Merlin Entertainments plc – 2017 Interim Results

Diversified portfolio drives underlying growth
Continued progress against strategic growth drivers
2017 profit outlook in line with expectations

4 August 2017

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator, today reports results for the 26 weeks ended 1 July 2017.

Key trading highlights

	26 weeks ended 1 July 2017	26 weeks ended 25 June 2016	Total growth at actual FX	Total growth at constant FX(2)	Like for like growth(3)
Visitors(1) (m)	**29.7**	**28.0**	6.2%		
Revenue (£m)	**685**	**573**	19.4%	9.6%	3.7%
EBITDA (£m)	**144**	**126**	14.6%	2.4%	
Operating profit (£m)	**73**	**70**	5.1%	(8.3)%	
Profit before tax (£m)	**50**	**50**	0.7%		
Profit for the period (£m)	**37**	**37**	1.1%		
Earnings per share (p)	**3.7**	**3.6**	0.6%		
Dividend per share (p)	**2.4**	**2.2**	9.1%		

Summary

- Group revenue grew by 19.4% (9.6% on a constant currency basis), reflecting a strong contribution from new accommodation and attractions, and continued like for like revenue growth;
- LEGOLAND Parks revenue increased by 34.6% at actual FX rates. On a constant currency basis, revenue grew by 20.8% due to the opening of LEGOLAND Japan, a strong Easter trading period driving 8.0% like for like growth and the positive contribution from new accommodation including the new 'Beach Retreat' in LEGOLAND Florida;
- Midway Attractions delivered 11.3% revenue growth or 2.3% on a constant currency basis. The opening of new Midway attractions offset a decline in like for like revenue of 0.4%, which reflected a more subdued London market as well as the expected phasing of growth;
- Resort Theme Parks revenue grew by 12.7%. Revenue growth of 7.7% at constant currency was driven by a 6.2% growth in like for like revenue, due to a strong Easter and a soft comparative period;
- Profit before tax was stable in part due to a number of adverse timing effects which will normalise in the second half of 2017;
- Good progress towards the 2020 strategic milestones:
    - Five new Midway attractions opened in the period, including our new brand 'Little BIG City' in Berlin;
    - 381 new accommodation rooms opened to date across four of our theme parks (including 305 during the period);
    - LEGOLAND Japan opened on 1 April 2017, ahead of schedule and on budget.

Nick Varney, Chief Executive Officer, said:

"We have delivered revenue growth of 9.6% in the first half of 2017 as we continue to execute against our six strategic growth drivers. This reflects growth in both our existing estate and the contribution of our New Business Development programme – in particular, the opening of our new LEGOLAND park in Japan which has already welcomed over half a million visitors.

We continue to be excited by the long term underlying growth prospects in our market and have the strategy in place to exploit these. We remain on track to meet our 2020 milestone targets, supported not only by the attractions and accommodation opened to date, but also by the progress we have made on the pipeline, in particular the ongoing development of new brands which will underpin the longer term roll out."

Outlook

As we approach the peak trading period, we are making good progress across most of our businesses, although we remain cautious on the near term outlook for our UK attractions, reflecting the recent terror attacks.

Despite this trading uncertainty, due to the increasing diversification of the portfolio, the ongoing roll out of new attractions and accommodation, and our continued focus on productivity and efficiencies, we anticipate delivering full year profits in line with current expectations.

An update on our peak season performance will be provided in the Summer trading statement on 5 October.

Delivering on the strategy

The Group has made good progress against its strategic growth drivers so far in 2017, notably in the following areas:

Growing the existing estate through planned investment cycles

- Compelling new propositions opened across the estate, including:
  - Midway Attractions – New product including 'Ocean Invaders' at SEA LIFE London Aquarium and 'Fashion Week Experience' at Madame Tussauds Sydney.
  - LEGOLAND Parks – 'NINJAGO World' now open at six of our parks.
  - Resort Theme Parks – 'The Gruffalo River Ride Adventure' at Chessington World of Adventures and 'Ghostbusters: 5D' at Heide Park.

Transforming our theme parks into destination resorts

- Further progress towards 2020 milestone of adding 2,000 new rooms across the estate:
  - 80 room expansion of the Holiday Village in LEGOLAND Billund.
  - 166 room Holiday Village at LEGOLAND Florida.
  - 61 room Castle Hotel at LEGOLAND Windsor.
  - Additionally, the 76 room CBeebies Land Hotel at Alton Towers opened after the end of the period.

Rolling out new Midway attractions

- Openings in 2017 have comprised LEGOLAND Discovery Centres in Melbourne and Philadelphia, Madame Tussauds in Nashville, SEA LIFE Centre in Chongqing, and the launch of a new brand – 'Little BIG City' in Berlin on 1 July.
- Madame Tussauds Delhi expected to open in the second half of the year.
- Continued development of new brands to support the longer term roll out.

New LEGOLAND park developments

- LEGOLAND Japan opened under an operated and leased model in April 2017.
- Progress on LEGOLAND Korea infrastructure.
- Currently seeking the required consents to open a LEGOLAND park in New York.
- Continue to explore further potential sites in China.

Dividend

The Board announces its intention to pay an interim dividend of 2.4 pence per share representing a 9.1% increase year on year. This is set to equal one third of the 2016 dividend, in accordance with guidance previously provided.

Information regarding the proposed interim dividend

The timetable for the interim dividend payment of 2.4 pence per share is as follows:

Ex-dividend Date	17 August 2017
Record Date	18 August 2017
Payment Date	25 September 2017

The Company will also provide a Dividend Re-Investment Plan (DRIP). The last day for electing for the DRIP will be 4 September 2017.

