



## Merlin Entertainments plc – 2015 Interim Results

### Continuing impact of the Alton Towers accident in Resort Theme Parks Strong contribution from new Midway attractions and accommodation Ongoing momentum in LEGOLAND Parks

30 July 2015

Following a trading update on 27 July, Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator, today reports results for the 26 weeks ended 27 June 2015.

#### Key trading highlights<sup>(1)</sup>

	26 weeks ended 27 June 2015	26 weeks ended 28 June 2014	Total growth at constant FX <sup>(5)</sup>	Total growth at actual FX	Like for like growth <sup>(6)</sup>
Visitors <sup>(2)</sup> (m)	27.7	27.5		0.9%	
Revenue (£m)	544	513	6.6%	6.1%	2.8%
EBITDA <sup>(1)</sup> (£m)	123	120	0.3%	2.7%	
Operating profit <sup>(1)</sup> (£m)	71	71	(3.6)%	1.2%	
Profit before tax <sup>(1), (3)</sup> (£m)	49	40		23.9%	
Profit for the period (£m)	35	29		24.0%	
Adjusted earnings per share <sup>(1), (4)</sup> (p)	3.5p	2.8p		24.0%	
Dividend per share (p)	2.1p	2.0p		5.0%	

(1) All figures are presented on an underlying basis, excluding exceptional items which are detailed on page 20 (note 2.2).

(2) Visitors represents all individual visits to Merlin owned or operated attractions.

(3) Profit before tax on a statutory basis is £36 million (2014: £40 million).

(4) Basic earnings per share is 2.5p (2014: 2.8p).

(5) Constant currency basis, using 2015 year to date exchange rates.

(6) Like for like growth refers to the growth between 2014 and 2015 on a constant currency basis using 2015 exchange rates and includes all businesses owned and operated before the start of 2014.

#### Trading Summary

- Robust Group like for like revenue growth of 2.8%, benefiting from a diverse, global portfolio, mitigating the impact of difficult trading at a number of our attractions;
- Trading in the Resort Theme Parks Operating Group has been, and continues to be, significantly impacted by the accident at the Alton Towers Resort, and the decision to temporarily close the park and suspend marketing activity across the UK theme park estate. Despite a positive start to the season at Gardaland, the Resort Theme Parks like for like revenues for the period were down 2.0%;
- Continued strong momentum in the LEGOLAND Parks Operating Group with like for like revenue growth at 6.0%, driven by ongoing strength in the two US parks and successful launches of new features and products;
- Trading in the Midway Attractions Operating Group, with like for like revenue growth at 2.9% has been mixed. Strong performances in parts of Asia and Europe have been offset by reduced visitor volumes at the London cluster and a marked deterioration in visitation to Hong Kong due to travel restrictions from the People's Republic of China;
- The persistent weakness in the Euro has, and is likely to continue to, impact volumes across our London attractions, which we believe is the result of the relative value of the Eurozone as a destination to both European and UK outbound visitors;

- New Business Development has made a strong contribution to overall growth, with total revenue growing by 6.6% at constant currency, due to an earlier openings schedule and strong attraction launches, particularly SEA LIFE Michigan and the new Orlando cluster;
- Launch of the new 'DreamWorks Tours - Shrek's Adventure!' brand with the first attraction in London opened on 1 July;
- Net underlying financing costs reduced by 28.4% (£9 million) year on year as a result of the refinancing and the £110 million reduction in gross debt announced earlier in the period.

Nick Varney, Chief Executive Officer, said:

"The first-half was overshadowed by the serious accident at Alton Towers. Safety is, and must always be, of paramount importance in our business.

"We have iconic brands and a diversified portfolio and, thanks to our dedicated staff, continue to attain excellent satisfaction ratings from our customers. These strengths enabled us to deliver a robust set of half year results and provide confidence in the medium and long term outlook."

