities* and 21 *Financial risk management* .

### 10.2 Amounts recognised through profit or loss

#### 10.2.1 Financial income

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Foreign exchange gains[1] | 107 | 144 |
| Interest income | 2 | 10 |
| Other financial income | 144 | - |
| **Total** | **253** | **154** |

#### 10.2.2 Financial expenses

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Foreign exchange losses[1] | -89 | -294 |
| Interest expenses — financial liabilities measured at amortised cost[2] | -224 | -79 |
| Other financial expenses | -5 | -0 |
| **Total** | **-318** | **-373** |
| | | |
| **Net financial expenses** | **-65** | **-219** |

[1] Net foreign exchange gains and losses amounted to EUR 18 thousand in 2021 (2020: -149 thousand).

[2] Includes the government loan and the lease liabilities.

## 11 Income taxes

### 11.1 Accounting policy

The income tax expense for the period comprises current tax, and change in deferred taxes. Income tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income (OCI) or equity, in which case the income tax is also taken directly to OCI or equity.

The current income tax charge is calculated on the basis of the taxable income. It is determined in accordance with the Finnish company tax rate and laws enacted (or substantively enacted). Income taxes are adjusted with any taxes relating to previous financial years. Taxable profit may differ from the profit reported in profit or loss, since some income or expense items may be taxable or deductible in other years, and/or certain income items are not taxable or certain expense items are non-deductible for taxation purposes.

Deferred tax is generally provided using the liability method on:

- temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and
- unused tax losses or unused tax credits.

Remedy's temporary differences mainly arise from capitalised development costs and leases

Deferred tax liabilities are usually recognized in full. Deferred tax assets are recognized for deductible temporary differences only to the extent that it is probable that future taxable profits will be available, against which Remedy can utilise deductible temporary differences.

- Recognized deferred tax assets: the amount and the probability of the utilization of such assets are reviewed at each period-end. Remedy recognizes a valuation allowance against the deferred tax asset if the utilization of the related tax benefit is no more considered probable.

Unrecognized deferred tax assets: Remedy re-assesses such items at each period-end. They are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Remedy determines deferred tax assets and deferred tax liabilities using the Finnish tax rates (and laws) that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The applied tax rate is the rate enacted or substantively enacted by the balance sheet date.

Where the amount of tax payable or recoverable is uncertain, Remedy considers such instances in recording current or deferred taxes, based on the Company's interpretation of the Finnish tax laws and judgment of the liability or recovery.

### 11.2 Amounts recognised through profit or loss

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Current tax for the reporting year | -2 702 | -2 585 |
| Current tax adjustments for prior years | 0.00 | 0.00 |
| Change in deferred taxes | 154 | 968 |
| **Total** | **-2 548** | **-1 617** |

### 11.3 Reconciliation between income tax expense in profit or loss and tax expense calculated using the Finnish corporate tax rate

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| **Profit (Loss) before income tax** | 11 342 | 7 029 |
| Tax using the Finnish corporate tax rate (20 %) | -2 268 | -1 406 |
| Income tax for prior years | 0 | 1 |
| Non-deductible expenses | -4 | -1 |
| Share option plans | -491 | -211 |
| Tax of expenses related to paid increase in share capital | 216 | - |
| **Income taxes in profit or loss** | **-2 548** | **-1 616** |

### 11.4 Movements in deferred tax asset and deferred tax liability balances

| 2021<br>In thousands of euro | At 1 Jan 2021 | Recognised through profit or loss | Recognised in OCI | Exchange differences and other changes | At 31 Dec 2021 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Lease Agreements | 8 | -2 | 0 | 0 | 6 |
| Forward exchange contracts | 11 | -11 | 0 | 0 | 0 |
| **Total** | **19** | **-13** | **0** | **0** | **6** |
| **Deferred tax liabilities** | | | | | |
| Development cost capitalizations | 194 | -194 | 0 | 0 | 0 |
| Equity fund investment valuation | 0 | 29 | 0 | 0 | 29 |
| **Total** | **194** | **-166** | **0** | **0** | **29** |

| 2020<br>In thousands of euro | At 1 Jan 2020 | Recognised through profit or loss | Recognised in OCI | Exchange differences and other changes | At 31 Dec 2020 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Lease Agreements | 5 | 3 | 0 | 0 | 8 |
| Forward exchange contracts | 0 | 11 | 0 | 0 | 11 |
| **Total** | **5** | **15** | **0** | **0** | **19** |
| **Deferred tax liabilities** | | | | | |
| Development cost capitalizations | 1 149 | -955 | 0 | 0 | 194 |
| **Total** | **1 149** | **-955** | **0** | **0** | **194** |

## 12 Earnings per share (EPS)

### 12.1 Accounting policy

Basic earnings per share is calculated by dividing the profit (loss) attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year (excluding any treasury shares held).

In calculating diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares. At 31 December 2021 Remedy has three (2020: three) diluting share option plans. Share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options.

Refer to Note 7.3 *Share-based payments* and 24.2 *Key management personnel remuneration* for more information on the share option plans.

### 12.2 Basic and diluted earnings per share

| | **2021** | **2020** |
|---|---|---|
| *Basic earnings per share* | | |
| Profit attributable to owners of the company, in thousands of euro | 8 794 | 5 412 |
| Weighted average number of ordinary shares outstanding during the financial year (1,000 pcs) | 13 045 | 12 072 |
| **Basic earnings per share (euro/share)** | **0.67** | **0.45** |
| *Diluted earnings per share* | | |
| Profit attributable to owners of the company, in thousands of euro | 8 794 | 5 412 |
| Weighted average number of ordinary shares outstanding during the financial year (1,000 pcs) | 13 045 | 12 072 |
| Dilution from share options (1,000 pcs) | 573 | 575 |
| Weighted average number of shares adjusted for the effect of dilution (1,000 pcs) | 13 618 | 12 647 |
| **Diluted earnings per share (euro/share)** | **0.65** | **0.43** |

The company arranged a directed offering of 1 000 000 new ordinary shares in February 2021. Rest of the growth in number of ordinary shares is due to share subscriptions related to option program 2018.

## 13 Intangible assets

### 13.1 Accounting policy

Remedy's intangible assets currently comprise capitalized development costs.

Development costs

*Remedy has capitalized development costs for new projects that are based on the company's own game brands. The capitalized expenses were related to Alan Wake Remastered, Alan Wake 2, Vanguard, Condor amd the bigger-budget Control-game project. The company capitalizes development costs when all the following criteria are met:*

- Remedy can demonstrate the technical feasibility of completing the game so that it will be available for use or sale
- Remedy has the intention and ability to complete the game and sell it
- Remedy is able to demonstrate how the game will generate probable future economic benefits.
- The company has adequate technical, financial and other resources available to complete the development and to sell the game
- Remedy is able to measure reliably the expenditure attributable to the game during its development.

The company capitalizes a project's direct personnel costs, other direct project costs and share of overheads that can be allocated to the project as costs required for development of the project. The asset is tested for impairment annually during the period of development. Development expenditure that was initially expensed is not capitalized at a later date. Research costs are expensed as incurred.

Amortization and impairment losses

Amortization begins at the time of the game's launch. The amortization schedule of capitalized development costs is based on the revenue generated following the gross sales curve, i.e. sales profile. The company considers that it is appropriate for the amortisation period to be based upon the expected revenue profile, since there is a strong correlation between the revenues generated and consumption of economic benefits. The amortization period is based on game's expected sales lifecycle. This lifecycle can vary per game type from 24 months to 5 years. For so called triple A games the expected sales lifecycle has traditionally been shorter and for free to play type of games the sales lifecycle can be much longer.

The company reviews the amortization periods applied at least at each financial year-end. If the expected useful life of a game is significantly different from previous estimates, the amortization period is changed accordingly. The changes of useful lives may arise from changes in demand, competition or restructuring actions, for example.

At each reporting date Remedy assesses whether there are indicators of impairment within the carrying value of capitalised development costs held on a game by game basis. If any indication exists, the company estimates the game's recoverable amount. An impairment loss is recognized when the carrying amount of a game exceeds its recoverable amount.

