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DXB Entertainments PJSC

Proposed convertible bond transaction with majority shareholders

15 April | 2018

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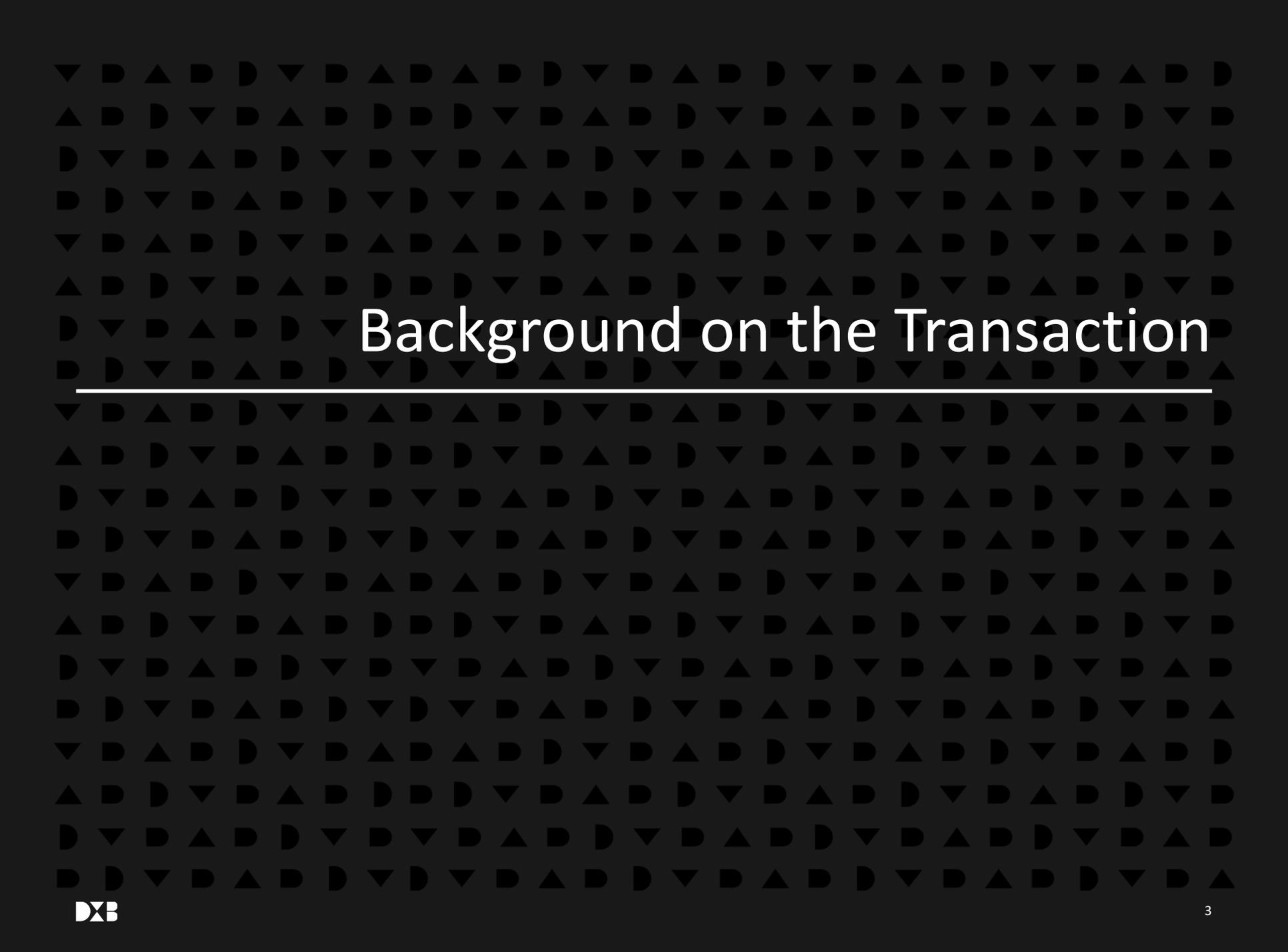
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Background on the Transaction

Background

In order to meet debt service, working capital and the routine capital expenditure requirements of DXB Entertainments PJSC (“**Company**”), the Board of Directors of the Company (“**Board**”) has approved that the Company issues convertible bonds to its majority shareholder, Meraas (the “**Transaction**”).