References to dividend per share are quoted gross of tax.

Footnotes to key trading highlights table:
(1) Visitors represents all individual visits to Merlin owned or operated attractions.
(2) Constant currency basis, using 2017 year to date exchange rates.
(3) Like for like growth refers to the growth between 2016 and 2017 on a constant currency basis using 2017 exchange rates and includes all businesses owned and operated before the start of 2016.

Audio webcast
An audio webcast for analysts will be held this morning at 08:30 and can be accessed via Merlin's corporate website, www.merlinentertainments.biz.

Participant Dial in: +44 (0) 2071 928000

Conference ID: 53771977

Contact details:
For further information please contact:

Investors

Simon Whittington +44 (0)1202 493 011

Media

James Crampton +44 (0)1932 481 676

Brunswick

Fiona Micallef-Eynaud / Imran Jina +44 (0)20 7404 5959

Merlin Entertainments plc is a global leader in location based, family entertainment. As Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin now operates over 100 attractions, 15 hotels and 6 holiday villages in 24 countries and across 4 continents. The company aims to deliver memorable experiences to its more than 60 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its c.27,000 employees (peak season).

About our attractions:

Merlin operates two distinct products, managed in three Operating Groups.

<u>Midway</u>

'Midway' attractions are high quality, branded, indoor attractions, with a typical 1-2 hour dwell time, located in city centres or resorts. There are over 100 Midway attractions across 21 countries, with five established chainable brands: SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. Midway also incorporates our newest brand 'Little BIG City'.

<u>Theme Parks</u>

Merlin's theme parks are larger multi-day outdoor destination venues, incorporating on-site themed accommodation. These are organised into two specific Operating Groups, based on the brands.

- LEGOLAND Parks – Eight LEGO themed interactive theme parks appealing to younger families with children aged 2-12. The LEGOLAND Parks estate spans seven countries across three continents, with plans already announced for a further park in South Korea, having most recently opened LEGOLAND Japan in April 2017.

- Resort Theme Parks – Six nationally recognised destination theme parks arranged around a central theme. The parks offering includes Alton Towers, Chessington World of Adventures, Gardaland (Italy), Heide Park (Northern Germany), THORPE PARK and Warwick Castle.

Milestones:

In February 2016, Merlin announced the introduction of three New Business Development milestones, comprising:

- 2,000 new rooms by the end of 2020
- 40 new Midway attractions by the end of 2020
- Four new LEGOLAND parks by the end of 2020

Visit http://www.merlinentertainments.biz for more information.

Number of attractions

Movement in the number of attractions between 31 December 2016 and 1 July 2017:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	31 Dec 2016	Mov't	1 Jul 2017	31 Dec 2016	Mov't	1 Jul 2017	31 Dec 2016	Mov't	1 Jul 2017	31 Dec 2016	Mov't	1 Jul 2017	31 Dec 2016	Mov't	1 Jul 2017
SEA LIFE	13	-	13	18	-	18	8	-	8	8	1	9	47	1	48
MT[(1)]	2	-	2	4	-	4	6	1	7	9	-	9	21	1	22
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC[(2)]	1	-	1	3	-	3	9	1	10	3	1	4	16	2	18
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Shrek[(3)]	1	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	1	1	-	-	-	6	-	6	6	1	7
Midway[(4)]	**24**	**-**	**24**	**28**	**1**	**29**	**25**	**2**	**27**	**27**	**2**	**29**	**104**	**5**	**109**
LLP[(5)]	**1**	**-**	**1**	**2**	**-**	**2**	**2**	**-**	**2**	**2**	**1**	**3**	**7**	**1**	**8**
RTP[(6)]	**4**	**-**	**4**	**2**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**6**
Group	**29**	**-**	**29**	**32**	**1**	**33**	**27**	**2**	**29**	**29**	**3**	**32**	**117**	**6**	**123**

Note:
(1) Madame Tussauds
(2) LEGOLAND Discovery Centre
(3) DreamWorks Tours – Shrek's Adventure!
(4) Midway Attractions Operating Group
(5) LEGOLAND Parks Operating Group
(6) Resort Theme Parks Operating Group

Attractions opened to date in 2017 comprise: LDC Philadelphia, LDC Melbourne, SLC Chongqing, MT Nashville, Little BIG City Berlin and LEGOLAND Japan.

Number of rooms

Movement in the number of accommodation rooms between 31 December 2016 and 1 July 2017:

	31-Dec-16	Mov't	1-Jul-17
Billund (Denmark)	356	80	436
Windsor (UK)	150	59	209
California	250	-	250
Deutschland	319	-	319
Florida	152	166	318
Malaysia	249	-	249
Dubai	-	-	-
Japan	-	-	-
LEGOLAND Parks	**1,476**	**305**	**1,781**
Alton Towers (UK) [(1)]	516	-	516
Chessington World of Adventures (UK)	254	-	254
Gardaland (Italy)	347	-	347
Heide Park (Germany)	329	-	329
THORPE PARK (UK)	90	-	90
Warwick Castle (UK)	71	-	71
Resort Theme Parks	**1,607**	**-**	**1,607**
Group	**3,083**	**305**	**3,388**

Note:
Table shows movement in room count net of any closures in the period.
Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.
(1) The 76 room hotel at Alton Towers opened on 8 July, after the end of the period under review.

