The Board of Directors of DXB Entertainments PJSC (the Company) and its subsidiaries (collectively the Group) is pleased to present the consolidated financial statements as at 31 December 2017.

We are happy to report that Dubai Parks and Resorts, our largest asset, recorded close to 2.3 million visits during 2017. While the trends and progress seen across the year are promising, it is important to note that our financial results for the year ended 31 December 2017 reflect the staggered opening of Dubai Parks and Resorts, starting from the end of 2016 and ending on 20 October 2017 when the last rides and attractions were opened to the public. Therefore, while we are pleased with our progress, we do not believe that 2017 is reflective of our full operational potential.

Key Milestones:

Operationally 2017 was a shift from project delivery to operations and as the Company made this transition, the Board of Directors appointed Mohamed Almulla as the new CEO. Mohamed has decades of experience managing media and entertainment companies, and was most recently the CEO of the Arab Media Group, which oversees one of the largest outdoor leisure attractions in the UAE, Global Village.

The appointment of a new CEO was complemented with a change in senior management to reflect the experience and expertise required for the successful operation of the Company. The new management team is composed of industry experts with experience in operating leisure and entertainment assets, business transformation and marketing.

In August we reached an agreement with our majority shareholder, Meraas, to manage their portfolio of family entertainment centres and cinemas located in the popular Dubai destinations of City Walk, Box Park and The Beach. The agreement gives us an additional revenue stream from the management fees, but more importantly gives us the ability to cross-sell and market the Dubai Parks and Resorts offering with complementary leisure and entertainment experiences. We are proud to now manage a total of 16 leisure and entertainment experiences across the city of Dubai, making us one of the largest listed leisure and entertainment companies in the region.

We continue to receive further support from Meraas, who has agreed to provide us with an AED 700 million subordinated shareholder loan to facilitate debt servicing and fund working capital requirements. The loan was approved by our shareholders at the General Assembly in November 2017.

In the last month of the year, we received additional support from our financing partners, who agreed to waive the covenant testing that was due at the end of the year. We are very encouraged by this continued support from our partners, which indicates they continue to believe in the long-term prospects of the business.

During the year, the Company received shareholder approval to implement an Employee Share-based Incentive Plan for its employees. After careful consideration, the Board of Directors of the Company decided that the programme could not be implemented as intended and received approval to cancel the programme at the General Assembly held in November 2017.

The composition of the Board of Directors changed during 2017, increasing to 9 members following the approval of the General Assembly in April, and then decreasing to 7 members following the reconstitution of the board for a new 3-year term after the General Assembly held in November. The newly elected board includes our first female director, something that gives us great pleasure as we remain committed to diversification across the organisation. Finally, during the year we also saw a change in the Company Secretary when Ms Tessa Maree Lee took over the responsibility from Ms Jean Fitzgerald.

Operations:

Transitioning the Company from project delivery to customer-focused operations was the overarching strategy for 2017. The Lapita™ Hotel and the LEGOLAND® Water Park opened to the public on 2 January 2017, thereby completing the delivery of the different components of the Dubai Parks and Resorts destination. The complexity of delivering the over 100 rides and attractions that are spread across the destination delayed the full opening of the parks, and so the first nine months of the year each park progressively reached completion as the remaining rides and attractions were delivered, with the last one being delivered on the 20th October 2017 when The Hunger Games attractions were opened to the public in the Lionsgate zone at MOTIONGATE™ Dubai.

In August the Company announced a new strategy for the 2017/2018 period. The strategy focused on increasing repeat visitation from the UAE and GCC resident market with the introduction of an attractive resident offer and a compelling annual pass price. The revised pricing strategy was complemented with an enhanced sales and marketing strategy which aims to use more effective marketing mediums such as radio and social media, which are both more cost-effective and have a higher impact.

The staggered opening of the parks has of course had an impact on our visitor numbers. We continue to target the international tourist segment in key source markets such as India, China, Russia and the UK, but as with any business it takes time for the results to show. We are lucky to be able to partner with the UAE's very well-established tourism infrastructure with the help of our partners, such as Emirates, flydubai, the Jumeirah Group and others, to leverage their reach and attract new visitors to the parks.

We have already seen a positive impact from the implementation of the new strategy, with an increase in visitation numbers and positive feedback received from guests. Total visits during the year approached 2.3 million, with the fourth quarter delivering close to 796 thousand visits, an increase of 66 percent compared to the third quarter. December 2017 was a record month, clearly demonstrating our new strategy is working, and delivered the highest daily visitation to date, with an average of over 20,000 visits in the last 10 days and peak daily visits approaching 27,000.

With the experience gained from operating the destination in the first half of the year, and with a focus on cost optimisation, the management team successfully identified the optimal staff mix to deliver an enhanced customer experience, including the language and technical skills required to operate the largest integrated theme park destination in the region.

Our staff numbers have decreased accordingly from 3,184 at the end of 2016, to 2,244 at the end of 2017. This reduction is both a factor of the large project delivery team being phased out as well as more efficient staff rostering to optimise our costs. We believe we now have the optimal employee mix to deliver enhanced financial results going forward.

