

SETTING NEW LEISURE BENCHMARKS



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Dubai Parks and Resorts opened to the public on 31 October 2016, when LEGOLAND® Dubai and Riverland™ Dubai officially opened to guests. We subsequently opened the remaining assets in a staggered manner, with Bollywood Parks™ Dubai opening on 17 November 2016; MOTIONGATE™ Dubai on 16 December 2016; the LEGOLAND® Water Park and Lapita™ Hotel on 2 January 2017. Operationally, we opted to stagger the openings to give us time to adapt from the knowledge gained from each opening and to help us better train park employees to respond to the unique customer culture of the United Arab Emirates.

With each opening we learnt valuable lessons in customer service, operating multiple parks, staff rostering, and optimal ride maintenance and operation schedules. While all assets had opened by the first week of 2017, rides and attractions continued to be delivered to our guests during the first three quarters of the year, and culminated with the launch of the first The Hunger Games attractions being unveiled to the public on 20 October 2017.

Therefore, 2017 was a year of staggered operation that allowed us to gain understanding of our consumer behaviour and tastes, visitor trends, and how to adjust our operations to accommodate the seasonality of our business.

Theme Parks

The launch of the region's first integrated theme park destination in the fast-growing and dynamic city of Dubai heralded a new era of leisure and entertainment in the growing UAE theme park sector.

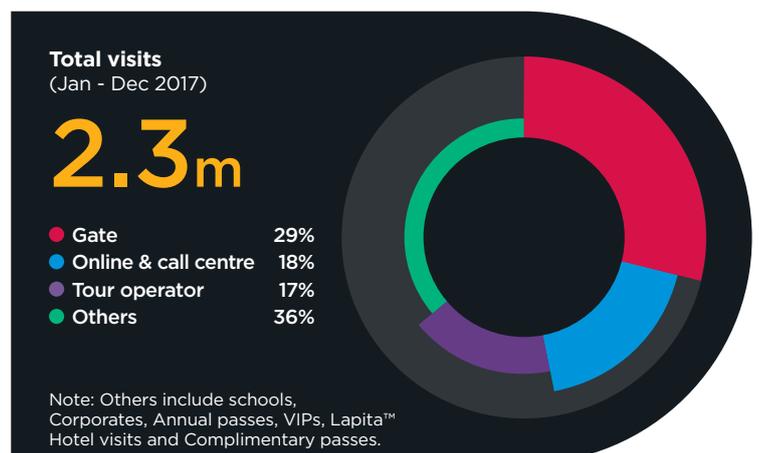
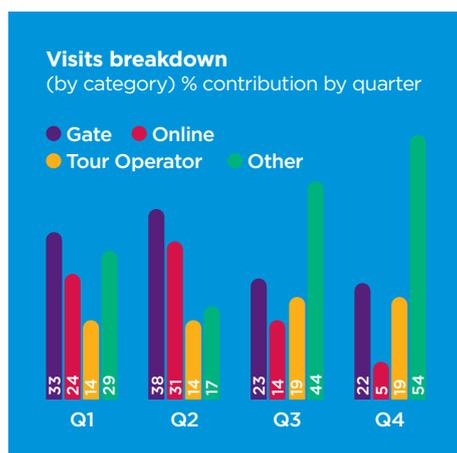
Dubai Parks and Resorts is a unique destination with three theme parks and one water park within walking distance of each other. Each park and each attraction has been carefully selected to appeal to a wide audience, with a special focus on family entertainment.

Operationally, it was a successful year despite some of the initial challenges associated with a young business as we went through a ramp-up in operations, adjusted our operating hours to suit the regional culture, experimented with rostering schedules to better service our peak times, and refreshed our in-park food, beverage, and merchandising offering.

Safety is of paramount importance to our business and we are proud to work with world-class operators such as Merlin Entertainments and Parques Reunidos, who can draw on their decades of theme park experience to ensure the health and safety of our guests. We are therefore happy to report that 2017 was a year of safe operations, with a commitment from our employees and operators to put the safety of our guests before everything else – a standard of operations we continue to strive for as we move forward.

