

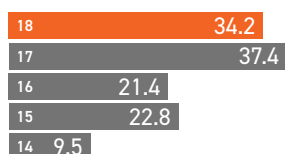
HIGHLIGHTS

WE CONTINUE TO SCALE UP

Financial KPIs

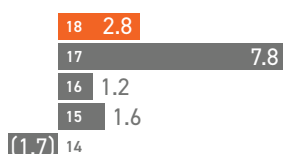
Total revenue (£m)

£34.2m



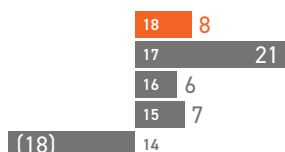
Operating profit (£m)

£2.8m



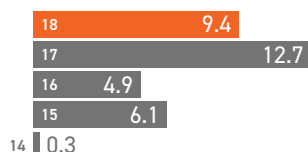
Operating margin (%)

8%



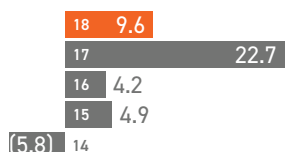
EBITDA* (£m)

£9.4m



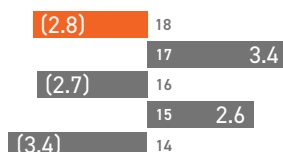
EPS (basic) (p)

9.6p



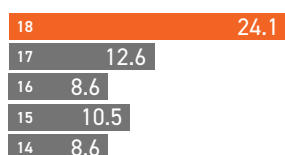
Operating cash flow** (£m)

£(2.8)m



Net cash balance (£m)

£24.1m



* Earnings before interest, tax, depreciation and amortisation

** Operating profit excluding non-cash items, less investments in franchises and other intangible assets

Operational highlights

- Frontier's strategy of sustaining and nurturing its franchises continues to deliver, as both *Elite Dangerous* and *Planet Coaster* continue to thrive.
- Elite Dangerous*, which launched in December 2014, delivered its fourth year of sustained substantial revenue generation in FY18. In June 2017 the franchise's addressable audience was further expanded with its release on the Sony PlayStation 4 platform, and we launched the *Beyond* season of free updates to continue to appeal to new and existing players by providing additional gameplay features and further narrative.
- Planet Coaster*, which launched in November 2016, continues its genre-leading popularity. During the year we started to release chargeable themed expansion packs, each of which adds substantial features and content for players and generates additional sales for the franchise beyond the initial game purchase.
- Towards the end of FY18 we completed the development of our third franchise, *Jurassic World Evolution*, as planned and, in June 2018 (after the end of FY18), achieved a third successful franchise launch with its release alongside the launch of the *Jurassic World: Fallen Kingdom* film.
- £17.7 million was raised in July 2017 through a strategic investment from Tencent, a leading internet and interactive entertainment company based in China, to improve and accelerate Frontier's growth into the key Chinese market and help drive scale-up of the business.
- In October 2017 the first Frontier Expo was held, a Frontier-specific event which brought together Frontier's developers, player community members and media to spotlight major franchise announcements, maximising awareness and further building Frontier's profile.

Financial highlights

- Total revenue of £34.2 million in FY18 reflected sustained sales performances for both *Elite Dangerous* and *Planet Coaster* following the step-up in sales in the prior period from the launch of *Planet Coaster* in November 2016 (FY17 revenue grew 75% over FY16).
- As anticipated, a combination of slightly lower annual sales resulting from no new franchise launch in FY18 and our planned increased investment in development and marketing saw operating profit reduce to £2.8 million (FY17: £7.8 million) and EBITDA reduce to £9.4 million (FY17: £12.7 million).
- Operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) was an outflow of £2.8 million (FY17: inflow of £3.4 million), reflecting the investment in *Jurassic World Evolution*.
- Cash balances increased by £11.5 million during the year to £24.1 million (FY17: £12.6 million) following the £17.7 million strategic investment by Tencent in July 2017.

WE HAVE PROVEN OUR ABILITY TO LAUNCH SUCCESSFUL FRANCHISES



Elite Dangerous

Available for Windows PC, Microsoft Xbox One and Sony PlayStation 4 – is the definitive massively multiplayer space epic, bringing gaming's original open world adventure to the modern generation with a connected galaxy, evolving narrative and the entirety of the Milky Way recreated at its full galactic proportions.

Read more from page 8

ELITEDANGEROUS.COM



Planet Coaster

Available for Windows PC – builds on Frontier's genre-defining expertise with coaster park games such as *RollerCoaster Tycoon 3* and *Thrillville*. It further raises the bar for this popular genre, allowing players to let their imaginations run wild as they surprise, delight and thrill incredible crowds, and share their success with the world via the Steam Workshop community.

Read more from page 10

PLANETCOASTER.COM



Jurassic World Evolution

Available for Windows PC, Microsoft Xbox One and Sony PlayStation 4 – evolves players' relationships with the *Jurassic World* film franchise, placing them in control of operations on the legendary island of Isla Nublar and the surrounding islands of the Muertes Archipelago. Players will create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds, and construct attractions, containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way'.

