



Remedy Entertainment Plc

BUSINESS REVIEW

January–March 2023



Steady progress with Alan Wake 2 towards its 2023 launch

Revenue and profitability affected by the timing of project milestones and investments in ongoing projects

The Business Review is unaudited. Figures in parentheses refer to the comparison period in the previous year, unless otherwise stated.

HIGHLIGHTS FROM JANUARY–MARCH 2023

- Revenue decreased by 45.4% to EUR 6.9 (12.7) million.
- EBITDA decreased to EUR -4.9 (3.3) million, mainly due to a significantly lower level of revenue than in the comparison period.
- Operating profit (EBIT) was EUR -5.6 (2.8) million, and operating profit margin was -81.0% (21.8%) of revenue.
- Cash flow from operations was EUR -3.9 (18.0) million.

KEY FIGURES

MEUR, IFRS, Group	1–3/2023	1–3/2022	1–12/2022
Revenue	6.9	12.7	43.6
Growth in revenue, %	-45.4%	55.9%	-2.5%
EBITDA	-4.9	3.3	1.9
Operating profit (EBIT)	-5.6	2.8	-0.6
Operating profit, % of revenue	-81.0%	21.8%	-1.3%
Result for review period	-5.6	2.0	-1.7
Result for review period, % of revenue	-81.6%	16.0%	-4.0%
Balance sheet total	94.2	104.5	99.6
Cash flow from operations	-3.9	18.0	11.1
Net cash	43.9	66.8	49.9
Cash position	39.8	66.4	49.0
Net gearing, %	-52.3%	-74.0%	-56.4%
Equity ratio, %	89.1%	86.4%	88.8%
Capital expenditures	2.1	2.7	10.6
Average number of personnel during review period (FTE)	328	289	307
Headcount at the end of period	342	301	334
Earnings per share, €	-0.42	0.15	-0.13
Earnings per share, € (diluted)	-0.41	0.15	-0.13
Number of shares at the end of period	13,469,100	13,302,700	13,448,600

COMMENTS BY CEO TERO VIRTALA

In the first quarter of 2023, we continued our investment phase with a larger share of projects co-financed by us and our publishing partners. Out of the five games we have in development, we are co-financing four games that are based on Remedy-owned brands and one game is fully funded by our publishing partner. This has an impact on our profitability in the short term but will increase the royalty potential for the upcoming years. Our game projects have advanced well during the first quarter, with the prime examples of *Alan Wake 2* moving towards the final stage of full production and *Control 2* and *Max Payne 1&2 remake* progressing to the proof-of-concept stage. In the beginning of the year we were able to continue hiring more talent across the organization.

In the first quarter, we recognized an unusually low amount of development fees due to project milestone timing. As our cost base is largely fixed in the short term, lower revenues are reflected almost entirely in our profitability. Given the status of our games roadmap and the nature of our business, quarterly variations in revenue and profitability are things that we must live with now and in the future. We expect quarterly variation to decrease once we have more games in the market generating royalty revenue.

Alan Wake 2 is on its way to becoming a great game and has everyone excited at Remedy. We have started the last major phase of full production to get the game ready for launch later this year. The project is fully staffed, but we will be able to start scaling down the team size gradually as we progress towards the launch. These freed-up developers will contribute to our other game projects that are being driven towards the next stages of development.

Control 2, which moved into the proof-of-concept stage in January, has progressed well. During the first quarter, the development team focused on world building and gameplay mechanics. In addition, we have been developing the visual target of the game. *Codename Condor*, a co-operative multiplayer game in the world of *Control*, has continued its steady progress in the proof-of-concept stage. We have been able to prove key designs for gameplay and have found new ways to use existing assets and locations from the world of the original *Control*. *Codename Condor*, together with *Control 2*, will expand the *Control* brand, which will be one of Remedy's cornerstones for years to come.

Codename Vanguard, being a free-to-play co-operative game, is a new type of game for Remedy. The game is in the proof-of-concept stage. New key hires at the end of last year have resulted in better momentum for the project and its leadership team has been strengthened, but there is still much to be done. We have especially focused on the core gameplay, the game's core loop and meta game designs.

Max Payne 1&2 remake has progressed well and during the first quarter the project moved into the proof-of-concept stage. The development team has worked efficiently in proving the key elements of what *Max Payne* is all about and in bringing the game in high quality to today's consoles and PCs. We expect the project to keep advancing well and with that, the team size will expand gradually towards year-end.

Our firm focus is on the upcoming launch of *Alan Wake 2*. While work still remains, I am impressed with the quality of the work and the development velocity of the team. The game holds a lot of promise. This will be our first new game launch since *Control* in 2019. *Alan Wake 2* will be a game that we will all be proud of and most importantly I am sure it will be a game that players will love to play.

2023 OUTLOOK (UNCHANGED)

Remedy expects its revenue to decline from the previous year and its operating result to be negative.

LONG-TERM BUSINESS PROSPECTS

We have several games in development, each with a world-class partner and agreed long-term development fees. These development fees form a strong and predictable revenue basis for many years. On top of these revenues, we have the less predictable but highly scalable revenue streams arising from game royalties.

