ESTABLISHING A SOLID PLATFORM FOR 2018

During 2017, we prioritised volume growth over revenue per capita, a common strategy adopted by other theme park destinations.

DXB Entertainments made significant progress in 2017, transitioning from a project delivery-focused organisation to one that puts the guest experience at its core.

Our financial results for the year ended 31 December 2017 indicate a slow start to our operational launch, with significant momentum building up as we head into 2018. We launched Dubai Parks and Resorts starting 31 October 2016, when LEGOLAND® Dubai opened its doors to guests. The remaining parks and attractions opened in a staggered manner, with the LEGOLAND® Water Park opening on 2 January 2017, and the last rides and attractions opening to the public on 20 October 2017 with the official launch of the world's first 'The Hunger Games' attractions in the Lionsgate Zone at MOTIONGATE™ Dubai.

During 2017, we deliberately targeted volume growth over revenue per capita, a common strategy adopted by other theme park destinations. We believe this is critical in securing our theme parks in the minds of our target visitor markets. We aim to increase visitors and let them experience our world-class destination to tell others about their experience. And for them to make repeat visits.

Therefore, the results of 2017 should be considered as a ramp-up towards our first full year of operations in 2018, with valuable knowledge gained about our guests, stakeholders, and optimal marketing and sales strategy to ensure steady growth in the years to come.

Driving visits and pricing

During 2017, the Company focused on re-shaping the business to build the region's largest leisure and entertainment company.
We agreed a deal with Meraas Holding, our majority shareholder, to manage some of their leisure and entertainment brands including The Green Planet, Hub Zero, Roxy Cinemas, and Mattel Play Town. This agreement adds an additional element to our offering and cements our position as the largest provider of leisure and entertainment in the region. The financial benefit of this agreement is not solely in the management fee, but in the access to direct marketing in the heavy footfall destinations these attractions are located in, and the ability to reach a wider segment of our market.

We have actively pursued strategies to increase footfall to Dubai Parks and Resorts (DPR), through a revised pricing structure which encourages repeat

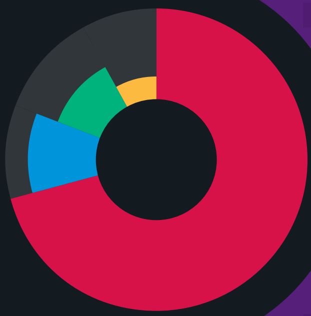
EBITDA loss
(Adjusted)

AED **342m**

Adjusted EBITDA loss for the year is adjusted for AED 80.6 million in pre-operating and non-recurring expenses.

Revenue contribution by segment

Theme parks	71%
Retail revenue	10%
Hospitality revenue	11%
Others	8%



visitation from the GCC resident segment via a GCC resident rate and highly attractive annual pass pricing to attract UAE residents. As with any theme park business, the residents in close proximity markets provide the parks with a steady stream of visitors and help drive visits from visiting friends and relatives.

Dubai Parks and Resorts achieved close to 2.3 million visits in 2017, approaching 796,000 visits in the last quarter of the year, a 66 percent increase over the third quarter of 2017, demonstrating that our new strategy is working. December was a record month in terms of monthly and daily visitation, and we expect that it will help us start the new year with positive momentum.

Our priority for 2017 was driving footfall to the parks, which will continue into 2018. Our per caps have come down over the course of the year, which reflects a lower pricing strategy. The focus is therefore to identify upselling strategies and increase in-park spend to gradually drive per caps up.

We have started to incentivise tour and travel operators through attractive commissions and ticket bundling, to make our DPR package offer more attractive.

While this will impact the yield from our B2B channel, it is a planned move and part of a long-term strategy for this important market segment. The ticket prices for non GCC residents remains comparable with global theme park operators, and as this segment continues to rise we expect to see a positive impact on our per caps and revenues.

