

CHIEF EXECUTIVE'S STATEMENT

DAVID BRABEN, FOUNDER AND CEO

AN EXCITING FUTURE



**Our strategic objective
is to create long-term
sustainable growth.**

The five years since we transitioned to a self-publishing model have been really exciting. We continue to successfully execute the strategy we set out at IPO, building a great portfolio of our own games in the process. FY19 has been our best yet and I am very pleased to report a record level of financial performance, which reflects the skill and hard work of our talented people and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*) and I look forward to the release of our fourth, *Planet Zoo*, later this year. Our roadmap for future releases both as a developer and publisher is looking particularly strong, including our announcement in March 2019 that one future launch, in 2021, will benefit from a major global IP licence. More IP licences are anticipated.

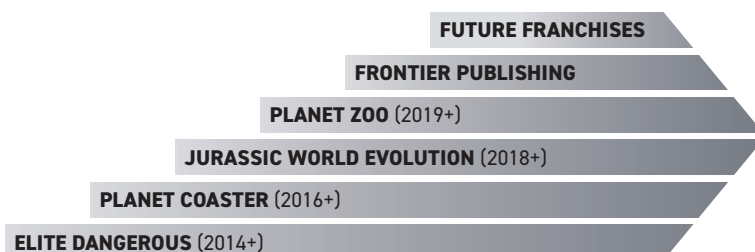
Over the last 12 to 18 months we have been exploring the potential to use our publishing capability, industry experience, commercial partnerships and financial resources to supplement our own development roadmap. The three areas we have been reviewing are:

- 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
- acquisitions (to enhance our franchise portfolio or capabilities).

In June 2019 we announced our first deal under our Frontier Publishing initiative (third-party publishing) with experienced developer Haemimont Games. I anticipate further deals in the future for Frontier Publishing, and we also continue to explore commissioning and acquisition opportunities.

Earlier in 2019 we celebrated our 25 year anniversary as a company and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am excited about our future, our next 25 years, as we continue to expand our horizons and grow our portfolio, our team and our partnerships.

GROWING OUR PORTFOLIO



THE GAMES MARKET

The games market, along with film, TV and music, is part of the wider \$300 billion entertainment industry. Games forms the largest sector, worth in excess of \$130 billion, and it is still growing rapidly unlike its other counterparts, such as TV, that have typically experienced declines over several years.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between these sectors continue to blur. Frontier is well placed to both drive and support future changes in the wider industry, including the potential addition of whole new forms of entertainment, leveraging our strong relationships with leading entertainment companies.

The games market is typically seen as three different sectors, PC, console and mobile/tablet, each with distinct characteristics, though increasingly it is play styles that matter.

Rich, engaging experiences where the expectation might be to play for an hour or so in a session for example, are currently confined to PC and console. In the future we might see these coming to other platforms too like mobile and tablet, via the new streaming services. Our main development focus is therefore on those rich, engaging experiences currently most suited to PC and console, as the audiences on these platforms greatly value games exhibiting Frontier's key development strengths of compelling gameplay and high production quality. Currently, the mobile sector is overcrowded and has a very low barrier to entry, typically with games with a 5-10 minute play expected play session, making audiences 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, content creators and social media.

The entire games 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 catching up, as focus shifts to the new generation of hardware and older business models are replaced. We have also seen a number of interesting developments and announcements for streaming game content. While technical considerations mean that streaming games from the cloud to consumer devices may take several years to become mainstream, we believe the prospect of streaming is already shifting the balance of power from distribution stores in favour of game developers, as evidenced by a leading distribution store adjusting its distribution fees from 30% to 20%-25%.

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, particularly in terms of new digital distribution channels and streaming services. We believe that many of these changes benefit those companies who both create and own their own content, which is a further validation of our transition to a self-published development model. Our particular focus on 'games as a service' – supporting our titles and their communities with regular updates – is working very well, producing three successful titles so far, with early indications that the fourth is being well received, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

STRATEGY

We believe that publishing our own franchises, and selectively those of other high-quality development studios, 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 and delivering top-quality, self-published PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our great franchises over many years with new releases and updates, and to create further franchises in popular game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences, and to further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through successfully 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.

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. The increase in the number of releases supporting our existing games helps

smooth revenue, but major releases of new franchises are still a significant factor in the revenue stream. As we scale the number of franchises over future years, and as the frequency of these releases approaches one per year, this will have a smoothing effect on growth, but in the meantime 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.

We are growing our portfolio and consequently we are increasing our development team to enable us to support additional titles while generating new content for our existing titles. We expect to grow our resources and capability over time to enable us to achieve one major launch every 12 months, but this will not require us to increase our workforce linearly because supporting an existing franchise typically requires fewer staff than creating a new one.

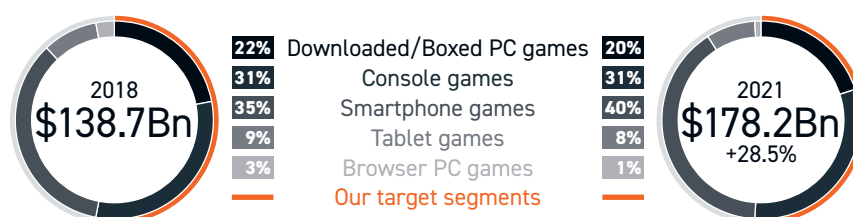
As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources, supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

The Board expects the third-party publishing initiative announced in June 2019 to grow as more third-party games are signed and added to the publishing roster, though it is not expected that these games will contribute material revenue in the current financial year (FY20).