### **Delivering on the strategy**

The Group has made good progress against its strategic growth drivers:

#### *Growing the existing estate through planned capital investment cycles*

- Compelling new propositions opened at all attractions, including:
- Midway - New 'Star Wars' experience at Madame Tussauds London and Berlin
- LEGOLAND Parks - LEGO 'Friends' themed areas at LEGOLAND Windsor, Florida and California
- Resort Theme Parks - The 'Oblivion' dive coaster at Gardaland

#### *Exploiting strategic synergies*

- Agreement signed with the accesso Technology Group (accesso) to roll out new ticketing systems across the Merlin estate over the next three years

#### *Transforming our theme parks into destination resorts*

- New 152 room themed hotel at LEGOLAND Florida opened in May 2015
- New 125 lodge 'Enchanted Village' at Alton Towers Resort opened in April 2015

#### *Rolling out new Midway attractions*

- Six new Midway attractions opened to date in 2015: SEA LIFE Michigan, LEGOLAND Discovery Centre Osaka, The Orlando Eye, Madame Tussauds and SEA LIFE Orlando, 'DreamWorks Tours - Shrek's Adventure!' in London
- New 'DreamWorks Tours - Shrek's Adventure!' brand opened to encouraging customer feedback
- The seventh and final Midway for 2015, LEGOLAND Discovery Centre Istanbul, opens today, 30 July

#### *Developing new LEGOLAND Parks*

- Three new parks under development: LEGOLAND Dubai (Q3 2016), LEGOLAND Japan (Q2 2017) and LEGOLAND Korea (2018)

#### *Strategic acquisitions*

- Continue to consider opportunities consistent with our long term growth strategy

### **Dividend**

The Board announces its intention to pay an interim dividend of 2.1 pence per share, representing an increase of 5.0% on the 2014 interim dividend.

### **Outlook**

The outlook for the Group remains in line with that provided in our trading update on 27 July 2015. The 2015 EBITDA for the Resort Theme Parks Operating Group is expected to be in the range of £40 to £50 million (2014: £87 million). This lower level of profitability will be partially offset by better than expected financing costs, expected to be between £40 and £45 million, central cost savings and trading in the wider Group. Therefore, we would expect 2015 underlying profit before tax to be broadly in line with the prior year (2014: £249 million).

Although difficult to assess at this stage, we believe that there may be some continued adverse impact on the Resort Theme Parks Operating Group profitability in 2016.

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](http://www.merlinentertainments.biz).

Participant Dial in:

UK: 02031394830 or toll-free 08082370030

All other locations: +44(0)2031394830

Participant Pin Code: 80606545#

**Contact details:**

For further information please contact:

**Investors**

Alistair Windybank / Simon Whittington +44 (0)1202 440 082

**Media**

**Tulchan Communications**

Stephen Malthouse / Chris Hughes / Victoria Huxster +44 (0)20 7353 4200

**Information regarding the proposed interim dividend**

The timetable for the interim dividend payment of 2.1 pence per share is as follows:

Ex-dividend Date	13 August 2015
Record Date	14 August 2015
Payment Date	24 September 2015

The Company will also provide a Dividend Re-Investment Plan (DRIP). The last day for electing for the DRIP will be 3 September 2015.

References to dividend per share are quoted gross of tax.

## 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 now operates over 100 attractions, 12 hotels and 4 holiday villages in 23 countries and across 4 continents. The Company aims to deliver memorable and rewarding experiences to its more than 60 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its circa 26,000 employees.

### **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 90 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, increasingly 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 (2016), Japan (2017) and South Korea (2018).
- **Resort Theme Parks** – Six nationally recognised destination theme parks arranged around a central theme. The parks offering include Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, Gardaland (Italy) and Heide Park (Northern Germany).