Read more from page 12

JURASSICWORLDEVOLUTION.COM

Revenue history (£m)



CHAIRMAN'S STATEMENT DAVID GAMMON, NON-EXECUTIVE CHAIRMAN

DELIVERING FOR OUR STAKEHOLDERS

“ We are well positioned
for the future. ”



I am pleased to report on another healthy year for Frontier. Our first two franchises continued to perform well, and our team did a terrific job on the development and successful launch of *Jurassic World Evolution* in June 2018. Our chosen business model of multi-franchise self-publishing is delivering well for our Company and all of its stakeholders, including our community of players, our employees and our investors.

Our long-term ambition to become a global leader in entertainment remains on plan. We are scaling up to continue our multi-franchise success story through the development and growth of our internal capabilities together with an expanding use of external resources. Our proven ability to both launch and sustain franchises within a self-publishing model, as well as our long history of delivery and capability, positions us very well to continue our organisational development. It is pleasing to see both *Elite Dangerous* and *Planet Coaster* selling strongly in their fourth and second financial years respectively. This validates our model of establishing franchises with enduring appeal rather than for the short term. Franchises four, five and six are all at different stages of development, from full scale production to conceptual design stage. In addition we have exciting plans for our three existing franchises.

We benefit from a highly experienced team at Board level. In September 2017 our Board was further strengthened through the appointment of James Mitchell as a Non-Executive Director. We invited James, who is Chief Strategy Officer at Tencent, to join the Board in order to gain his insights into the Chinese market and the wider global entertainment industry, following the £17.7 million strategic investment made by Tencent in July 2017. James has already proven to be an invaluable member of the Board and we are delighted with his appointment.

At the AGM in October 2018 our Chief Operating Officer, David Walsh, will transition to a Non-Executive Director role in order to focus his attention on a start-up opportunity outside of the games industry. I would like to thank David for his 17 years of excellent service to Frontier, and I am delighted that he will continue to contribute in a Non-Executive role. David's responsibilities are being allocated between James Dixon, Director of Operations, Stewart Stanbury, Director of Marketing and Alex Bevis, CFO. James Dixon has been with the Company for over 20 years and has a wealth of experience of both the game development and operational aspects of the company. Stewart Stanbury joined Frontier in September 2017 from Google, where he specialised in digital marketing, brand and strategy for top games industry clients including Activision, EA, Ubisoft and Wargaming as Games Industry Manager for the Media & Entertainment Sector.

We have already achieved a lot since we started our transition to a self-publishing multi-franchise model, but there is much more to come. We are well positioned for the future as a result of the dedication, engagement, skill and professionalism of our amazing team, and I would like to take this opportunity, on behalf of the Board, to thank them for their tremendous efforts.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
5 September 2018

GROWING OUR PORTFOLIO



“ I would like to thank everyone at Frontier and all our players around the world. ”

In January 2019 Frontier will celebrate its 25th anniversary since I founded the company in January 1994. Both the industry and our Company have undergone significant change throughout that time, and I am personally very proud of all of our achievements. I am particularly pleased with the success of our transition to self-publishing over the last five years. The rise of digital distribution was the catalyst for our change, and our extensive experience in the games industry gave us the confidence to make the switch. I believe our decision has been proved correct by the ongoing performance of our first two franchises, *Elite Dangerous* and *Planet Coaster*, and the successful launch of *Jurassic World Evolution*. I would like to thank everyone at Frontier for their continued contribution and hard work and thank our players around the world who continue to make all this possible.

THE GAMES MARKET

We operate in an exciting and growing industry that continues to see rapid change. The games market is already the premier form of entertainment worldwide, worth over \$100 billion per year within the wider \$300 billion entertainment industry. That is larger than each of the film, TV or music industries. The games sector is growing fast too, increasing at around 10% last year, whilst some other entertainment sectors, such as TV, have experienced declines. The lines between entertainment sectors continue to blur, as audiences crave greater levels of interactivity within their entertainment experiences; more than just shouting at their TVs! These are exciting times and Frontier is well placed to both drive and support future changes in the wider entertainment industry, including the potential addition of whole new forms of entertainment.

The games market is typically seen as three different sectors: PC, console and mobile/tablet. The characteristics of each sector are quite different. Our development focus is currently on PC and console titles, as the audiences on these platforms highly value games exhibiting Frontier's key development strengths such as compelling gameplay and high production quality. In contrast the mobile sector is overcrowded, with a very low barrier to entry, so success is both much less predictable and much less influenced by

quality. 'Discoverability' (the ability to find a title) is also better on PC and console, with excellent support from reviewers, 'youtubers' and social media.

The whole market is moving rapidly towards digital download as the primary delivery model. Mobile and PC are now almost 100% digital, and the console audience is quickly adopting digital downloads too, as market focus moves to the new generation of hardware and older business models are replaced.

There are already some very large and well-established companies in the games market, with a number of companies supporting \$1 billion+ valuations. Two of the largest publishers and developers, EA and Activision Blizzard, both based in the US, have a combined value of around \$100 billion. However, our industry has always thrived on disruption, in terms of individual games, game genres, charging models, technology and routes to market, and it has been interesting to observe the impact of some of those disrupting factors in the last 12 months. Our chosen model – supporting our games and their communities with regular updates, essentially 'games as a service' – is working very well, producing three out of three successful franchises so far, but we will continue to monitor and consider different options as the industry continues to evolve.

STRATEGY

We believe that publishing our own franchises is the best way to maximise the benefit of our core skills, our assets and our COBRA technology platform. The Company's focus is on developing top-quality self-published PC and console titles for digital distribution. Generally the audiences on these platforms value the types of high-quality games that Frontier is able to deliver.

