



Merlin Entertainments plc – Trading Update

**Further growth despite difficult trading conditions in certain key markets
2020 milestones on track**

29 September 2016

Merlin Entertainments (the ‘Group’) today reports its trading performance for the 38 weeks ended 17 September 2016, including the key summer trading period of July and August.

Key trading highlights⁽¹⁾

<i>Year to date revenue growth</i>	Total growth at actual FX	Total growth at constant FX ⁽²⁾	Like for like growth ⁽³⁾
Midway Attractions	9.2%	3.7%	(0.4)%
LEGOLAND Parks	13.0%	3.7%	2.2%
Resort Theme Parks	10.2%	4.5%	3.0%
Group	10.6%	3.7%	1.3%

Year to date revenue growth of 10.6% reflects the continued strong contribution from new accommodation and attractions and the positive translational impact from non-Sterling revenue due to the Group’s strong international footprint. Like for like revenue growth in the period was 1.3% reflecting the emerging recovery in Resort Theme Parks offset by difficult trading conditions in several key markets across the estate.

- Year to date revenue growth of 10.6% (3.7% at constant currency) despite challenging conditions in a number of our markets
- Evidence of recovery in the Resort Theme Parks Operating Group
- Continued growth in LEGOLAND Parks, despite tough comparatives
- Ongoing difficult trading in certain key markets within the Midway Attractions Operating Group
- Strong accommodation performance supporting the resort positioning strategy
- Announcement of potential new Midway brand: ‘Little Big City’

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

“Merlin continues to deliver overall revenue growth despite challenging trading conditions in certain key markets, testament to a diversified portfolio and a strong new business development strategy across all three Operating Groups.

Trading across the existing estate has been mixed. Our Resort Theme Parks Operating Group is now showing year on year revenue growth, reflecting the ongoing recovery in trading at Alton Towers. In Midway Attractions, London in particular continues to suppress overall trading performance as we are yet to see any significant benefit from the depreciation of Sterling, while the growth in LEGOLAND Parks reflects a tough comparative period in 2015 and a more challenging market in Florida.

On Tuesday we were fined £5 million for a breach of the Health and Safety at Work Act related to ‘The Smiler’ incident at Alton Towers in June 2015. From the beginning the Company has accepted full responsibility for the accident and strived to support all those injured in every way possible. We have learned every lesson from what happened last year and made a number of technical and procedural improvements to make sure that an accident like this cannot happen again. Both the

Judge and the Health and Safety Executive acknowledge we have a good overall track record in safety and we remain committed to achieving the highest standards in this area.

In February of this year, we set out our New Business Development milestones for 2020. As previously stated, we continue to make good progress against these in terms of both new openings and pipeline development.

Accordingly, we are excited to announce today the pilot of a new, internally developed brand: 'Little Big City' – an imaginative recasting of the ever popular miniature world attraction format. Launching first in Berlin in 2017, 'Little Big City' will be the new and interactive way to experience a city's history, culture and individuality, using a unique combination of traditional and modern special effects, storytelling and model cityscapes. The successful launch of this new brand will create further optionality within the Midway roll out programme to support the delivery of our 2020 strategic milestone of opening an additional 40 Midway attractions."

Midway Attractions

Trading in the Midway Attractions Operating Group continues to be difficult in a number of key markets for the reasons outlined at our interims in July.

Many of our city centre attractions have experienced volatile trading patterns as a result of wider security concerns that have affected both domestic and international visitation. This continues to have a significant impact on Midway London, the largest Division within the Operating Group, where visitor volumes have also yet to see any material benefit of Sterling weakening to current levels. The cluster's 'Eye-Popping Days Out' marketing campaign over the summer, specifically targeting the domestic market, did however arrest the decline in August.

Madame Tussauds Shanghai has experienced a challenging trading period over the summer, with the opening of the Shanghai Disney Resort in June 2016 creating some disruption within the Shanghai inbound tourism market. Our resident market attractions, Chang Feng Ocean World and the recently opened LEGOLAND Discovery Centre, continue to trade strongly and we are therefore hopeful that the impact on Madame Tussauds Shanghai will be relatively short-lived.

The roll out of new Midway attractions continues to make a significant contribution to overall Operating Group revenue growth. Four attractions have been opened year to date, each with positive guest feedback and encouraging early trading performance. We remain confident in our 2020 strategic milestone of 40 new attractions.

Notwithstanding the progress towards our 2020 milestones, we recognise that the market backdrop for our Midway Attractions estate has seen unprecedented levels of volatility in the last three years. We are therefore planning on the assumption that, in the near-term, recent trends continue and expect EBITDA margins to be in the 'mid-thirties' in 2016 (on a 52-week basis). We are working proactively to mitigate the impact of difficult market conditions through a focus on costs, whilst maintaining, and in some cases increasing, investment in marketing in certain strategic markets. As a result, we expect EBITDA margins to remain around these levels through 2017.

LEGOLAND Parks

LEGOLAND Parks Operating Group continues to perform well against tough comparatives in the prior period, but also reflects a softer performance in LEGOLAND Florida. The tourism market in Florida has been affected by a number of issues in 2016, including terrorism and the Zika virus.

New accommodation, consisting of an additional 34 room 'Castle' hotel at LEGOLAND Deutschland together with a further 13 room expansion of the Holiday Village, has performed well and supported total revenue growth of 13.0% (3.7% at constant currency).

Resort Theme Parks

The Resort Theme Parks Operating Group has seen an improved performance, with like for like revenue now showing year on year growth. Trading over the summer at Alton Towers has started to recover, although the absolute visitor volumes still remain some way below the 2014 level.