Cost optimisation and revenue drivers

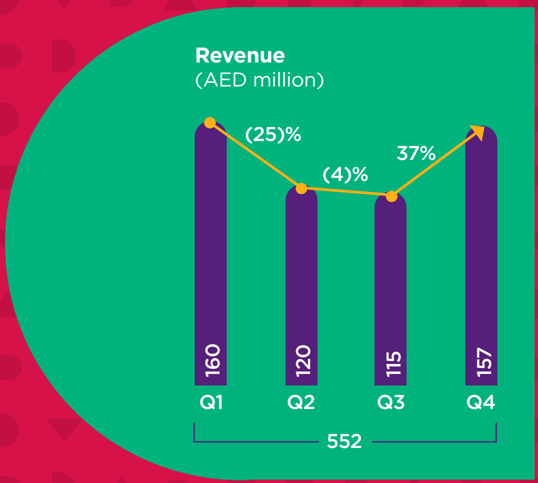
2017 has seen us getting control of the business's finances as we moved from launch to operations. We examined our cost structure in terms of 'fixed cost' and 'variable cost', the objective being to make the structure less rigid, for example, by outsourcing non-essential functions to third-party operators, where possible.

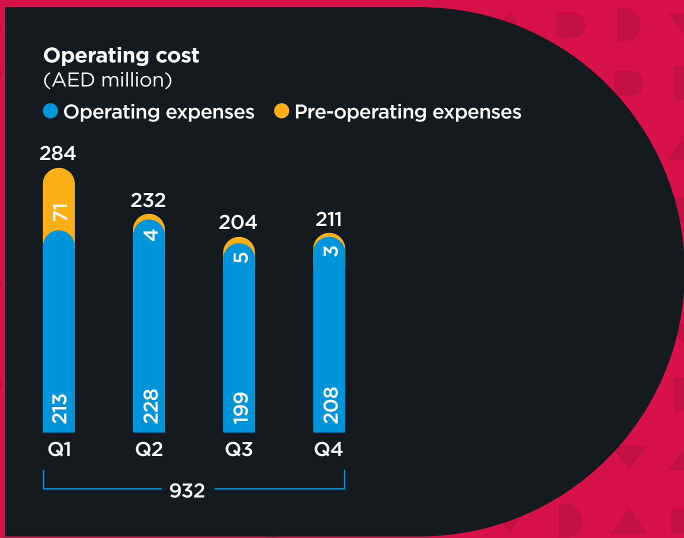
Having joined DXB Entertainments in July of 2017, I have been actively targeting an operational cost optimisation to improve EBITDA. Our results demonstrate how we continue to stabilise the financial performance of the business and are improving EBITDA. EBITDA loss for the year was AED 422 million, with fourth quarter EBITDA loss at AED 70 million. When adjusted for pre-operating and non-recurring expenses, this is a loss of AED 342 million for the year.

Pre-operating expenses relate to expenses incurred during the project delivery phase of the business and form part of the total project delivery budget. In 2017 we incurred pre-operating expenses as we continued to deliver rides and attractions during the first 9 months of the year. These are non-operational costs and are fully funded from the original equity and debt raised.

The largest component of our operating cost remains salaries and staff expenses, which account for 42 percent of the AED 932 million in operating costs for the year. Sales and Marketing, and Utilities are the other largest contributors of operational costs. In order to continue managing our cost base, we are exploring options such as rostering and hiring staff on short-term contracts.

Operating and owning multiple leisure and entertainment assets gives us three distinct revenue drivers. We expect that our theme park business will deliver close to 70 percent of our revenues: in 2017 the theme parks generated AED 390 million of revenue, of which 71 percent was through admissions at a blended theme park revenue per cap of AED 171.





In 2017, we generated AED 53 million from Retail revenue, mainly from Riverland™ Dubai, the retail and dining destination at the heart of Dubai Parks and Resorts. 57 percent was generated from leasing out 84 percent of the available space to third-party tenants, and 43 percent was generated from operating ancillary services in the destination. Due to the seasonality of the business, we have chosen to provide our tenants with rent relief during the peak summer months, and so the second and third quarters of the year delivered slightly lower yields.

Hospitality revenue is driven by the Lapita™ Hotel and was AED 61 million in 2017, of which 70 percent comes through accommodation revenue, with an average occupancy rate of 35 percent and an average daily rate of AED 677 for the year. The fourth quarter results indicate a steady increase in occupancy, which rose to 48 percent during the last quarter of the year. This is an encouraging trend, but does come at the expense of theme park admission revenue as tickets are bundled into the room rates.

It is important to address seasonality and to stress it is not particular to hot countries, but to theme parks everywhere. Ours is a seasonal business, so the impact of seasonality should be accepted as reality. One of the important lessons of 2017 is that Q1 and Q4 emerged as key quarters for visits and revenue.

The new VAT regime that came into force on 1 January 2018 has already been factored into the new winter season ticket prices, which we expect to have a marginal impact on our margins.