Chief Executive Officer's review

Overview

Merlin operates in a structurally attractive marketplace, with increasing demand for leisure activities. We anticipate long term growth in international visitation to 'gateway' cities, driven by the increased propensity of resident populations to 'short break' and the desire and ability of emerging market consumers to travel. Our theme parks also benefit from the shift in demand towards more short breaks, given our increased focus on themed accommodation. We further believe that, across the Group, an increasingly digital world means that consumers place greater value on spending high-quality time with family and friends.

With our iconic brands and assets, we continue to pursue a set of clear strategies – our six strategic growth drivers - to exploit these attractive market trends. We seek to deliver growth in the existing estate through continued investment and leverage of our increasing scale; we will open accommodation alongside our theme parks, developing them into multi-day, resort destinations; we will open new Midway attractions in new and existing geographies, and we will also continue our global roll out of LEGOLAND parks. Finally, we operate in a fragmented market where strategic acquisitions and partnerships can offer further opportunities, often to support our other strategic growth drivers.

Merlin made good progress against these strategic growth drivers in the first half of 2017, with performance again reflecting the increasingly diversified nature of the Group. Despite a difficult backdrop in some markets and ongoing cost pressures, we have reported continued growth, driven by the contribution from New Business Development and growth in the existing estate, underpinned by our focus on cost efficiency and productivity. Foreign exchange further supported our reported results due to the weakening of Sterling following the Brexit vote of June 2016, due to more than 70% of profits being generated outside of the UK.

The diversity of the portfolio across geographies and brands, coupled with the combination of existing estate and New Business Development growth, allow us to weather short term volatility and provide us with confidence in the long term prospects for the business.

Operating Group Review

Midway Attractions

£million	26 weeks ended 1 July 2017	26 weeks ended 25 June 2016	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	300	270	11.3%	2.3%	(0.4)%
EBITDA	89	91	(1.6)%	(8.8)%	
Operating profit	57	64	(11.1)%	(16.9)%	

The Midway Attractions Operating Group grew revenues by 2.3% on a constant currency basis. A decline in revenues of 0.4% on a like for like basis was in part due to the adverse effect of the 53rd week in 2016, resulting in fewer peak days trading at the beginning of 2017. This effect will normalise in the second half of the year. New Business Development, combined with the benefit of a positive, translational impact of foreign exchange movements resulted in reported growth of 11.3%.

Trading in London, which is the Operating Group's largest Division, improved markedly at the beginning of the year, reflecting good growth in international visitation to the city following favourable movements in foreign exchange rates. The series of terror attacks in the UK however immediately and significantly reduced domestic demand, and we remain cautious on international visitation over the key summer trading period given the lag between international bookings and visitation.

In North America, we have experienced softer trading, in particular in our LEGOLAND Discovery Centres where trading is more closely linked to the performance of the LEGO Group.

Elsewhere, trading has continued to be positive overall.

Our Midway roll out programme, which has seen attractions open towards the end of the period, included LEGOLAND Discovery Centres in Philadelphia and Melbourne, Madame Tussauds in Nashville, SEA LIFE Centre in Chongqing and the first of our new brand 'Little BIG City' in Berlin.

EBITDA declined by 1.6% (8.8% on a constant currency basis) as a result of the revenue performance and the £5 million sales tax rebate recognised in the comparative period (£2 million recognised during the first half of 2017). We retain our focus on driving productivity improvements and efficiencies which during the period have partly mitigated the softer trading.

Operating profit declined by 11.1% (16.9% on a constant currency basis) as a result of the lower EBITDA, and an increase in depreciation, reflecting continued investment in the estate.

LEGOLAND Parks

£million	26 weeks ended 1 July 2017	26 weeks ended 25 June 2016	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	267	198	34.6%	20.8%	8.0%
EBITDA	85	66	29.0%	15.4%	
Operating profit	67	53	26.7%	13.2%	

The LEGOLAND Parks Operating Group grew revenues by 20.8% on a constant currency basis. Growth in like for like revenues of 8.0% benefited from the phasing effect from the 53rd week in 2016, and was augmented by New Business Development, in particular the opening of LEGOLAND Japan. Reported growth of 34.6% reflects the positive, translational impact of foreign exchange movements.

In the existing estate, we have seen an improvement in trading driven by an increase in visitation across each of our parks. The Operating Group benefited from a strong Easter, continued compelling product offerings and, to a lesser extent, the promotional activity around 'The LEGO Batman Movie', launched in February.

In April, we opened LEGOLAND Japan as part of our target of opening four new parks over the period 2016-2020. The project was opened ahead of schedule and on budget, with trading to date in line with expectations.

A further positive contribution was made through the accommodation opened in 2016 and so far in 2017, including the new 'Beach Retreat' in Florida and expansion of the Holiday Village at LEGOLAND Billund.

As a result of strong revenue growth, including the opening of LEGOLAND Japan and the related pre-opening costs, EBITDA grew by 29.0% (15.4% on a constant currency basis), and operating profit grew by 26.7% (13.2% on a constant currency basis).

Resort Theme Parks

£million	26 weeks ended 1 July 2017	26 weeks ended 25 June 2016	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	118	104	12.7%	7.7%	6.2%
EBITDA	(4)	(8)	46.8%	46.2%	
Operating loss	(21)	(22)	4.5%	6.5%	

Resort Theme Parks Operating Group (RTP) revenue grew by 7.7% on a constant currency basis, including like for like revenue growth of 6.2% which benefited from the phasing effect from the 53rd week in 2016. Accommodation opened in 2016 contributed approximately 1.5 percentage points to growth. Reported growth of 12.7% further reflects the positive, translational impact of foreign exchange movements.