We will also continue to follow our repeatable model, to create further franchises in popular game genres where we can use our key expertise and knowledge and/or IP to deliver highly differentiated, best-in-class player experiences, and further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through success by publishing a growing number of franchises. Our strategic focus is on two key areas:

- developing our business to achieve repeatable success; and
- creating and managing franchises.

Frontier is scaling up to build a broad portfolio of franchises, each different to the last, and each with the capability to offer sustained revenue streams as already seen with *Elite Dangerous* and *Planet Coaster*. Releases of new franchises can be expected to drive steps up in the Group's financial performance. Because of the small number of franchises and relatively infrequent major releases Frontier is currently able to make, revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour across financial years, as those new franchises are released. In the future, as we successfully scale the number and frequency of franchise releases, annual revenue growth should accelerate and our dependency on each major release should decrease.

We aim to accelerate our output to achieve one major launch every 12 months or so, but this will not require us to increase our workforce linearly because supporting existing franchises typically requires less resource than creating new ones.

Overall we will continue to focus on opportunities which leverage our existing expertise, intellectual property, publishing presence, relationships and financial position. As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

External partnerships are an important element within our plans and such opportunities are likely to include third party publishing (controlling the promotion and distribution of other developers' games), commissioning (outsourcing the majority of development of Frontier games to other developers), and enhancing the Group's franchise portfolio or capabilities via acquisitions.

I look forward to working with Frontier's fantastic team and our partners to build on our early self-publishing success and establish a new long-term, self-published track record of quality, innovation and delivery as we scale-up to continue our multi-franchise success story.

Current trading and outlook

The launch of *Jurassic World Evolution*, in June 2018 has led a record trading performance during the period from the year end (31 May 2018). Digital sales of *Jurassic World Evolution* have been substantial across all three platforms, (PC, PlayStation 4 and Xbox One) and physical disc sales on PlayStation 4 and Xbox One have also been significant. On 19 July 2018 Frontier announced that cumulative sales on all formats had passed 1 million units, just 5 weeks after the digital launch on 12 June 2018.

We are pleased with the positive early sales and player feedback for *Jurassic World Evolution*. This initial success further demonstrates our ability to add new franchises to our portfolio and emphasises our capability to both develop and publish top tier IP, reinforcing our appeal as a partner to IP holders. The timing of our launch to

coincide with the film release of *Jurassic World: Fallen Kingdom* confirms our ability to ship a new game on a hard deadline simultaneously across three high-end gaming platforms (PC, PlayStation 4 and Xbox One).

Our first two franchises, *Elite Dangerous* and *Planet Coaster*, both supported by our strategy of ongoing development, continue to perform well, delivering a sustained revenue contribution during the period from 31 May 2018.

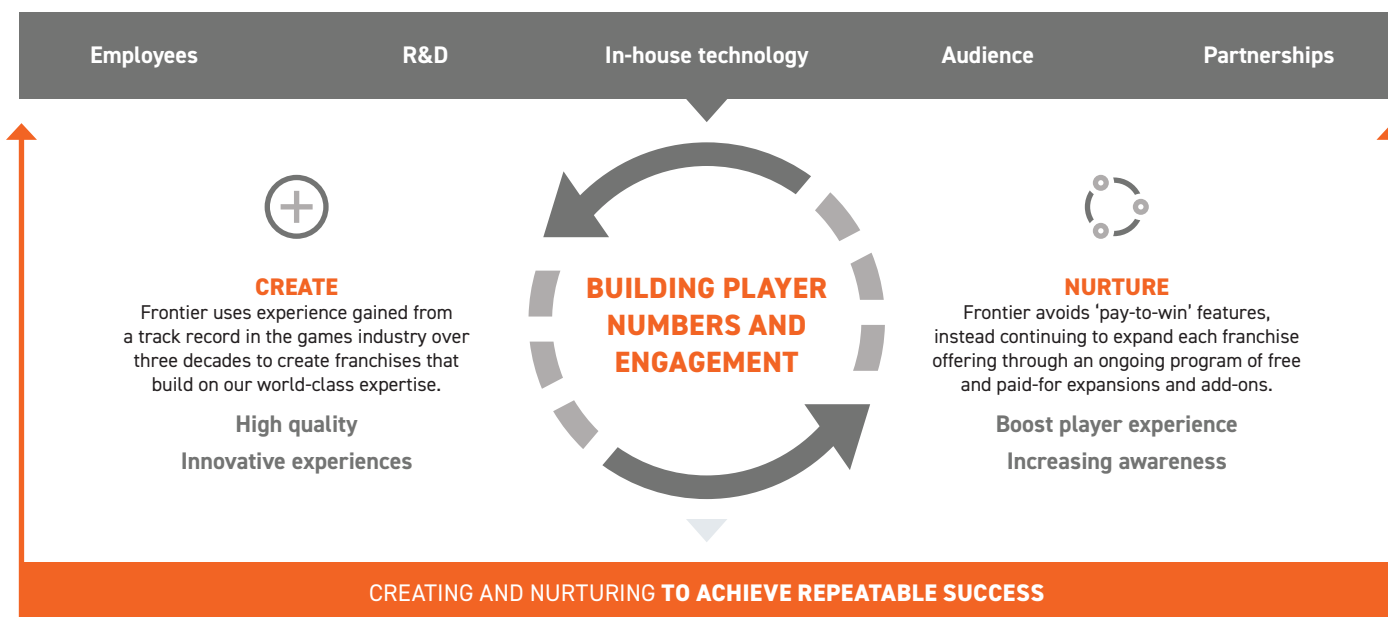
Although it is still early in terms of both Frontier's financial year and the life-cycle of *Jurassic World Evolution*, the Board is comfortable with the current range of analyst revenue projections of £75 million to £88 million for FY19 (the year ending 31 May 2019), a substantial increase over the £34 million achieved in FY18.