Operating through seasonality

Dubai Parks and Resorts has been designed as a year-round destination and to accommodate our guests during the heat of the summer months, through air-conditioned queuing systems, numerous indoor attractions and zones, short walking distances between attractions, and shading and cooling systems spread across the parks.



As we head into our first full year of operations, we are confident that we have gained valuable insights into attendance patterns and consumer satisfaction to better enable us to provide a comprehensive guest experience.

During the cooler winter months, we expect attendance to be higher than the hotter summer months as the mild temperatures of the UAE attract higher inbound tourists, as well as increasing outdoor activities for the residents. We experienced a positive start to the year but due to a much wetter than anticipated February, followed by a few weeks of dusty conditions, we learnt that operating during the winter months comes with its own set of challenges.

As we approached our first summer, we implemented a comprehensive summer strategy to offer a more comfortable guest experience. We adjusted our operating hours, with the LEGOLAND® Water Park opening at 10 in the morning with temperature-controlled water providing relief from the heat. We operated the remaining theme parks starting at 4 in the afternoon with late evening closing times, allowing our guests to avoid the peak heat of the afternoons.

Our summer operating hours were complemented with increased shading structures and misting fans spread across the parks and at the key guest arrival centres. To help facilitate guest movement across the destination, we increased our destination-wide transportation network by providing tram and buggy services directly to the park gates. However, due to an unforeseen vendor glitch we were unable to provide air-conditioned transportation, which remains a vital part of our summer strategy going forward.

The holy month of Ramadan coincided with the peak summer months, and with the observing residents and tourists breaking their fast at sunset, we opted to keep the parks open later into the evenings during the weekends.

In the last few months of the year, we went back to winter operating hours and ramped up our operations in anticipation of higher attendance figures. December proved to be our busiest month with local school holidays coinciding with the global festive season. On our busiest days we peaked at close to 27,000 visits a day.

The seasonality of our business remains an operational challenge, both from a transportation infrastructure perspective and, more importantly, in how we manage staff rostering to manage the divergence between our peak seasons and off-peak seasons, as well as weekends vs weekday attendance. As we head into our first full year of operations, we are confident that we have gained valuable insights into attendance patterns and consumer satisfaction to better enable us to provide a comprehensive guest experience.

Guest experience and visitor trends

Dubai Parks and Resorts has been designed to attract UAE's residents and tourists. The parks and their attractions have been chosen to complement each other and to provide an offering that suits the tastes of the residents and the key inbound tourist source markets to Dubai.

In 2017, we conducted a comprehensive study to assess the 'guest experience', using surveys at more than 50 touch points, from the time a guest learns about DPR until they leave the park, to identify ways to further enhance our offering. We have learnt valuable lessons in perceived value, transportation preferences of guests, and optimal opening hours and queuing times.

We are actively working on our parking and transportation options, in-park offering as well as refining our Q-Fast option, a service for those who are time-sensitive rather than price-sensitive, to beat the queues and get to the attractions more quickly.

In terms of transportation, paying for parking has been a source of customer dissatisfaction and we have therefore opted to provide free parking to our annual pass holders. We have also increased our shuttle bus service from more than 50 hotels to offer a pick-up and drop-off service to our guests. Recently, we reached an agreement with the Roads and Transport Authority (RTA) to provide a shuttle bus service from key nearby metro stations.

Building awareness of our unique destination, both with the UAE resident market and international destination, has been a key focus in 2017. Our initial plans for the destination assumed that close to 70 percent of our guests would be tourists, largely driven by a growing inbound tourist segment who would be approached through tour and travel partners in the key source markets of the GCC, India, the UK, Russia, and China.