### 13.2 Assumptions and estimation uncertainties

Remedy capitalises development expenditure as an intangible asset where the related criteria are met (refer to 13.1 *Accounting policy* above). This requires management to make judgement on when all of the criteria for capitalisation are met and when to cease capitalisation and start amortising the asset.

The basis for investment decision is business case. This applies also for game project investments. Business case is drafted at very early phase of game idea and concepting. As the scope of the project is drafted, a draft resouce need calculation is drafted based on scope. Resourcing is drafted for internal manmonths and outsourcing. Also marketing efforst are estimated and budget is calculated. These together form the basis for project budget and timeline. Next phase is to decide whether or not a publishing partner is involved or if the game is self published. If there would be a partner involved, the structure of the partnership deal is simulated. There are usually many different scenarios about deal structure. After a partner has been found, the actual deal terms and project timeline and budget is updated to business case. Also it is important to estimate the game sales, how many euros would result to Remedy based on partnership deal structure and terms. Based on the total expectations for project return (development fees + revenue share/royalties) the share of unsure returns are calculated. Revenue share/royalties are unsure since they are based on consumers purchasing the game and the estimation for that is very difficult. Development fees have been determined in the contract so they are not unsure. Total return is comprised of development fees and revenue share/royalties together and unsure share of this revenue is the revenue share/royalties part. This percentage represents the amount of unsure revenues and this percentage is used when share of capitalization for the project is determined. For game projects that don't have publishing partner at the reporting period, the capitalization percent is 100, since all of the returns are unsure as Remedy takes full development risk.

### 13.3 Reconciliation of carrying amounts

| Capitalized development costs<br>In thousands of euro | 2021 | 2020 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 16 596 | 11 485 |
| Additions | 8 489 | 5 111 |
| Balance at 31 December | 25 085 | 16 596 |
| **Accumulated amortization and impairment** | | |
| Balance at 1 January | -9 003 | -4 230 |
| Depreciation | -972 | -4 773 |
| Balance at 31 December | -9 975 | -9 003 |
| **Carrying amount at 1 January** | **7 593** | **7 255** |
| **Carrying amount at 31 December** | **15 110** | **7 593** |

### 13.4 Impairment testing of uncompleted development projects

At 31 December 2021 Remedy had capitalised development costs relating to unfinished projects. As the asset was not yet available for use, they were tested for impairment by comparing their carrying amounts with their recoverable amount. No impairment loss was identified. Refer also to Note 13.2 *Assumptions and estimation uncertainties.*

## 14 Tangible assets

### 14.1 Accounting policy

The company's tangible assets mainly comprise machinery and equipment and capitalised refurbishment costs related to leased premises. The cost comprises directly attributable incremental costs incurred in acquisition and installation, as applicable. Subsequently tangible assets are carried at cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of a tangible asset (4 to 8 years). Recognition of depreciation is discontinued when a tangible asset is classified as held for sale. Remedy reviews expected useful lives and residual values at least at each financial year-end. If they differ significantly from previous estimates, the useful lives are adjusted prospectively.

At each reporting date Remedy assesses whether there is an indication that a tangible asset may be impaired. If any indication exists, the company estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the difference, i.e. an impairment loss, is recognized in profit or loss.

### 14.2 Reconciliation of carrying amounts

| In thousands of euro | Machinery and equipment | | Other tangible assets | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Cost** | | | | | | |
| Balance at 1 January | 3 639 | 2 572 | 1 900 | 1 732 | 5 539 | 4 304 |
| Additions | 1 095 | 1 066 | 18 | 168 | 1 113 | 1 235 |
| Balance at 31 December | 4 734 | 3 639 | 1 918 | 1 900 | 6 652 | 5 539 |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance at 1 January | -1 421 | -801 | -848 | -398 | -2 268 | -1 200 |
| Depreciation | -734 | -619 | -472 | -449 | -1 206 | -1 068 |
| Balance at 31 December | -2 154 | -1 421 | -1 319 | -848 | -3 474 | -2 268 |
| **at 1 January** | **2 218** | **1 771** | **1 052** | **1 333** | **3 271** | **3 104** |
| **at 31 December** | **2 579** | **2 218** | **599** | **1 052** | **3 178** | **3 271** |

Refer to Note 15 *Leases* for disclosures on Remedy's tangible assets acquired under lease contracts.

## 15 Leases

### 15.1 Accounting policy

Remedy acts as a lessee leasing office premises and machinery and equipment. Generally, the company recognises a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term leases and leases of low-value items. A contract is considered to be, or contain, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Remedy recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:
- the initial amount of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives
- any initial direct costs incurred by Remedy, and
- an estimate of restoration costs, if any, to be incurred by the company.

Subsequently the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for certain remeasurements of the lease liability. Remedy depreciates a right-of-use asset using the straight-line method over the shorter of the lease term and the estimated useful life of the asset. Right-of-use assets are tested for impairment if there is an indicator for impairment, as for owned assets. Any impairment loss identified is recorded in profit or loss.

Lease liabilities

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate used by Remedy is the company’s incremental borrowing rate, since the interest rates implicit in the leases could not be readily determined. This is the interest rate Remedy would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise:
- fixed payments, including in-substance fixed payments, and
- variable lease payments that depend on an index or a rate, such as consumer price index, initially measured using the index or rate as at the commencement date of the contract.

Subsequently the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

Remedy does not recognise right-of-use assets and lease liabilities for:
- short-term leases (that have a lease term of 12 months or less). The company applies the practical expedient for all classes of underlying assets.
- leases of low-value assets (each asset with a value of approximately EUR 5,000 or less when new).

Remedy expenses the related lease payments on a straight-line basis over the lease term.

### 15.2 Assumptions and estimation uncertainties

Remedy management has used judgement in respect of the following:
- Treatment of a lease with a non-fixed term: The company's management has determined the lease term of its leased office premises according to the original lease term of the contract. The lease specifies an initial fixed period and thereafter has a non-fixed term.
- Staff housing leases entered into by Remedy and charged from the related employees: the company has entered into housing lease contracts with non-fixed term with several landlords. There are about 130 lease contracts. The company has concluded that the leases are short-term, i.e. have a lease term of 12 months or less. Therefore, Remedy applies the related practical expedient.

### 15.3 Amounts recognised in profit or loss

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Expense relating to leases of low-value assets[2] (that are not short-term leases) | - | - |
| Expense relating to short-term leases for employee housing, gross | -1 610 | -1 598 |
| Expense relating to short-term leases for employee housing, net[1] | -10 | -21 |
| Expense relating to other short-term leases[2] | -10 | -6 |

| | | |
|---|---|---|
| Depreciation charge for right-of-use assets by class of underlying asset[3] | | |
| Office premises | -844 | -850 |
| Other assets | -22 | -21 |
| Total | -866 | -871 |
| Interest expense[4] on lease liabilities | -27 | -42 |

[1] Net amount is the gross amount less the rents charged from related employees.

[2] Those expenses are included in the line item Other operating expenses.

[3] Included in the line item Depreciation, amortisation and impairment.

[4] Included in the line item Financial expenses.

**15.4 Amounts presented in cash flow statement**

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Lease liability repayments | -898 | -854 |
| Interest on lease liabilities | -27 | -42 |
| Payments for short-term leases and leases of low-value assets | -20 | -26 |
| **Total cash outflow for leases** | **-945** | **-923** |

**15.5 Leased tangible assets**

| | Office premises | | Other assets | | Total | |
|---|---|---|---|---|---|---|
| **In thousands of euro** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Cost** | | | | | | |
| Balance at 1 January | 3 575 | 3 557 | 63 | 7 | 3 639 | 3 564 |
| Additions | 4 | 18 | | 56 | 4 | 75 |
| Balance at 31 December | 3 579 | 3 575 | 63 | 63 | 3 643 | 3 639 |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance at 1 January | -1 680 | -837 | -23 | -2 | -1 702 | -839 |
| Depreciation | -844 | -843 | -21 | -21 | -865 | -864 |
| Balance at 31 December | -2 524 | -1 680 | -44 | -23 | -2 568 | -1 702 |
| **Carrying amount at 1 January** | **1 896** | **2 720** | **40** | **5** | **1 936** | **2 725** |
| **Carrying amount at 31 December** | **1 055** | **1 896** | **19** | **40** | **1 075** | **1 936** |

Leased tangible assets are presented as a separate line item Right-of-use assets in the balance sheet.