Debt management and funding

The operating loss for the year, excluding depreciation and amortisation, was AED 445 million with the loss for the year, including depreciation and amortisation, of AED 1,116 million. Depreciation accounts for AED 478 million, and the remaining non-operating losses relate to debt servicing of AED 237 million. It is important to note that with Six Flags Dubai and the LEGOLAND® Hotel due to open in 2019, the business will continue to report losses that not only include depreciation but also pre-operating expenses relating to these two assets currently under construction.

Therefore, we are focusing on our EBITDA margins as an accurate reflection of our operational performance.

To manage our working capital requirements and debt service, during the year we received an AED 700 million unsecured subordinated shareholder loan from our majority shareholder, Meraas Holding. The terms of the loan were approved by our shareholders at the General Assembly held in November 2017. In early 2018, the Board of Directors, subject to the necessary shareholder and regulatory approvals, approved taking on an additional AED 500 million and rolling the combined AED 1.2 billion into a convertible debt instrument, with interest payable at maturity, which will give the business sufficient liquidity as we move towards EBITDA breakeven.

We actively looked at our debt structure and received overwhelming support from our financing partners to realign the key terms of the AED 4.2 billion debt used to finance Phase I of Dubai Parks and Resorts. We agreed a waiver on the covenant testing that was due at the end of the year, and in early 2018 received further support with an agreement to realign the principal terms of the debt, including a 3-year moratorium on principal payments and covenant testing.

	Q1 2017		Q2 2017		Q3 2017		Q4 2017		2017	
Visits	586,355		414,457		478,987		795,746		2,275,545	
AED millions										
Revenue	160		120		115		157		552	
Theme Park Revenue	**127**	**79%**	**85**	**71%**	**68**	**59%**	**110**	**70%**	**390**	**71%**
Revenue per capita	216		206		142		138		171	
Admissions	67%		64%		57%		59%		62%	
In-park spend	23%		26%		33%		30%		27%	
Others	10%		10%		10%		11%		11%	
Retail Revenue	**19**	**12%**	**8**	**7%**	**11**	**10%**	**15**	**10%**	**53**	**10%**
GLA leased	84%		84%		84%		84%		84%	
Leasing	61%		29%		52%		73%		57%	
Non-leasing	39%		71%		48%		27%		43%	
Hospitality Revenue	**10**	**6%**	**11**	**9%**	**15**	**13%**	**25**	**16%**	**61**	**11%**
Average occupancy	22%		27%		42%		48%		35%	
Average daily rate	749		590		523		831		677	
Accommodation	70%		64%		69%		74%		70%	
Other	30%		36%		31%		26%		30%	
Other Revenue	**4**	**3%**	**16**	**13%**	**21**	**18%**	**7**	**4%**	**48**	**8%**

Strong balance sheet

We have a strong balance sheet with liquidity secured thanks to the debt realignment agreed in early 2018, as well as the additional funds secured from our majority shareholder, Meraas Holding.

The first principal payments are now due in 2021. The realignment further enhances our liquidity profile and strengthens our balance sheet in the coming years.

We remain very grateful to our principal shareholder and our financing partners for maintaining their conviction in the long-term growth prospects of the business, and for providing us with the required support for the Company to focus on the operations of the business.

Outlook

In many respects, 2017 was a trial run for establishing a solid platform for 2018. We have identified the issues and have a far better understanding of the market dynamics. A new operationally geared management team is now in place, but the new strategies implemented during the second half of the year will take at least six months to yield positive results. So it is on our 2018 performance that we should really be assessed.

We have a strong balance sheet with liquidity secured thanks to debt realignment agreed in early 2018, as well as the additional funds secured from our majority shareholder, Meraas Holding.

Our future projects are fully funded, but we will continue to see an impact on our cash flows in 2018 and 2019 as we release retentions from Phase I and incur CAPEX for Phase II, neither of which impact our underlying operational performance.

Depreciation will continue to impact our reported losses in the coming years, with over AED 490 million of depreciation for 2018. This is a non-cash expense and we therefore focus on EBITDA improvement as an accurate measure of our operations.

We have the experience and collective will to make DPR successful during its first years of operations and ensure steady growth in the years to come.

This, allied to a world-class product that is unique to the region, gives us grounds for optimism as we move into 2018.

John Ireland
Chief Financial Officer