David Braben, Chief Executive, said:

"*Jurassic World Evolution* has achieved our biggest launch to date, and we are now very well positioned with three successful revenue generating franchises. We will continue to support and enhance all three of our existing franchises (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*), and we'll be making a number of exciting announcements about each franchise in due course. Franchise four, which is based on our own un-announced IP, is now in full development and targeted for release in FY20, and two more new franchises are in earlier stages of development."

OUR MULTI-FRANCHISE MODEL

What we do



Creating and managing franchises

OVERVIEW

In order to maximise the return on our core skills and assets we target game genres on PC and Console platforms where we believe we can both i) deliver high-quality, differentiated offerings using established expertise and intellectual property, and ii) have a strong chance of successful market entry, based on past experience or knowledge of that sector.

We use this repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential and plan for strong post-launch franchise support to further help realise this potential.

We will continue to grow the capacity and capability of our organisation in both commercial and development areas in order to further the successful evolution of our franchises.

As part of this process, we will explore potential partnerships and licensing opportunities. We will also continue to review potential acquisition targets that could augment our capacity or add new capabilities as well as IP that may help us achieve our goals.

We will endeavour to enhance and expand our franchises and grow their audiences using appropriate additional products, platforms, media, marketing, distribution channels and charging models through investing in the necessary people, organisation, resources and infrastructure.

OUR SCALE-UP MODEL



Developing our business to achieve repeatable success

INVEST

We invest our development resources in games with strong franchise potential. In order to maximise the return on our core skills and assets we target game genres where we have established expertise and/or intellectual property.

We continue to invest in our organisation to create a model of repeatable success. To accelerate our progress and increase the frequency of launches we are scaling up our organisation, not just in terms of staff numbers, but also in terms of leadership skills, training, organisational structure, process and external partnerships.

We also invest in the necessary facilities to support our world-class team. In April 2018 we moved all of our staff into a brand new office space on the Cambridge Science Park. It is our belief that having all our people in Cambridge working together in a single building helps to maximise our operational effectiveness and efficiency.

DEVELOP

Our development focus is on PC and console. Audiences on these platforms tend to value games that exhibit Frontier's key development strengths.

We use online channels to create and engage with a player community during game development, which provides a valuable source of both feedback and advocacy for each franchise before first release.

Our development process uses our proprietary COBRA development tools and technology to facilitate innovative features and the creation of top-quality self-published games with strong differentiation for the PC and console audiences. Our control of this technology also removes the risk related to ongoing access to third party licensed technology alternatives, the risk relating to the ability to fix uncovered problems in that technology and the risk related to the lack of control over the delivery dates and new feature roadmap of such solutions. It also facilitates rapid response to market opportunities, for example as happened with support for Virtual Reality and Augmented Reality.

PUBLISH

We continue to assess the distribution channels and platforms we use to achieve an optimal addressable audience for each game, and the monetisation strategy for each franchise. We participate in price promotions on each of the distribution platforms we use for each of our games as appropriate to its life-cycle stage, allowing us to reach the widest possible audience over time.

We also monitor the geographical performance of our franchises, understanding and monitoring under and over performance versus expectations in each territory, and will continue to look for opportunities to tailor our local price to a level more appropriate to each local economy. In particular we note the rapidly growing Chinese market for premium PC games, and we expect our strong relationship with Tencent to help us to take advantage of its unparalleled expertise and distribution capabilities in its home market for our franchises.

Future franchises

We are building a broad portfolio of franchises, each different to the last and each with the capabilities to expand over time. All future franchises will be selected using the same approach described above that was used for *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*. We are scaling up for the future so we can release games more frequently, and we already have future franchises in different phases of development.

Subject to Frontier's disclosure obligations as an AIM company, it is the Board's intention to make announcements about future franchises at the optimum time for the success of that particular franchise. This may be some time after the start of a particular project, and not necessarily at the time of the signature of an agreement with a development or IP partner.

Our future franchise portfolio is likely to contain a mixture of owned IP (like *Elite Dangerous* and *Planet Coaster*) and licensed IP (like *Jurassic World Evolution*). We are pleased with the initial sales and feedback for *Jurassic World Evolution*, which illustrates

that we can develop and publish world-leading IP alongside a major film launch; we will review the value of licensing proven third party IP versus developing our own IP for each potential future franchise on a case-by-case basis.

Franchise four, which is based on our own un-announced IP, is now in full development and targeted for release in FY20, and two more new franchises are in earlier stages of development.

OUR FRANCHISES

ELITE DANGEROUS



BLAZING A TRAIL INTO THE BEYOND

Elite Dangerous is now in its fifth financial year since release in December 2014. Since launch we have continued to release expansions to the original *Elite Dangerous* game, simultaneously on PC, Xbox One and PlayStation 4 as those platforms have been added.