**15.6 Lease liabilities**

15.6.1 Carrying amounts

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Current | 884 | 869 |
| Non-current | 218 | 1 100 |
| **Total** | **1 103** | **1 969** |

The weighted average Remedy's incremental borrowing rate applied for discounting purposes was 1.75 %.

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the balance sheet, based on their maturity.

15.6.2 Maturity analysis – contractual undiscounted cash flows

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Within three months | 224 | 224 |
| Between four months and one year | 673 | 672 |
| Between one year and two years | 219 | 896 |
| Between two and three years | - | 219 |
| Between three and four years | - | - |
| At least five years | - | - |
| **Total undiscounted cash flows** | **1 117** | **2 012** |

## 16 Financial assets

### 16.1 Accounting policy

Remedy's principal financial assets are cash and trade receivables.

Classification and recognition

Remedy classifies financial assets of the company either as financial assets measured at amortised cost, or financial assets measured at fair value through profit or loss (FVTPL). Classification of financial assets is made based on the purpose of use of the instruments upon initial recognition. Classification relies on the objectives of Remedy's business model and the contractual cash flows from financial assets, or by applying the fair value option upon initial recognition.

All purchases and sales of financial assets are recognised at the trade date. For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amount. Financial assets are derecognised when Remedy loses the rights to receive the contractual cash flows on the financial asset or it has transferred substantially all the risks and rewards of ownership outside the company.

Financial assets measured at amortised cost

This category mainly includes trade receivables and cash and cash equivalents. They are measured at amortised cost using the effective interest (EIR) method. Trade receivables are held within a business model whose objective is to collect the contractual cash flows, and those cash flows that are solely payments of principal and interest. The carrying amounts of current trade receivables are expected to substantially equal their fair values. For credit loss accounting, refer to Note 21.5 *Credit risk* . Trade receivables are current assets that Remedy has the intention to hold for less than 12 months from the end of reporting period.

Cash and cash equivalents of the company consist of cash on hand. Items qualifying as cash equivalent have a maturity of three months or less from the date of acquisition.

Financial assets measured at fair value through profit or loss

Remedy classifies in this category investments to equity funds and such derivative instruments acquired for hedging purposes but which do no meet the IFRS hedge accounting requirements. The company used forward exchange contracts for hedging purposes during reporting periods 2020 and 2021. These instruments are recognized at the trade date at fair value and subsequently remeasured at fair value at the end of each reporting period. The resulting realized and unrealized gains and losses are recognized in profit or loss in the reporting period in which they are incurred and presented under financial items. The company had cash management investments to equity funds at the end of reporting period 2021.

### 16.2 Carrying amounts

| In thousands of euro | Note | 2021 | 2020 |
|---|---|---|---|
| **At amortised cost** | | | |
| Loan receivables | | 43 | 45 |
| Trade receivables | 21.5 | 17 115 | 2 818 |
| Contract assets | 2.3 | 2 348 | 8 602 |
| Cash and cash equivalents | | 51 384 | 23 690 |
| **Total** | | **70 891** | **35 155** |
| **At fair value through profit or loss** | | | |
| Investments | | 7 139 | - |
| Current | | 4 139 | - |
| Non-current | | 3 000 | - |
| **Total** | | **78 030** | **35 155** |

Cash and cash equivalents consists of cash in banks.

## 17 Other receivables

| In thousands of euro | 2021 | 2020 |
| --- | --- | --- |
| Accrued income and prepayments | 2 690 | 2 279 |
| Tax receivables | 318 | 522 |
| Other | 702 | 507 |
| **Total** | **3 710** | **3 308** |

## 18 Capital and reserves

### 18.1 Accounting policy — Equity instruments

Remedy classifies the instruments it has issued either as financial liabilities or equity instruments, based on their nature.
- A financial liability is an instrument that obligates the company to deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset.
- An equity instrument is any contract that evidences a residual interest in the assets of Remedy after deducting all of its liabilities.

### 18.2 Share capital

#### 18.2.1 Accounting policy

The share capital consists of the company's ordinary shares classified as equity. The subscription price of a share received by Remedy in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the Invested non-restricted equity reserve. Transaction costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the proceeds.

The company has one share class. The share has no nominal value. All issued shares have been fully paid. The shares are included in the book-entry system since 5 May 2017 (ISIN: FI4000251897). [Remedy had no treasury shares in its possession in 2021 or 2020].

#### 18.2.2 Movements in share number and company's equity

The table below discloses the breakdown of equity into restricted and unrestricted equity, changes in the number of shares and respective changes in the company's equity.

| | | Restricted equity | | | Unrestricted equity | | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | **Pieces** | **Share capital** | **Share premium** | **Total** | **Invested non-restricted equity reserve** | **Retained earnings** | **Total** | |
| **At 1 Jan 2020** | **12 072 150** | **80** | **38** | **118** | **13 748** | **17 095** | **30 842** | **30 960** |
| Dividend distribution | - | - | - | - | - | -1 328 | -1 328 | -1 328 |
| Share option plans | - | - | - | - | - | 1 054 | 1 054 | 1 054 |
| Profit for the financial year | - | - | - | - | - | 5 412 | 5 412 | 5 412 |
| **At 31 Dec 2020** | **12 072 150** | **80** | **38** | **118** | **13 748** | **22 232** | **35 980** | **36 098** |
| **At 1 Jan 2021** | **12 072 150** | **80** | **38** | **118** | **13 748** | **22 232** | **35 980** | **36 098** |
| Increase in share capital | 1 000 000 | - | - | - | 40 413 | - | 40 413 | 40 413 |
| Share issue and other share subscriptions | 226 300 | - | - | - | 1 618 | - | 1 618 | 1 618 |
| Dividend distribution | - | - | - | - | - | -1 961 | -1 961 | -1 961 |
| Share option plans | - | - | - | - | - | 2 457 | 2 457 | 2 457 |
| Profit for the financial year | - | - | - | - | - | 8 794 | 8 794 | **8 794** |
| **At 31 Dec 2021** | **13 298 450** | **80** | **38** | **118** | **55 779** | **31 521** | **87 300** | **87 419** |

### 18.3 Reserves

Reserve for invested non-restricted equity

The reserve for invested non-restricted equity comprises other equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

Share premium

The share premium accrued under the previous Finnish Limited Liability Companies Act. Under the current Act the share premium is classified as restricted equity and may no longer increase. The share premium may be reduced in accordance with the rules applying to decreasing share capital and can be used to increase the share capital as a reserve increase

Retained earnings

Retained earnings are earnings accrued over the previous financial years that have not been transferred to equity reserves or issued as dividends to owners.

### 18.4 Dividend distribution

#### 18.4.1 Accounting policy

Dividend distribution to the Company's shareholders is recognized as a liability in the balance sheet in the period in which the dividends are approved by Remedy's Annual General Meeting. Under the Finnish Limited Liability Companies Act the amount of capitalized development costs (accounted for in accordance with the Finnish Accounting Act) is deducted from unrestricted equity in calculating distributable funds.

Remedy's Board of Directors has established a dividend policy aimed at maximizing ownership value through efficient allocation of capital. The payment of any dividend is influenced by business investment needs, expected return on investments and ensuring liquidity. In the event that dividend is paid, all shares of the company are entitled to equal dividend.