### Attraction Numbers

Movement in attraction numbers between 2 May 2015 and 27 June 2015:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	2 May 2015	Mov't	27 June 2015	2 May 2015	Mov't	27 June 2015	2 May 2015	Mov't	27 June 2015	2 May 2015	Mov't	27 June 2015	2 May 2015	Mov't	27 June 2015
<b>SEA LIFE</b>	13	-	13	18	-	18	7	1	8	8	-	8	46	1	47
<b>MT<sup>(1)</sup></b>	2	-	2	3	-	3	5	1	6	8	-	8	18	1	19
<b>Dungeons</b>	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
<b>LDC<sup>(2)</sup></b>	1	-	1	2	-	2	7	-	7	2	-	2	12	-	12
<b>Eye</b>	2	-	2	-	-	-	-	1	1	1	-	1	3	1	4
<b>Other</b>	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
<b>Midway<sup>(3)</sup></b>	23	-	23	26	-	26	20	3	23	25	-	25	94	3	97
<b>LLP<sup>(4)</sup></b>	1	-	1	2	-	2	2	-	2	1	-	1	6	-	6
<b>RTP<sup>(5)</sup></b>	4	-	4	2	-	2	-	-	-	-	-	-	6	-	6
<b>Group</b>	28	-	28	30	-	30	22	3	25	26	-	26	106	3	109

'DreamWorks Tours – Shrek's Adventure!' opened on 1 July 2015 in the UK.  
LDC Istanbul is scheduled to open today, 30 July.

Note:

<sup>(1)</sup> Madame Tussauds

<sup>(2)</sup> LEGOLAND Discovery Centre

<sup>(3)</sup> Midway Attractions Operating Group

<sup>(4)</sup> LEGOLAND Parks Operating Group

<sup>(5)</sup> Resort Theme Parks Operating Group

## Chief Executive Officer's review

### Accident at Alton Towers Resort

The devastating accident at Alton Towers Resort on the 2 June has overshadowed the first half of the year. Our thoughts remain with those who were injured and we will continue to offer them all the support that we can.

I would also like to thank all those at Alton Towers Resort and across the Company who were involved in the response to the accident for the professionalism and dedication that they have shown.

### Overview

Merlin operates a portfolio of over 100 attractions, in 23 countries across four continents. It is this diversified portfolio, combined with the underlying strength of our iconic brands, which has resulted in a robust set of half year results, notwithstanding a number of significant challenges. Despite a very strong performance in the comparative period in 2014, with like for like revenue up 8.1%, the Group has posted like for like revenue growth of 2.8% in the 26 weeks to June 2015.

More broadly, we continue to focus on the multiple levers of growth that the Group has developed. The constant currency total revenue growth of 6.6% has been supported by a strong contribution from the roll out of new Midway attractions and new accommodation at our parks. The geographic, brand and demographic diversity of the portfolio coupled with the combination of existing estate and New Business Development growth continue to provide confidence in the long term outlook for the business.

### Operating Group Review

#### Midway Attractions

£million	26 weeks ended	26 weeks ended	Total growth at	Total growth at	Like for like
	27 June 2015	28 June 2014	Constant FX	Actual FX	Growth
Revenue	252	233	7.9%	8.1%	2.9%
EBITDA <sup>(1)</sup>	87	85	1.7%	2.8%	
Operating profit <sup>(1)</sup>	62	61	(0.6)%	1.1%	

(1) Underlying basis, excluding exceptional items

The Midway Attractions Operating Group grew revenues by 7.9% on a constant currency basis, driven by 2.9% like for like growth, the full period impact of the six attractions opened in 2014, and a part period contribution from the five new attractions opened in the first half of 2015. Total revenues grew by 8.1% at reported FX rates.

The Operating Group has delivered solid like for like revenue growth in the first half of the year, with strong trading in parts of Asia and Europe, dampened by a softer performance in London.

In any global portfolio, it is inevitable that there will be areas of relative underperformance and overperformance. Over the past few years we have experienced significant growth but also significant volatility in Asia. In 2014, our two attractions in Thailand were impacted as a result of a prolonged period of civil unrest in Bangkok. Although trading in these attractions has improved so far in 2015, Madame Tussauds Hong Kong has recently been negatively impacted by travel restrictions from the People's Republic of China. We remain confident however that, over the long term, we will continue to benefit from ongoing market growth in Asian markets and continue to see these as attractive locations to deploy further capital.

