

CREATING AUTHENTIC WORLDS

Frontier is a leading independent developer and publisher of videogames founded in 1994 by David Braben, co-author of the iconic Elite game.

Based in Cambridge with a growing team of over 560 talented people, Frontier uses its proprietary COBRA game development technology to create innovative genre-leading games, primarily for personal computers and videogame consoles. As well as self-publishing internally developed games, Frontier also publishes games developed by carefully selected partner studios under its Frontier Foundry games label.





FINANCIAL HIGHLIGHTS

- Our major new game release in FY20 was a 100% own-IP title, *Planet Zoo*, which released exclusively on PC almost halfway through FY20, in November 2019, and is Frontier's biggest selling game to date on PC during an equivalent time period
- In comparison our major new game release in FY19 and our biggest selling game to date, *Jurassic World Evolution*, benefitted from a major existing global IP franchise and launched simultaneously on multiple platforms, releasing on PC, PlayStation 4 and Xbox One at the start of FY19 alongside the *Jurassic World: Fallen Kingdom* film in June 2018
- Total revenue in FY20 was £76.1 million (FY19: £89.7 million). As expected the lower level of revenue year-on-year reflected the timing of releases during the two financial years and that *Planet Zoo* launched on the PC platform only
- All four games, *Elite Dangerous*, *Planet Coaster*, *Jurassic World Evolution* and *Planet Zoo*, benefitted from Frontier's 'launch and nurture' strategy in FY20, with each providing significant revenue contributions through both base game sales and paid-downloadable content ("PDLC")
- Strong trading performance delivered operating profit, as reported under IFRS, of £16.6 million for FY20 (FY19: £19.4 million), with operating profit margin maintained at 22% despite the lower level of revenue
- Cash balances increased by £10.4 million during the year to £45.8 million (FY19: £35.3 million)
- Full financial review on pages 31 to 33

STRATEGIC HIGHLIGHTS

- **A fourth successful new game launch**
 - *Planet Zoo* released successfully in November 2019, quickly establishing itself as a genre leader, reflecting its rich, authentic animal and management simulations, with the tools which enable players to craft and share the most beautiful creations with a large and growing game community
 - Over 1.0 million base game units sold in under six months
 - Strong engagement with free content and PDLC has helped to keep players active, attract new players and generate additional revenue, with the *Arctic* pack released just before Christmas, the *South American* pack at Easter and the *Australia* pack which launched in August, after the end of FY20
- **Frontier's launch and nurture portfolio strategy continues to deliver**
 - Frontier reduces risk by identifying opportunities to create genre-leading games that build on its strengths and unique track record
 - Post-launch, Frontier nurtures its games for many years through community engagement and additional content
 - *Elite Dangerous* continues to grow, with the success of the recent *Fleet Carriers* update helping to achieve its highest ever player numbers. *Elite Dangerous: Odyssey*, our major new paid-for update to launch in calendar Q1 2021 (in FY21), was revealed in June 2020 to positive reception
 - *Planet Coaster* also continues to grow, making more revenue in FY20 than in FY19, wholly on PC. We have announced *Planet Coaster* is coming to Xbox One, PlayStation 4, Xbox Series X and PlayStation 5 later this year
- *Jurassic World Evolution* benefitted from several PDLC packs in FY20, including the *Jurassic World Evolution: Return to Jurassic Park* pack at Christmas, our most successful PDLC to date, which continues to perform well. *Jurassic World Evolution: Complete Edition* is coming to the Nintendo Switch on 3 November 2020
- Nearly 60% of revenue in FY20 was generated by *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, illustrating the ongoing popularity of the Company's games, and the success of Frontier's launch and nurture strategy in generating strong returns over many years
- Over 10 million base game units sold across our four titles as of 31 May 2020 (*Elite Dangerous* 3.5 million, *Planet Coaster* 2.5 million, *Jurassic World Evolution* 3.0 million and *Planet Zoo* 1.0 million)
- **Strategic progress with new IP licences and the addition of third-party publishing**
 - IP licence signed for annual releases of Formula 1® management games from 2022 onwards
 - IP licence signed with Games Workshop for a real-time strategy game based on the popular *Warhammer Age of Sigmar* brand
 - Frontier Foundry, our own games label for third-party publishing, started strongly with six games signed to date, including one already released, one more announced and more coming soon

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GROWING OUR PORTFOLIO

FRONTIER RELEASED TITLES



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ELITE DANGEROUS

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 uniquely recreated by Frontier at its full galactic proportions. *Elite Dangerous: Odyssey*, arriving in Q1 2021, will mark the birth of a highly anticipated new era for the long-running definitive space simulation, allowing players to touch down on countless new planets powered by stunning new tech. See breathtaking new scenery and explore with unrestricted freedom from a first-person, feet-on-the-ground perspective, something we know many players are keen to see.



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PLANET COASTER

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 create the theme park of their dreams as they surprise, delight and thrill incredulous crowds, and share their success with the world via the Steam Workshop community. We look forward to expanding the *Planet Coaster* community even further with the additional release of *Planet Coaster: Console Edition* later in 2020.



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JURASSIC WORLD EVOLUTION

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 create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds, construct attractions and containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way'. Frontier's world-class team will further expand the *Jurassic World Evolution* player community with its release on the Nintendo Switch console on 3 November 2020.



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PLANET ZOO

Planet Zoo – available for Windows PC – is the ultimate zoo sim, featuring authentic living animals who think, feel and explore the world players create around them. *Planet Zoo* allows players to experience a globe-trotting campaign or let their imagination run wild in the freedom of Sandbox mode, create unique habitats and vast landscapes, make big decisions and meaningful choices, and nurture their animals as they construct and manage a truly modern zoo where animal welfare and conservation comes first.



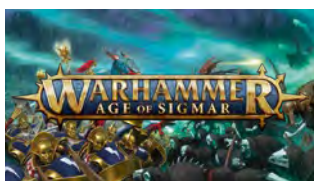
FRONTIER FUTURE TITLES



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FORMULA 1® MANAGEMENT GAMES

In March 2020 we announced a multi-year exclusive licence with Formula 1® ("F1") to develop and publish PC and console management games annually for the world's most prestigious motor racing competition. F1 is one of the most popular global sporting franchises in the world, and we believe the combination of the F1 brand together with our extensive experience in management games will deliver fantastic game experiences to a wide and varied audience around the world. The licence provides Frontier with the rights for four F1 seasons (2022 to 2025 inclusive).



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WARHAMMER AGE OF SIGMAR REAL-TIME STRATEGY GAME

In May 2020 Frontier announced an exclusive IP licence with Games Workshop to develop and publish a real-time strategy game, planned for release in FY23, within the rich and extensive world of *Warhammer Age of Sigmar*.

Warhammer Age of Sigmar is Games Workshop's most recent iteration of the globally renowned fantasy setting in which the four Grand Alliances of Order, Chaos, Death and Destruction vie for control of the Mortal Realms. We look forward to working closely with the team at Games Workshop to bring the rich world of *Warhammer Age of Sigmar* to a wide audience through an immersive and accessible real-time strategy game on both PC and console.



UNREVEALED MAJOR GLOBAL LICENCED IP GAME

In March 2019 we signed a major global IP licence to develop and publish a future game worldwide on PC and consoles. The game is planned for release in FY22.



Frontier Foundry is our games label for third-party publishing. By forming partnerships with quality external developers and leveraging the Company's proven publishing expertise, Frontier Foundry is best placed to bring players unique and memorable new games that break boundaries and create legacies. In August 2020, we revealed our first two Frontier Foundry titles – *Struggling* and *Lemnis Gate* – and we already have four more titles signed for future years.

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STRUGGLING

STRUGGLING

Frontier Foundry's debut third-party published title, *Struggling*, launched on 27 August 2020 on Steam and Nintendo Switch. Developed by the Montreal-based studio

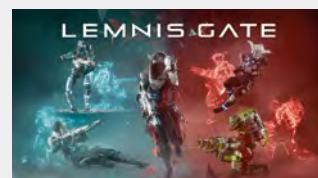


Chasing Rats Games, *Struggling* is the physics-based co-op platformer where up to two players, control the arms of our fleshy hero, Troy, as he sets out on an outrageous adventure.

LEMNIS GATE

LEMNIS GATE

On 27 August 2020 Frontier Foundry unveiled *Lemnis Gate*, the exciting turn-based combat strategy shooter with revolutionary four-dimensional gameplay, coming to PC, PlayStation and Xbox in Q1 2021. Developed by Ratloop Games Canada, *Lemnis Gate* tasks players with defeating opponents in brain-bending 1v1 and 2v2 arena matches.



FURTHER TITLES

Frontier Foundry has signed a further four titles so far, including a project with experienced developer Haemimont Games. Three of the titles are planned for release in FY22, with one scheduled for FY23. More titles are expected to be signed as we continue to engage with a number of potential development partners. Our target is to achieve five to six release per year from FY23 onwards, with Frontier Foundry set to become a material part of Frontier's overall business.



CHAIRMAN'S STATEMENT

ANOTHER GREAT YEAR



Frontier's amazing team has delivered another great year of progress for the Company, which is particularly pleasing given the operational challenges that were presented by Covid-19 during the second half of the financial year.

Frontier's success is due to the hard work and skill of our talented team.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN

The biggest launch event during the period was the release of *Planet Zoo* in November 2019. I'm delighted for the team to see yet another successful launch, the fourth major new game release since the transition to self-publishing in 2013-2014, with *Planet Zoo* becoming Frontier's biggest seller on PC to date, during an equivalent time period. Frontier's 'launch and nurture strategy continues to deliver, with all four games achieving material revenues in the period from both base game sales and DLC sales. We believe our proven model of identifying, and then executing upon, opportunities to establish and maintain ourselves as genre leaders creates one of the lowest risk and highest return business models in the games industry.





FY20 was also a period of significant strategic progress for Frontier. Our commitment to quality, expertise in digital publishing and increased profile have helped us secure major new IP licences with two fantastic organisations: Formula 1® and Games Workshop. The Formula 1® licence is Frontier's first annual sports licence and a significant strategic step, bringing together our experience of developing deeply engaging, high-fidelity simulation games and one of the most management-rich sports in the world. The Games Workshop deal provides the team with a strategic opportunity to bring a real-time strategy game to a wider audience on console as well as PC. These agreements are further evidence of Frontier's reputation as a trusted partner to some of the world's highest-profile brand owners.

Significant progress was also made during the period with our third-party publishing initiative, now branded under our Frontier Foundry games label. Five games were signed during the period with a further game signed in July 2020. Frontier Foundry is set to become a material part of our business in the future, and it was pleasing to see the first game, *Struggling*, release in August 2020.