#### 18.4.2 Calculation of distributable funds[1]

| In thousands of euro | At 31 Dec 2021 | At 31 Dec 2020 |
|---|---|---|
| **Distributable funds** | | |
| Invested non-restricted equity reserve | 55 779 | 13 748 |
| Retained earnings | 22 232 | 17 095 |
| Dividend distribution | -1 961 | -1 328 |
| Development costs | -15 110 | -7 593 |
| Profit for the financial year | 8 794 | 5 412 |
| **Total distributable funds** | **69 735** | **27 333** |

[1] Based on the Finnish Limited Liability Companies Act, Chapter 13, Subsection 5.

On 13 April 2022 the Annual General Meeting decided a dividend of EUR 0.17 per share, i.e. EUR 2 261 459.00 in aggregate, to be paid for the financial year ended on 31 December 2021. The payment date was 26 April 2022.

On 14 April 2021 the Annual General Meeting decided a dividend of EUR 0.15 per share, i.e. EUR 1 960 822.50 in aggregate, to be paid for the financial year ended on 31 December 2020. The payment date was 26 April 2021.

On 6 April 2020 the Annual General Meeting decided a dividend of EUR 0.11 per share, i.e. EUR 1 327 936.50 in aggregate, to be paid for the financial year ended on 31 December 2019. The payment date was 20 April 2020.

### 18.5 Capital management

Remedy's capital management objectives are to ensure enough capital for business and investment purposes. The Company's policy is to maintain efficient capital structure and to mitigate risks with strong enough capital position. Remedy monitors capital using equity ratio, 86.2 % at the and of financial year. The government loan does not involve financial covenants. There were no significant changes to capital management in 2021.

### 18.6 Authorisations

Authorization for the directed repurchase of own shares

On 13 April 2022, the Annual General Meeting authorized the Board of Directors to resolve on the directed repurchase of a maximum of 500,000 of the company's own shares in one or more instalments by using company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than 13 October 2023 and it replaces the previous authorizations.

Valid issuance authorizations

With its resolution on 13 April 2022, the Annual General Meeting authorized the Board of Directors to resolve on the issuance of shares against payment or issuances of option rights or special rights so that the number of shares to be issued can be at maximum 1,300,000. The issued shares can be new or treasury shares held by the company. Shares can be issued also in deviation from the shareholders' pre-emptive rights. The authorization is valid for five years from the date of the Annual General Meeting and it replaces the previous authorizations. On the signature date 27 April 2022, the unused authorization allowed the Board of Directors to issue 1,300,000 new shares.

## 19 Financial liabilities

### 19.1 Accounting policy

Remedy classifies financial liabilities of the company in two measurement categories as follows:
- financial liabilities measured at fair value through profit or loss (FVTPL), and
- financial liabilities measured at amortised cost.

The categorisation determines whether and where any remeasurement to fair value is recognised.

Remedy classifies a financial liability as current if the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. In respect of loans and borrowings current financial liabilities comprise the portion falling due within less than 12 months.

A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled, cancelled or is no longer effective.

Financial liabilities at fair value through profit or loss (FVTPL)

Remedy classifies in this category such derivative instruments acquired for hedging purposes but which do no meet the IFRS hedge accounting requirements. The company uses forward exchange contracts for hedging purposes, as from 1 January 2020. These instruments are recognized at the trade date at fair value and subsequently remeasured at fair value at the end of each reporting period. The resulting realized and unrealized gains and losses are recognized in profit or loss in the reporting period in which they are incurred and presented under financial items.

Financial liabilities at amortised cost (other financial liabilities)

Other financial liabilities are initially recognised at fair value. Transaction costs are included in the original carrying amount. Subsequently these financial liabilities are measured at amortised cost using the effective interest rate (EIR) method. Interest expenses are recognised in profit or loss.

### 19.2 Financial liabilities

| **In thousands of euro** | **Note** | **2021** | **2020** |
|---|---|---|---|
| *i) At amortised cost* | | | |
| **Non-current financial liabilities** | | | |
| Government loan | | 1 837 | 2 755 |
| Lease liabilities | 15 | 218 | 1 100 |
| | | **2 055** | **3 856** |
| **Current financial liabilities** | | | |
| Government loan | | 919 | 919 |
| Lease liabilities | 15 | 884 | 869 |
| Trade payables | | 1 332 | 1 115 |
| | | **3 134** | **2 902** |
| **Total financial liabilities at amortised cost** | | **5 190** | **6 758** |
| *ii) At fair value through profit or loss* | | | |
| **Current financial liabilities** | | | |
| Forward exchange contracts | 19 | - | 56 |
| | | **-** | **56** |
| **Total financial liabilities at fair value through profit or loss** | | **-** | **56** |
| **Total financial liabilities** | | **5 190** | **6 814** |

### 19.3 Terms of loans and borrowings and repayment schedule

The company has EUR 3.67 million unsecured product development loan from Business Finland for Northlight 2.0 development project. Interest rate for the loan is three percent below the base interest rate, however, always at least one (1) percent. Loan term is seven years, and three first years are free from instalments. Instalments start during the financial year 2021. The loan is paid back by yearly instalments. Loan is measured at amortised cost. The company doesn't apply IAS 20 standard to the loan.

### 19.4 Movements of liabilities to cash flows arising from financing activities

The following table provides a reconciliation between the opening and closing balances for liabilities arising from financing activities.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **In thousands of euro** | **Lease liabilities** | **Government loan** | **Lease liabilities** | **Government loan** |
| **Balance at 1 January** | **1 969** | **3 674** | **2 749** | **3 674** |
| Payment of lease liabilities | -867 | - | -780 | - |
| Total changes from financing cash flows | -867 | -919 | -780 | - |
| **Balance at 31 December** | **1 103** | **2 755** | **1 969** | **3 674** |

## 20 Fair values of financial assets and financial liabilities

### 20.1 Accounting policy

Currently Remedy's financial assets and liabilities measured at fair value comprise of derivative assets and derivative liabilities and investments to equity funds. Those forward exchange contracts are for foreign currency and are classified at fair value level 2. They are valued based on public price follow up system which determine spot prices and interest rates for those specific currencies.

The Company uses valid valuation methods for which there is enough available data to determine fair value so that as much as possible relevant observable input information is used and at the same time other than observable input information is used as minimally as possible.

The fair value of forward exchange contracts is recognised, depending on whether it is positive or negative, under assets or liabilities in the balance sheet. Asset or liability is booked as noncurrent, if derivative' s execution time is over 12 months from the end of reporting period, or as current, if execution time is less than 12 months from the end of reporting period.

### 20.2 Accounting classification and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy (for the fair value hierarchy refer to Note 1.5 *Measurement of fair values).* The tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and their maturities are short (i.e. trade receivables and trade payables).

| **At 31 December 2021** | | **Carrying amount** | **Fair value** | | | |
|---|---|---|---|---|---|---|
| **In thousands of euro** | Note | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | | | | | | |
| Investments to equity funds | 16 | 7 139 | 7 139 | - | - | 7 139 |
| | | **7 139** | 7 139 | - | - | **7 139** |
| **Financial liabilities measured at fair value** | | | | | | |
| Forward exchange contracts not in hedge accounting | 19 | - | - | - | - | - |
| | | **-** | - | - | - | **-** |
| **Financial liabilities not measured at fair value** | | | | | | |
| Unsecured government loan | 19 | 2 755 | - | - | 2 755 | 2 755 |
| | | **2 755** | **-** | - | **2 755** | **2 755** |

| **At 31 December 2020** | | **Carrying amount** | **Fair value** | | | |
|---|---|---|---|---|---|---|
| **In thousands of euro** | Note | | Level 1 | Level 2 | Level 3 | Total |
| | | **-** | - | - | - | **-** |
| **Financial liabilities measured at fair value** | | | | | | |
| Forward exchange contracts not in hedge accounting | 19 | 56 | - | 56 | - | 56 |
| | | **56** | - | 56 | - | **56** |
| **Financial liabilities not measured at fair value** | | | | | | |
| Unsecured government loan | 19 | 3 674 | - | - | 3 674 | 3 674 |
| | | **3 674** | **-** | - | **3 674** | **3 674** |

## 21 Financial risk management

### 21.1 Principles of financial risk management

Remedy's activities are exposed to various financial risks which are:
- market risk (foreign currency risk and interest rate risk) and
- other financial risks (credit and liquidity risk).