Simultaneous releases on all supported platforms are planned to continue going forward, including Sony's PlayStation 4 following the franchise's debut on the platform in June 2017 which significantly expanded its addressable audience.

These updates add to the quality of the game, renew the interest of existing players and also generate additional coverage, resulting in new sales. The attach rate of *Elite Dangerous: Horizons* to the base game continues to grow steadily, helped by the regular updates.

Having the base game and *Horizons* expansions in the market covers mid-price entry to the franchise with an upgrade path, and we bundle the two together and add some digital items to create a Deluxe edition for a premium price point entry. We believe each product in the franchise offers great value.

The third *Elite Dangerous* season, *Beyond*, was announced in October 2017 at Frontier Expo 17. *Chapter 1* launched in February 2018, *Chapter 2* launched in June 2018 and *Chapter 3* launched in August 2018.

Each *Beyond* update is free for all players, regardless of whether they have the *Horizons* season pass. *Beyond* focuses on enhancements to the overall player experience, bringing foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content for Commanders to experience as they explore the massively multiplayer galaxy.

The *Elite Dangerous* franchise continues to perform strongly and we continue to focus on enhancements within the strategy of further improving perceived quality and sentiment, adding significant long-term new features and supporting the unique evolving player-driven story, which all players experience together. We expect to further expand the player base over the next financial year, adding new content and increasing the audience.

We continue to invest significant effort into *Elite Dangerous* which we expect to yield some exciting future developments – more to come!

ELITEDANGEROUS.COM



Ongoing development

THE HORIZONS SEASON OF EXPANSIONS

Each expansion offers new headline gameplay features plus a large number of quality of life enhancements and other tweaks, fixes and improvements, and there is an accompanying update to the base game.

2.0

DECEMBER 2015

Planetary Landings was launched in December 2015 and expanded gameplay to planetary surfaces for the first time.

2.1

MAY – JUNE 2016

The Engineers was launched on PC in May 2016 and Xbox One in June 2016 and added loot and crafting mechanics to the game to allow players to upgrade the performance of their ship and weapons.

2.2

OCTOBER 2016

The Guardians was launched in October 2016 and expanded the gameplay possibilities of each ship by adding ship-launched fighters.

2.3

APRIL 2017

The Commanders was launched in April 2017 and offered the ability for multiple players to crew a ship and represented player characters in game with sophisticated customisation options.

2.4

SEPTEMBER 2017

The Return was released in September 2017 and supported the ongoing story arc related to Thargoids, the franchise's first alien species, and their interactions with humans in the *Elite Dangerous* galaxy.

The release of 2.4 *The Return* completed the *Horizons* season of expansions.

BEYOND UPDATES

Each *Beyond* update is free for all players. *Beyond* focuses on enhancements to the overall player experience, bringing foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content for Commanders to experience as they explore the massively multiplayer galaxy.

BEYOND CHAPTER 1

FEBRUARY 2018

BEYOND CHAPTER 2

JUNE 2018

BEYOND CHAPTER 3

AUGUST 2018

OUR FRANCHISES CONTINUED
PLANET COASTER



EVOLVING COASTER PARK SIMULATION

Planet Coaster was successfully launched in November 2016 after a short Beta period, achieving the global #1 position on the Steam distribution channel and continuing to sell strongly through the subsequent holiday period. In accordance with our strategy, we began to release free updates, each of which adds headline features but also expands and improves different creative and management aspects of the game.

The *Winter Update* was released in December 2016 with something for all players. In addition to new rides being added, there were further improvements to streamline management operations within parks, new scenarios, new shops, new transport rides and a new snowy winter theme.

The *Spring Update* was released in April 2017 and added security guard staff members and go-kart track rides for players to use in their parks, along with more rides, coasters, scenarios and further management improvements, as well as doubling the maximum size of blueprints that can be shared via the Steam workshop to 4,000 pieces.

The *Summer Update* was released in June 2017 and added customisable firework displays and video billboards for players to place in their parks, as well as more rides, coasters, scenarios and further management improvements, plus a new Stars and Stripes scenery set.

In November 2017 the *Planet Coaster Anniversary Update* was released, in celebration of one year since the game's launch. It was the fourth major free update and provided new rides, features and gameplay.

This update strategy is intended to further improve perceived quality and sentiment by adding significant long-term new features. Such updates add to the quality of the game, renew the interest of existing players and also generate additional coverage, resulting in new sales.

In July 2017 we released our first three paid downloadable content (PDL) packs – all three involving Universal IP – *Back to the Future*, *The Munsters*, and *Knight Rider*. As with *Elite Dangerous*, this uses a model that provides an accompanying free feature update to the base game for all players.

In September 2017 we launched the *Planet Coaster Spooky Pack* – the first paid-for expansion pack – introducing new rides, a new entertainer, an all-new theme and bold new creative options. The pack enables players to mix and match hundreds of new scenery pieces, two new rides and new building components with *Planet Coaster's* other unique themed building components.

In December 2017 we released the *Planet Coaster Adventure Pack* with new rides, new scenery and a new entertainer for players to discover on an all-new creative journey.

In March 2018 the *Planet Coaster Studios Pack* was launched, bringing the blockbuster experience to life with spectacular stunts, earth-shaking explosions, hotels and rides that put park guests at the heart of the action.