Our Board of Directors, comprised of seven highly experienced, capable and motivated individuals, continues to operate effectively, facilitated by monthly reporting and regular meetings. Meetings during the lockdown continued via video conference. There is regular debate and challenge at Board meetings, which is facilitated by each of our different areas of expertise, business experiences and individual perspectives. I believe we are all well aligned in terms of our strategy and direction, with a clear view of Frontier's continued plans for success.

Frontier's success, as always, is due to the hard work and skill of our talented team. I'd like to thank all of our staff for their effort and dedication during the period, particularly through the challenges of lockdown and working-from-home. We look to the future with confidence based on our great team, our successful portfolio and our exciting roadmap.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
 9 September 2020

WHAT SETS FRONTIER APART?



560+ people
 a world-class team



26+ years
 of long, successful
 and varied experience



10m+
 base game units across
 4 self-published titles



£250m+
 of self-published revenue
 since listing in 2013



COBRA
 technology



Clear strategy
 launch and nurture



Developer-led
 approach



Strong
 portfolio



Trusted
 IP partner



Publishing
 capability
 for own developments
 and third-party titles



**Lower risk/
 higher return**
 opportunity selection



AN EXCITING FUTURE



Reflecting on our progress since writing my last report in the summer of 2019, I am delighted with the achievements of our teams across all areas of our business, particularly through the challenges of Covid-19.

Regarding our internally developed game portfolio, we have further expanded our offering with another successful major game release, *Planet Zoo*, which has become our best-selling PC game, crossing 1 million base game units in less than six months. As usual we have supported all of our games with free and paid content, together with active community management, which has in turn delivered strong ongoing sales performance. As a result, all four titles delivered material contributions in FY20, and it was pleasing to pass a sales milestone for Frontier in the period with a combined total of 10 million base game units sold across our four titles since we listed.

Our vision is to be the most respected entertainment company in the world.

DAVID BRABEN
FOUNDER AND CEO

In addition to new game developments and PDLC packs, our teams have been working hard to deliver three major new releases for our existing game portfolio during FY21. *Jurassic World Evolution: Complete Edition* will be launching on the Nintendo Switch, *Planet Coaster: Console Edition* is coming to PlayStation and Xbox, and players will soon be able to get out of their ships and SRVs (Surface Reconnaissance Vehicles) with *Elite Dangerous: Odyssey*. These major achievements are made possible by the talent, experience and hard work of our teams, combined with our technology leadership through the continued investment in our own COBRA game engine.

In spring 2020 we signed two major new IP licences to further strengthen our future roadmap. In March 2020 we confirmed a deal with Formula 1® with exclusive rights to an annual PC and console management game, with the first game planned for the 2022 F1 season. In May 2020 we revealed a licence with Games Workshop for exclusive rights to a real-time strategy game for the globally popular *Warhammer Age of Sigmar*. It's great to see such strategic progress with IP owners and follows on from our successful partnership with Universal Games and Digital Platforms on *Jurassic World Evolution*, Sony Pictures with *Ghostbusters* and previous partnerships during our work-for-hire period.

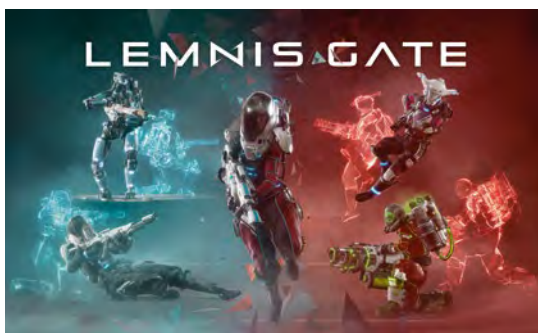
These deals, together with the unrevealed major global IP licence announced in March 2019, mean we now have two major new multi-platform game releases for each of FY22 and FY23 which will each benefit from world-class IP licences. We anticipate achieving two major new releases per year on average thereafter from internal developments, which is a significant step up from the cadence of one release every two years from our first two releases in December 2014 (*Elite Dangerous*) and November 2016 (*Planet Coaster*).



FRONTIER FOUNDRY

Frontier Foundry, our own games label for third-party publishing, leverages our publishing capability, industry experience, commercial partnerships, and financial resources to supplement our own development roadmap by partnering with other high-quality developers to bring more games to market. It emphasises the importance of our long experience of development and our thorough understanding of the issues that arise during development. I believe a significant reason we have been, and will continue to be, successful here is that we are one of the few developer-led publishers in the world and this translates to great working relationships with developers who choose to work with Frontier Foundry.

We have made excellent progress with six games signed to date, including five signed during FY20. Through this initiative, we published our first title, *Struggling*, on PC and Nintendo Switch in August 2020. The response to this new and unique game has been positive, for what is clearly quite a different game to our existing internally developed portfolio. We have one more title, *Lemnis Gate*, scheduled for the current financial year, FY21, with three titles so far planned for FY22 and one for FY23. We are aiming for Frontier Foundry to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.



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CURRENT TRADING AND OUTLOOK

Frontier is very well placed for the future with exciting major releases planned for FY21 to support and extend our four existing and successful franchises, together with new games published by Frontier Foundry.

Elite Dangerous has continued to be very successful since its first early access launch in December 2013 and full release in December 2014. It has hit its highest player numbers this year, in its seventh year, helped by the launch of *Fleet Carriers* and the announcement of the major forthcoming update *Elite Dangerous: Odyssey* due later in FY21 (in calendar Q1 2021), in which players will be able to explore and fight on foot.

Planet Coaster has also continued to perform well, earning greater revenue in FY20 than it did in FY19, wholly on PC. Traditionally, management and simulation games have tended not to appear on console because of the complexity of the controls, but the Frontier team did an excellent job with *Jurassic World Evolution* on console and it was very successful. With this invaluable experience now *Planet Coaster: Console Edition* is coming to console later this year, on both the existing generation, Xbox One and PlayStation 4, and the new generation coming out later this year, PlayStation 5 and Xbox Series X, which is another exciting milestone for the game.

Jurassic World Evolution is still very popular, with the *Jurassic World Evolution: Return to Jurassic Park* DLC pack performing well in FY20. In August 2020 we revealed that on 3 November 2020 (in FY21) we will be bringing *Jurassic World Evolution* to the Nintendo Switch console. We are incredibly proud of the quality the team have achieved on Nintendo Switch, getting the full game to work without compromise.

Planet Zoo launched to great acclaim in November 2019, and has gone from strength to strength since its release. Both the *Arctic* and *South America* DLC packs performed superbly in FY20, with the *Australia* DLC pack in August 2020 (in FY21) following them after the end of the financial year. Additional DLC packs are planned.

In addition to those major releases for our four existing games in this financial year, FY21 will also benefit from two Frontier Foundry games. The award-winning *Struggling* was launched in August, and *Lemnis Gate*, also an award-winning game, is coming later in the financial year. We are also very pleased that the timeless *RollerCoaster Tycoon 3* will be coming to Switch.

Taking into account actual performance to date and projections for the remainder of FY21, including the anticipated sales of future game/content/platform releases coming during the financial year, the Company is on track to deliver record revenue within the range of £90 million to £95 million for FY21 (the 12 months to 31 May 2021).



CHIEF EXECUTIVE'S STATEMENT CONTINUED

STRATEGIC REPORT

OUR INDUSTRY

The games market continues to grow strongly, and for several years now it has been the largest sector within the \$300+ billion entertainment industry which includes games, film, TV, and music.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between games, film and TV continue to blur as each look to add more interactions with their audiences. Frontier already produces hundreds of hours of live 'TV' content (via services like YouTube and Twitch TV) directly each year supporting the different games and their communities, with many thousands of hours from the numerous streamers that regularly play the games, in addition to the games themselves. 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.

Historically, the games market has been seen as three different but very roughly equal sectors by revenue: PC, console and mobile, but in the context of the rise of new services especially streaming, it is worth looking at these again. PC and console are characterised by their high-quality cinematic content. Typical sessions are half an hour or more, with a fair amount of 'context' that the player carries in their head. With mobile they are more typically five minute sessions, where there is almost no 'context' to remember – everything is immediately apparent on the screen. That is not to say that 'cinematic' games with longer play times do not appear on mobile, but they are more likely to be played statically with a constant network connection, so arguably are not literally 'mobile'; they are also not typically the more successful – such games generally have better success on PC or console, at least in the Western world. This, together with the expectation of lower price or free to play makes mobile games a very different market. The rise of streaming services may help blur the boundaries once such services become more established over the next few years.

Our main development focus is on rich, engaging cinematic experiences on 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, 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, and this transition has almost certainly been further accelerated by the Covid-19 stay-at-home restrictions during 2020. Mobile and PC have been close to 100% digital for several years, and the console audience is quickly catching up, as focus shifts to the new generation of hardware, and older business models are replaced. Digital sales represented 97% of Frontier's revenue in FY20, with only 3% from sales of physical discs (FY19: 15%).

Streaming services provide an interesting new distribution model which has emerged over the last couple of years. These services have only taken a small share of the market to date, and technical considerations and player inertia might mean that streaming games from the cloud to consumer devices may take several years to become mainstream.

Our particular focus on 'launch and nurture', which is effectively a 'games as a service' model, is working very well, producing four successful titles so far, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

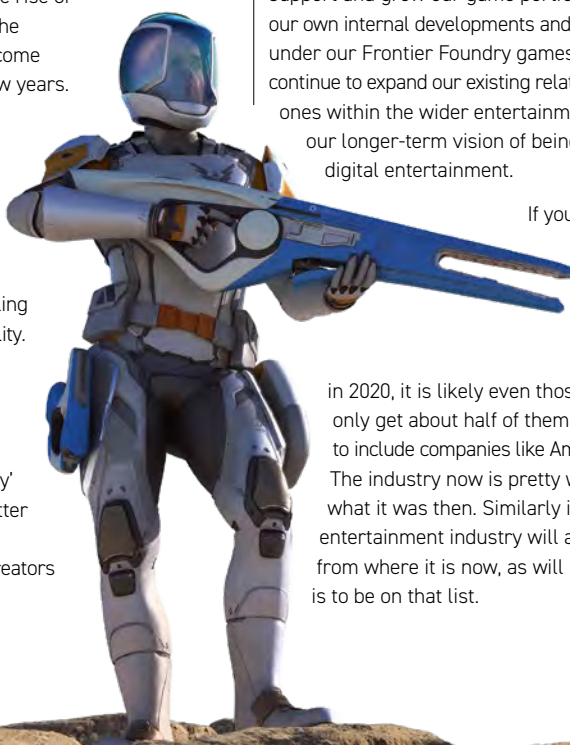
OUR VISION

Our vision for Frontier is to become one of the most respected entertainment companies in the world. As the boundaries between the different entertainment mediums continue to blur, Frontier is in a great position to lead the evolution and the merging of those mediums. As a leading developer and publisher of high-quality sophisticated and immersive game experiences, the foundations for achieving our vision are strong. We have a long and diverse track record of success in both development and publishing, we have strong relationships with platforms and IP owners and have become a trusted and go-to partner for major global IPs, and we nurture our games and our player communities over many years to achieve sustainable success.