Financial Overview:

The financial results of 2017 reflect the staggered opening of Dubai Parks and Resorts to the public and should not be considered reflective of the full operational capabilities of the destination.

The Group recorded AED 552 million in revenue during the year ended 31 December 2017 with AED 390 million being driven by the theme parks, AED 61 million by the Lapita™ Hotel, and AED 53 million from Retail. Theme park revenue will rise as we attract higher visitor numbers, but will continue to reflect the lower pricing strategy.

Total visits

2.3m

We are happy to report that Dubai Parks and Resorts, our largest asset, recorded close to 2.3 million visits during 2017.

Agreement to a subordinated shareholder loan with Meraas

AED 700m

We continue to receive further support from Meraas, who has agreed to provide us with an AED 700 million subordinated shareholder loan to facilitate debt servicing and fund working capital requirements.

We are proud to now manage a total of 16 leisure and entertainment experiences across the city of Dubai, making us one of the largest listed leisure and entertainment companies in the region.

Transitioning the Company from project delivery to customer-focused operations was the overarching strategy for 2017.

The Lapita™ Hotel revenue is a function of its occupancy rate, which continued to rise steadily over the year, averaging 35 percent occupancy with an average ADR of AED 677, ; however, December, which was a record month, saw occupancy reaching 67 percent with an average ADR of AED 718. In Retail, most of our revenue comes from leasing Riverland™ Dubai to third-party tenants and during the summer we decided to offer rent relief to mitigate the decrease in visitor footfall, a strategy we are likely to continue in 2018.

Ours is a seasonal business and we will continue to see better performance during the cooler winter months, with lower visitation during the second and third quarter of the year. Therefore, quarterly fluctuations in revenue and visitor numbers are the normal course of our business and are factored in to our operations.

The loss for the year ended 31 December 2017 was AED 1,116 million. Our operating cost for the year was AED 932 million which is an improvement of close to 40 percent compared to our original target, and we are therefore happy to report that our operational cost optimisation exercise has been successful with care taken not to impact the customer experience.

Our operating cost has improved quarter on quarter, reaching AED 211 million in the last quarter of the year compared to AED 284 million in the first quarter of 2017, which is an improvement of over 26 percent. It is also important to note that loss for the period includes the non-cash expenses of AED 478 million in depreciation, which is natural for a project of this scale and which cost AED 10.5 billion to construct, as well as pre-operating expenses relating to the delivery of some of the rides and attractions in the first 9 months of the year. Phase II of Dubai Parks and Resorts, which includes Six Flags Dubai, is fully funded as is and the LEGOLAND® Hotel both due to open in 2019, and the operating cost of building these projects will continue to be reflected in our financial performance for the coming years.

Therefore, a better measure of our financial and operational performance is EBITDA, which excluding depreciation and interest costs shows a loss of AED 422 million for the year, with the losses decreasing each quarter, from an AED 138 million loss in the first quarter to an AED 70 million loss in the fourth quarter. When further adjusted to reflect expenses incurred in the pre-operating phase and non-recurring costs, EBITDA improves to an AED 342 million loss for the year.

Total assets at the end of 2017 stood at AED 12.1 billion, primarily comprising AED 10.2 billion in property and equipment, investment properties, inventories and trade and other receivables, in addition to AED 1.9 billion in cash and other financial assets. As at 31 December 2017 we had drawn down the total AED 4.2 billion banking facility for Phase I but had not drawn down on the AED 993 million available for Six Flags Dubai.

Looking ahead:

The principal focus for the Company in 2018 is to continue driving footfall to our parks and to increase the international tourist contribution to our total visitor numbers. With all our initiatives and the trends seen at the end of year, we are optimistic about 2018, which will be our first full year of operations.

Our sales and marketing efforts will continue in our key international source markets, with more emphasis on partnerships with the likes of Emirates, flydubai, the Jumeirah Group as well as with the DTCM.

We are also focused on the guest experience across our destination to ensure that we continue to deliver enhanced customer service to encourage repeat visitation. With Six Flags Dubai and the LEGOLAND® Hotel due to open in 2019, we are also focused on our construction efforts to ensure we deliver on time and on budget.

We are pleased to advise our shareholders that the Company successfully concluded the re-alignment of its Phase I bank facility in early 2018, and has agreed a 3-year moratorium on principal repayments and covenant testing, as well as the re-phasing of the existing amortisation schedule, which will enable the Company to maintain sufficient liquidity to meet its operational working capital and debt service as the operations reach a steady state.

Subsequent to the year end, and to meet working capital requirements, replacement and routine capital expenditure and debt servicing through to cash flow breakeven, the Board of Directors of the Company has recommended to enter into an agreement with Meraas to provide total financing of AED 1.2 billion in the form of a convertible instrument. The existing AED 700 million subordinated facility, approved by the shareholders in November 2017, will be rolled forward into the convertible. This will be presented to shareholders for approval at the General Assembly in April 2018.

Finally, we would like to take this opportunity to thank our financing partners, Meraas and our other shareholders as well as the Government of Dubai and the UAE Federal Authorities for their continued support in ensuring that we can deliver on our target to reach profitability.

Abdulwahab Al Halabi
Vice Chairman

Mohamed Almulla
Managing Director