New accommodation, consisting of a new 100 room hotel at Gardaland, 35 'room' glamping at Chessington World of Adventures and 28 Knight's Village lodges at Warwick Castle, has helped drive overall revenue growth of 10.2% (4.5% at constant currency).

The Health and Safety Executive prosecution related to the accident at Alton Towers in 2015 was concluded in September 2016. This resulted in a fine of £5 million.

Group

The financial position of the business remains strong, with a significant reduction in net debt since the end of June, reflecting the seasonality of cash flows.

As previously announced, an interim dividend of 2.2 pence per share was paid on 19 September 2016 to shareholders on the Register as at the close of business on 12 August 2016.

Delivering on the strategy

Merlin has made continued strategic progress to date in 2016.

Growing the existing estate through planned investment cycles

- New product and features in 2016 have been well received by guests, including 'Derren Brown's Ghost Train' at THORPE PARK, 'NINJAGO – The Ride' at LEGOLAND Billund, and 15 major new product investments across the Midway Attractions Operating Group.
- In 2017, each site will again enjoy new rides, attractions, shows or features with 'high year' investments at Heide Park, LEGOLAND Deutschland and LEGOLAND Florida.

Exploiting strategic synergies

- 2016 has continued to see the global implementation of the accesso® 'Passport' ticketing platform and we expect to have completed all major sites by the end of 2017.

Transforming our theme parks into destination resorts

- Our existing and new accommodation offerings have continued to perform well in 2016, with a total of 210 additional 'rooms' added in 2016 across both of our theme park Operating Groups.
- 2017 is expected to see an acceleration in the accommodation roll out, including the new CBeebies Land Hotel at Alton Towers and Holiday Village at LEGOLAND Florida.

Rolling out new Midway attractions

- 2016 has seen the launch of four new Midway attractions, comprising LEGOLAND Discovery Centres in Michigan, Arizona and Shanghai and Madame Tussauds Chongqing.
- We remain on track to achieve the 2020 milestones set out in February 2016 with a further 15 attractions already approved.

New LEGOLAND Park developments

- In October 2016, our seventh LEGOLAND Park - LEGOLAND Dubai – will open under a management contract.
- LEGOLAND Japan will open under an operated and leased model in April 2017, with LEGOLAND Korea expected to open thereafter.
- Negotiations for further parks in the USA and China continue.

Outlook

We remain pleased with progress in LEGOLAND Parks and Resort Theme Parks and expect continued growth in these two Operating Groups, reflecting strong product momentum and the ongoing recovery at Alton Towers.

Despite specific headwinds in the Midway Attractions Operating Group, we remain positive on the medium term outlook, reflecting the strength of the brands, diversity of the portfolio and confidence in the strategy.

Footnotes to Key trading highlights table:

- (1) All figures represent year to date growth to the end of week 38 (17 September).
- (2) Throughout the document, constant FX growth is based on the 2016 and 2015 figures, on a constant currency basis using 2016 exchange rates.
- (3) Throughout the document, like for like growth is based on the 2016 and 2015 figures and includes all businesses owned and opened before 2015, on a constant currency basis using 2016 exchange rates.

Analyst presentation:

A presentation for analysts will be held this morning at 09:30 at:

The Lincoln Centre
18 Lincoln's Inn Fields
London
WC2A 3ED

The meeting will also be webcast and can be accessed via Merlin's corporate website, www.merlinentertainments.biz.

This announcement contains inside information.

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Notes to Editors :

MERLIN ENTERTAINMENTS plc is the leading name in location based, family entertainment. Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin operates over 100 attractions, 13 hotels and 5 holiday villages in 23 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 circa 27,000 employees (peak season).

About our attractions:

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

Midway

'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. There is also a new brand concept, 'Shrek's Adventure!', which has been developed with DreamWorks Animation. The pilot attraction opened in London on 1 July 2015.

Theme Parks

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** – Six LEGO themed interactive theme parks appealing to younger families with children aged 2-12. The LEGOLAND Parks estate spans five countries across three continents, with plans already announced for further parks in Dubai, Japan and South Korea.
- **Resort Theme Parks** – Six nationally recognised destination theme parks arranged around a central theme. The parks offering includes Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, Gardaland (Italy) and Heide Park (Northern Germany).

Milestones:

Alongside its 2015 full year results reported in February 2016, Merlin announced the introduction of three New Business Development milestones, comprising:

- 2,000 new accommodation rooms by the end of 2020
- 40 new Midway attractions by the end of 2020
- Four new LEGOLAND parks by the end of 2020 (including the three already announced – Dubai, Japan and South Korea)

Number of attractions

Movement in attraction numbers since 25 June 2016:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	25 Jun 2016	Mov't	17 Sep 2016	25 Jun 2016	Mov't	17 Sep 2016	25 Jun 2016	Mov't	17 Sep 2016	25 Jun 2016	Mov't	17 Sep 2016	25 Jun 2016	Mov't	17 Sep 2016
SEA LIFE	13	-	13	18	-	18	8	-	8	8	-	8	47	-	47
MT⁽¹⁾	2	-	2	3	-	3	6	-	6	8	1	9	19	1	20
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC⁽²⁾	1	-	1	3	-	3	9	-	9	3	-	3	16	-	16
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Shrek⁽³⁾	1	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
Midway⁽⁴⁾	24	-	24	27	-	27	25	-	25	26	1	27	102	1	103
LLP⁽⁵⁾	1	-	1	2	-	2	2	-	2	1	-	1	6	-	6
RTP⁽⁶⁾	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
Group	29	-	29	31	-	31	27	-	27	27	1	28	114	1	115

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 2016 comprise: LDC Arizona, LDC Shanghai, LDC Michigan and MT Chongqing.