In the medium term we are laser focused on continuing to support and grow our game portfolio, which includes both our own internal developments and our partner developments under our Frontier Foundry games label. Meanwhile, we continue to expand our existing relationships and add new ones within the wider entertainment industry, to support our longer-term vision of being a key player in digital entertainment.

If you look back ten years and imagine listing what you thought the top dozen most respected entertainment companies would be

in 2020, it is likely even those in the industry would only get about half of them right (failing for example to include companies like Amazon, Netflix and Tencent). The industry now is pretty well unrecognisable from what it was then. Similarly in ten years' time the entertainment industry will again be unrecognisable from where it is now, as will Frontier, but our goal is to be on that list.





OUR STRATEGY AND BUSINESS MODEL

We believe that publishing our own games, 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 identifying, developing and delivering top-quality, PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our games over many years with new releases and updates, and to create further titles in underserved game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences. Frontier's games take a long time to fully master, so yield longevity and great value for players. This longevity and loyalty of our great communities should help 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 game franchises. Our strategic focus is on two key areas:

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

We continue to grow our teams so that we can continue to support our existing games while also increasing the frequency of major new releases. The increase in the number of releases supporting our existing games, such as major PDLC launches, helps to smooth revenue, but major releases of new games are still a significant factor in the revenue stream. As we scale the frequency of new game releases over future years 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 games are released.

We are growing our portfolio, and consequently we are increasing our development team to enable us to support additional games while generating new content for our existing titles. We will continue to grow our resources and capability to enable us to achieve two major new internally developed releases per year, on average, from FY22. This will not require us to increase our workforce linearly because supporting an existing title 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.

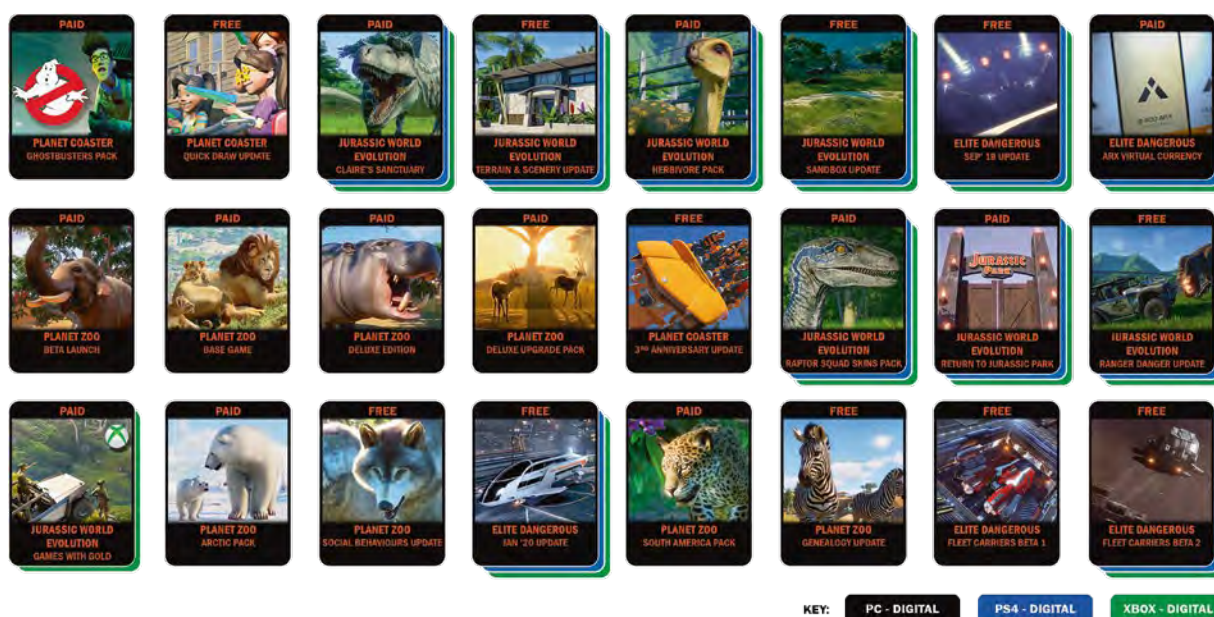
Frontier Foundry, our own games label for third-party publishing first announced in June 2019, continues to grow, with six titles signed to date, including two for FY21 (*Struggling* and *Lemnis Gate*), three for FY22 and one for FY23. We are looking to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.

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 has met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN FOUNDER AND CEO

9 September 2020

FY20 RELEASES





OUR BUSINESS MODEL AND STRATEGY

OUR MULTI-FRANCHISE BUSINESS MODEL

KEY STRENGTHS

OUR PEOPLE

Our team is instrumental in making games that define genres and receive critical acclaim.

RESEARCH AND DEVELOPMENT

We continue to invest in the necessary facilities to develop our games and support our world-class team.

IN-HOUSE TECHNOLOGY

Our development process uses our proprietary COBRA tools and technology to facilitate innovative features.

AUDIENCE

We have a loyal audience which we continue to engage using appropriate additional products.

PARTNERSHIPS

We work with our partners to widen our audience, monetise our games and bring other games to market.

CREATING AND NURTURING TO ACHIEVE REPEATABLE SUCCESS



CREATE

High quality
Innovative experiences

Frontier uses experience gained from a track record in the games industry over three decades to create games that build on our world-class expertise.



**BUILDING PLAYER
NUMBERS AND
ENGAGEMENT**



NURTURE

Boost player experience
Increasing awareness

Frontier avoids 'pay-to-win' features, instead continuing to expand each game through an ongoing programme of free and paid-for expansions and add-ons.

STAKEHOLDER VALUE

OUR PEOPLE

A growing team and an exciting portfolio. Strong bonuses (again) for FY20.

PLAYERS

>10 million base game units of self-published games sold (as at 31 May 2020).

COMMERCIAL PARTNERS

Continued strong sales performance of *Jurassic World Evolution*. Two major new IP licences signed.

SHAREHOLDERS

Operating profit margin maintained at 22%. Record cash balances of £46 million (as at 31 May 2020).

DEVELOPERS

Six development partners signed up to our Frontier Foundry games label so far.



DEVELOPING OUR BUSINESS TO ACHIEVE REPEATABLE SUCCESS

INVEST

We invest our development resources in games with strong franchise potential, primarily on PC and console.

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 within our teams. Audiences on the chosen platforms tend to value games that exhibit Frontier's key development strengths.

To accelerate our progress and increase the frequency of launches we are continuing to scale 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, with a great many custom features. Our teams managed admirably during the work-from-home restrictions of Covid-19, and now as we carefully and selectively transition back to the office we will strive to maximise the efficiency and effectiveness of office working, potentially in combination with increased flexibility, and perhaps ultimately the ability to grow further without seeking additional office space.

DEVELOP

We use online channels to create and engage with player communities during game development.

This practice provides a valuable source of feedback, and these player communities provide excellent advocacy for each title prior to launch.

Our development process uses our proprietary COBRA development tools and technology to facilitate innovative features and the creation of top-quality games with strong differentiation for the PC and console audiences. Our control of this technology also removes the risks related to ongoing access to third-party licensed technology alternatives, as has happened in the past where successful tool providers are acquired by a major rival player. In addition, the direct engagement with those involved in the engine development, and the ability to control the delivery dates and new feature roadmap of that technology can be invaluable, for example giving first-mover advantage with new technologies.

PUBLISH

With each of our game franchises, we plan for the long term, and how best to support and sustain the audience for each one.

A dedicated team monitors progress based on sentiment towards the games, success of each of the distribution channels and platforms, and the up-take of additional content both free and paid, allowing us to reach the widest possible audience over time. Free content is a valuable tool to help retain and restore existing audiences and support sentiment, while paid content both helps monetise the game and brings new players as new content triggers online coverage on platforms like YouTube or Twitch, increasing sales of the corresponding base game and for other paid expansion content.

We also monitor the geographical performance of our titles, understanding and monitoring under and over performance versus expectations in each territory, and will continue to look for opportunities to tailor our price to a level more appropriate to each local economy.

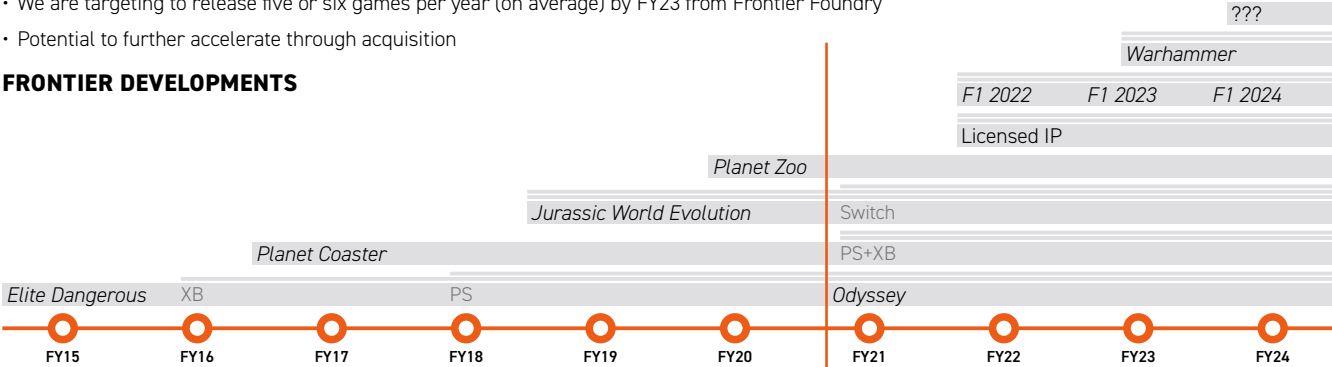
STRATEGIC REPORT

GROWING OUR PORTFOLIO

OUR FUTURE PLANS

- We now have the resources to achieve two new game releases per year (on average) from FY22 from Frontier Developments
• We are targeting to release five or six games per year (on average) by FY23 from Frontier Foundry
• Potential to further accelerate through acquisition

FRONTIER DEVELOPMENTS



FRONTIER FOUNDRY

- Third-party publishing (signed partnerships to date)
• Third-party publishing (targeted in addition to signed)

indicates multiple platforms.