Trading in Resort Theme Parks started the year well, enjoying a strong Easter period and benefiting from a soft comparative period. The series of terror attacks in the UK however resulted in a softer UK theme park market towards the end of the period and RTP growth rates are expected to moderate in the second half of the year. Alton Towers continues to show positive momentum in leisure visitation and we remain confident in its full recovery.

Continuing our strategy of investing in the existing estate according to a pre-determined capex cycle, Chessington World of Adventures enjoyed a significant uplift in visitation following its major product investment of 'The Gruffalo River Ride

Adventure', and Heide Park also successfully used Intellectual Property, launching 'Ghostbusters: 5D' in partnership with Sony Pictures.

An EBITDA and operating loss of £4 million and £21 million respectively was recognised in the period, primarily as a result of the seasonality of the Operating Group.

Chief Financial Officer's review

Revenue

Reported revenue grew by 19.4%, or £112 million to £685 million. On a constant currency basis, total revenue grew by 9.6%.

On a like for like basis, revenues grew by 3.7%. The 53rd week included in 2016 resulted in the 2017 financial year starting on 1 January, compared to 27 December 2015 in the 2016 financial year. This had an adverse effect on the Midway Operating Group's performance in the first half of 2017 as fewer peak days were included than in the comparative period. Conversely, the theme parks Operating Groups saw some benefit due to the seasonality of their businesses which benefit from trade in the period from 25 June to 1 July more so than the New Year period. This impact is expected to normalise by the end of the year.

We made good progress towards our 2020 milestones. The opening of five new Midway attractions in the period, together with the full year effect of the five 2016 openings, contributed £8 million to revenue growth, whilst new accommodation added £5 million.

The openings of LEGOLAND Dubai on 31 October and LEGOLAND Japan on 1 April 2017 added £25 million to revenue.

EBITDA

EBITDA grew by 14.6% at reported foreign exchange rates, and by 2.4% on a constant currency basis. The margin decline from 22.0% to 21.1% is due in part to a number of timing effects, including the opening of LEGOLAND Japan which made significant revenue, but limited EBITDA, contribution in the period, the phasing of the Midway roll out, and the softer Midway trading performance. Furthermore, Midway recognised a £5 million sales tax rebate in the prior period, compared to £2 million in the first half of 2017. We continue to focus on cost efficiencies and productivity as we seek to offset ongoing cost pressures.

Operating profit

Operating profit grew by 5.1% (decline of 8.3% at constant currency) reflecting the expected seasonality of the business, and that growth in depreciation is anticipated to be weighted towards the first half of the year. We continue to expect a depreciation charge of approximately £150 million in 2017.

Interest

Net finance costs of £23 million were £3 million higher than the prior period, reflecting predominantly the effect of foreign exchange movements. We continue to expect an interest charge of approximately £45 million in 2017.

Taxation

A tax charge of £13 million represents an effective tax rate of 26.0%, in line with our expectation for the full year.

Foreign exchange rate sensitivity

Merlin's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non-Sterling earnings. The tables below show the impact on 2016 revenues and EBITDA of re-translating them at 2017 foreign exchange (FX) rates. The seasonality of the Group results in a bias towards non-European earnings, with a higher margin, in the first half of the year.

Currency	H1 2017 average FX rates	H1 2016 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.26	1.44	12.6%	27
EUR	1.16	1.29	10.0%	11
AUD	1.68	1.98	15.4%	5
Other				9
Change in 2016 revenues at 2017 FX rates				**52**

Note: Weighted-average FX rates

Currency	H1 2017 average FX rates	H1 2016 average FX rates	%age movement in FX rates	EBITDA impact £m
USD	1.26	1.44	12.6%	10
EUR	1.16	1.28	9.3%	1
AUD	1.67	2.01	17.0%	1
Other				3
Change in 2016 EBITDA at 2017 FX rates				**15**

Note: Weighted-average FX rates

Earnings per share (EPS)

Basic earnings per share was 3.7p (*2016: 3.6p)*.

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Profit attributable to shareholders	37	37
Weighted average number of shares (million)	1,018	1,014
Basic earnings per share (p)	3.7p	3.6p

Dividend

Merlin is today declaring a 2.4 pence per share interim dividend *(2016: 2.2p)*. This will be paid on 25 September 2017 to shareholders on the register on 18 August 2017.

Cash flow

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
EBITDA	144	126
Working capital and other movements	70	47
Tax paid	(34)	(24)
Net cash inflow from operating activities	**180**	**149**
Capital expenditure	(202)	(120)
Investments	(12)	(25)
Net increase in borrowings	134	-
Interest paid, net of interest received	(21)	(20)
Refinancing and other costs	(2)	-
Dividend paid	(50)	(45)
Other	6	4
Net cash inflow/(outflow) for the period	**33**	**(57)**

Net cash flow from operating activities of £180 million was £31 million higher than the prior year, due to higher EBITDA and increased working capital inflow more than offsetting higher cash tax payments.

The Group invested £202 million *(2016: £120 million)* in capital projects during the period, including £93 million in the existing estate and £109 million on New Business Development. Guidance of £360-390 million for the full year 2017 remains unchanged.

Cash financing costs were £21 million *(2016: £20 million)*.

The payment of the 2016 final dividend was £50 million which compares to £45 million paid in the comparative period.

