

## Detailed analysis of accumulated losses

<b>Date:</b>	13 <sup>th</sup> August 2020
<b>Listed Company Name:</b>	DXB Entertainments PJSC
<b>Define the period of the financial statements</b>	Condensed Consolidated Interim Financial Statements for the period ended 30 June 2020
<b>Accumulated losses:</b>	AED 6.0 billion
<b>Accumulated losses to capital ratio:</b>	75%
<b>The main reasons leading to these accumulated losses and their history:</b>	<p>DXB Entertainments PJSC (“DXBE” or the “Group”) was launched in a phased manner between October 2016 and October 2017 when the last ride was opened to the public. Therefore, and as is standard for a greenfield development, pre-opening losses amount to AED 0.76 billion or 13% of total accumulated losses.</p> <p>Further, losses to date also comprise non-cash expenses, specifically:</p> <ul style="list-style-type: none"> <li>- Depreciation of AED 1.6 billion or 26% of total losses.</li> <li>- Impairment losses and other related charges of AED 1.9 billion or 32% of total losses.</li> </ul> <p>Cumulative operating losses amount to AED 0.70 billion or 12% whilst annual financing costs (net) on DXBE’s syndicated financing facility and convertible instrument amount to AED 1.0 billion or 17%.</p> <p>The operating performance of DXBE has been impacted by delayed ramp up of visitation, in particular international visitation which has impacted revenues. In response DXBE has sought to mitigate the impact by implementing a cost optimisation and efficiency program thereby reducing costs.</p> <p>A breakdown of the accumulated losses can be found at appendix 1.</p>
<b>Current quarter financial performance</b>	<p>First quarter financial performance</p> <ul style="list-style-type: none"> <li>• Q1 2020 adjusted EBITDA loss is AED 4 million (Q1 2019: AED 19 million)</li> <li>• Q1 2020 statutory EBITDA profit is AED 14 million (Q1 2019 EBITDA loss: AED 21 million)</li> <li>• Q1 2020 adjusted net loss<sup>1</sup> is AED 172 million (Q1 2019: AED 216 million)</li> </ul>

<sup>1</sup> Excludes one -time non-cash impairment charges of AED 393 million

	<p><b>Second quarter financial performance</b></p> <ul style="list-style-type: none"> <li>• Q2 2020 adjusted EBITDA loss is AED 56 million (Q2 2019: AED 62 million)</li> <li>• Q2 2020 statutory EBITDA loss is AED 60 million (Q2 2019: AED 60 million)</li> <li>• Q2 2020 net loss is AED 258 million (Q2 2019: AED 233 million)</li> </ul> <p><b>H1 2020 financial performance</b></p> <ul style="list-style-type: none"> <li>• H1 2020 adjusted EBITDA loss is AED 60 million (H1 2019: AED 81 million)</li> <li>• H1 2020 statutory EBITDA loss is AED 46 million (H1 2019: AED 81 million)</li> <li>• H1 2020 adjusted net loss<sup>1</sup> is AED 430 million (H1 2019: AED 448 million)</li> </ul>
<p><b>Measures to be taken to address accumulated losses:</b></p>	<p>As disclosed in the accumulated loss addressing plan issued on 15<sup>th</sup> December 2019 DXBE developed a strategy to deliver EBITDA breakeven. Due to the outbreak of the Covid-19 pandemic, the implementation timeline has been impacted.</p> <p>This strategy comprises a number of key pillars:</p> <ul style="list-style-type: none"> <li>- Growth in international visitation and increased length of stay through the implementation of the Group's hotel strategy that will deliver over 1,300 hotel rooms to Dubai Parks and Resorts in FY2020.</li> <li>- Further enhancement of the ride offering at Motiongate™ Dubai and Bollywood™ Parks Dubai, including the addition of world record thrill rides. The enhancement will broaden the appeal of the destination, increasing dwell times, driving per capita spend and encouraging both new and repeat visitation.</li> <li>- Implementation of further operational efficiencies delivering material reductions in operating costs: <ul style="list-style-type: none"> <li>- Operating costs in 2019 were AED 0.56 billion compared with AED 0.73 billion in 2018 and AED 0.93 billion in 2017, a saving of 24% and 21% respectively.</li> </ul> </li> </ul>

	<p>- Operating costs in H1 2020 were AED 0.15 billion compared with AED 0.30 billion in 2019 a saving of 52% driven by a combination of the cost efficiency strategy implemented in 2019 and robust contingency measures introduced during the closure period.</p> <p>As at 30 June 2020, DXBE has AED 1.0 billion of cash and cash deposits of which AED 0.12 billion is restricted cash and AED 0.4 billion is ringfenced for enhancement and close-out works.</p> <p>As at 30 June 2020, total assets are AED 8.9 billion and net assets are AED 2.0 billion.</p>
<p><b>Progress against plan</b></p>	<p>DXB Entertainments remains committed towards achieving its strategy of delivering EBITDA breakeven, however, the previously communicated timelines have been impacted due to the Covid-19 pandemic. In the near term we expect the visitation to the parks to be driven by the resident market however we expect international visitation to gradually improve as global travel and tourism industry recovers from the impact of the Covid-19 pandemic.</p> <p>The successful implementation of the cost efficiency strategy, addition of new rides and attractions as well as the launch of the LEGOLAND® Hotel Dubai are expected to be key drivers in our efforts towards delivering EBITDA breakeven.</p>



**Authorized Signatory**




Appendix 1 – Breakdown of the accumulated losses

Amounts in AED'm	FY13	FY14	FY15	FY16	FY17	FY18	FY19	H1 20	Total	% of Total
Opening accumulated losses	(4)	(17)	(38)	(149)	(639)	(1,769)	(4,312)	(5,157)	(4)	
Impairment losses and other related charges	-	-	-	-	-	(1,542)	-	(393)	(1,935)	32%
Depreciation	-	-	(4)	(37)	(486)	(473)	(384)	(177)	(1,561)	26%
Finance (costs) / income - net	-	2	31	62	(216)	(318)	(365)	(206)	(1,010)	17%
Pre-opening losses	(13)	(23)	(138)	(504)	(83)	(2)	-	-	(763)	13%
Operating losses	-	-	-	(6)	(331)	(208)	(106)	(47)	(698)	12%
Losses	(13)	(21)	(111)	(485)	(1,116)	(2,543)	(855)	(823)	(5,967)	
Other movements - net	-	-	-	(5)	(14)	-	9	0	(10)	0%
Closing accumulated losses	(17)	(38)	(149)	(639)	(1,769)	(4,312)	(5,157)	(5,980)	(5,980)	100%