

Detailed analysis of accumulated losses

Date:	5 th November 2020
Listed Company Name:	DXB Entertainments PJSC
Define the period of the financial statements	Condensed Consolidated Interim Financial Statements for the period ended 30 September 2020
Accumulated losses:	AED 6.2 billion
Accumulated losses to capital ratio:	78%
The main reasons leading to these accumulated losses and their history:	<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 12% of total accumulated losses.</p> <p>Further, losses to date also comprise non-cash expenses, specifically:</p> <ul style="list-style-type: none"> - Depreciation of AED 1.6 billion or 26% of total losses. - Impairment losses and other related charges of AED 1.9 billion or 31% of total losses. <p>Cumulative operating losses amount to AED 0.75 billion or 12% whilst annual financing costs (net) on DXBE’s syndicated financing facility and convertible instrument amount to AED 1.1 billion or 18%.</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>
Current quarter financial performance	<p>Third quarter financial performance</p> <ul style="list-style-type: none"> • Q3 2020 adjusted EBITDA loss is AED 54 million (Q3 2019: AED 70 million) • Q3 2020 statutory EBITDA loss is AED 54 million (Q3 2019: AED 68 million) • Q3 2020 net loss is AED 238 million (Q3 2019: AED 268million)

	<p>9m 2020 financial performance</p> <ul style="list-style-type: none"> • 9m 2020 adjusted EBITDA loss is AED 114 million (9m 2019: AED 151 million) • 9m 2020 statutory EBITDA loss is AED 100 million (9m2019: AED 149 million) • 9m 2020 adjusted net loss is AED 668 million (9m 2019: AED 717 million)
<p>Measures to be taken to address accumulated losses:</p>	<p>As disclosed in the accumulated loss addressing plan issued on 15th 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"> - 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. - 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. - Implementation of further operational efficiencies delivering material reductions in operating costs: <ul style="list-style-type: none"> - 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. - Operating costs in 9m 2020 were AED 0.2 billion compared with AED 0.45 billion in 2019 a saving of 54% driven by a combination of the cost efficiency strategy implemented in 2019 and robust contingency measures introduced during the closure period. <p>As at 30 September 2020, DXBE has AED 0.8 billion of cash and cash deposits of which AED 0.12 billion is restricted cash and AED 0.3 billion is ringfenced for enhancement and close-out works.</p> <p>As at 30 September 2020, total assets are AED 8.7 billion and net assets are AED 1.8 billion.</p>

Progress against plan	<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>
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Authorized Signatory



Appendix 1 - Breakdown of the accumulated losses

<i>Amounts in AED'm</i>	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	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)	31%
Depreciation	-	-	(4)	(37)	(486)	(473)	(384)	(262)	(1,646)	26%
Finance (costs) / income - net	-	2	31	62	(216)	(318)	(365)	(305)	(1,109)	18%
Pre-opening losses	(13)	(23)	(138)	(504)	(83)	(2)	-	-	(763)	12%
Operating losses	-	-	-	(6)	(331)	(208)	(106)	(100)	(751)	12%
Losses	(13)	(21)	(111)	(485)	(1,116)	(2,543)	(855)	(1,060)	(6,204)	
Other movements - net	-	-	-	(5)	(14)	-	10	-	(9)	0%
Closing accumulated losses	(17)	(38)	(149)	(639)	(1,769)	(4,312)	(5,157)	(6,218)	(6,218)	100%
Shareholders equity									7,999	
Accumulated losses as a percentage of equity									78%	