Today



OUR BUSINESS MODEL AND STRATEGY CONTINUED

CREATING AND MANAGING FRANCHISES

In order to maximise the return on our core skills and assets we target game genres where we believe we can deliver both high-quality, differentiated offerings using established expertise and intellectual property, and have a strong chance of successful market entry.

We use this proven, rigorous and repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential and plans for strong post-launch product support to help realise this potential. With *Elite Dangerous* we knew there had been significant success in the past, not least because of our own games in that area in previous decades, and also that there were

no games like it at the time, and we believed that we possessed the differentiated technical capability to digitally replicate our own Milky Way Galaxy. We verified that there was a significant appetite for such a game with Kickstarter crowdfunding at the end of 2012 and early 2013, and the game itself has now vindicated that decision with continued success in its sixth year of full release (its seventh year since early access). For comparison, other high-profile space exploration games that entered Kickstarter in the early 2010s have still not released at all, speaking to the challenges of the genre and to our team's expertise and ability to deliver compelling product in a timely fashion.

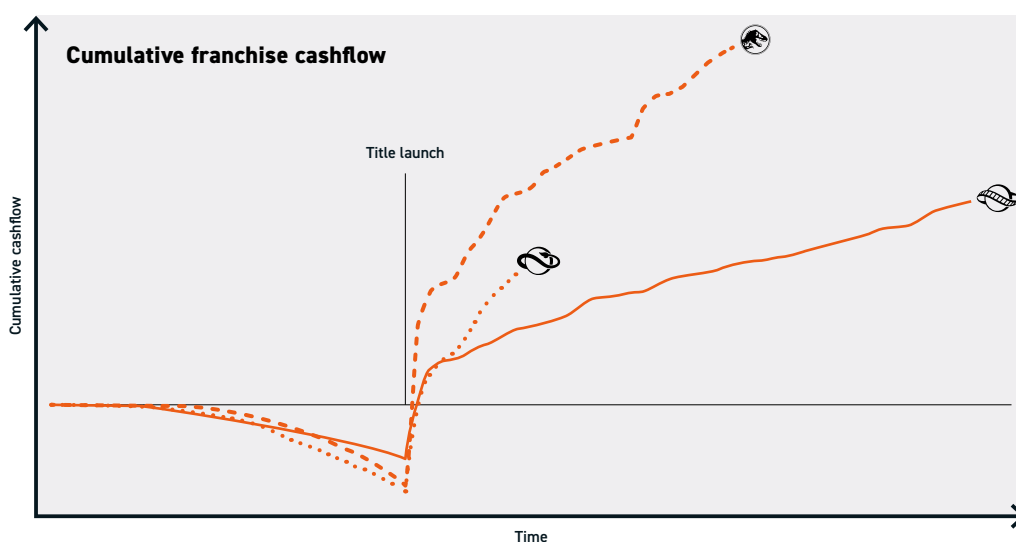
LAUNCHING AND SUSTAINING A GAME FRANCHISE

Our approach is to develop and launch a game with the full intention of supporting it over many years, in order to stimulate our target audience over the long term, delivering sustainable multi-year revenue and earnings.

We continually measure our performance using key performance indicators.

33

KEY PERFORMANCE INDICATORS



With *Planet Coaster*, we were releasing a title in competition with an established and well-loved franchise, *RollerCoaster Tycoon 3*. Frontier developed *RollerCoaster Tycoon 3* for Atari in 2004 when we were a work-for-hire business and it was a very successful game for over a decade. The success of *RollerCoaster Tycoon 3* over such a long period of time meant there was no meaningful Coaster Park competition within the sector for all that time. We knew we could do a better job, and many of the same team that made it back in 2002–2004 were still at Frontier, hence our confidence we could 'knock it out of the park' with a new game. In other words, we were confident it was therefore underserved and that we could create its natural successor as another genre-defining title. The fans loved what they saw during early access and, despite Atari launching *RollerCoaster Tycoon World* the day prior to *Planet Coaster's* launch, we achieved that aim and *Planet Coaster* now dominates the sector and continues to be successful in its fourth year of release, indeed earning more revenue in FY20 than it did in FY19. We believe our

interactive success with *RollerCoaster Tycoon 3* and *Planet Coaster* has built up unique capabilities within Frontier to create and manage 'simulation management' experiences.

Jurassic World Evolution followed in June 2018 (in collaboration with the team at Universal Games and Digital Platforms), and in November 2019 *Planet Zoo* released as our fourth self-published game, following the same model and leveraging our unparalleled expertise of in-game creature portrayal, and management gameplay. The last successful game in the zoo game sector was *Zoo Tycoon* with Microsoft in 2013, developed by Frontier for Microsoft, and with *Planet Zoo* we are confident we have developed a game that will dominate its sector for many years to come. As we progressed from *Zoo Tycoon* to *Jurassic World Evolution* and now *Planet Zoo*, we believe we have developed unique skillsets in terms of realistically simulating and bringing beautifully to life large animals, alone and in herds, both historical and current.



OUR FUTURE PLANS

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 additional 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. In March 2019 we announced an as yet unrevealed major global IP for a game launch in FY22, and during FY20 we signed strategically important IP licences with Formula 1® and Games Workshop.

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.

We are building a broad portfolio of franchises, each different to the last and each with the capabilities to expand over time. At the same time we are scaling up for the future so we can release games more frequently. All upcoming franchises will be selected using the same approach set out above, and we already have several in different phases of development.

Our future franchise portfolio is likely to continue to contain a blend of Frontier-owned IP, like *Elite Dangerous*, *Planet Coaster* and *Planet Zoo*, and some with third-party licensed IP, like *Jurassic World Evolution* and our future plans for the Formula 1® and *Warhammer Age of Sigmar* games. Games based on owned IP provide Frontier with the benefit of having complete creative freedom and higher margins, while games based on licensed IP have the potential to more easily reach large new audiences and leverage existing lore and characters, such as with *Jurassic World Evolution*. We review the value of licensing proven third-party major global IP versus developing our own IP for each potential future franchise on a case-by-case basis. We also consider the long-term benefits of relationships with these IP partners and how they can help with future opportunities as the wider entertainment sector continues to change, presenting ever more opportunities for new types of entertainment.

We plan to establish and grow a significant third-party publishing business through our Frontier Foundry games label, working with carefully selected development partners. We have six titles signed to date, with *Struggling* and *Lemnis Gate* for FY21, three games signed so far for FY22 and one for FY23. We are looking for Frontier Foundry to achieve five to six releases per year from FY23 onwards. This not only continues our existing repeatable model, in terms of leveraging our expertise in identifying opportunities and publishing, but also diversifies our business model, allowing us to increase more quickly the size of our game portfolio, which has retail cross-selling advantages and is an efficient use of our financial resources.





HEADING INTO THE NEXT ERA

December 2014

RELEASE DATE

400 billion

STAR SYSTEMS
TO EXPLORE

38

SHIPS TO
CHOOSE FROM

1

BAFTA
NOMINATION





Elite Dangerous is now in its seventh financial year since release in December 2014. Since launch we have continued to release expansions to the original *Elite Dangerous* game, simultaneously on PC, PlayStation 4 and Xbox One as those platforms have been added – *Elite Dangerous* launched on Xbox One in 2015 and came to PlayStation 4 in 2017.

The *Horizons* season of chargeable expansions launched in December 2015 with *Planetary Landings* and concluded in September 2017 with *The Return*, with each release in the season providing new headline gameplay features plus a large number of quality of life enhancements and other tweaks, fixes and improvements.

The *Beyond* season of free updates delivered enhancements to the overall player experience, including foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content, across four chapters during the period February 2018 to December 2018.

On 3 June 2020 we unveiled *Elite Dangerous: Odyssey*, which is our major new paid-for update for *Elite Dangerous*, coming in Q1 calendar 2021 (in FY21). *Elite Dangerous: Odyssey* marks the birth of a highly anticipated new era for the long-running definitive space simulation, allowing players to touch down on countless new planets powered by stunning new tech and explore with unrestricted freedom from a first-person, feet-on-the-ground perspective, something we know many players are keen to see.

In addition to major expansion packs, *Elite Dangerous* has a strong back catalogue and future roadmap of in-game personalisation items. This rich customisation model has been further enhanced by the launch of an in-game virtual currency called ARX in September 2019, which has smoothed the purchasing process for players while also rewarding regular engagement with the game.



The *Elite Dangerous* franchise continues to perform strongly – in April 2020 *Elite Dangerous* crossed the 3.5 million base game unit threshold. We look forward to delivering some amazing new content in 2021 with *Elite Dangerous: Odyssey*.

[ELITEDANGEROUS.COM](https://www.elitedangerous.com)

EVOLVING COASTER PARK SIMULATION

November 2016

RELEASE DATE

11

PAID DLC
PACKS

140

RIDES AND
COASTERS

250,000+

PLAYER CREATED
WORKSHOP ITEMS



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.

In addition to the free updates, players are able to introduce further content into their parks through the purchase of paid downloadable content (PDLC) packs. The first of these released in July 2017 and in total *Planet Coaster* now has 11 separate PDLC packs available to buy. The most recent, the *Ghostbusters* pack using Sony Pictures IP, released in June 2019, at the beginning of FY20.



Following its continued success on PC – passing 2.5 million base game units sold in January 2020 – *Planet Coaster* will be coming to Sony PlayStation and Microsoft Xbox consoles later in 2020. *Planet Coaster: Console Edition* is simultaneously launching across Xbox One all-in-one games and entertainment system, PlayStation 4 computer entertainment system, and enhanced for both Xbox Series X all-in-one games and entertainment system and PlayStation 5 computer entertainment system.

We look forward to expanding the *Planet Coaster* community even further with the release of *Planet Coaster: Console Edition* later in 2020.

[PLANETCOASTER.COM](https://planetcoaster.com)



RETURN TO JURASSIC PARK

June 2018

RELEASE DATE

8

PAID DLC
PACKS

66

DINOSAUR
SPECIES

7

ISLANDS





Jurassic World Evolution, our first self-published licensed title, launched on 12 June 2018, at the start of FY19. It was our first self-published title (although not our first game) to debut simultaneously on PC, PlayStation 4 and Xbox One, and the first to benefit from a major marketing event by launching alongside the latest film in the franchise, *Jurassic World: Fallen Kingdom*, at the start of the biggest games industry show of the year – the Electronic Entertainment Expo (E3) in Los Angeles.

The opportunity was identified and approved through our thorough project assessment process. It leveraged 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.



Jurassic World Evolution evolves the 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's first PDLC pack was available at launch and as a 'deluxe' bundle during pre-order. Consistent with our strategy for our first two titles, we have released a number of free updates since launch and we have also provided players the opportunity to engage with paid-for content. There are now eight PDLC packs available for *Jurassic World Evolution*, including the most recent, the *Jurassic World Evolution: Return to Jurassic Park* pack, Frontier's biggest selling PDLC pack to date, which released during FY20 in December 2019.