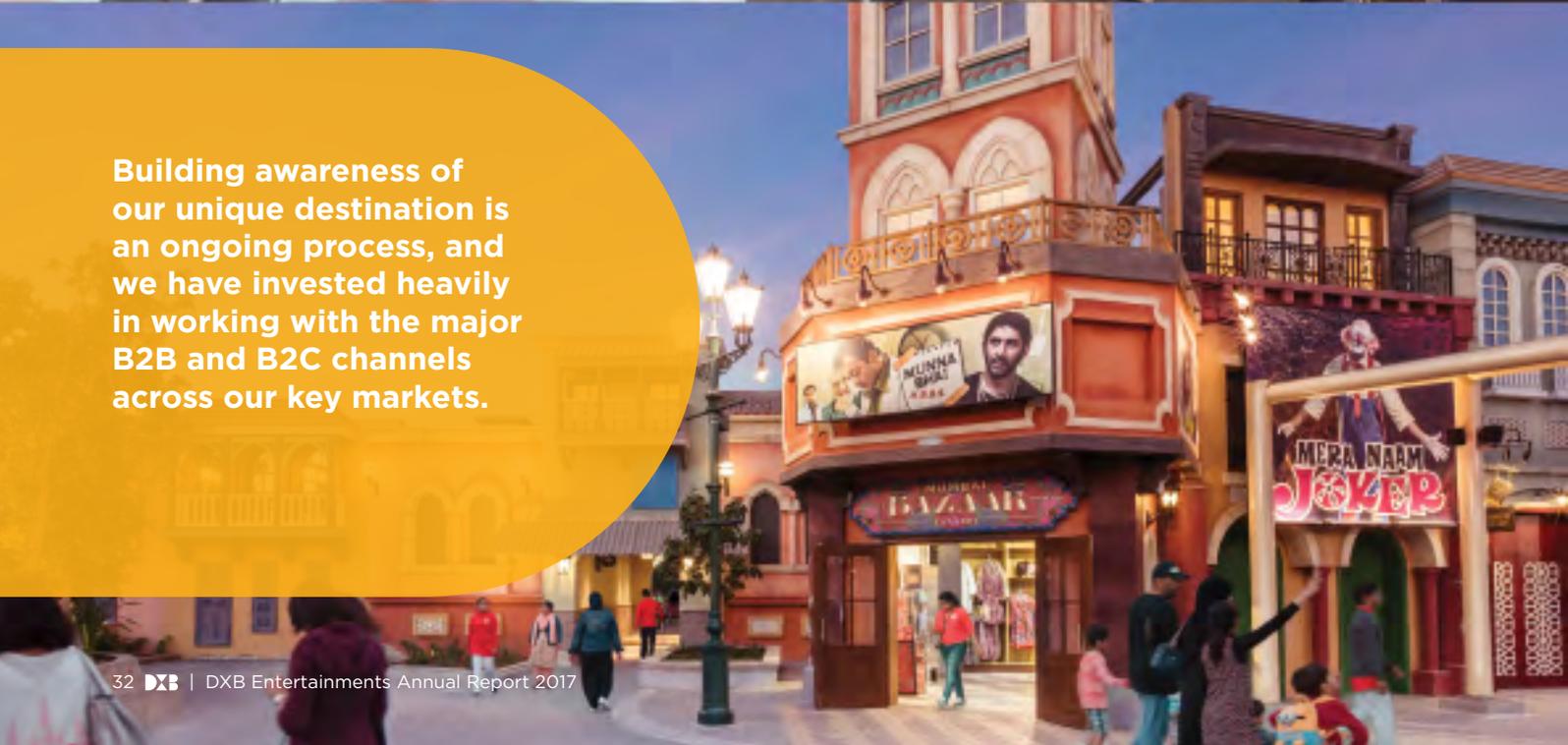


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Building awareness of our unique destination is an ongoing process, and we have invested heavily in working with the major B2B and B2C channels across our key markets.



We learnt that GCC residents prefer to plan their Dubai holidays independently of tour and travel agencies, and therefore decided to treat GCC residents as UAE residents by targeting them with direct consumer marketing in their markets and with a special GCC resident pricing offer. Our strategy for the local and GCC market is based on segmenting our offer with greater focus on digital channels and social media, through influencers and bloggers, whose ability to attract followers on the back of their own experiences increases exposure for DPR. The focus is on maximising marketing effort, rather than minimising marketing spend.