The company's financial risk management focuses on before mentioned risks and aims to reduce uncertainty, which financial markets changes possibly have on the company's financial result and cash flow. The target is to ensure contingency in diffrent market conditions and to ensure the company's long term strategic development.

CEO and CFO take care of Remedy's financial risk management together with the Board of Directors. The Board of Directors define the generic guidelines for risk management. Remedy does not have a specific treasury function, but CFO is responsible for financing, liquidity, finance relations and financial risks. The Board of Directors follows the development of financial status.

### 21.2 Liquidity risk

Liquidity risk is related to risks involved in financial liabilities of the company. The target of iquidity management is to ensure sufficient liquid funds at hand. The Company's finance function follows liquidity needs on ongoing basis to ensure that there is always enough funds for business needs. Operative cash flows and liquid funds form the basis together with possible equity or debt capital based new financing are the most important sources for future payments. Company's cash position has been very good in past years (2021: EUR 51.4 million and 2020: EUR 23.7 million) and the financial liabilities comprise of Business Finland (government) loan, lease liabilities and trade payables.

#### 21.2.1 Contractual maturities of financial liabilities

The table below analyses financial liabilities based on their remaining contractual maturities at the financial year-end. The amounts are gross and undiscounted, and include contractual interest payments.

| In thousands of euro | Total | 0-3 months | 3-12 months | 1-2 years | 2-3 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Government loan | 2 811 | - | 946 | 937 | 928 | | - |
| Trade payables | 1 332 | 1 332 | - | | - | - | - |
| | 4 142 | 1 332 | 946 | 937 | 928 | - | - |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange co | - | - | - | | - | - | - |
| | - | - | - | | - | - | - |
| **Total** | **4 142** | **1 332** | **946** | **937** | **928** | **-** | **-** |
| **At 31 December 2020** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Government loan | 3 766 | - | 955 | 946 | 937 | 928 | - |
| Trade payables | 1 115 | 1 115 | - | | - | - | - |
| | 4 880 | 1 115 | 955 | 955 | 955 | 928 | - |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange co | 56 | 47 | 9 | | - | - | - |
| | 56 | 47 | 9 | | - | - | - |
| **Total** | **4 936** | **1 161** | **965** | **955** | **955** | **928** | **-** |

For the maturity analysis of lease liabilities refer to Note 15.6.2 *Maturity analysis – contractual undiscounted cash flows.*

### 21.3 Foreign exchange risk

Foreign exchange risk arises from business transactions made in other currency than company's functional currency. Most of the company's sales and purchases are made in euros which is the functional currency of the company. Other significant currencies used by Remedy are US dollar (USD) and British pound (GBP). Amount of the currency risk varies between the financial years and is partly dependent on partners' geographical location. Company mitigates the risk by negotiating agreements in euros when possible.

General target of currency risk control is to limit the impact of currency changes for profits and cash flows and increase the accuracy of forecasts. Remedy controls the exchange risk by monitoring risk positions regularly and in case needed, by hedging the significant cash flows. In addition, Remedy has bank accounts in USD in GBP, which also reduce the risks from currency changes. In 2021, Company has purchased subcontracting services from England and used forward exchange contracts to hedge the risk of currency changes

#### 21.3.1 Currency risk exposure

In the table, the distribution of trade receivables, cash and cash equivalents and trade payables has been presented by currencies.

| In thousands of euro | EUR | USD | GBP | Total |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Trade receivables | 16 232 | 883 | - | 17 115 |
| Cash and cash equivalents | 51 073 | 235 | 76 | 51 384 |
| Trade payables | -963 | -233 | -135 | -1 332 |
| **Net position** | **66 342** | **885** | **-59** | **67 168** |
| **At 31 December 2020** | | | | |
| Trade receivables | 2 818 | - | - | 2 818 |
| Cash and cash equivalents | 22 055 | 1 555 | 80 | 23 690 |
| Trade payables | -1 029 | -86 | - | -1 115 |
| **Net position** | **23 844** | **1 469** | **80** | **25 393** |

#### 21.3.3 Sensitivity analysis on exchange rate movements

| | **At 31 December 2021** | | **At 31 December 2020** | |
|---|---|---|---|---|
| **In thousands of euro** | **Profit or loss** | | **Profit or loss** | |
| | strenghtening | weakening | strenghtening | weakening |
| **Cash and cash equivalents** | | | | |
| +/- 10 % change in USD | 24 | -24 | 155 | -155 |
| +/- 10 % change in GBP | 8 | -8 | 8 | -8 |
| **Trade payables** | | | | |
| +/- 10 % change in USD | 23 | -23 | 9 | -9 |
| +/- 10 % change in GBP | 14 | -14 | - | - |
| **Total net effect** | **68** | **-68** | **172** | **-172** |

### 21.4 Interest rate risk

Interest rate risk is a risk that fair values or future cash flows of financial instruments will vary due to change of market interest rates. Possible change of market interest rates can have straight impact on expenses of additional financing available and on financial instruments already existing. Currently company's financial expenses are relatively low. However, increase of the market risks could have effect on company's debt capital expenses. Increase of the market interest rates can therefore have negative impact on company's business, profits, financial situations, future outlook and share price.

Remedy's interest risk is mainly caused by Business Finland loan which has a floating interest. Interest risk is not material due to small amount of debt. In additions the interest is three percentage below the basic interest, however always at least one percentage. Company has paid EUR 160 032.86 negative deposit interests in financial year 2021 (EUR 0 in 2020). The negative interest is estimated to be maximum at - 0.5 percentage in the coming years.

Change of the market interest would have limited effect on company's sales or other operative cash flows. Remedy controls the interest risk by monitoring the amount of interest-bearing liabilities and market interest rates. Company has not used derivatives to hedge interest risk in financial years 2021 or 2020.

### 21.5 Credit risk

Credit risk is a risk that counterparty couldn't perform the payment obligations. Remedy's credit risk mainly consists of trade receivables. Company aims to mitigate cost effectively the possible losses which are caused by unfilled obligations by the counterparty. Remedy controls the risk already when negotiating the agreements by evaluating the credit worthiness of the counterparty. Furthermore, the financial department follows constantly the payment behavior of customers. All the assets are invested in banks which have good credit rating and financial instruments with low risk.

Remedy has a few game development projects going on at the same time and therefore also the trade receivables are weighted for a few customers. Expected credit loss is evaluated individually for each significant customer by their probability to default. In addition, some possible small receivables which has same the credit rating are estimated in a group for possible impairment. Company haven't had significant credit losses in the past years.

21.5.1 Credit exposure per geographical area

| | Carrying amount | |
|---|---|---|
| **In thousands of euro** | **31 Dec 2021** | **31 Dec 2020** |
| Trade receivables | | |
| Europe | 829 | 1 188 |
| Other countries | 16 287 | 1 630 |
| **Total** | **17 115** | **2 818** |

21.5.2 Exposure to credit risk and loss allowance: aging analysis of trade receivables

| | At 31 Dec 2021 | | At 31 Dec 2020 | |
|---|---|---|---|---|
| **In thousands of euro** | **Gross carrying amount** | **Loss allowance** | **Gross carrying amount** | **Loss allowance** |
| Current (not past due) | 16 292 | - | 2 818 | - |
| Past due | | | | |
| 1-30 days | 412 | - | - | - |
| 31-60 days | 412 | - | - | - |
| 61-90 days | - | - | - | - |
| More than 90 days past due | - | - | - | - |
| **Total** | **17 115** | **-** | **2 818** | **-** |

Remedy has not recognized credit losses during 2021 or 2020.

## 22 Other payables and accruals

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Current income tax liability | 637 | 1 629 |
| Accruals and deferred income | 7 325 | 6 179 |
| Other current liabilities | - | - |
| **Total** | **7 962** | **7 809** |

## 23 Provisions, contingencies and commitments

### 23.1 Accounting policy — Provisions

Provisions comprise liabilities of uncertain timing or amount. Remedy recognises a provision when:
- the company has a present obligation (legal or constructive) as a result of a past event
- an outflow of resources is probable, and
- the amount of the obligation can be estimated reliably.