Net debt

	1 July 2017 £m	31 Dec 2016 £m	25 June 2016 £m
Interest-bearing loans and borrowings	1,283	1,152	1,087
Less: cash and cash equivalents	(250)	(215)	(101)
Finance lease obligations	203	88	86
Net debt	**1,236**	**1,025**	**1,072**

Net debt increased by £211 million in the 26 week period, reflecting the movement in foreign exchange rates, the cash movements described above, and the accounting judgements in respect of finance leases related to LEGOLAND Japan.

In March, we successfully increased the issuance of our existing notes by €200 million at 103.5% of their nominal value (£178 million), using €50 million (£43 million) of the proceeds to repay bank facilities. This has allowed us to further extend and diversify our sources of financing.

Cash and cash equivalents at 1 July 2017 were £250 million. Further liquidity was provided by an undrawn £300 million revolving credit facility.

Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material effect on the Group's performance in the remaining 26 weeks of 2017 are the same as described on pages 47-52 of the 2016 Annual Report and Accounts. These are summarised as:

- Health, safety and security risks including those related to international terrorism; and
- Commercial and strategic risks including those over innovation; brand development and customer satisfaction; people availability and expertise; competition and Intellectual Property (IP); foreign exchange rates impacting international tourism; animal welfare; availability and delivery of new sites and attractions; IT robustness; technological developments and cyber security; and
- Financial process risks including those over anti-bribery and corruption; liquidity and cash flow risk; and foreign exchange translation risk.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 1 July 2017 (2016: 26 weeks ended 25 June 2016)

	Note	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Revenue	2.1	685	573
Cost of sales		(111)	(88)
Gross profit		574	485
Staff expenses	2.1	(206)	(174)
Marketing		(48)	(40)
Rent		(51)	(44)
Other operating expenses		(125)	(101)
EBITDA [1]	2.1	144	126
Depreciation and amortisation	3.1, 3.2	(71)	(56)
Operating profit		73	70
Finance income	2.2	2	2
Finance costs	2.2	(25)	(22)
Profit before tax		50	50
Taxation	2.3	(13)	(13)
Profit for the period [2]		**37**	**37**
Earnings per share			
Basic earnings per share (p)	2.4	3.7	3.6
Diluted earnings per share (p)	2.4	3.6	3.6
Dividend per share [3]	4.2	2.4	2.2

(1) *EBITDA – this is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of attributable profit after tax of jointly controlled entities.*

(2) *Profit for the 26 weeks ended 1 July 2017 and the 26 weeks ended 25 June 2016 is wholly attributable to the owners of the Company.*

(3) *Dividend per share represents the interim proposed dividend for the year.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 1 July 2017 (2016: 26 weeks ended 25 June 2016)

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Profit for the period	37	37
Other comprehensive income		
Items that may be reclassified to the income statement		
Exchange differences on the retranslation of net assets of foreign operations	9	102
Exchange differences relating to the net investment in foreign operations	(10)	(25)
Cash flow hedges - effective portion of changes in fair value	(1)	(11)
Other comprehensive income for the period net of income tax	(2)	66
Total comprehensive income for the period [1]	**35**	**103**

[1] *Total comprehensive income for the 26 weeks ended 1 July 2017 and the 26 weeks ended 25 June 2016 is wholly attributable to the owners of the Company.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 1 July 2017 (2016: 31 December 2016, 25 June 2016)

	Note	1 July 2017 £m	31 December 2016 £m	25 June 2016 £m
Non-current assets				
Property, plant and equipment	3.1	2,065	1,841	1,668
Goodwill and intangible assets	3.2	1,022	1,017	977
Investments	5.1	60	49	37
Other receivables		12	13	14
Deferred tax assets		37	38	37
		3,196	2,958	2,733
Current assets				
Inventories		52	36	47
Trade and other receivables		119	86	117
Derivative financial assets		-	3	6
Cash and cash equivalents	4.1	250	215	101
		421	340	271
Total assets		3,617	3,298	3,004
Current liabilities				
Interest-bearing loans and borrowings	4.1	7	5	5
Derivative financial liabilities		3	5	14
Trade and other payables		402	300	336
Tax payable		19	39	10
Provisions		3	3	4
		434	352	369
Non-current liabilities				
Interest-bearing loans and borrowings	4.1	1,276	1,147	1,082
Finance leases	4.1	203	88	86
Other payables		29	28	26
Provisions		67	65	56
Employee benefits		9	11	5
Deferred tax liabilities		176	179	168
		1,760	1,518	1,423
Total liabilities		2,194	1,870	1,792
Net assets		**1,423**	**1,428**	**1,212**
Issued capital and reserves attributable to owners of the Company		1,419	1,424	1,208
Non-controlling interest		4	4	4
Total equity		**1,423**	**1,428**	**1,212**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 1 July 2017 (2016: 26 weeks ended 25 June 2016)