During the period the London cluster has also experienced reduced visitor volumes, with declines in both the inbound Eurozone and UK domestic visitor categories. As previously highlighted, the persistent weakness of the Euro against Sterling has made the UK, and in particular London, relatively less attractive as a destination for both Eurozone inbound and domestic visitors. While we have taken action to maintain volumes and revenues we don't expect a material improvement in trading performance whilst the Euro remains at current levels.

Elsewhere, high year capex projects, including 'Star Wars' at Madame Tussauds London and Berlin and a new 4D Cinema at Madame Tussauds Shanghai have launched well and received positive customer feedback.

The roll out of new Midway attractions has contributed significantly to the overall Operating Group result, delivering total constant currency revenue growth of 7.9%. This is primarily as a result of the earlier phasing of openings in 2015 compared to 2014 and strong performances in SEA LIFE Michigan and the Orlando cluster which opened in the period.

EBITDA grew by 1.7% on a constant currency basis. This relatively suppressed rate of profit growth is primarily the result of pre-opening costs at the new attractions and the impact of lower revenue growth within the like for like portfolio.

Operating profit declined by 0.6% on a constant currency basis as a result of the suppressed EBITDA performance and the increase in depreciation in 2015 as a result of the ongoing attraction roll out programme.

Reported operating profit growth was 1.1%, supported by the positive impact of a stronger US Dollar.

#### LEGOLAND Parks

£million	26 weeks ended	26 weeks ended	Total growth at	Total growth at	Like for like
	27 June 2015	28 June 2014	Constant FX	Actual FX	Growth
Revenue	178	162	8.1%	10.0%	6.0%
EBITDA <sup>(1)</sup>	58	50	11.9%	17.2%	
Operating profit <sup>(1)</sup>	47	39	15.1%	21.8%	

(1) Underlying basis, excluding exceptional items

The LEGOLAND Parks Operating Group grew revenues by 8.1% on a constant currency basis. Like for like growth of 6.0% was augmented by a 2.1% contribution from new developments, including new accommodation at LEGOLAND Florida and Deutschland, as well as the recognition of further development fees related to LEGOLAND Dubai. The reported result was positively impacted by the strength of the US Dollar, with reported total revenue growth of 10.0%.

Like for like revenue growth of 6.0% reflects a continuation of the positive trend seen throughout 2014 and early 2015, and remains primarily a result of ongoing strength in the two US parks.

EBITDA grew by 11.9% on a constant currency basis despite the pre-opening costs at the LEGOLAND Florida hotel, the incremental pre-opening costs related to the new park developments in Japan and South Korea and the shift of more marketing spend into the first half of the year, as we increasingly focus campaigns on short breaks earlier in the season. Operating profit grew by 15.1% on a constant currency basis as the strong trading performance flowed through to profits.

Reported operating profit growth was 21.8%, supported by the positive impact of a stronger US Dollar.

#### Resort Theme Parks

£million	26 weeks ended	26 weeks ended	Total growth at	Total growth at	Like for like
	27 June 2015	28 June 2014	Constant FX	Actual FX	Growth
Revenue	112	117	0.7%	(3.8)%	(2.0)%
EBITDA <sup>(1)</sup>	(6)	2	nm <sup>(2)</sup>	nm <sup>(2)</sup>	
Operating loss <sup>(1)</sup>	(20)	(12)	(68.3)%	(65.8)%	

(1) Underlying basis, excluding exceptional items

(2) Not meaningful

The Resort Theme Parks Operating Group grew revenues by 0.7% on a constant currency basis, despite an overall like for like revenue decline, as a result of the full period impact of the Azteca Hotel at Chessington World of Adventures which opened in August 2014, as well as the new 'Enchanted Village' lodges at Alton Towers Resort which opened in April 2015. On a reported basis, revenues fell by 3.8% reflecting the translational impact of a weaker Euro on revenues from the theme parks in Italy and Germany.