In July 2018 the *Planet Coaster Vintage Pack* was launched, offering nostalgic classic coasters and rides plus authentic period scenery that is filled to the brim with Victorian touches and timeless charm.

We will continue to support *Planet Coaster* going forwards; it has a long future ahead of it!

PLANETCOASTER.COM



Ongoing development

WINTER UPDATE
DECEMBER 2016

SPRING UPDATE
APRIL 2017

SUMMER UPDATE
JUNE 2017

FIRST PDL PACKS
JULY 2017

Involving iconic Universal IP – *Back to the Future*, *The Munsters*, and *Knight Rider*.

SPOOKY PACK
SEPTEMBER 2017

The first paid-for expansion pack - introducing new rides, a new entertainer, an all-new theme and bold new creative options. The pack enables players to mix and match hundreds of new scenery pieces, two new rides and new building components with *Planet Coaster's* other unique themed building components.

ANNIVERSARY UPDATE
NOVEMBER 2017

Added the Scenario Editor, giving players tools to create their own custom scenarios and share them on the Steam Workshop with friends.

ADVENTURE PACK
DECEMBER 2017

Discover more on your jungle-themed adventure with thrilling rides, exciting scenery to create your own pyramids & temples, and lure your guests into ancient traps and have them encounter some truly scary creatures!

STUDIOS PACK
MARCH 2018

Bring glitzy Hollywood glamour to your park, build the ultimate backlot tour and bring the blockbuster experience to life with spectacular stunts, dramatic effects and rides that put park guests in the heart of the action.

VINTAGE PACK
JULY 2018

Build nostalgic buildings and fairground-style areas using new vintage looking scenery. Have your guests try out the classic rides and traditional attractions reminiscent of old school town fairs.

OUR FRANCHISES CONTINUED
JURASSIC WORLD EVOLUTION



BUILD YOUR OWN JURASSIC WORLD

Jurassic World Evolution, launched on 12 June 2018. It was our first self-published title (although not our first game) to debut on PC, PlayStation and Xbox simultaneously, and the first to benefit from such a major marketing event as the simultaneous launch of the latest film in the franchise, *Jurassic World: Fallen Kingdom* at the start of the biggest games industry show of the year – the E3 show in Los Angeles.

The opportunity was identified using the same approach described above for *Elite Dangerous* and *Planet Coaster*. *Jurassic World Evolution* leverages our management and builder game expertise, plus our unrivalled expertise in implementing believable in-game animals from games such as *Dog's Life*, *Kinectimals* and *Zoo Tycoon*. In this case we determined that being able to use the *Jurassic World* IP would significantly benefit awareness with the most recent movie in the franchise released in June 2018, around the 25th anniversary of the original movie. In fact, our digital launch on 12 June coincided with the US film premiere in Los Angeles.

Jurassic World Evolution evolves players' relationship with the *Jurassic World* film franchise, placing them in control of operations on the legendary island of Isla Nublar and the surrounding islands of the Muertes

Archipelago. Players create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds and construct attractions, containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way.'

Jurassic World Evolution was announced in August 2017, with pre-order announced on 28 March 2018 for a digital launch on 12 June 2018 on all three platforms. In addition, physical discs went on sale for Xbox One and PlayStation 4 on 3 July 2018 for those who still prefer physical media.

Initial player reaction and engagement with *Jurassic World Evolution* has been very positive. On 19 July 2018 Frontier announced that cumulative sales on all formats had passed 1 million units, just 5 weeks after the digital launch on 12 June 2018.

Jurassic World Evolution's first PDLC pack was available at launch and as a bundle during pre-order, and we plan to add further free updates and paid-for content in the future, as we have for our other franchises.

JURASSICWORLDEVOLUTION.COM



Ongoing development

DINOSAUR UPDATE JUNE 2018

This update introduced three new dig sites, a cast of new dinosaurs which you can bring to your island, and new InGen database entries.

SEPTEMBER 2018 UPDATE

On 29 August 2018 we announced a free update for *Jurassic World Evolution* for release on 13 September 2018. The update will include enhancements to gameplay including an all new Challenge Mode, more Sandbox options and new contract types. It will also include visual enhancements such as sizing adjustments for certain dinosaurs, lighting options and new viewing cameras. Two more languages will also be added in the update: Korean and Italian.

“*Jurassic World Evolution's* first PDLC pack was available at launch and as a bundle during pre-order, and we plan to add further free updates and paid-for content in the future, as we have for our other franchises.”

A SOLID SET OF RESULTS



“ Elite Dangerous and Planet Coaster continue to deliver.”

OVERVIEW
The ongoing performance of *Elite Dangerous* and *Planet Coaster* delivered a solid set of financial results for the 12 months ending 31 May 2018 ('FY18'), following the significant step-up in financial performance achieved in the prior period ('FY17') which resulted from the launch of *Planet Coaster* in November 2016. The Group generated operating profits of £2.8 million (FY17: £7.8 million) despite increased investments in development and marketing, particularly for *Jurassic World Evolution*. Cash balances were boosted in the period by the £17.7 million strategic investment by Tencent in July 2017; cash balances at 31 May 2018 were £24.1 million.

TRADING
Total annual revenue was £34.2 million in the period (FY17: £37.4 million) with both *Elite Dangerous* and *Planet Coaster* continuing to deliver sustained revenue from both sales of the game and PDLC. The ongoing performance of both titles reflects Frontier's approach to sustaining and nurturing existing franchises. It is worth noting that *Elite Dangerous* achieved its highest annual revenues to date in FY18 following a successful launch on PlayStation 4 in June 2017.