The amount recognised is the best estimate of the settlement amount at the end of the reporting period, taking account of the risks and uncertainties surrounding the obligation, where appropriate.

Remedy recognises a restructuring provision when the company has prepared a detailed restructuring plan and has begun to implement the plan or has announced it to those concerned.

Remedy had no provisions at the year-end 2020 and 2021.

### 23.2 Accounting policy — Contingent liabilities, contingent assets and commitments

Contingent assets and contingent liabilities are possible rights and obligations. They arise from past events and their existence will be confirmed only by the occurence or non-occurence of one or more uncertain events not fully within the control of Remedy.

### 23.3 Collaterals and commitments

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| Other collaterals given by Remedy | 662 | 507 |
| Credit card limit | 179 | 158 |
| Amount used at 31 December | 94 | 60 |

The company has given a credit guarantee of EUR 300 thousand for previous and possible future forward exchange contracts.

### 23.4 Legal proceedings and disputes

Remedy had no ongoing legal proceedings or disputes at 31 December 2021.

## 24 Related party disclosures

### 24.1 Accounting policy

Remedy Entertainment Plc's related parties comprise the following:
- key management personnel, comprising the members of the Board of Directors, CEO, and the other Executive Team members.
- entities, over which the above-mentioned persons have control or joint control
- close family members of the above-mentioned persons.
- Accendo Capital SICAV, SIF

The major shareholders of Remedy Entertainment Plc include the Chairman of the Board, Markus Mäki, with the ownership of 24.00 % 31 December 2021 (31 December 2020: 27.31%). They are considered to have significant influence over the company, based on the share ownership exceeding 20% and their active role in the company.

### 24.2 Key management personnel remuneration

#### 24.2.1 Accounting policy

The amounts disclosed represent the expenses recognised in those financial years. Salary amounts include any fringe benefits. The pension benefits of the key management personnel consist of the pensions provided under the Finnish statutory pension plan (TyEL). The company has no voluntary supplementary pension plans.

The terms of the share option plans for key management personnel are the same as for other participants. Details are disclosed in Note 7.3 *Share-based payments.* The members of the Board of Directors are not included in the share options plans.

#### 24.2.2 Employee benefits of key management personnel

| **In thousands of euro** | **2021** | **2020** |
|---|---|---|
| *a) Remuneration of all key management personnel (including b), c) and d))* | | |
| Salaries and other short-term employee benefits | 1 325 | 1 152 |
| Pension benefits (defined contribution plans) | 193 | 159 |
| Share-based payments | 2 266 | 216 |
| **Total** | **3 784** | **1 526** |
| *b) CEO* | | |
| Salaries and other short-term employee benefits | 277 | 236 |
| Pension benefits (defined contribution plans) | 47 | 37 |
| Share-based payments | 541 | 49 |
| **Total** | **864** | **321** |

CEO participates in the share option plans according to the respective terms and conditions decided by the Board. According to his executive contract, CEO is eligible to retire at the age of 65, unless otherwise to be agreed by the Company and the CEO. The notice period for both parties is 4 months.

*c) Other Executive Team members*

| | | |
|---|---|---|
| Salaries and other short-term employee benefits | 861 | 784 |
| Pension benefits (defined contribution plans) | 146 | 122 |
| Share-based payments | 1 725 | 167 |
| **Total** | **2 732** | **1 073** |

| In thousands of euro | 2021 | 2020 |
|---|---|---|
| *d) Board of Directors* | | |
| Salaries and other short-term employee benefits | 188 | 132 |
| Pension benefits (defined contribution plans) | - | - |
| Share-based payments | - | - |
| **Total** | **188** | **132** |

The Annual General Meetings held on 6 April 2020 decided that remuneration of the members of the Board of Directors is EUR 2,000 per month and the remuneration of the Chairman of the Board of Directors is EUR 3,000 per month. The Annual General Meetings held on 14 April 2021 decided that remuneration of the members of the Board of Directors is EUR 3,000 per month and the remuneration of the Chairman of the Board of Directors is EUR 4,500 per month.

### 24.3 Transactions with other related parties and outstanding balances

There were no other significant transactions or outstanding balances with related parties during the financial year 2021 or 2020.

## 25 Events after the end of the financial year

In January 2022, Remedy incorporated a Swedish subsidiary, which was renamed to Remedy Entertainment Sweden AB in April.

On 10 February 2022, Remedy Entertainment Plc annonced that it aims to transfer to the Nasdaq Helsinki official list during 2022.

On 6 April 2022, Remedy disclosed that it had entered into a new development agreement with Rockstar Games to remake the Max Payne 1 and Max Payne 2: The Fall of Max Payne video games.

## 26 Transition to IFRS

Remedy's date of transition to IFRS was 1 January 2020. The company applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the transition. Remedy applied the accounting policies presented above in these financial statements in preparing the opening IFRS balance sheet and the financial statements for the years 2021 and 2020. Previously Remedy's financial statements were drawn up in accordance with Finnish Accounting Standards (FAS). In preparing the opening IFRS balance sheet the company adjusted FAS-based financial statement information. The IFRS adjustments made in the transition are explained below.

### 26.1 Reconciliation of opening balance sheet at 1 January 2020

| In thousands of euro | Note | FAS 31 Dec 2019 | Reclassi-fication 1) | Leased assets 2) | Develop-ment costs 3) | Share options 4) | Total IFRS adjust-ments | IFRS 1 Jan 2020 |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-current assets** | | | | | | | | |
| Development costs | 3) | 1 510 | - | | 5 745 | | 5 745 | 7 255 |
| Other intangible assets | 1) | 1 333 | -1 333 | | - | | -1 333 | - |
| Intangible assets | | 2 843 | -1 333 | - | 5 745 | | 4 412 | 7 255 |
| Tangible assets | 1) | 1 771 | 1 333 | - | - | | 1 333 | 3 104 |
| Right-of-use assets | 2) | - | - | 2 725 | - | | 2 725 | 2 725 |
| Non-current receivables | | 521 | - | - | - | | - | 521 |
| Deferred tax assets | | - | - | 5 | - | | 5 | 5 |
| **Total non-current assets** | | **5 135** | **-** | **2 730** | **5 745** | | **8 476** | **13 610** |
| **Current assets** | | | | | | | | |
| Trade and other receivables | | 1 989 | - | - | - | | - | 1 989 |
| Contract assets | | 9 223 | - | - | - | | - | 9 223 |
| Cash and cash equivalents | | 19 550 | - | - | - | | - | 19 550 |
| **Total current assets** | | **30 762** | **-** | **-** | **-** | | **-** | **30 762** |
| **Total assets** | | **35 896** | **-** | **2 730** | **5 745** | | **8 476** | **44 372** |
| **EQUITY** | | | | | | | | |
| Share capital | | 80 | - | - | - | | - | 80 |
| Share premium | | 38 | - | - | - | | - | 38 |
| restricted equity | | 13 748 | - | - | - | | - | 13 748 |
| Retained earnings | 3), 4) | 12 517 | - | -19 | 4 596 | - | 4 578 | 17 095 |
| **Total equity** | | **26 383** | **-** | **-19** | **4 596** | **-** | **4 578** | **30 960** |
| **LIABILITIES** | | | | | | | | |
| **Non-current liabilities** | | | | | | | | |
| Government loan | | 3 674 | - | - | - | | - | 3 674 |
| Lease liabilities | 2) | - | - | 1 919 | - | | 1 919 | 1 919 |
| Deferred tax liabilities | 3) | - | - | - | 1 149 | | 1 149 | 1 149 |
| **Total non-current liabilities** | | **3 674** | **-** | **1 919** | **1 149** | | **3 068** | **6 742** |
| **Current liabilities** | | | | | | | | |
| Government loan | | - | - | - | - | | - | - |
| Lease liabilities | 2) | - | - | 830 | - | | 830 | 830 |
| Trade and other payables | | 5 840 | - | - | - | | - | 5 840 |
| **Total current liabilities** | | **5 840** | **-** | **830** | **-** | | **830** | **6 670** |
| **Total liabilities** | | **9 514** | **-** | **2 749** | **1 149** | | **3 898** | **13 412** |
| **Total equity and liabilities** | | **35 896** | **-** | **2 730** | **5 745** | | **8 476** | **44 372** |