The Company requires estimated total principal funding of AED 1.2 billion through to breakeven, comprising the AED 700 million subordinated shareholder loan (“**SSL**”) approved by the Shareholders of the Company (“**Shareholders**”) at the General Assembly held on 28th November 2017 and additional funding of AED 500 million.

The Board is now proposing to combine the previously approved SSL (AED 700 million) plus the interest accrued from the SSL and the additional funding required (AED 500 million) into convertible bonds that will be issued for a total value of up to AED 1.235 billion.

Why is the Company issuing a convertible bond?

The Company requires estimated total funding of AED 1.2 billion, including the AED 500 million of additional funding through to breakeven.

The Company has already received support from its financing partners relating to the AED 4.2 billion debt facility in relation to Phase One of Dubai Parks and Resorts. Under the recently amended terms it has received a 3 year moratorium on principal repayments and covenant testing.

The Board has determined that in order to meet future cash flow requirements, including additional funding required of AED 500 million, that a convertible bond is the preferred financing option.

Details of the Transaction

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In accordance with Article (152) of the Federal Commercial Companies Law No. (2) of 2015 and Article (15) of the Resolution No (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, the Board of Directors is proposing to enter into a related party transaction with the Company's majority shareholder and the issuance of the convertible bonds to Meraas Leisure and Entertainment L.L.C in its capacity as a shareholder in the Company holding 51.82% and Meraas Holding (L.L.C.), in its capacity as shareholder in the Company holding 0.48%, pro rata to their shareholding percentage in the share capital of the Company in accordance with the following terms:

Key terms of Convertible Bond

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| Bonds Amount | Up to AED 1.235 billion (including AED 700 million agreed as part of the original SSL in addition to the accrued interest that is to be capitalized as part of the value of the convertible bond) |
| Coupon rate | 8% per annum, compounded quarterly; to be added to the value of the convertible bond and either converted into shares or repaid at maturity |
| Collateral/ ranking | Unsecured, subordinated to senior debt |
| Tranches | The bondholder will have the right to subscribe for the Principal Amount in up to 3 tranches over a 6 month period after the initial issuance date |
| Strike price | AED 1.04 per share |
| Tenor and Maturity | Starting from the date of issuance and ending 30 June 2026 |
| Conversion period | Optional conversion during the time period beginning 1 January 2021 and ending on 31 December 2024 (unless extended as described overleaf) |

Details of the Transaction (continued)

The Company, subject to the approval of the Shareholders and other regulatory approvals, will issue bonds for a total value of up to AED 1.235 billion to Meraas Leisure and Entertainment L.L.C. and Meraas Holding (L.L.C) in up to 3 tranches over a 6 month period after the initial issuance date as follows:

- Issue to Meraas Leisure and Entertainment L.L.C. bonds for the value of up to AED 1,222,650,000; and
- Issue to Meraas Holding (L.L.C) bonds for the value of up to AED 12,350,000.

The bondholders will have the option to convert the issued bonds into shares in the Company in accordance with the terms and conditions of such bonds.

Conversion period:

- The time period beginning 1 January 2021 and ending 31 December 2024;
- In the event that the Volume Weighted Average Pricing (“VWAP”) for fiscal year 2024 is less than AED 1.04, then the period will be extended until 31 December 2025; and
- In the event that the period is extended until 31 December 2025 and the VWAP for fiscal year 2025 is less than AED 1.04, then the period will be further extended until 30 June 2026.



Next Steps

Shareholders to vote at the General Assembly

The Board is proposing to the shareholders at the General Assembly scheduled for 25th April 2018, to approve issuing convertible bonds in an amount up to AED 1.235 billion (i.e. AED 1.2 billion in addition to accrued interest).

The convertible bond transaction will require a special resolution by way of the approval of 3/4 of the shares represented at the General Assembly on the 25th April 2018 (excluding the shares being represented by Meraas Holding (L.L.C) and Meraas Leisure and Entertainment L.L.C.).

Both entities of Meraas being the related party in this Transaction will not vote on this special resolution at the General Assembly.