Self-publishing revenue accounted for 95% of sales (FY17: 97%) with the balance being related to our legacy work-for-hire business.

This legacy revenue included income from a royalty dispute which was settled in the period.

Gross profit was £24.1 million in the year (FY17: £27.4 million) with gross margin at 70.5% (FY17: 73.2%). The largest element of cost of sales is the margin payable to our digital distribution partners. The reduced margin in FY18 largely resulted from the launch of *Elite Dangerous* on PlayStation 4 and the release of lower margin physical disc sales of *Elite Dangerous* on Xbox One and PlayStation 4.

Gross research and development expenses in the period were £15.9 million (FY17: £12.7 million). The majority of spend related to internal staff costs, and the increase in the year largely reflects headcount increases. However, outsourcing is becoming a more significant cost element and accounts for some of the increase in total gross spend in the period. Capitalisation of development costs on franchise assets and other intangibles accounted for £13.4 million in the period (FY17: £9.6 million), with development costs of *Jurassic World Evolution* being the largest element. Amortisation charges grew to £6.0 million for the period (FY17: £4.5 million) reflecting a full year of amortisation charges for *Planet Coaster*. Net research and development expenses recorded in the income statement in the year were therefore £8.5 million (FY17: £7.6 million), being gross spend, less capitalised costs, plus amortisation charges.

Sales, marketing and administrative expenses grew to £12.8 million (FY17: £11.9 million). Increases in marketing and facilities costs were partially offset by lower foreign exchange charges and a lower level of profit related bonus accrual. The increased investment in marketing supported the ongoing success of existing franchises as well as the launch of *Jurassic World Evolution* in June 2018, with some of the E3 event related marketing costs falling in June 2018 (and therefore the FY19 income statement).

As anticipated, the lower level of annual sales, lower gross profit margin and higher level of operating costs resulted in a reduction in operating profit in the period to £2.8 million (FY17: £7.8 million). EBITDA (earnings before interest, tax, depreciation and amortisation) reduced to £9.4 million (FY17: £12.7 million).

A corporation tax credit of £0.7 million was recorded in the year (FY17: a charge of £0.1 million). The credit resulted from the release of a prior year accrual following completion of the FY17 tax return. The Group benefits from Video Games Tax Relief and has accrued tax losses estimated to be in excess of £10 million as at 31 May 2018.

Profit after tax for FY18 was £3.6 million (FY17: £7.7 million) and basic earnings per share was 9.6p (FY17: 22.7p).

BALANCE SHEET AND CASHFLOW

The Company continued to run a robust balance sheet during the financial year, and this was further boosted by the strategic investment from Tencent completed in July 2017.

Tangible assets increased to £5.0 million (FY17: £0.7 million) as a result of the fit-out of the new leased office facility, which the Company occupied in April 2018.

Intangible assets increased by £7.3 million to £29.2 million at 31 May 2018 (FY17: £21.9 million) as investments in franchise assets, particularly *Jurassic World Evolution*, and other intangibles exceeded amortisation charges.

Trade and other receivables was £6.7 million at the end of the period (FY17: £2.9 million) with the increase largely due to pre-order sales for *Jurassic World Evolution*. Total deferred income showed a similar change for the same reason, with an increase to £4.3 million (FY17: £1.4 million).

Trade and other payables totalled £5.9 million (FY17: £4.9 million) with the increase reflecting accrued distribution costs on *Jurassic World Evolution* pre-order sales, partly offset by a lower level of profit related bonus accrual.

Cash balances increased £11.5 million during the year to £24.1 million (FY17: £12.6 million), as a result of the Tencent strategic investment of £17.7 million. Operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) was an outflow of £2.8 million in the period (FY17: an operating cash inflow of £3.4 million), with the change reflecting lower sales and higher levels of investment.

SHARE ISSUES

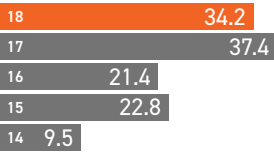
Employees exercised options over 1,051,117 Ordinary Shares during the 12 months to the end of May 2018. Of this total, 985,517 were newly issued shares with the remaining 65,600 resulting from transfers under arrangements with the Employee Benefit Trust.

In July 2017 the Company completed a strategic investment with Tencent Holdings Limited. Tencent acquired 3,386,252 newly issued Ordinary Shares at 523.2p per share, generating proceeds of £17,716,870.

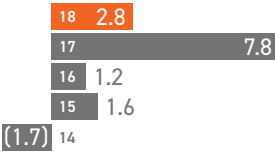
ALEX BEVIS
CFO & COMPANY SECRETARY
5 September 2018