Jurassic World Evolution is Frontier's biggest selling game to date by revenue, passing 3 million base game units sold in March 2020. Following its significant success on PC, PlayStation 4 and Xbox One, Frontier's world-class team will further expand the *Jurassic World Evolution* player community with its release on the Nintendo Switch console on 3 November 2020 through the release of *Jurassic World Evolution: Complete Edition*.

JURASSICWORLDEVOLUTION.COM

STRATEGIC REPORT

OUR GAMES
PLANET ZOO

SIMULATION RUNS WILD

November 2019

RELEASE DATE

50+

AUTHENTIC
ANIMALS

3

WAYS
TO PLAY



Frontier's fourth self-published title, *Planet Zoo*, launched exclusively for PC on 5 November 2019. *Planet Zoo* rapidly established itself as the ultimate zoo simulation, becoming Frontier's biggest selling PC game during an equivalent time period from release, crossing 1 million units in less than six months.

Featuring authentic living animals, rich management, and limitless creativity, in *Planet Zoo* players can build and manage a truly modern zoo where animal welfare and conservation comes first. Players nurture their animals throughout their lives, study and manage every species to see them thrive, and help them raise young to pass their genes onto future generations.



Players can manage their zoo in an expressive world that reacts to every choice they make, as they choose to focus on the big picture or go hands-on and look after the smallest details. Players can thrill visitors with prestigious animals and famous exhibits, develop their zoo and research new technologies and release animals back into the wild to repopulate the planet.

In *Planet Zoo* players can unleash their creativity with the next evolution of *Planet Coaster*'s best-in-class creation mechanics. With powerful creative tools players can create stunning scenery and habitats, dig lakes and rivers, raise hills and mountains and carve tunnels and caves as they build their own zoo. Players see their animals and visitors respond to their creative vision and can share their designs with friends in *Planet Zoo*'s online community.

Consistent with our usual strategy of providing free updates as well as PDLC opportunities, *Planet Zoo* now has four PDLC packs, with the Deluxe animal pack available at release in November 2019, the *Arctic* pack coming in December 2019, the *South America* pack arriving in April 2020, and most recently the *Australia* pack launching in August 2020.

The future for *Planet Zoo* is bright with its ever growing community of players supported by our strategy of free and paid content.

[PLANETZOOGAME.COM](https://planetzoo.com)



A PROVEN TRACK RECORD





In March we announced a multi-year exclusive licence (the “Licence”) with Formula One Management to develop and publish PC and console management games annually for the FIA FORMULA ONE WORLD CHAMPIONSHIP™ (“F1”), the world’s most prestigious motor racing competition.

Under the terms of the Licence, Frontier has exclusive rights to develop and publish F1 management games worldwide for PC and console platforms, together with the rights for streaming services, with the first game expected to release for the 2022 F1 season. The Licence provides Frontier with the rights for four F1 seasons (2022 to 2025 inclusive), subject to the achievement of certain financial performance thresholds.



Frontier has extensive experience of developing deeply engaging, high-fidelity simulation games which also achieve widespread global adoption. The partnership with F1 creates an exciting opportunity to bring together Frontier’s experience and capability, including its powerful and versatile COBRA game engine, to the management-rich environment of the globally popular and ever changing world of F1.

F1 is one of the most popular global sporting franchises in the world, and we believe the combination of the F1 brand together with our extensive experience in management games will deliver fantastic game experiences to a wide and varied audience around the world.

The addition of a multi-year, multi-platform sports management licence is a strategic milestone for Frontier, which is expected to provide significant annual incremental benefit to Frontier’s financial performance from the release of the first game in FY22 onwards.

STRATEGIC REPORT

FUTURE GAMES
WARHAMMER AGE OF SIGMAR LICENCE

A WHOLE NEW UNIVERSE





In May 2020 Frontier announced an exclusive IP licence (the “Licence”) with Games Workshop to develop and publish a real-time strategy game within the rich and extensive world of *Warhammer Age of Sigmar*.

Warhammer Age of Sigmar is Games Workshop's most recent iteration of the globally renowned fantasy setting in which the four Grand Alliances of Order, Chaos, Death and Destruction vie for control of the Mortal Realms. Unique and distinct in style, and endless in scope, this ever growing universe sits alongside the far future dystopia of *Warhammer 40,000* as the most successful tabletop miniatures games in the world.



Under the terms of the Licence, Frontier has the exclusive rights to develop and publish a real-time strategy game worldwide on PC and console platforms, together with the rights for streaming services. The game is planned for release in Frontier's financial year ending 31 May 2023 (FY23).

We look forward to working closely with the team at Games Workshop to bring the rich world of *Warhammer Age of Sigmar* to a wide audience through an immersive and accessible real-time strategy game on both PC and console.



OUR NEW GAMES LABEL FOR THIRD PARTY PUBLISHING

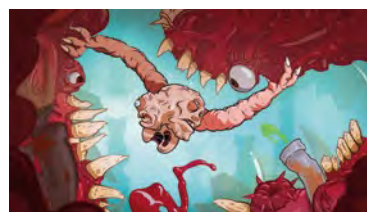


Frontier Foundry's mission is simple: expand the Company's excellent game portfolio by partnering with exciting developers. With our heritage as a developer, combined with our wealth of publishing experience, Frontier is perfectly placed to offer third-party studios expertise and guidance throughout the development cycle, delivering the vision its creators intended.

In June 2019 we announced our first deal with experienced developer Haemimont Games, and since then we have signed a further five titles, with two for release in FY21, three for FY22 and one for FY23. Over the next few years we plan to establish Frontier Foundry as a significant business, generating a material proportion of Frontier's revenue and profit. Our initial target is to achieve five to six releases per year from FY23 onwards.

Frontier's new games label expands the Company's portfolio into new genres and platforms. Frontier Foundry's first two titles, *Struggling* and *Lemnis Gate*, were revealed on 27 August and represent radically new and different propositions indeed. In both of these award-winning games, innovative gameplay sits at the heart of the development process.

STRUGGLING



On 27 August Frontier Foundry announced *Struggling* as its debut third-party published title, developed by the Montreal-based studio Chasing Rats Games.

Struggling is the physics-based co-op platformer where up to two players control the arms of our fleshy hero, Troy, as he sets out on an outrageous adventure. Outrun ravenous rats, joyride a dirt bike and vault over pools of unmentionable waste, all on your epic quest to find legendary Abomination Gods.

Struggling's attention-grabbing art style combines elements of comedy and horror to submerge players in a hilarious but unsettling world. Our squishy protagonist will need to solve challenging physics-based puzzles using momentum and inertia to swing itself through four visually unique worlds, including horrific labs, perilous canyons, and even feverish hyper-dreams.

Struggling earned high praise including Best in Show, Best Art Direction, Best Audio Design and Public's Favourite at Montreal Independent Game Awards, IGN's Top 4 Co-op Game at Pax East and PC Gamer's E3 Hidden Gem, to name but a few.

Struggling is out now on Steam and Nintendo Switch.

[STRUGGLING-GAME.COM](https://struggling-game.com)



LEMNIS GATE



On 27 August Frontier Foundry unveiled its second title, *Lemnis Gate*, the exciting turn-based combat strategy shooter with revolutionary four-dimensional gameplay.

Developed by Ratloop Games Canada, *Lemnis Gate* tasks players with defeating opponents in brain-bending 1v1 and 2v2 arena matches. Players have 25 seconds to execute an action, be it blasting an enemy, manoeuvring an operative, or setting up their next move. After all players have taken turns, the next 25-second round begins. There are five rounds in total, giving rise to a near endless variety of incredible and creative plays.

There are countless possibilities and endless outcomes. This turn-based strategy shooter subverts one of the world's most popular genres, challenging players to throw out the rule book as they exploit time itself in this ultimate cognitive test. That's why it's already winning accolades, including the 'Best Gameplay' award from the Montreal Independent Game Awards 2019, an 'Outstanding Original Game' nomination from the Unreal E3 Awards 2019 and a spot at the finals of the Ubisoft Indie Series 2019.

Lemnis Gate is available to wishlist on Steam now, and will be launching on PC, PlayStation 4 and Xbox One in early 2021.

LEMNISGATEGAME.COM

HAEMIMONT GAMES



In June 2019 Frontier signed its first third-party publishing agreement with Haemimont Games.

Haemimont Games, founded in 1997 in Bulgaria, boasts a passionate team of over 60 highly skilled people and a wealth of experience in the strategy and management game genres, developing the hit title *Surviving Mars* and titles in the *Tropico* series. The partnership will see Frontier and Haemimont work together on a new project for release in FY22, with Frontier providing the development funding as well as marketing and distribution.

More news on the project will be available closer to launch.

OTHER TITLES



Our initial target for Frontier Foundry is to grow to achieve five to six releases per year from FY23 onwards. We have already six titles signed in just over 12 months from signing our first with Haemimont Games in June 2019.

Titles signed to date by planned year of release:

- FY21 – *Struggling* and *Lemnis Gate*
- FY22 – three unrevealed titles including one with Haemimont Games
- FY23 – one unrevealed title



PRINCIPAL RISKS AND UNCERTAINTIES

WE EFFECTIVELY IDENTIFY AND MANAGE RISKS

REDUCING RISK

Over our long, successful track record of developing a wide variety of game genres in the work-for-hire model we developed many areas of unique technical expertise, as well as the understanding of how to identify and execute developments to succeed in very different game genres.

There is a great deal of risk in the work-for-hire model, with the biggest issue being major changes at publishers, particularly when they became financially compromised. Moving to self-publish our own games allowed us to gain much greater commercial reward on the deployment of our development resources compared to our previous (pre-2013) work-for-hire business model, and addressed this key risk. The change of business model has enabled us to significantly grow our revenue and our profit margins, and generate cash, helping us to build a strong balance sheet.

Self-publishing puts us in full control of our development roadmap, allowing us to gain the efficiencies that come from a long term strategic overview of our development and publishing plans, and also insulates us against the risk of the commercial performance of third-party publishers.

Our development expertise and strategic focus on sophisticated games that engage audiences for the long term means we have been able to deliver great commercial success and continuing multi-year revenues for each of our first four genre-leading games.

Building an ongoing revenue stream in this way – c.60% of revenues in FY20 were generated by our first three titles which first released in 2014, 2016 and 2018 respectively – acts to reduce the overall risk to the Company of each subsequent new game that we develop. As part of our publishing operations we engage with elements of our core audience for each new game early, during development, which also greatly helps mitigate the risk of bringing an entirely new game to market.

