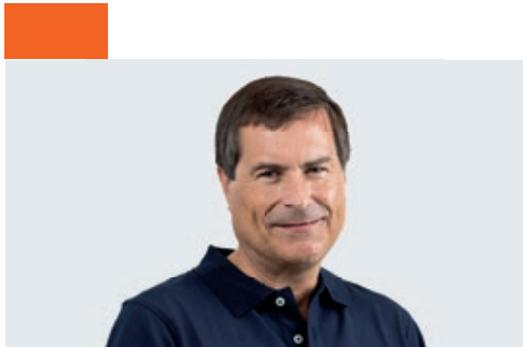


CREATING FRANCHISES



DAVID BRABEN
FOUNDER AND CEO

“I WOULD LIKE TO THANK OUR AMAZING TEAM WHO HAVE ACHIEVED SO MUCH SINCE OUR DECISION TO TRANSITION OUR BUSINESS FOUR YEARS AGO.”

In 2013 we set out our plan to transition the business from work-for-hire to multi-franchise self-publication. The rise of digital distribution was the catalyst for our change, and our extensive experience in the games industry gave us the confidence to make the switch.

Four years later I am delighted with our achievements; we have overcome a number of challenges to transform our business model with two successful franchises, *Planet Coaster* and *Elite Dangerous* already in the market, and more to come. Our next major development, *Jurassic World Evolution*, is progressing well, and is scheduled for launch in summer 2018. I would like to thank our amazing team who have achieved so much since our decision to transition our business four years ago.

THE GAMES MARKET

We operate in an exciting industry. The games market is now the premier form of entertainment worth over \$100bn per year, in the wider \$300bn entertainment industry. That's larger than each of the film, TV or music industries, with the games sector overtaking film in 2017. The games sector is growing fast, increasing at 8% per year, with TV experiencing a decline of 8%.

Today the games market is split into three roughly comparable sectors by revenue: PC, console and mobile. However, the characteristics of each sector are quite different. Frontier has chosen to prioritise the PC and console sectors where audiences value high quality games, and that quality is a key determinant of success. In contrast the mobile sector is overcrowded, so success can be a lot more hit-and-miss.

The whole market is moving rapidly to digital downloads. Mobile and PC are now almost 100% digital, and consoles are at approximately 50% but are quickly moving to digital downloads, as focus moves from older consoles to the new generation, and older business models are gradually replaced.

There are already some very large and well established companies in the games market; for example EA and Activision Blizzard both based in the US, who have a combined value of over \$80 billion. The nature of our industry is change and evolution, and it is interesting to see the rapid development of companies like Valve Inc (with their Steam platform) in the US and Tencent in China, based on their focus on the opportunities that digital distribution presents. It is also clear that the model Frontier has already adopted – supporting our games continually with community and regular updates: essentially 'games as a service' – is working very well,

and has meant that the two franchises already released have continued to perform.

STRATEGY

We believe that publishing our own franchises is the best way to maximise the benefit of our core skills and our assets and our COBRA technology platform. The Company's focus is on developing top quality self-published PC and console titles for digital distribution, as together these segments represent the majority of the available market by revenue. Generally the audiences on these platforms value high quality games, and quality is one of Frontier's key development strengths.

We will also continue to follow our repeatable model; to create further franchises in potentially successful but under-served sectors where we have key expertise and knowledge and/or IP, in order to further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through success in a multi-franchise self-publication business model. Our strategic focus is on two key areas:

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

Further detail is set out in the strategy section of this report, but I'd like to briefly comment on the first area.

CURRENT TRADING AND OUTLOOK

We believe that developing our business to achieve repeatable success requires scale. Over time we aim to double our output, from roughly one major launch every two years, to one every 12 months or so. To do this we will grow our capability to accelerate our progress, although it does not mean we need to double our workforce. We have established a scale-up plan, to expand our team and to invest in facilities and organisational development.

Strong partnerships have always been vital to our success. In our past as a work-for-hire developer we worked successfully with many prestigious industry partners including Atari, Lucasfilm, Microsoft and Sony, and became well-known in the games industry for our development track-record of innovation, quality and delivery.

Our new business model of self-publication has required us to build new partnerships. Our commercial partners now include Valve Inc (with its Steam platform), Humble Store and the distribution channel teams at both Microsoft and Sony; we are also excited to be partnering with Universal on the *Jurassic World Evolution* project.

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

DAVID BRABEN
FOUNDER AND CEO
 7 September 2017

The Board have been encouraged by trading since the year end (31 May 2017). The number of players of Frontier's games continues to grow. In August 2017, *Planet Coaster*, which launched in November 2016, passed 1 million cumulative unit sales, and *Elite Dangerous*, which launched in December 2014, exceeded 2.75 million cumulative franchise unit sales.

We have further expanded the addressable audience for *Elite Dangerous* by launching on PlayStation 4 in June 2017. During the summer *Planet Coaster* and *Elite Dangerous* participated in successful price promotions on our major distribution channels with the Steam and Xbox Summer Sale events. These events were in turn supported by major updates for each game as we followed our strategy of continuing to further enhance the experiences they deliver.

We launched our first in-game Paid Downloadable Content (PDLC) for *Planet Coaster* in July 2017, and announced that *Elite Dangerous 2.4 'The Return'* will be released in September 2017 which supports the on-going story arc related to Thargoids, the franchise's first alien species.

In August 2017 we announced that our third franchise, *Jurassic World Evolution*, will launch in summer 2018 on PC, PlayStation 4 and Xbox One simultaneously.

In 2015, Universal Pictures' *Jurassic World* became one of the biggest blockbusters in cinema history, grossing more than \$1.67billion at the global box office on its way to becoming the third-highest-grossing film of all time. *Jurassic World Evolution* will launch in the year that Universal Pictures' celebrates the 25th anniversary of the original *Jurassic Park* film, and the next chapter of the franchise *Jurassic World: Fallen Kingdom* will be in theatres June 2018.

We anticipate that the next step-up in our financial performance will be delivered by the launch of *Jurassic World Evolution* in summer 2018. The Board currently expect that the majority of initial revenues from this new franchise will fall into the financial year ending 31 May 2019, as the *Jurassic World: Fallen Kingdom* movie is released in June 2018. The Board therefore anticipates that trading in the current financial year, the twelve months ending 31 May 2018, will principally be based on sales from the *Elite Dangerous* and *Planet Coaster* franchises.

The Board is excited about the growth opportunities ahead in the coming years, as existing franchises continue to be strengthened and new franchises are developed and launched. Frontier is developing, evolving and investing in our people, organisational structure and facilities to effectively create, develop, market and sell even more distinct franchises aimed at different audience segments to achieve the Company's ambition to create a self-publishing multi-franchise success story.