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 27 December 2015		10	-	(135)	-	1,270	**1,145**	4	**1,149**
Profit for the period		-	-	-	-	37	**37**	-	**37**
Other comprehensive income for the period net of income tax		-	-	77	(11)	-	**66**	-	**66**
Total comprehensive income for the period		-	-	77	(11)	37	**103**	-	**103**
Shares issued		-	1	-	-	-	**1**	-	**1**
Equity dividends	4.2	-	-	-	-	(45)	**(45)**	-	**(45)**
Equity-settled share-based payments	4.3	-	-	-	-	4	**4**	-	**4**
At 25 June 2016		**10**	**1**	**(58)**	**(11)**	**1,266**	**1,208**	**4**	**1,212**
Profit for the period		-	-	-	-	174	**174**	-	**174**
Other comprehensive income for the period net of income tax		-	-	53	8	(5)	**56**	-	**56**
Total comprehensive income for the period		-	-	53	8	169	**230**	-	**230**
Shares issued		-	1	-	-	-	**1**	-	**1**
Equity dividends		-	-	-	-	(22)	**(22)**	-	**(22)**
Equity-settled share-based payments		-	-	-	-	7	**7**	-	**7**
At 31 December 2016		**10**	**2**	**(5)**	**(3)**	**1,420**	**1,424**	**4**	**1,428**
Profit for the period		-	-	-	-	37	**37**	-	**37**
Other comprehensive income for the period net of income tax		-	-	(1)	(1)	-	**(2)**	-	**(2)**
Total comprehensive income for the period		-	-	(1)	(1)	37	**35**	-	**35**
Shares issued	4.2	-	6	-	-	-	**6**	-	**6**
Equity dividends	4.2	-	-	-	-	(50)	**(50)**	-	**(50)**
Equity-settled share-based payments	4.3	-	-	-	-	4	**4**	-	**4**
At 1 July 2017		**10**	**8**	**(6)**	**(4)**	**1,411**	**1,419**	**4**	**1,423**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 1 July 2017 (2016: 26 weeks ended 25 June 2016)

	Note	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Cash flows from operating activities			
Profit for the period		37	37
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	71	56
Finance income	2.2	(2)	(2)
Finance costs	2.2	25	22
Taxation	2.3	13	13
		144	126
Working capital changes		68	44
Changes in provisions and other non-current liabilities		2	3
		214	173
Tax paid		(34)	(24)
Net cash inflow from operating activities		180	149
Cash flows from investing activities			
Acquisition of remaining share of joint venture		-	(1)
Acquisition of investments	5.1	(12)	(24)
Acquisition of property, plant and equipment		(202)	(120)
Disposal of property, plant and equipment		-	3
Net cash outflow from investing activities		(214)	(142)
Cash flows from financing activities			
Proceeds from issue of share capital	4.2	6	1
Equity dividends paid	4.2	(50)	(45)
Proceeds from borrowings	4.1	178	-
Repayment of borrowings	4.1	(43)	-
Capital repayment of finance leases		(1)	-
Interest paid		(21)	(20)
Financing costs		(2)	-
Net cash inflow/(outflow) from financing activities		67	(64)
Net increase/(decrease) in cash and cash equivalents		33	(57)
Cash and cash equivalents at beginning of period	4.1	215	152
Effect of movements in foreign exchange		2	6
Cash and cash equivalents at end of period	4.1	**250**	**101**

SECTION 1 BASIS OF PREPARATION

26 weeks ended 1 July 2017

1.1 Basis of preparation

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements as at and for the 26 weeks ended 1 July 2017 *(2016: 26 weeks ended 25 June 2016)* comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the 53 weeks ended 31 December 2016 are available on request from the Company's registered office at 3 Market Close, Poole, Dorset, BH15 1NQ.

All values are stated in £ million (£m) except where otherwise indicated.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 53 weeks ended 31 December 2016.

These interim financial statements are not statutory accounts. The statutory accounts for the 53 weeks ended 31 December 2016 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Group continues to trade profitably, reporting a profit for the period of £37 million *(26 weeks ended 25 June 2016: £37 million)* and continues to generate cash with net operating cash inflows of £180 million. In the equivalent period for 2016, the Group generated net operating cash inflows of £149 million, and went on to generate £433 million for the full year. The Group is funded by senior unsecured bank facilities due for repayment in 2020 and senior unsecured notes due for repayment in 2022. During the period an additional €200 million of the Group's notes were issued with the proceeds partly used to repay €50 million of the term debt. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.1.

After reviewing the Group's statement of financial position, available facilities, cash flow forecasts and trading budgets, the Directors believe the Group to be operationally and financially robust and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 53 weeks ended 31 December 2016, except for the adoption as of 1 January 2017 of the following new standards and interpretations. These have been adopted by the Group with no significant impact on its consolidated financial statements.

- IAS 7 'Statement of cash flows' – disclosure initiative.
- IAS 12 'Income taxes' – recognition of deferred tax assets for unrealised losses.

2.1 Profit before tax

Segmental information

An operating segment, as defined by IFRS 8 'Operating Segments' is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group is managed through its three Operating Groups, which form the operating segments on which the information shown below is prepared. The Group determines and presents operating segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker, and the Board. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance. Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating profit is included below for information purposes.

Information regarding the results of each segment is included below:

	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m	Other items [1] £m	Total £m
26 weeks ended 1 July 2017						
Segment revenue	300	267	118	685	-	685
Segment profit/(loss), being segment EBITDA	89	85	(4)	170	(26)	144
Segment depreciation and amortisation	(32)	(18)	(17)	(67)	(4)	(71)
Segment operating profit/(loss)	57	67	(21)	103	(30)	73
26 weeks ended 25 June 2016						
Segment revenue	270	198	104	572	1	573
Segment profit/(loss), being segment EBITDA	91	66	(8)	149	(23)	126
Segment depreciation and amortisation	(27)	(13)	(14)	(54)	(2)	(56)
Segment operating profit/(loss)	64	53	(22)	95	(25)	70

[1] Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributable to the reportable segments.

Staff expenses

The aggregate payroll costs of the persons employed by the Group (including Directors) during the period were as follows:

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Wages and salaries	174	147
Share-based payments (note 4.3)	4	4
Social security costs	22	18
Other pension costs	6	5
	206	174

2.1 Profit before tax *(continued)*

Seasonality of operations

The Group's portfolio of attractions operates on different trading cycles and across different geographies. Being predominantly indoor attractions, Midway attractions are generally open throughout the year with high points around public holidays and vacation periods. In contrast, as outdoor attractions, the Group's theme parks are predominantly closed or operate reduced opening times during the winter. The operations of these attractions are also weighted towards vacation periods, normally around June to September.