Our profitability has increased through our move to self-publishing. While we do benefit from Video Games Tax Relief (VGTR), we report our financial operating performance before VGTR to represent better our underlying financial performance. With operating profit margins of 22% achieved in both FY19 and FY20 (pre-VGTR) we believe our strategy – identifying opportunities to develop, launch and nurture high-quality, self-published, genre-leading games that build on our strengths and unique track record – is one that reduces risk while achieving high returns in an industry often associated with 'hit risk'.

We are reducing risk further, while generating incremental revenue and profit, through our Frontier Foundry games label for third-party publishing, a strategy which further leverages our experience and expertise. Our intimate understanding of the development process and the strong publishing expertise we have developed are key elements of our attraction for third-party developers.




Our expertise also allows us to curate the overall balance of our Frontier Foundry portfolio towards success, while rapidly broadening our audience beyond our current internally developed genres.

The third-party publishing business model is an efficient use of capital that reduces risk and helps us bring scale and diversity to our portfolio which in turn helps our retail monetisation activities – it will allow us to accelerate the growth of revenues, profits and shareholder value.








The executive team maintains a risk register to identify, monitor and mitigate the risks faced by the Company, escalating the key risks for further consideration at full Board level on a regular basis. Based on that process the key business and financial risks for the Group are set out below:

| Description | Mitigation | Change |
|--|---|---|
| <h2>1 TALENT ACQUISITION</h2> <p>If the Group is not able to grow its team to achieve the required numbers of people with the necessary skills, the execution of its business plan will be compromised.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>The Group continues to prioritise direct recruitment, outreach and staff onboarding in order to ensure that its plans can be achieved. Over 120 people joined Frontier during FY20, growing headcount to over 520 as at 31 May 2020. We have continued to recruit during the challenges of Covid-19, with June 2020 seeing our highest ever single month of new starters at 22. We have visibility of our future needs via a regularly reviewed plan of record and undertake analysis of potential bottlenecks. The Group is a Tier 2 visa sponsor, to facilitate its objective to employ the best possible people from the worldwide talent pool. In the last three years we have expanded our HR team to add dedicated talent acquisition resources. We also balance internal and external resources through outsourcing. Brexit raised some concerns and we continue to monitor this issue.</p> |  |
| <h2>2 TALENT RETENTION AND ENGAGEMENT</h2> <p>Staff departures could create staff and key skill/experience shortages and compromise the execution of the Group's business plan. Reduced levels of staff engagement may also compromise the plan.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>While 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 offer training and development programmes alongside competitive incentive schemes to further enhance our ongoing attractiveness as an employer. We seek to minimise days lost to sickness via healthcare benefits and general morale and wellbeing initiatives. We have initiatives in place to achieve high levels of employee engagement. We ensure that everyone shares in the success that we create together.</p> |  |
| <h2>3 CYBER-SECURITY</h2> <p>A breach of security could take many forms and could significantly impact the business and impair its self-publishing plans.</p> <p>Exposure includes that of failure of security at our partners, including Amazon, Valve, Microsoft, Sony and Nintendo.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>We have implemented cyber-security policies, processes, technologies and tools intended to secure our data and systems, and prevent and detect unauthorised access to, or loss of, our data, or the data of our customers, consumers or employees. However, because a cyber attack may remain undetected for a prolonged period of time and the techniques used by criminal hackers and other third parties to breach systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures.</p> <p>Additionally, while we maintain insurance policies, they may be insufficient to reimburse the Company for all losses or all types of claims that may be caused by security breaches or system disruptions.</p> |  |

KEY TO CHANGE IN RISKS

-  Increase
-  Decrease
-  No change



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

| Description | Mitigation | Change |
|---|---|--------|
| <h3>4 EXECUTION RISK</h3> <p>The Group has transitioned from a work-for-hire model to a multi-franchise self-publishing model. While successful project execution is very important under both models, inherently both the rewards and the risks under a self-publishing model are probably greater.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>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. During the year, Frontier announced two multi-year exclusive licences, the first with Formula One Management in March 2020 and the second with Games Workshop in May 2020. The Group's Frontier Foundry games label for third-party publishing continues to make good progress and has now signed six third-party games. Frontier applies a rigorous process to partner selection, including a thorough review of execution risk on a case-by-case base for new external opportunities such as those provided through Frontier Foundry.</p> | |
| <h3>5 CURRENCY RISK</h3> <p>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).</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>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. While 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.</p> | |
| <h3>6 GROWTH MANAGEMENT</h3> <p>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.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>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 term, as well as its long-term investment needs and opportunities. Frontier provides appropriate resources and attention on external opportunities to develop its game portfolio and business, such as those opportunities identified through the Group's Frontier Publishing initiative.</p> | |
| <h3>7 MARKET DISRUPTION</h3> <p>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.</p> <p>LINKS TO STRATEGY INVEST DEVELOP PUBLISH</p> | <p>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. The Group is focused on the development and ownership of IP, which it believes will create the greatest long-term value for the Group, compared with other business models that Frontier could pursue such as the work-for-hire model that the Group transitioned away from in 2013–2014.</p> | |

This Strategic Report was approved by the Board and signed on its behalf by:

ALEX BEVIS
CFO AND COMPANY SECRETARY
 9 September 2020

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change



ANOTHER STRONG SET OF RESULTS



We start FY21 in excellent financial shape.

ALEX BEVIS
CFO AND COMPANY SECRETARY

OVERVIEW

The combination of the ongoing financial performance of our first three titles, together with the successful launch of *Planet Zoo* in the year, yielded a strong set of financial results in FY20. In terms of both revenue and profit FY20 was Frontier's second biggest ever year in our 26-year history, following the record set of results posted in FY19 through the launch of *Jurassic World Evolution* in June 2018. We start FY21 in excellent financial shape, with a strong portfolio of four existing games, an exciting roadmap to support those four games and develop new titles, the anticipated financial contribution from our Frontier Foundry games label, and our strongest ever cash position – £45.8 million as at 31 May 2020.

TRADING

Planet Zoo was our biggest revenue contributor in the period, generating a positive reception during the pre-order and at launch in November 2019. As planned, *Planet Zoo* has gone on to continue to deliver strong sales after its initial launch spike, quickly becoming the clear number one immersive and high-quality zoo simulation experience. Our usual strategy of creating and supporting a large and active game community, supported by both free and paid content, continues to generate sales to both existing players and new players. It's encouraging to see *Planet Zoo* become our biggest selling title to date on PC during an equivalent time period.

That strategy of supporting and nurturing both our game, and the community of players of our game, has been learned and refined through our experiences on our first three titles, *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*. That strategy continues to pay dividends across all three of those games, with each title providing material financial contributions in FY20 through both base game sales and PDL.

The performance of all four games generated total revenue in FY20 of £76.1 million (FY19: £89.7 million), with almost 60% coming from our first three titles. The record performance in FY19 reflected a full 12 months of sales of *Jurassic World Evolution* which launched alongside the film *Jurassic World: Fallen Kingdom* in June 2018 on PC, PlayStation 4 and Xbox One.

In comparison, FY20's big release, *Planet Zoo*, was a PC-only launch which released almost halfway through FY20.

Our primary sales strategy is through digital distribution, working with key partners like Steam and Humble on PC and with console owners: Microsoft for Xbox, Sony for PlayStation and more recently Nintendo for Switch. We also added digital PC platform aggregator Genba as a partner during the period. Digital sales represented 97% of revenue in FY20, with only 3% from sales of physical discs (FY19: 15%).

The higher proportion of physical in FY19 related to disc sales of *Jurassic World Evolution* on PlayStation 4 and Xbox One, which accounted for around one-third of the base game unit sales of *Jurassic World Evolution* on console during that financial year.

Gross profit was £51.6 million in the year (FY19: £54.6 million) with gross margin at 68% (FY19: 61%). The 7% increase in gross margin percentage was due to three factors: a higher proportion of own-IP revenue rather than licenced-IP revenue (with associated royalty costs), with own-IP *Planet Zoo* the big release in FY20, compared to licenced-IP *Jurassic World Evolution* launching in FY19; a lower proportion of physical disc sales which typically achieve lower profit margins; and the tiered commission structure established by Steam in October 2018.

Gross research and development (R&D) expenses in the period grew by 20% to £24.6 million (FY19: £20.5 million). The continued growth reflects further investment to support Frontier's franchise portfolio strategy, through increases in internal staff combined with greater levels of outsourced activity. As at 31 May 2020, Frontier had grown its total headcount to 520 staff compared to 466 at 31 May 2019 and 377 at 31 May 2018. An element of the increase in gross R&D expenditure also related to investments in externally developed games through the Company's Frontier Foundry games label for third-party publishing, which kicked off at the start of FY20 with the Haemimont Games deal announced in June 2019.



TRADING CONTINUED

Capitalisation of costs for game development related intangible assets, together with continued investment in our leading game technology, accounted for £19.8 million in the period (FY19: £13.4 million). Costs related to new chargeable products, or the development of technology to support new chargeable products, are typically capitalised, subject to the usual criteria set out under accounting standard IAS 38. Development costs associated with the development or support of existing products are generally expensed as incurred. Costs capitalised in FY20 represented 80% of gross R&D expenditure compared with 66% in FY19 and 85% in FY18. The lower capitalisation percentage rate in FY19 reflected a greater allocation of development time spent on free content during that period, particularly related to the launch of the *Beyond* series of free updates for *Elite Dangerous*. The capitalisation rates in FY20 and FY18 are more typical of the Company's usual approach to the mix of development effort between free and paid content. Frontier believes that investment in free updates is an important part of its strategy in supporting and nurturing games after launch.

Amortisation charges for game development and game technology related intangibles grew to £11.2 million for the period (FY19: £7.8 million). The increase reflected the 48-month amortisation of the development cost of *Planet Zoo*, starting at launch in November 2019, together with amortisation charges for paid content delivering during the year for all four games, including the substantial PDLC launched in December 2019 for *Jurassic World Evolution*, the *Jurassic World Evolution: Return to Jurassic Park* pack, which is Frontier's biggest selling PDLC pack to date.

Net research and development expenses recorded in the income statement in the period were £16.0 million (FY19: £14.9 million), being gross spend, less capitalised costs, plus amortisation charges.

Sales, marketing and administrative expenses totalled £18.9 million in FY20 (FY19: £20.4 million). The reduction mainly related to marketing spend, which had been higher in FY19 to support the launch of *Jurassic World Evolution* alongside the film *Jurassic World: Fallen Kingdom* in June 2018.