## 26.2 Reconciliation of comprehensive income statement for 1 January 2020 - 31 December 2020

| In thousands of euro | Note | FAS 2020 | Reclassi-fication 1) | Leased assets 2) | Develop-ment costs 3) | Share options (4) | Deriva-tive instru-ments 5) | Total IFRS adjust-ments | IFRS 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | 41 086 | - | - | - | - | | - | 41 086 |
| Capitalization of development costs | 3) | 5 111 | -5 111 | - | - | - | | -5 111 | - |
| Materials and servic | 5) | -6 596 | 1 833 | - | - | - | -56 | 1 777 | -4 818 |
| **Gross profit** | | **39 601** | **-3 278** | **-** | **-** | **-** | **-56** | **-3 334** | **36 268** |
| Other operating income | | 1 | - | - | - | - | | - | 1 |
| Personnel expenses | 4) | -20 758 | 2 796 | - | - | -1 054 | | 1 742 | -19 016 |
| Depreciation, amortisation and impairment | 1) - 3) | -1 068 | - | -864 | -4 773 | - | | -5 637 | -6 705 |
| Other operating expenses | 2) | -4 530 | 335 | 896 | - | - | | 1 232 | -3 299 |
| **Operating profit/(loss)** | | **13 245** | **-147** | **33** | **-4 773** | **-1 054** | **-56** | **-5 997** | **7 248** |
| Financial income | | 154 | - | - | - | - | | - | 154 |
| Financial expenses | 2) | -478 | 147 | -42 | - | - | | 104 | -373 |
| **Net financial expenses** | | **-323** | **147** | **-42** | **-** | **-** | | **104** | **-219** |
| **income taxes** | | **12 921** | **-** | **-10** | **-4 773** | **-1 054** | **-56** | **-5 893** | **7 029** |
| Income tax expense | 2), 3) | -2 585 | - | 2 | 955 | - | 11 | 968 | -1 617 |
| **Profit/(Loss) for the financial year** | | **10 337** | **-** | **-8** | **-3 819** | **-1 054** | **-45** | **-4 925** | **5 412** |

### 26.3 Reconciliation of closing balance sheet at 31 December 2020

| In thousands of euro | Note | FAS 31 Dec 2020 | Reclassi-fication 1) | Leased assets 2) | Develop-ment costs 3) | Share options 4) | Derivative instru-ments 5) | Total IFRS adjust-ments | IFRS 31 Dec 2020 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Development cos | 3) | 6 621 | - | - | 972 | - | | 972 | 7 593 |
| Other intangible assets | 1) | 1 052 | -1 052 | - | - | - | | -1 052 | - |
| Intangible assets | 1), 2) | 7 673 | -1 052 | - | 972 | - | | -80 | 7 593 |
| Tangible assets | 1) | 2 218 | 1 052 | - | - | - | | 1 052 | 3 271 |
| Right-of-use assets | 3) | - | - | 1 936 | - | - | | 1 936 | 1 936 |
| Non-current receivables | | 553 | - | - | - | - | | - | 553 |
| Deferred tax assets | 3) | - | - | 18 | - | - | | 18 | 18 |
| **Total non-current assets** | | **10 444** | **-** | **1 954** | **972** | **-** | **-** | **2 926** | **13 370** |
| | | | | | | | | 0 | |
| **Current assets** | | | | | | | | 0 | |
| Trade and other receivabl | | 5 619 | - | - | - | - | | - | 5 619 |
| Contract assets | | 8 602 | - | - | - | - | | - | 8 602 |
| Cash and cash equivalent | | 23 690 | - | - | - | - | | - | 23 690 |
| **Total current assets** | | **37 911** | **-** | **-** | **-** | **-** | | **-** | **37 911** |
| | | | | | | | | 0 | |
| **Total assets** | | **48 355** | **-** | **1 954** | **972** | **-** | **-** | **2 926** | **51 281** |
| | | | | | | | | 0 | |
| **EQUITY** | | | | | | | | 0 | |
| Share capital | | 80 | - | - | - | - | | - | 80 |
| Share premium | | 38 | - | - | - | - | | - | 38 |
| Invested non-restricted equity reserve | | 13 748 | - | - | - | - | | - | 13 748 |
| Retained earnings | 2), 3) | 21 526 | - | -26 | 778 | - | -45 | 706 | 22 232 |
| **Total equity** | | **35 391** | **-** | **-26** | **778** | **-** | **-45** | **706** | **36 098** |
| | | | | | | | | 0 | |
| **LIABILITIES** | | | | | | | | 0 | |
| **Non-current liabilities** | | | | | | | | 0 | |
| Government loan | | 2 755 | - | - | - | - | | - | 2 755 |
| Lease liabilities | 3) | - | - | 1 100 | - | - | | 1 100 | 1 100 |
| Deferred tax liabilities | 2) | - | - | - | 194 | - | - | 194 | 194 |
| **Total non-current liabilitie** | | **2 755** | **-** | **1 100** | **194** | **-** | **-** | **1 295** | **4 050** |
| | | | | | | | | 0 | |
| **Current liabilities** | | | | | | | | 0 | |
| Government loan | | 919 | - | - | - | - | | - | 919 |
| Lease liabilities | 3) | - | - | 869 | - | - | | 869 | 869 |
| Derivative instruments | | - | - | - | - | - | 56 | 56 | 56 |
| Trade and other payables | | 9 289 | - | - | - | - | - | - | 9 289 |
| **Total current liabilities** | | **10 208** | **-** | **869** | **-** | **-** | **56** | **925** | **11 133** |
| | | | | | | | | 0 | |
| **Total liabilities** | | **12 963** | **-** | **1 969** | **194** | **-** | **56** | **2 220** | **15 183** |
| | | | | | | | | 0 | |
| **Total equity and liabilities** | | **48 355** | **-** | **1 943** | **972** | **-** | **11** | **2 926** | **51 281** |

### 26.4 Notes to the reconciliations of consolidated balance sheets and comprehensive income statement

The adjustments made by Remedy in the IFRS transition are explained below. The company basically recognised deferred taxes on all adjustments, using the Finnish corporate tax rate (20 %).

1) Reclassification (IAS 16 *Property, Plant and Equipment* ): The refurbishment costs for the leased office space of the company were shown under Other intangible assets in the FAS financial statements. In the transition they were reclassified to tangible assets based on their nature (item Other tangible assets) and related amortisation transferred under depreciation.

2) Leased assets (IFRS 16 *Leases* ): Remedy leases office premises and machinery and equipment. Under FAS Remedy recorded all rental expenses in the financial year to which they related. Lease obligations were presented as an off-balance sheet item under commitments. In the transition an equal IFRS 16 adjustment was recognized under the right-of-use assets and financial liabilities at 1 January 2020. Lease payments previously presented under other operating expenses are now apportioned between the reduction of the lease liability and the interest charge on the lease liability. Furthermore, depreciation of the right-of-use assets is recorded in profit or loss. Remedy applied the recognition exemptions for both short-term leases (a lease term of 12 months or less) and for leases of low-value assets. Any lease accruals presented under accrued expenses have been transferred to the lease liability.

3) Development costs (IAS 38 *Intangible Assets* ): The company started to capitalize development costs for new projects that are based on the company's own game brands, effective from 1 January 2019 in its FAS financial statements. IFRS requires capitalization of development costs where the related recognition criteria are met. Therefore, in the transition the company also capitalized development costs for a project launched prior to 1 January 2019. As a temporary difference exists between the capitalized development costs and the tax base, a deferred tax liability has been recognised. The capitalised amounts are presented under materials and services, personnel expenses and other operating expenses in the comprehensive income statement. This together with the development costs capitalized in the opening IFRS balance sheet at 1 January 2020 increase the amount of amortization.