Information regarding the results for the 53 weeks to 1 July 2017 is included below:

	53 weeks ended 1 July 2017 £m	52 weeks ended 25 June 2016 £m
Revenue	1,569	1,307
EBITDA	469	405
Operating profit	323	290
Profit before tax	277	251

2.2 Finance income and costs

Finance income

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
In respect of assets not held at fair value		
Interest income	2	1
Other		
Net foreign exchange gain	-	1
	2	2

Finance costs

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	22	21
Other interest expense	1	1
Other		
Net foreign exchange loss	2	-
	25	22

2.3 Taxation

The tax charge on profit before taxation for the 26 weeks ended 1 July 2017 is based on management's best estimate of the full year effective tax rate of 26.0% *(26 weeks ended 25 June 2016: 26.2%; 53 weeks ended 31 December 2016: 23.8%).*

2.4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	26 weeks ended 1 July 2017 £m	**26 weeks ended 25 June 2016 £m**
Profit attributable to ordinary shareholders	37	37

	26 weeks ended 1 July 2017	**26 weeks ended 25 June 2016**
Basic weighted average number of shares	1,017,649,504	1,013,822,268
Dilutive potential ordinary shares	2,312,202	1,593,369
Diluted weighted average number of shares	1,019,961,706	1,015,415,637

Share incentive schemes (see note 4.3) are treated as dilutive to earnings per share when, at the reporting date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

For the 26 week periods ended 1 July 2017 and 25 June 2016, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	26 weeks ended 1 July 2017 Pence	**26 weeks ended 25 June 2016 Pence**
Earnings per share		
Basic earnings per share on profit for the period [(1)]	3.7	3.6
Diluted earnings per share		
Diluted earnings per share on profit for the period [(1)]	3.6	3.6

(1) Earnings per share is calculated based on figures before rounding and is then rounded to one decimal place.

3.1 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 1 January 2017	905	746	190	1,841
Additions – owned assets	5	28	158	191
Additions – leased assets	103	14	-	117
Movements in asset retirement provisions	1	-	-	1
Transfers	36	131	(167)	-
Depreciation for the period - owned assets	(18)	(49)	-	(67)
Depreciation for the period - leased assets	(1)	(2)	-	(3)
Effect of movements in foreign exchange	(7)	(6)	(2)	(15)
Balance at 1 July 2017	1,024	862	179	2,065

Additions
Additions of leased assets in the period of £117 million are in respect of the LEGOLAND Japan finance lease entered into on the opening of the park in April 2017 (note 4.1).

Capital commitments
At the period end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions including accommodation, and for Midway attractions that are under construction. These are expected to be settled within two financial years of the reporting date. These amount to £69 million *(25 June 2016: £42 million and 31 December 2016: £82 million)* for which no provision has been made.

At period end foreign exchange rates, the Group is expecting to invest a further £36 million in the LEGOLAND Japan Resort in relation to the hotel and SEA LIFE Centre due to open in 2018 *(25 June 2016: £42 million and 31 December 2016: £62 million)*. In addition, at period end foreign exchange rates, the Group is intending to invest £72 million in LEGOLAND Korea *(25 June 2016: £62 million and 31 December 2016: £72 million)*.

3.2 Goodwill and intangible assets

		Intangible assets		
	Goodwill £m	Brands £m	Other £m	Total £m
Balance at 1 January 2017	816	183	18	1,017
Additions	-	-	2	2
Amortisation for the period	-	-	(1)	(1)
Effect of movements in foreign exchange	2	2	-	4
Balance at 1 July 2017	818	185	19	1,022

In the 2016 Annual Report and Accounts, disclosure was provided regarding the valuation at 31 December 2016 of the goodwill associated with the Resort Theme Parks Operating Group of £202 million. Having reviewed the development of trading performance and prospects over the interim period, the market conditions which inform the discount rate and long term growth rate used in these valuations, and the areas of sensitivity disclosed in the 2016 Annual Report and Accounts, the Directors remain satisfied that no impairment has arisen in the 26 weeks ended 1 July 2017.

4.1 Net debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings and finance lease liabilities. Cash and cash equivalents comprise cash balances, call deposits and other short term liquid investments such as money market funds which are subject to an insignificant risk of a change in value.

	1 January 2017 £m	Net cash flows £m	Non-cash movement £m	Effect of movements in foreign exchange £m	1 July 2017 £m
Cash and cash equivalents	215	33	-	2	250
Interest-bearing loans and borrowings	(1,152)	(133)	(3)	5	(1,283)
Finance leases	(88)	1	(118)	2	(203)
Net debt	(1,025)	(99)	(121)	9	(1,236)

Interest-bearing loans and borrowings

During the period an additional €200 million of the Group's March 2022 2.75% coupon notes were issued at 103.5% of their nominal value to yield 2.01% (£178 million). The proceeds were partly used to repay €50 million (£43 million) of the floating rate term debt due to mature in March 2020.