Financial KPIs

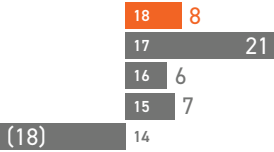
Total revenue (£m)
£34.2m



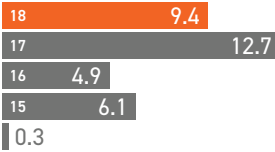
Operating profit (£m)
£2.8m



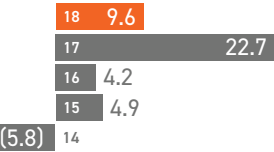
Operating margin (%)
8%



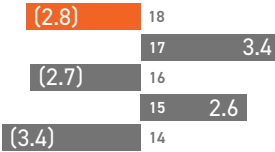
EBITDA* (£m)
£9.4m



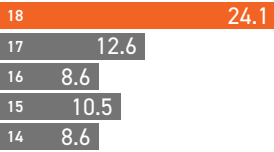
EPS (basic) (p)
9.6p



Operating cash flow** (£m)
£(2.8)m



Net cash balance (£m)
£24.1m



* Earnings before interest, tax, depreciation and amortisation
** Operating profit excluding non-cash items, less investments in franchises and other intangible assets

WE EFFECTIVELY IDENTIFY AND MANAGE RISKS

The Group faces competitive, strategic and financial risks that are inherent in a rapidly growing emerging market. The executive team maintains the risk register and escalates the key risks for further consideration at full Board level on a regular basis.

The key business and financial risks for the Group are set out below:

Description	Mitigation	Change
Staff availability If the Group does not have the correct numbers of people with the correct skills available, the execution of its business plan will be compromised. Links to strategy INVEST DEVELOP PUBLISH	The Group continues to prioritise direct recruitment and outreach. We have visibility of our future needs via a regularly reviewed plan of record and undertake analysis of potential bottlenecks. We seek to minimise days lost to sickness via healthcare benefits and general morale and wellbeing initiatives. The Group is a Tier 2 visa sponsor, to facilitate its objective to employ the best possible people from the worldwide talent pool. In 2017 we expanded our HR team to add dedicated talent acquisition resources. We also balance internal and external resources through outsourcing. Brexit is an obvious concern in respect of sourcing and retaining talent from the EU, and we continue to monitor this issue.	➡
Staff retention Staff departures could create staff and key skill/ experience shortages and compromise the execution of the Group's business plan. Links to strategy INVEST DEVELOP PUBLISH	Whilst there will unavoidably be some level of staff turnover, the Group believes that its attractive project portfolio, talented staff and good quality leadership make Frontier a place where talented people want to build their careers. We use our business success to deliver benefits to our people, and the Group is undertaking a programme of improving incentives and leadership skills which is intended to further enhance its attractiveness as an employer.	➡
Cybersecurity A breach of security could take many forms and could significantly impact the business and impair its self-publishing plans. Exposure includes that of failure of security at our partners, including Amazon, Valve, Microsoft and Sony. Links to strategy INVEST DEVELOP PUBLISH	We review our security provisions regularly and believe them to be in accordance with industry best practices.	➡
Execution risk The Group has transitioned from a work-for-hire model to a multi-franchise self-publishing model. Whilst successful project execution is very important under both models, inherently both the rewards and the risks under a self-publishing model are probably greater. Links to strategy INVEST DEVELOP PUBLISH	Frontier has a long history of strong project execution. Nevertheless, it is vital Frontier continues to push itself and so avoid complacency to retain its excellent execution record. It must continue to challenge its own internal assumptions and those about the industry trends to remain at the forefront of the industry. The Group remains confident that it can use its experience and expertise to continue to deliver on the product, technology, commercial and operational aspects that support its strategy.	➡

Change in risk

➡ No change ➡ Increase ➡ Decrease

Description	Mitigation	Change
Currency risk The majority of Frontier's resources are located in the UK and therefore the Group's operating costs are mainly in Pounds Sterling (GBP). Sales are global, in multiple countries and in multiple currencies. The Group therefore has short-term transaction and translation risks, in addition to the longer-term economic risk of developing in the UK and selling worldwide. The largest exposure is the US Dollar (USD). Links to strategy INVEST DEVELOP PUBLISH	The Group has expanded its revenue sources and there has been a subsequent increase in revenue from non-GBP currencies in the last few years. Whilst the longer-term economic risks of selling globally cannot be avoided, forward contracts have been used to gain certainty over the rate of conversion of foreign currency income. The Group will continue to review the most effective way of managing transaction and translation risks.	➡
Growth management The Group's future success will depend on its ability to manage and fund its anticipated expansion through the utilisation of internal resources together with the realisation of external opportunities such as outsourcing, commissioning and publishing. These external opportunities may also include acquisitions. Such expansion and investment are expected to place demands on management, support functions and working capital. If the Group is unable to manage and fund its expansion effectively, its business and financial results could suffer. Links to strategy INVEST DEVELOP PUBLISH	In order to mitigate the risk, the Group has invested in suitable training for key staff and key internal systems. The Group's Board includes experienced Non-Executive Directors who ensure risks are managed regularly and objectively. The Group prudently manages its liquidity by monitoring forecast cash inflows and outflows both in the short and medium terms, as well as its long-term investment needs and opportunities.	➡
Market disruption The Group operates in a fast-moving industry where competitive products, larger competitors, new market trends or disruptive technology may emerge which reduce its ability to compete and execute its business plan. Links to strategy INVEST DEVELOP PUBLISH	Investing in its own COBRA technology and self-published games allows the Group to continue to innovate, and we seek to make our processes and business decisions agile and well informed so we can anticipate and exploit such changes. We believe this risk is mitigated by our track record of execution on new platforms and the flexibility demonstrated by the diverse range of video games we have successfully developed in the past.	➡

This strategic report was approved by the Board and signed on its behalf by

ALEX BEVIS
CFO & COMPANY SECRETARY
5 September 2018