Frontier adopted IFRS 16 effective 1 June 2019, which is the International Financial Reporting Standard for lease accounting. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Frontier has identified that its one and only lease impacted by this new accounting standard is the lease for its office building on the Science Park in Cambridge, which Frontier occupied from April 2018. A right-of-use asset valued at £24.4 million was therefore recorded as at 1 June 2019, with a corresponding lease liability of £24.4 million. Before the adoption of IFRS 16 all costs associated with the lease would have been charged to administrative costs. During FY20, a total of £2.3 million was charged to the income statement in relation to the lease, being £1.6 million within administrative costs and £0.7 million within interest charges.

Overall net operating expenditure in FY20 of £34.9 million was similar to the total spend in FY19 (£35.3 million), with higher R&D costs being offset by a lower level of marketing spend.

Operating profit of £16.6 million was recorded in the year (FY19: £19.4 million) representing an operating margin of 22% which is consistent with FY19.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased to £31.5 million (FY19: £29.0 million). However, the Company does not consider this to be a particularly useful 'cash profit' measure of performance since it adds back amortisation charges relating to game developments and game technology but without also adjusting for (i.e. deducting) the costs capitalised in the period related to those intangible assets, producing a one-sided measure. The operating cashflow measure, described in the later cash section, is a more appropriate measure of 'cash profit'.

A corporation tax charge of £0.3 million was recorded in the income statement for FY20 (FY19: a restated charge of £1.7 million as per note 2). Frontier benefits from enhanced tax deductions from Video Games Tax Credits (VGTR) and R&D Tax Credits, both of which help to reduce taxable profits. The Company also benefits from tax deductions relating to employee share option exercises, although a large element of these deductions are credited directly to reserves rather than being recorded in the income statement.

Profit after tax for FY20 was £15.9 million (FY19: £18.0 million) and basic earnings per share was 41.3p (FY19: 46.9p).

BALANCE SHEET AND CASHFLOW

Frontier ended FY20 with its strongest cash position to date, with £45.8 million in total (31 May 2019: £35.3 million). Total net cash inflow during the year of £10.4 million (FY19: £11.2 million) reflected the continued strong financial performance of the portfolio of four existing titles, supporting further investments in those four games, in addition to investments in new internally developed games and third-party developed games too. Operating cashflow, which is effectively a measure of 'cash profit' being EBITDA excluding non-cash items less investments in game developments and game technology related intangible assets, was £13.6 million in FY20 (FY19: £16.8 million).

Intangible assets increased by £16.2 million to £52.7 million at 31 May 2020 (31 May 2019: £36.5 million) across four asset categories: game technology, game developments, third-party software and IP licences. Game technology and developments account for the majority of the asset value at £42.9 million at 31 May 2020 (31 May 2019: £34.3 million). The growth in value in FY20 reflected investments in assets exceeding amortisation charges as Frontier continues to grow its portfolio of games. IP licences grew to £9.5 million at 31 May 2020 (31 May 2019: £2.0 million) as a result of the deals signed with Formula 1® in March 2020 and Games Workshop in April 2020.

Tangible assets relate mainly to the fit-out of the leased office facility, which the Company occupied in April 2018. The net balance at 31 May 2020 was £5.9 million (31 May 2019: £6.4 million).



Following the adoption of IFRS 16 "Leases" effective for Frontier from 1 June 2019, the Company's balance sheet at 31 May 2020 includes a right-of-use asset valued at £22.7 million for the Company's lease over its headquarters office building in Cambridge. A similar figure, being £23.5 million in total, is recorded as a lease liability for the lease as at 31 May 2020, split between current and non-current liabilities.

Trade and other receivables totalled £12.3 million at the end of the period (FY19: £5.2 million). The higher balance was due to the strong sales of all four of Frontier games running up to the end of the financial year, with demand for Frontier's immersive and creative games benefitting from a boost during Covid-19 lockdowns around the world in March, April and May, as well as planned price promotions.

Within current liabilities (amounts due within 12 months), trade and other payables totalled £13.7 million (FY19: £9.0 million) with the largest factor being distribution platform commissions due on the strong sales during the final months of FY20. Within non-current liabilities (amounts due after 12 months), the increase in other liabilities from £0.9 million to £8.2 million related to the IP licences signed with Formula 1® and Games Workshop during the period.

Deferred tax assets and deferred tax liabilities have been recorded as at 31 May 2020 for the estimated values of temporary and permanent timing differences, and the potential value of tax deductions relating to future share option exercises. The net position as at 31 May 2020 is a net deferred tax asset of £2.1 million (31 May 2019 restated: asset of £3.2 million).

The current tax asset balance as at 31 May 2020 of £2.4 million relates to VGTR claims for FY19 (31 May 2019: a net current tax liability of £0.8 million).

IFRS 16 ADJUSTMENT TO RETAINED EARNINGS

As well as creating additional assets and liabilities in the statement of financial position, and changing the way that lease costs are charged to the income statement, the adoption of IFRS 16 also generated an adjustment to the retained earning reserve of £1.3 million in FY20. This adjustment related to the rent-free incentive period on Frontier's building lease. Previously the benefit of the rent-free period was spread over the minimum lease period, which at the inception of the lease was a period of over 15 years. For the adoption of IFRS 16 on 1 June 2019 lease costs were calculated based on the remaining future cash outflows, which therefore did not include the benefit of the rent-free period which had expired prior to 1 June 2019. The result of this was an acceleration of the remaining unaccounted value of the rent-free period as at 1 June 2019, with this credit of £1.3 million being recorded only in the statement of changes in equity, and not in the income statement. This is a one-off credit adjustment to reserves and further adjustments are not expected.

ALEX BEVIS

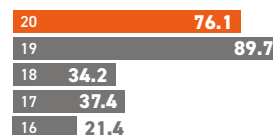
CFO AND COMPANY SECRETARY

9 September 2020

KEY PERFORMANCE INDICATORS

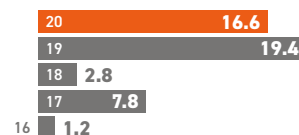
Revenue (£m)

£76.1m



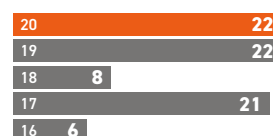
Operating profit (£m)

£16.6m



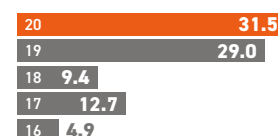
Operating margin (%)

22%



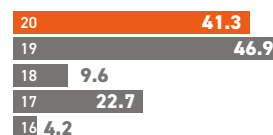
EBITDA* (£m)

£31.5m



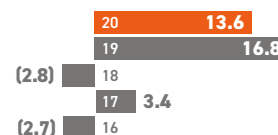
EPS** (basic) (p)

41.3p



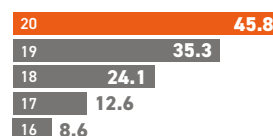
Operating cashflow*** (£m)

£13.6m



Net cash balance (£m)

£45.8m



* Earnings before interest, tax, depreciation and amortisation.

** FY19 restated for deferred tax adjustment as per note 2.

*** EBITDA excluding non-cash items less investments in game developments and game technology.



A SAFE, COLLABORATIVE AND REWARDING PLACE TO WORK

560+
staff in
Cambridge

> 120
new joiners in FY20

32
nationalities

55%
increase in headcount
over the last 3 years

Frontier employs amazing people who are instrumental in making games that define genres, break boundaries and sell millions of copies to gamers around the world. We share a vision of developing, launching and nurturing world-class games that put both Frontier and the games industry itself at the forefront of the global entertainment industry.





GROWING OUR TEAM



Our Frontier team continues to expand, giving us more opportunity to grow our game portfolio. Three years ago Frontier initiated an ambitious hiring and scale-up plan which enabled us to achieve an average of 10 new hires per month during both FY19 and FY20. This puts our Frontier team at 520 as of 31 May 2020 and over 560 as at 31 August 2020.

It is thanks to our great team of people, our technology, and our growing communities of gamers around the world, that FY20 was another strong year for Frontier, despite the challenges of Covid-19. From March 2020 onwards, our people were able to maintain Frontier's usual high-quality standards for updates and new content whilst working remotely. Thanks to the dedication of our teams, all releases were launched in-line with our planned release dates.

CREATING AN ENVIRONMENT FOR SUCCESS

Frontier is committed to providing a stimulating atmosphere for high achievers who are passionate about what they do. Our aim is to create and maintain a safe, collaborative and rewarding environment for our people.

As a self-publishing developer, we effectively plan our roadmap in order to optimise team work schedules. We seek to avoid a need for excessive overtime by plotting challenging yet realistic timelines for project delivery. A healthy work-life balance is an important part of our culture and we support this through offering a range of family-focussed benefits as well.

We reward our teams through a structure of remuneration which includes a competitive base package, bonus and equity schemes, as well as a wide array of benefits and perks. Frontier reviews this rewards and remuneration structure regularly to ensure that everyone in the team continues to share in the success that they help to deliver.

BENEFITS AND PERKS

- Performance Bonus
- Private Healthcare
- Health Cash Plan
- Employee Assistance Programme
- Flexitime Work System
- Remote-working
- 5% Pension Match
- Equity schemes
- Discounted Dental Insurance
- Critical Illness Insurance
- Life Insurance
- Childcare Vouchers
- On-site & Virtual Therapist
- On-site & Virtual Life Coach
- Wellbeing Sessions & Seminars
- Discounted Gym Membership
- On-site & Virtual Yoga
- Cycle-to-work Scheme
- On-site Bike Maintenance & Repairs
- On-site Discounted Catering
- Fresh Fruit, Beverages & Snacks
- Social & Remote-working Events
- Games & Book Lending Library

INVESTING IN OUR PEOPLE

Our people are at the heart of everything we do – creating and supporting our games and our game communities across the world. Since our people create our value, we value our people – we invest time and effort to help our people establish and navigate a plan for their future. This includes generating in-house and external training opportunities with a focus on developing both hard and soft interpersonal skills, management practises, technical knowledge and First Aid and Mental Health First Aid programmes.



OUR IMPACT - ENVIRONMENTAL, SOCIAL AND GOVERNANCE

A RESPONSIBLE AND CONSIDERATE APPROACH

Since the founding of the company in 1994, Frontier has endeavoured to conduct business in a considerate, responsible and ethical manner. To do this, we have placed our key stakeholders – our people, our players, our partners and our investors – at the core of everything we do. We aim to be a leader in our industry for creating games which in themselves, and through the process of creating and nurturing them, resonate with the key environmental, social and governance ('ESG') principles of our stakeholders, as well as society as a whole.



ENVIRONMENTAL PRINCIPLES

Frontier is committed to reducing energy use, plastic production, carbon waste and the use of fossil fuels.

Our digital focussed business model is such that only 3% of our games in FY20 were released onto physical disc, much lower than many publishers in our industry. All of our games are also heavily compressed to ensure that our players benefit from a reduction in the energy usage required for download time.