In September, we launched a new pricing strategy. After a period of fluctuating prices and tactical offers, which created a 'wait and see' mentality that held back potential visitors, the pricing strategy aimed at providing one price point for all parks and to keep it consistent for the winter season. The headline ticket price was simplified to one single price for each park at AED 235 for MOTIONGATE™ Dubai, LEGOLAND® Dubai and LEGOLAND® Water Park, and Bollywood Parks™ Dubai at AED 135. We also launched a GCC/UAE resident offer at AED 165 per park (Bollywood Parks™ Dubai at AED 95).

In coordination with our theme park operators, we also decided to relaunch our annual pass offer at a competitive rate, aiming to build support from our core resident market.

As with most international theme park destinations, annual pass holders provide a valuable repeat visitor base to the parks and help drive visits from their visiting friends and family. With the new annual pass offer starting at AED 275 for one park, our annual pass sales increased exponentially and over 60 percent of the annual passes sold have been the multi-park annual pass at AED 525.

Major campaigns in Europe, India, Russia, and China

We have devoted considerable resources to understanding the cultural aspects of how different nationalities treat their vacation. The seasonal campaigns reflect this, and we believe that their broad appeal will drive additional UK, Chinese, Indian, and Russian visitors to the destination. We therefore have a team of dedicated sales people focusing on each of these markets, and together with multiple tour and travel agencies, we have actively increased our marketing presence and sales efforts in our target markets during the year.

The Russian market remains key as Russian tourism to Dubai grew by 121 percent in 2017. Following a steady decline in Russian tourism to Dubai in 2015, flights have resumed from major cities such as Moscow and St Petersburg and the regional hubs. flydubai is undertaking a major business drive in the country, which has significant population centres only 3 to 6 hours from Dubai by air.

India is the largest inbound tourism market to Dubai, and has increased over 2017 as nationals with residence visas in the EU and US are granted visas on arrival.

And, with some key cities about 3 hours' flight from Dubai, we are uniquely placed to develop short break packages, many with Bollywood Parks™ Dubai as the centrepiece attraction. While our efforts to attract this segment are ongoing, we are happy that 8 percent of our 2.3 million visits came from the Indian subcontinent.

With China, we have found that senior travellers prefer to travel in groups, and due to the size of the market we chose to focus on southern China in 2017. We will continue to work with travel agents and specialist package operators to tap into this growing market, as well as appealing to the new generation of travellers who are more tech-savvy, and tend to book their flights, hotels, and attractions online.

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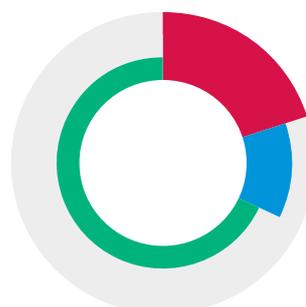
With the ability to plan ahead for a full operational year, and to factor in issues such as seasonality and the need to boost mid-week traffic, we are focused on seasonal campaigns – covering winter, spring, and autumn – that address the seasons and holidays in our target markets.

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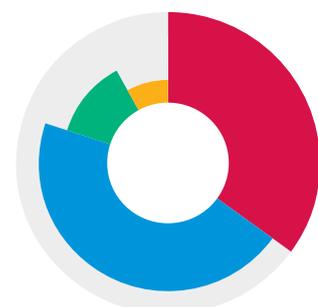
Annual passes sold (by ticket type) (Jan - Dec 2017)

● Single park	20%
● Two parks	12%
● All parks	68%



Visits breakdown (by ticket type) (Jan - Dec 2017)

● Single park	35%
● Multi-park	45%
● Annual pass	12%
● Complimentary	8%



In 2017, DXB Entertainments added five Leisure and Entertainment offerings to the assets it manages.

Retail and Hospitality

The Lapita™ Hotel, our Polynesian-themed on-resort family hotel, opened to the public on 2 January 2017 and went through a ramp-up period during the first half of the year. Average occupancy for the year was 35 percent, with fourth quarter average occupancy at 48 percent, and a record 90 percent average occupancy during the last week of the year.