The Group's facilities are:

- Bank facilities comprising £250 million and $540 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.30% *(31 December 2016: 0.37%)*, and 1.27% *(31 December 2016: 0.99%)* respectively at 1 July 2017. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and at 1 July 2017 was 1.75% *(31 December 2016: 2.0%)*.
- A £300 million multi-currency revolving credit facility of which £nil had been drawn down at 1 July 2017 *(31 December 2016: £nil)*. The margin on this facility is also dependent on the Group's adjusted leverage ratio and at 1 July 2017 was at a margin of 1.50% *(31 December 2016: 1.75%)* over the same floating interest rates when drawn.
- A bond in the form of €700 million *(31 December 2016: €500 million)* seven year notes with a coupon rate of 2.75% to mature in March 2022.

The fees related to the facilities are being amortised to the maturity of the debt as the debt is currently expected to be held for its full term. The borrowings (including the revolving credit facility) and the €700 million bonds are unsecured but guaranteed by the Company and certain of its subsidiaries.

Finance leases

Finance lease movements substantially relate to LEGOLAND Japan, which opened in the period. This park was developed under the Group's 'operated and leased' model whereby the Group's local operating company leases the site and park infrastructure from a development partner. The development partners are related parties, being KIRKBI Invest A/S and LLJ Investco K.K, a subsidiary of KIRKBI A/S; with KIRKBI A/S being a shareholder of the Group.

The lease is for a period of 50 years and is accounted for partly as a finance lease and partly as an operating lease depending on the nature of the underlying assets concerned. Longer life assets, for example core infrastructure, are accounted for as operating leases. Finance lease assets are those elements that will be substantially or entirely consumed over the lease term. This accounting judgement is underpinned by a review of the cost of construction by asset type together with estimates of the lives of the assets concerned.

The Group's obligations come in the form of fixed rental payments of £6 million per year in addition to turnover rent and ongoing repair obligations under the terms of the lease.

4.2 Equity

Share capital

	Ordinary shares of £0.01 each	
	Number	£m
On issue and fully paid at 1 January 2017	1,015,809,266	10
Issued in the period	3,763,183	-
On issue and fully paid at 1 July 2017	1,019,572,449	10

During the period the Company issued 3,763,183 ordinary shares for consideration of £nil in connection with the Group's employee share incentive schemes (note 4.3).

The Company also received £6 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Dividends

The following dividends were declared and paid by the Company:

	26 weeks ended 1 July 2017 £m	26 weeks ended 25 June 2016 £m
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	-	45
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	50	-
	50	45

On 4 August 2017 the Directors declared an interim dividend of 2.4 pence per share *(2016: 2.2 pence per share)*, amounting to £24 million *(2016: £22 million)*, which will be paid on 25 September 2017 to ordinary shareholders on the Register at the close of business on 18 August 2017.

4.3 Share-based payment transactions

Equity-settled schemes

The Group operates four employee share incentive schemes: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). The movements in the period, together with the weighted average exercise prices (WAEP) over the period, are set out in the tables below.

	PSP (1)	DBP (1)	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 1 January 2017	7,430,215	308,272	3,893,704	3.93	6,311,715	3.12
Granted during the period	2,212,575	5,262	1,356,600	4.74	2,125,664	3.97
Forfeited during the period	(191,650)	(6,436)	(223,303)	4.30	(431,746)	3.19
Exercised during the period	(1,483,692)	(5,167)	(563,905)	3.21	(1,645,470)	2.99
Lapsed during the period	(1,597,759)	-	-	-	(607)	2.96
At 1 July 2017	6,369,689	301,931	4,463,096	4.25	6,359,556	3.43

(1) Nil cost options

The fair value per award granted and the assumptions used in the calculations for the significant grants during the period are as follows:

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	30 March 2017	-	4.72	4.72	n/a	n/a	3.0	n/a
CSOP	30 March 2017	4.74	4.72	0.85	1.5%	21%	4.6	0.4%
AESP	2 March 2017	4.10	4.82	0.88	1.5%	21%	2.2	0.1%
AESP	3 April 2017	3.96	4.76	0.98	1.5%	21%	3.2	0.2%

The total charge for the period relating to employee share-based payment plans was £4 million *(26 weeks ended 25 June 2016: £4 million)* which was charged to staff expenses.

5.1 Investments

	LEGOLAND Malaysia £m	LEGOLAND Korea £m	Big Bus Tours £m	LEGOLAND Dubai Hotel £m	Total £m
Balance at 1 January 2017	9	3	37	-	49
Additions	-	-	-	12	12
Interest income receivable	-	-	2	-	2
Movements in fair value	-	-	-	-	-
Effect of movements in foreign exchange	(1)	-	(2)	-	(3)
Balance at 1 July 2017	8	3	37	12	60

LEGOLAND Dubai Hotel
During the period the Group invested £12 million in LEGOLAND Dubai Hotel LLC, which is the company developing the hotel at LEGOLAND Dubai. The Group holds a 40% equity interest.

Financial instruments
There have been no changes to the valuation techniques used for financial assets or liabilities held at fair value and no transfers in the hierarchy of financial assets or liabilities. There has been no effect of fair value movements on assets classified as level 3 and the valuations are not highly sensitive to changes in unobservable inputs.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the current financial period and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial period; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

The Directors of Merlin Entertainments plc are listed in the Annual Report and Accounts 2016. There have been no changes since the date of publication. A list of current Directors is maintained on the website (www.merlinentertainments.biz).

By order of the Board

Nick Varney	**Anne-Francoise Nesmes**
Chief Executive Officer	**Chief Financial Officer**
3 August 2017	3 August 2017

INDEPENDENT REVIEW REPORT TO MERLIN ENTERTAINMENTS PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 1 July 2017, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 1 July 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Hugh Green
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Gateway House, Tollgate
Chandlers Ford
Southampton
SO53 3TG

3 August 2017