4) Share options (IFRS 2 *Share-based Payments* ): Remedy has three share option plans for the key personnel and the related payments are made with equity instruments. In FAS financial statements option plans are not accounted for through profit or loss. Under IFRS share options are measured at the grant-date fair value and recognised as expenses over the vesting period. A contra-entry is made to equity, so the equity balance is not affected.

In the transition presentation of the cash flow statement was clarified and disaggregated.

### 26.5 Reconciliation of comprehensive income statement for 1 January 2021 - 31 December 2021

| In thousands of euro | Note | FAS 2021 | Reclassi-fication 1) | Leased assets 2) | Develop-ment costs 3) | Share options (4) | Financial instru-ments 5) | Total IFRS adjust-ments | IFRS 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | 44 726 | - | - | - | - | | - | 44 726 |
| development costs | 3) | 8 489 | -8 489 | - | - | - | | -8 489 | - |
| Materials and services | 5) | -8 505 | 3 081 | - | - | - | 56 | 3 137 | -5 368 |
| **Gross profit** | | **44 710** | **-5 408** | **-** | **-** | **-** | **56** | **-5 352** | **39 358** |
| Other operating income | | 1 | - | - | - | - | | - | 1 |
| Personnel expenses | 4) | -23 383 | 4 688 | - | - | -2 457 | | 2 231 | -21 152 |
| amortisation and | 1) - 3) | -1 206 | - | -865 | -972 | - | | -1 838 | -3 043 |
| Other operating expense | 2) | -5 415 | 760 | 898 | - | - | | 1 658 | -3 757 |
| **Operating profit/(loss)** | | **14 708** | **40** | **33** | **-972** | **-2 457** | **56** | **-3 301** | **11 407** |
| Financial income | | 109 | - | - | - | - | 144 | 144 | 253 |
| Financial expenses | 2) | -1 338 | 1 047 | -27 | - | - | - | 1 020 | -318 |
| **Net financial expenses** | | **-1 229** | **1 047** | **-27** | **-** | **-** | **144** | **1 164** | **-65** |
| **Profit/(Loss) before income taxes** | | **13 479** | **1 087** | **5** | **-972** | **-2 457** | **200** | **-2 137** | **11 342** |
| Income tax expense | 2), 3) | -2 702 | - | -1 | -40 | - | 194 | 154 | -2 548 |
| **Profit/(Loss) for the financial year** | | **10 777** | **1 087** | **5** | **-1 012** | **-2 457** | **394** | **-1 983** | **8 794** |

### 26.6 Reconciliation of closing balance sheet at 31 December 2021

| In thousands of euro | Note | FAS 31 Dec 2021 | Reclassi-fication 1) | Leased assets 2) | Develop-ment costs 3) | Share options 4) | Derivative instru-ments 5) | Total IFRS adjust-ments | IFRS 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Development cos | 3) | 15 110 | - | - | - | - | | - | 15 110 |
| Other intangible a | 1) | 599 | -599 | - | - | - | | -599 | - |
| Intangible assets | 1), 2) | 15 708 | -599 | - | - | - | | -599 | 15 110 |
| Tangible assets | 1) | 2 579 | 599 | - | - | - | | 599 | 3 178 |
| Right-of-use assets | 3) | - | - | 1 075 | - | - | | 1 075 | 1 075 |
| Investments | | 3 000 | - | | - | - | | - | 3 000 |
| Non-current receivables | | 705 | - | - | - | - | | - | 705 |
| Deferred tax assets | 3) | - | - | 6 | - | - | | 6 | 6 |
| **Total non-current assets** | | **21 993** | **-** | **1 081** | **-** | **-** | **-** | **1 081** | **23 074** |
| | | | | | | | | 0 | |
| **Current assets** | | | | | | | | 0 | |
| Inventory | | 17 | - | - | - | - | | - | 17 |
| Trade and other receivabl | | 20 163 | - | - | - | - | | - | 20 163 |
| Contract assets | | 2 348 | - | - | - | - | | - | 2 348 |
| Other current financial assets | | 3 995 | - | - | - | - | 144 | 144 | 4 139 |
| Cash and cash equivalent | | 51 384 | - | - | - | - | | - | 51 384 |
| **Total current assets** | | **77 908** | **-** | **-** | **-** | **-** | **144** | **144** | **78 052** |
| | | | | | | | | 0 | |
| **Total assets** | | **99 901** | **-** | **1 081** | **-** | **-** | **144** | **1 225** | **101 126** |
| | | | | | | | | 0 | |
| **EQUITY** | | | | | | | | 0 | |
| Share capital | | 80 | - | - | - | - | | - | 80 |
| Share premium | | 38 | - | - | - | - | | - | 38 |
| Invested non-restricted equity reserve | | 56 866 | -1 087 | - | - | - | | -1 087 | 55 779 |
| Retained earnings | 2), 3) | 30 342 | - | -22 | - | - | 1 202 | 1 180 | 31 522 |
| **Total equity** | | **87 326** | **-1 087** | **-22** | **-** | **-** | **1 202** | **93** | **87 419** |
| | | | | | | | | 0 | |
| **LIABILITIES** | | | | | | | | 0 | |
| **Non-current liabilities** | | | | | | | | 0 | |
| Government loan | | 1 837 | - | - | - | - | | - | 1 837 |
| Lease liabilities | 3) | - | - | 218 | - | - | | 218 | 218 |
| Deferred tax liabiliti | 2) | - | - | - | - | - | - | - | - |
| **Total non-current liabilities** | | **1 837** | **-** | **218** | **-** | **-** | **-** | **218** | **2 055** |
| | | | | | | | | 0 | |
| **Current liabilities** | | | | | | | | 0 | |
| Government loan | | 919 | - | - | - | - | | - | 919 |
| Lease liabilities | 3) | - | - | 884 | - | - | | 884 | 884 |
| Contract liabilities | | - | - | - | - | - | | - | - |
| Derivative instruments | | - | - | - | - | - | - | - | - |
| Trade and other payables | | 9 820 | - | 29 | - | - | | 29 | 9 848 |
| **Total current liabilities** | | **10 738** | **-** | **913** | **-** | **-** | **-** | **913** | **11 651** |
| | | | | | | | | 0 | |
| **Total liabilities** | | **12 575** | **-** | **1 131** | **-** | **-** | **-** | **1 131** | **13 706** |
| | | | | | | | | 0 | |
| **Total equity and liabilities** | | **99 901** | **-1 087** | **1 110** | **-** | **-** | **1 202** | **1 225** | **101 126** |

## Signatures of the Financial Statements 2021

Espoo, on April 27 2022

| | |
|---|---|
| Markus Mäki<br>Chairman of the Board | Karl-Christian Fredrikson<br>Board Member |
| Jussi Laakkonen<br>Board Member | Kaisa Salakka<br>Board Member |
| Henri Österlund<br>Board Member | Tero Virtala<br>CEO |

## The Auditor's Note

A report on the audit performed has been issued today.

Espoo, on April 27 2022

KPMG Oy Ab

Petri Sammalisto
*Authorised Public Accountant, KHT*

## List of financial records and materials

### Financial records, document types and their storage method

Financial statements
Financial statements and balance sheet specifications

Account list and balance lists
Account-specific comprehensive income statement
Account-specific balance sheet
Account list

Accounting
General ledger
Payroll records

Vouchers

| | |
|---|---|
| Automatic financial statement entries | 1 – 2 |
| Accruals | 1 – 446 |
| Vouchers generated by accounting software | 1 – 16 |
| Others | 1 – 408 |
| Sales invoice | 1 – 158 |
| Sales payment | 1 – 114 |
| Purchase invoice | 1 – 2750 |
| Purchase payment | 1 – 2608 |
| Bank | 1 – 419 |

Storage method for vouchers: electronic