With over 500 rooms, and more than 80 percent of guests staying in the hotel visiting the theme parks, we believe this is a great opportunity to drive increased footfall. While the occupancy trends over the year are positive, one of our ongoing operational challenges is to manage fluctuating weekend vs weekday occupancy with manpower needs, but we expect this to stabilise once the hotel is fully established as a destination.

To ensure more consistent occupancy, together with Marriott, the operator, we are actively working on increasing alliances with tour operators and better integrating Lapita™ Hotel with the theme parks, for the international market.

Repositioning Riverland™ Dubai

Riverland™ Dubai was initially positioned as a gateway to the Dubai Parks and Resorts theme parks, providing guests with dining and retail options pre or post their theme park visit.

During 2017, we repositioned Riverland™ Dubai to become a destination in its own right to increase weekend and weekday resident visits. During the winter season, we launched our weekly Friday night firework spectacular, as well as a packed winter schedule of celebrations such as UAE National Day, Diwali, and Chinese New Year.

These events are supported by regular free concerts and events such as Extreme by the River, Fairytale by the River, and Festive on the River,

We have had an encouraging response to the action-packed programme, and are confident that by cementing Riverland™ Dubai as a destination, we can boost visits to the surrounding theme parks.

Leasing in Riverland™ Dubai

At year end, 84 percent of Riverland™ Dubai's space had been leased, but due to lower than expected footfall certain leased units remain non-operational. In order to support our tenants, we introduced rent relief during the summer period and continue to work closely with them to ensure higher visitor numbers through free events at the destination.

Building a long-term business model with our Riverland™ Dubai tenants, which includes flexibility over rent and seasonal operations, is a key element in our plans for 2018 and beyond. We will continue to evaluate our F&B and retail model, and focus on marketing Riverland™ Dubai as an entertainment hub, while driving additional footfall to other attractions.

We are also currently reviewing the tenant mix, to identify further opportunities to increase footfall to Riverland™ Dubai through unique attractions and concepts.

During the year, we were also successful in capitalising on some of our own brands such as Al Mashowa, the Emirati seafood restaurant located in Riverland™ Dubai, by finalising a franchising agreement. The second Al Mashowa restaurant opened in popular retail and dining destination City Walk at the end of the year.

Family Entertainment Centres

In 2017, DXB Entertainments added five leisure and entertainment offerings to the assets it manages. The rationale for establishing Family Entertainment Centres (FEC) under the DXBE umbrella was to capitalise on the marketing, management, and cross-promotional synergies that exist between DPR and the entertainment experiences we now manage on behalf of our majority shareholder, Meraas Holding.

The FEC experiences are located in high footfall areas, integrated into the popular retail and dining destinations of City Walk, The Beach, and BoxPark with wide appeal to residents and tourists. The FEC market is a growing market in the UAE, with most malls providing a differentiating entertainment experience to supplement their typical retail and dining tenant mix, and continue to be anchor tenants within popular malls.

With the increase of FECs in the UAE, there is a noticeable gap in FEC operators, and DXB Entertainments is therefore uniquely positioned to leverage its operational experience to add value to this market segment. Our growing reputation for successfully creating and managing leisure and entertainment experiences has sparked considerable interest, and our aim is to become the operator of choice for the pipeline of FECs that are currently under construction in the Emirates.

While our operational history of the FEC segment is confined to the last quarter of 2017, we have already implemented a number of strategies to increase footfall to the assets, which includes changing the retail and F&B offerings, refreshing the experience where necessary, and concentrating on enhancing the range of experiences on offer.



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We have realigned our sales effort, and centralised our sales team, to cover tour and travel and B2B in terms of schools and groups, a growing market for DXBE's 'edutainment' offer. Online travel agencies (OTA) are featuring more strongly and will be a major area of focus for us in 2018.

The FEC segment offers a wide range of experiences suitable for all ages: Hub Zero is an indoor gaming centre offering high-tech VR, 3D experiences as well as a state-of-the-art gaming centre; Mattel Play Town is a soft play edutainment experience targeting younger children; and the Green Planet is a biodome offering both an educational and exciting habitat for tropical species. Additionally, we are also managing Roxy Cinemas, a cinema chain with over 25 screens in three different locations.