We will also continue to explore opportunities for commissioning (outsourcing the majority of development of Frontier games to other developers) and enhancing the Group's franchise portfolio or capabilities via acquisitions. The Group has considered a number of possible acquisitions, but so far none have met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN
FOUNDER AND CEO
4 September 2019

The size of the global games industry market¹

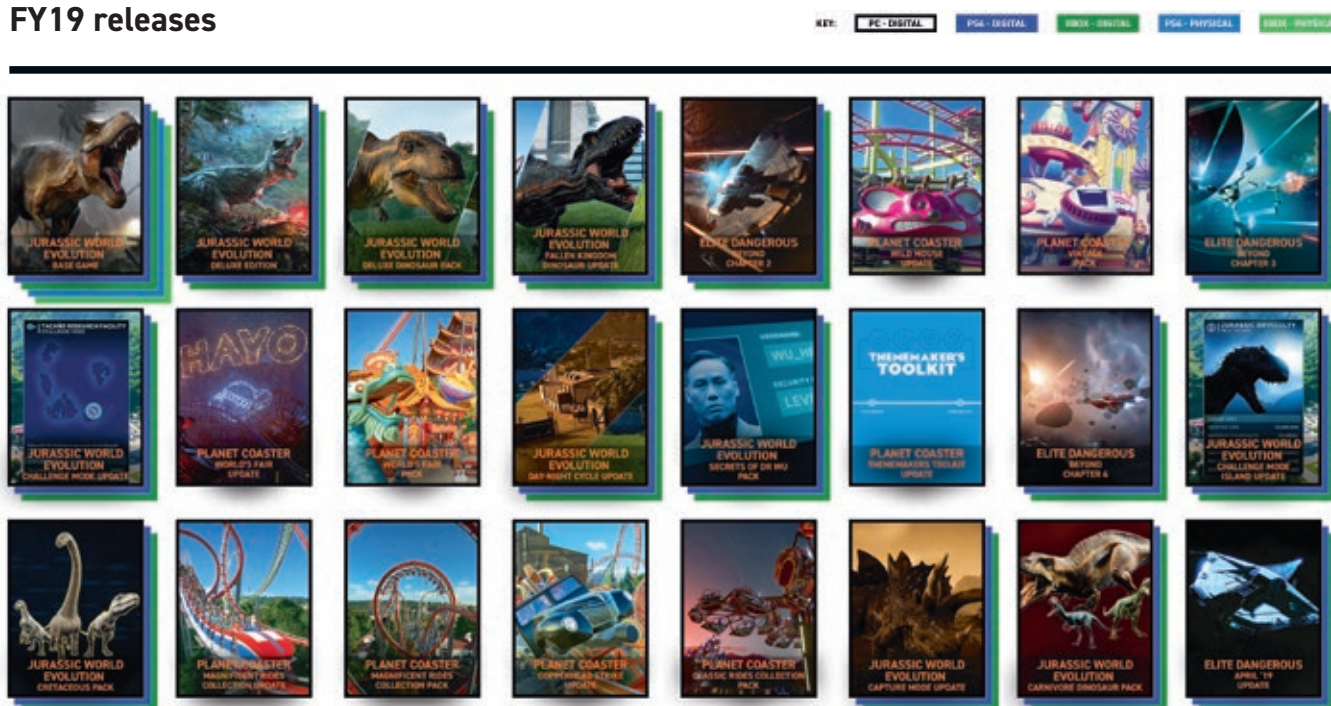


David Braben, Chief Executive, said:

I am delighted to report a record level of financial performance, which reflects the skill and hard work of our talented team and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*) and I look forward to the release of our fourth highly anticipated game, *Planet Zoo*, later this year.

Earlier in 2019 we celebrated our 25th anniversary as a company and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am more excited about our future, our next 25 years as a result, as we continue to expand our horizons and grow our portfolio, our team and our partnerships.

FY19 releases



CURRENT TRADING AND OUTLOOK

Frontier's first three self-published titles, *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, continue to perform well, in line with expectations, supported by the Company's strategy of active community engagement, free updates, chargeable content and price promotions.

Revenue in the current financial year (FY20, running from 1 June 2019 to 31 May 2020) will benefit from the launch of *Planet Zoo* on 5 November 2019. Whilst Frontier anticipates considerable success with the release of *Planet Zoo*, it is unlikely to drive total revenues within the financial year as high as those achieved by *Jurassic World Evolution* in FY19. This is due to three main factors:

- The fact that *Planet Zoo* is a single-format PC exclusive. *Jurassic World Evolution* was a multi-platform release, launching simultaneously on PC, PlayStation4 and Xbox One, with console representing roughly half of the total unit sales. Frontier's strategy includes the release of certain games (especially own IP games) on PC first in order to maximise long-term engagement, taking into account audience considerations and hardware capability, while retaining the opportunity to expand to console later.
- The strength of the *Jurassic World* brand. Support for the launch of *Jurassic World Evolution* was boosted by its release of the *Jurassic World: Fallen Kingdom* film, and the considerable marketing activity surrounding it.
- The timing of the release. *Planet Zoo* launches half-way through FY20, so contributes half a year of revenue, whilst *Jurassic World Evolution* which launched at the beginning of FY19, provided a full 12 months of revenue.

Taking into account the ongoing performance of *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, including the expansion content for each of those games, and the planned launch of *Planet Zoo* on 5 November 2019, the Board is comfortable with the current range of analyst revenue projections of £65 million to £73 million for financial year 2020 (the 12 months to 31 May 2020).

The Board expect revenue from the Frontier Publishing initiative to grow over time, although does not expect it to be material in FY20.