Our assumptions for individual game royalties are inherently conservative, due to the amount and nature of the variables impacting game sales. However, each high-quality game that stands out in the market has the potential to succeed in a bigger way, which would drive significant revenue and operating profit growth. Our games and brands are transforming into longer-lasting experiences that typically continue to sell for years.

In relation to our longer-term game roadmap, we now have five game projects in development and will have major game launches starting from 2023. The timing of individual game launches and new game development agreements may cause variation from quarter to quarter and year to year. With several games out in the market accruing royalties and several new ones in development, this variation is expected to decrease in the coming years.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Annual General Meeting was held on April 13, 2023. The Annual General Meeting adopted the Financial Statements for 2022, discharged the members of the Board of Directors and the CEO from liability, adopted the company's Remuneration Policy and Remuneration Report and approved all proposals made to the Annual General Meeting in the form included in the notice to the Annual General Meeting. The Annual General Meeting resolved to distribute a dividend of EUR 0.10 per share for the financial period ended on December 31, 2022. Markus Mäki, Jussi Laakkonen, Henri Österlund, Kaisa Salakka and Sonja Ängeslevä were re-elected to the Board of Directors. At its organizing meeting held after the Annual General Meeting, the Board of Directors elected Markus Mäki to continue as the Chairman of the Board of Directors.

Between January 1 and March 31, 2023, a total of 1,000 new shares of Remedy were subscribed for with the company's stock options 2019. The shares subscribed for under the stock options were registered in the Trade Register on April 12, 2023, after which the total number of shares is 13,470,100.

WEBCAST AND CONFERENCE CALL

Remedy will host a webcast and conference call in English on its financial results for investors, analysts and media on Wednesday April 26, 2023, at 2:00 p.m. (EEST). Remedy's financial results will be presented by CEO Tero Virtala and CFO Terhi Kauppi.

The Business Review will be available after publication on Remedy's Investor Relations website:

<https://investors.remedygames.com/announcements-and-releases/>

Webcast details:

Register in advance for the webcast:

https://remedy.zoom.us/webinar/register/WN_QJyQ_FtAttKuYnvIJ4K3Ew

After registering, you will receive a confirmation email containing information about joining the webcast.

Conference call details:

Dial in by calling your local phone number a few minutes before the briefing begins. International numbers are available at: <https://remedy.zoom.us/j/kdUdjayamQ>

Finland: +358 9 7252 2471

Sweden: +46 850 539 728

United Kingdom: +44 330 088 5830

United States: +1 646 558 8656

Webinar ID: 842 1102 8520

Passcode: 338475

A recording of the webcast will be available after the briefing at
<https://investors.remedygames.com/presentations/>

NOTES TO BUSINESS REVIEW JANUARY–MARCH 2023

Revenue breakdown per quarter

EUR thousand	1-3/2023	10-12/2022	7–9/2022	4–6/2022	1–3/2022	10–12/2021
Development fees	6,440	12,564	7,500	7,443	11,619	18,341
Royalties	471	1,063	404	1,958	1,037	1,455
Total	6,911	13,627	7,904	9,401	12,656	19,796

Calculation formulas used for the indicators

EBITDA:	Operating profit (EBIT) + depreciation and amortization
Operating profit (EBIT):	Profit (loss) before taxes and financial items
Operating profit, % of revenue:	Operating profit (EBIT) / revenue
Net cash:	Cash in hand and banks + liquid investments* - interest-bearing liabilities
Net gearing, %:	(Interest-bearing liabilities - cash in hand and at banks – liquid investments*) / shareholders' equity
Equity ratio:	Shareholders' equity / (balance sheet total - advances received)
Capital Expenditures:	Change in tangible and intangible assets added by depreciation of these assets

*Liquid investments include Remedy's liquid investments in equity funds. The indicators from the comparison periods have also been corrected according to this principle.

Espoo, April 26, 2023
Remedy Entertainment Plc
Board of Directors

More information

Veli-Pekka Puolakanaho, Corporate Development Director
Phone: +358 50 430 0936
Email: veli-pekka.puolakanaho@remedygames.com

Remedy in brief

Remedy Entertainment Plc is a pioneering, globally renowned video game company founded in 1995 and headquartered in Finland with an office in Stockholm, Sweden. Known for its story-driven and visually stunning action games, Remedy has created multiple successful, critically acclaimed franchises such as Control, Alan Wake and Max Payne. Remedy also develops its own Northlight® game engine and tools technology that powers many of its games.

The company employs over 340 game industry professionals from 34 different countries. Remedy's shares are listed on Nasdaq Helsinki's official list.

www.remedygames.com

This is not an interim report as defined in IAS 34. Remedy follows the half-year reporting schedule according to Finnish Securities Market Act and publishes business reviews off the first three and nine months of the fiscal year. These business reviews will include the most essential information regarding the company's financial performance. The financial figures presented in this business review are unaudited.