Together, these assets offer us exposure to a growing market segment, the ability to cross-promote and market across high footfall areas, driving synergies with our core theme park business.

Outlook

Our long-term strategy is to market DPR as a resort destination, and it is important to remember that building a loyal customer base and brand recognition take time. With more hotels and attractions in the pipeline, it is still early days, but we believe we are poised to become a key player in Dubai's tourism offer in the years ahead.

Our marketing strategy for 2018 will focus on driving repeat visits from GCC residents and more direct targeting of international tourists. We will continue to focus on both pre- and post-arrival campaigns with key partners.

Our close partnerships with DTCM, Emirates, the Jumeirah Group, and flydubai will be vital to increasing our international visibility in key inbound tourist source markets.

In addition, we will continue our ongoing cooperation with schools, companies, government organisations, hotel travel desks, and intermediaries throughout the Emirates, to drive additional footfall locally and from the wider GCC. The Meetings, Incentives, Conventions, and Exhibitions (MICE) market is also potentially key to boosting our critical mid-week performance. We are targeting high-profile corporates to host corporate events, and sales conventions in DPR, and have introduced weddings at the iconic Rajmahal Theatre in Bollywood Parks™ Dubai.

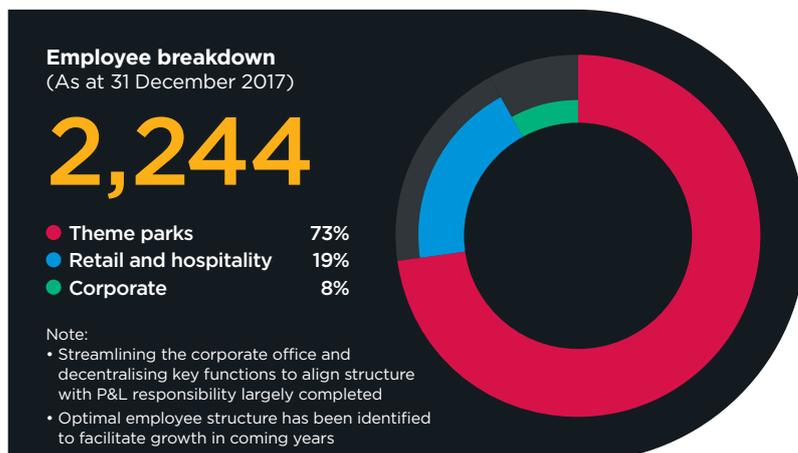
Growing our already large loyalty base of annual pass holders has put us on full alert to launch initiatives that will directly and beneficially impact those members, such as innovative offers, discounts on live events, and early bird rates.

We will continue to expand on our cross-promotional abilities, focusing on activities collaborating with the FEC attractions, so that consumers and guests have something unique to experience and purchase.

Party groups, particularly birthday parties, have been earmarked as a major growth area. Our goal is to take ownership of this segment - given our capacity and expertise in hosting events - and then to expand into the corporate sector.

We plan to tackle the reality of seasonality head-on, which we regard as a major opportunity - as the UAE does not shut down in the summer months. Customer feedback immediately post-opening highlighted the problem of getting visitors from the parking areas to the attractions, particularly in the hot summer months. We will be looking at ways to improve customer experiences in this area. Pricing and timing will also be under the spotlight, partly to reflect that the operation is divided into winter and summer, and that residents and tourists have different time preferences. DPR features numerous indoor and air-conditioned zones and attractions, and if these are packaged and marketed well, the heat should not greatly impact visitor numbers during the summer.

Events will feature extensively in our local marketing to UAE and GCC residents, and our strategy to establish Riverland™ Dubai as a destination. In addition to the scheduled celebrations held at Riverland™ Dubai, we will seek to expand musical events such as the one hosted in Bollywood Parks™ Dubai in November 2017, featuring celebrated Oscar and Grammy Awards winner AR Rahman, which attracted over 18,000 fans.



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