Our office building has a BREEAM 'Excellent' rating – which puts Frontier's headquarters within the top 10% of environmental commercial buildings in the UK. We've also implemented eco-initiatives such as solar panels, a heat recovery and ventilation system, use of 100% green energy for electricity and a segregated waste process.

Frontier encourages similar environmentally-conscious conduct with our people, particularly in relation to their commute to work and the use of energy in their roles.

The company aids teams in making smart journeys through our association with Travel Plan Plus+. As part of this, prior to lockdown, Frontier encouraged staff commuting via car to do so in joint occupancy with at least one team member – thereby reducing the harmful emissions and road congestion of their daily travel. We are proud to report we hold the highest percentage of shared occupancy car travel in the Cambridge Science Park community.

We are also an active promoter of the cycle-to-work scheme with an average of 130 team members cycling to work on a typical day, prior to the national lockdown. We incentivise our people to take advantage of this environmentally-beneficial and tax-free scheme through secure, complimentary bike parking as well as regular on-site bike maintenance and repairs.

Both inside the office and during our current remote-working period, our team work together to reduce energy usage by adhering to a 'switch-off' policy for computers, laptops and other equipment.



SOCIAL PRINCIPLES

Frontier carefully considers the social impact of the business across four core areas: our people, our games, our communities and our wider social responsibility.

OUR PEOPLE

Employee welfare is of the utmost importance to Frontier. We are committed to creating a safe, collaborative and rewarding work environment where members of our team can prosper. To achieve this Frontier looks to provide stimulating experiences which ensure our staff feel engaged, connected and satisfied in their work lives.

The wellbeing of our team is a key part of this experience and we support this through various initiatives including promotion of a healthy work-life balance, on-site and virtual facilities, seminars and events, private healthcare, an employee assistance programme and a flexitime work system. Frontier also looks to provide a competitive remuneration package including an array of optional benefits which can be tailored to best complement each individual's personal lifestyle. Full details of our benefits can be found in our People section, subsection 'Benefits and Perks'.

Our workforce is comprised of over 30 nationalities from around the globe. We seek to diversify the company skillset through our sponsorship for Tier 2 Visa, which enables us to source first-class talent not only from our local regions but also across Europe. This sponsorship status will automatically transfer to a similar scheme post-Brexit.

Frontier is also proud to support a community of co-workers who associate with LGBTQIA+ views and preferences. The team share a rich tapestry of culture and diversity which aids the business in bringing authenticity and representation to our games and player communities.

We aim to offer all team members equal opportunities for development, progression and giving feedback; and continue to identify new ways for the company to achieve more ground in this area. One of the key challenges still facing the UK Tech sector is a disparity in the national talent pool between female and male software developers. As an illustration of these challenges, whilst Frontier has increased our overall female-filled roles in the last year, there has been less increase within technical programming roles due to only 15% of the UK's coding talent associating as female. Frontier will continue to support existing and new initiatives to increase the female talent pool for technical programming in the longer term. Our strategy is to target individuals at a younger age in order to generate interest and educate on the career possibilities within the gaming industry.

OUR GAMES

Our portfolio delivers sophisticated, creative, immersive and social experiences, which typically provide large digital worlds that our players can enjoy across 203 regions over seven continents. Fundamentally we value quality in our products, through a dedication to excellent standards which has

continued to attract existing and new players to our diverse titles. We have been particularly proud of the strong engagement with our games during the Covid-19 lockdown. Frontier has looked to positively contribute to and support the lives of our players through these unprecedented times.

Transparent communication with our users is another significant focus for our business. We ensure that players are clearly informed of what they are purchasing – whether it's a game or PDLC – and the company seeks to avoid any systems which relate to a "loot box" type of monetisation.

We also feel strongly about our responsibility for players' data privacy and protection. Frontier secures any player data under government GDPR regulations and through conditions of the Data Protection Act of 2018.

OUR COMMUNITIES

We create and nurture large player communities for our games, providing free and paid content, news, video streaming, and competitions to achieve long-term positive engagement. We support and encourage player connectivity through forums and regular community events which allow the various personalities of each title to come together. This year we pivoted the annual 'Lavecon' event, which celebrates *Elite Dangerous*, onto a digital platform to engage the community through virtual panels, interviews and hosting gameplay streams whilst in lockdown.



WIDER SOCIAL CONTRIBUTION

Frontier looks for regular opportunities to support both our physical neighbours and our peers within the gaming industry and wider sector. We focus our assistance on sponsoring various charitable initiatives, including strong support and regular partnerships with a few key causes such as:

- Special Effect – A really worthwhile charity that puts fun and inclusion back into the lives of people with physical disabilities through discovery, exploration and creativity in video games.
- MIND – A reputable mental health charity supporting and raising awareness for individuals with mental health problems.
- Cambridge Half Marathon – A local fundraising event supporting both national and Cambridge-based initiatives and bringing the local community together to showcase our beautiful city.

SOCIAL PRINCIPLES CONTINUED

WIDER SOCIAL CONTRIBUTION CONTINUED



Frontier actively promotes computer science and digital skills within the UK. This year we have sponsored the Centre for Computing History in Cambridge, helping to fund the museum's ambitious computer and video game preservation and education project. We hold a strong and positive influence on computer science education – with our CEO, David Braben as one of the founders of the Raspberry Pi foundation, which has enabled affordable access to computing technology across the world. Frontier continues to push for positive change in education to support future generations in their understanding of computer science and career development.

GOVERNANCE PRINCIPLES

We take governance seriously, and strive to achieve best practice, including through compliance with the QCA's corporate governance code.

Our governance arrangements support our objective of creating and maintaining a safe, collaborative and rewarding environment with appropriate policies, processes and monitoring. Further details are set out in the governance section of our Annual Report, which can be found via the Frontier website.

2021-2025 ESG PLANS

Frontier strives for quality and this includes our approach to our internal and external systems which have an impact on our stakeholders and the wider world. We continue to review opportunities to implement best practice ESG processes as well as improving communications of our progress through ESG reporting. Any new initiatives will be reviewed on a periodic basis to ensure we continue to evolve with new data and protect and strengthen our alignment with stakeholder values.

STATEMENT BY THE DIRECTORS IN RELATION TO THEIR STATUTORY DUTY IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

Under S172 of the Companies Act 2006 ('the Act'), directors of UK companies have a duty to promote the success of their company for the benefit of the members as a whole. The purpose of the strategic report within a company's annual report and accounts has always been to inform members about how directors have performed their S172 duties. Over time the government noted that the content, format and overall quality of information presented in strategic reports published by different companies varied enormously. To address this, the government has recently added a new requirement for all large companies to include a separate 'S172 Statement' in their strategic reports to improve consistency and quality.

The Board of Directors of Frontier Developments plc (the 'Company') have always taken their duties under s172(1) of the Companies Act 2006 seriously. The Directors consider that they have acted in a way that would promote the success of the Company for the benefit of its members as a whole in the decisions they have taken during the year ended 31 May 2020. In making this statement the Directors considered the longer-term consideration of stakeholders and have taken into account the following matters:

- a) the likely consequences of any decisions in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for the high standards of business conduct; and
- f) the need to act fairly between members of the Company.

Our business model on pages 10 to 13 summarises the Frontier approach to creating, launching and nurturing our games which is at the heart of our stakeholder engagement, delivering long-term value to all of our stakeholders.

The Board considers Frontier's key stakeholders to be players, staff, shareholders and business partners, and also acknowledges that there is a wider responsibility to the community in which the Company operates. The Group's culture and employee welfare are a particular focus for the Company and pages 34 and 35 displays our people and our working environment. Investor relations form part of the Board's responsibilities and the many ways in which we communicate with our shareholders are shown on page 49. Our business partners share in our continued success and we discuss our ongoing approach to these partnerships in our Future Plans section on page 13. We set out on pages 36 to 38 our approach to social responsibility to the local community.



HOW WE ENGAGE WITH STAKEHOLDERS

The Directors take the views of our stakeholders into account when making important, long-term decisions. The Company's strategy of long-term sustainable growth is discussed by our CEO, David Braben, on pages 6 to 9 and our current and future portfolio of games is set out on pages 2 and 3. Building our portfolio requires input from all of our stakeholders to ensure we are producing high-quality and engaging games which in turn provide a long-term benefit to our members. Our approach to continued stakeholder engagement is set out below:

PLAYERS

- Social communities and forums provide a direct way for players to interact with our community team.
- Regular live streaming events take place to encourage players to engage with the game on a social level.
- Customer support feedback from players influences bug fixes and content updates.

STAFF

- Frontier Friday events are held throughout the year to allow all staff to participate in an informal Company catch-up and celebrate the Company's performance with their colleagues whilst enjoying food and drinks on site.
- All staff are invited to a quarterly performance and development review with their line managers. This is to ensure that employees are working to agreed objectives to support the overall company plan and to set training and development goals.
- Frontier awards share options to senior staff to recruit, retain and motivate these key members of staff to help drive the success of the Company. Frontier also provides a SAYE scheme which allows all members of staff to share in the long-term success and growth of the company.
- Frontier offers a Management Development programme for all line managers to ensure that staff are motivated and supported in their working environment.
- Staff engagement surveys are conducted to encourage an open, transparent and honest culture. The results of these surveys are presented to the Board and are used in the decision making process to ensure that important issues reflect employee feedback.
- Competitive rewards and remuneration package including base salary, bonus and a suite of flexible benefits including wellbeing support and options. Further details can be found in the Our People section on pages 34 and 35.
- Frontier fosters an environment of connection through support of self-led employee activity groups with interests such as sports, life drawing, board games, women in games and more.

SHAREHOLDERS

- Capital Markets Day event held at Frontiers studio headquarters in Cambridge to provide an interactive event for shareholders to see what we do and to engage with senior members of the development and commercial teams.
- Fireside chats provided to current investors and potential investors presented by the CEO and CFO.
- Twice-yearly roadshow investor events to coincide with the interim and annual results. These roadshows present the financial results and also provide insight to the investors on Company performance.

BUSINESS PARTNERS

- Frontier Foundry is a new initiative developed by the Company to partner with other high-quality developers to bring more games to market. This allows Frontier to utilise our resources and our industry experience to supplement our own roadmap.
- In March 2020 we announced a multi-year exclusive licence with Formula 1®. F1 is one of the most popular global sporting franchises in the world and along with our extensive experience in management games we believe this will deliver a fantastic game experience to a worldwide audience.
- In May 2020 Frontier announced an exclusive licence with Games Workshop to develop a real-time strategy game using the rich and extensive world of *Warhammer Age of Sigmar*. *Warhammer Age of Sigmar* is a globally renowned fantasy setting and we look forward to working closely with Games Workshop to bring this world alive to a wide audience on PC and console.