The trading performance in the period has been dominated by the impact of the accident at Alton Towers Resort on 2 June 2015.

As a result of the accident, the decision was taken to temporarily close Alton Towers Resort and to suspend the majority of the early peak season marketing activity across the UK theme park estate. It was also necessary to temporarily close a number of multi-car rides at other UK theme parks whilst the new safety protocols, introduced following the accident, were implemented. This was the right and proper approach, reflecting the nature and seriousness of this incident.

However, the resulting loss of momentum has had an adverse impact on trading at a critical point in the season. Visitor volumes at Alton Towers Resort, and to a lesser extent the UK Resort Theme Parks estate, have been and continue to be

significantly below prior expectations. Although action is being taken to rebuild momentum into the summer season, including a recommencement of marketing in early July, there has yet to be any material improvement in the trajectory.

Therefore, despite a positive start to the season in Gardaland with the successful launch of the new 'Oblivion' dive coaster, the like for like revenue in the period declined by 2.0%.

An EBITDA loss of £6 million was recognised in the period, primarily reflecting the seasonality of the Operating Group. The year on year decline was driven by the flow through of lost revenue related to the Alton Towers accident and its wider impact on the UK Resort Theme Parks estate. Costs were also greater as a result of the shift of marketing spend into the first half of the year, as we increasingly focus campaigns on short breaks earlier in the season, supporting our resort positioning strategy.

Operating losses increased by £8 million to £20 million, reflecting the flow through of the decline in EBITDA.

### Strategic developments

Merlin has six complementary strategic growth drivers.

#### Planned capital investment cycles

*Adding new rides and features to our existing estate of attractions to drive customer satisfaction, increase capacity and provide a compelling new proposition to guests.*

The pre-determined investment cycles in place for each of the Operating Groups are carefully managed so as to smooth capital expenditure across the portfolio of attractions; to ensure the investments are funded out of operating free cash flow; and to provide attractions with the visibility and autonomy to plan effectively. At a Group level the investment over the cycle is broadly in line with depreciation and follows a pre-set ratio to revenue (typically 8-10%).

Each year, every attraction will have new product to market, with 'high year' investments providing significant new compelling content and often expanding the capacity of the attraction. In the period, Merlin launched new 'high-year' capex projects across a number of attractions. These included: 'Star Wars' experiences at Madame Tussauds in London and Berlin; LEGO 'Friends' themed areas in LEGOLAND Windsor, Florida and California; and 'Oblivion', a dive coaster, at Gardaland in Italy.

#### Strategic synergies

*Leveraging the scale of the Group in key markets to exploit enhanced operational, marketing and buying power.*

Merlin has signed an agreement with accesso to roll out their 'Passport' ticketing system across the estate over the next three years. This system will allow the Group to standardise and improve its guest purchase journey, delivering a better customer experience before, during and after the attraction visit. The benefit from the new solution, which will replace existing ticketing systems, is expected to underpin existing long term growth forecasts.

Costs related to the implementation are not expected to be incremental to existing expectations.

#### Resort positioning

*Developing our theme parks into short break destinations: extending the catchment area, creating new revenue streams and improving guest satisfaction.*

The key driver of this transformation is the presence of on-site themed accommodation. To date, all investments whether themed hotels or Holiday Villages have been highly successful; delivering against our investment criteria; driving multi-day stays; and significantly increasing the level of pre-booked business, hence providing an element of protection against the impact of adverse weather.

During the period, Merlin opened a new 152 room themed hotel at LEGOLAND Florida in May 2015. As the only LEGOLAND park previously without on-site accommodation, this is an important strategic development for the attraction. In addition, Alton Towers Resort further expanded its accommodation offering with the 125 lodge 'Enchanted Village', complementing the existing two hotels and indoor water park. In both cases, guest feedback and early season bookings are encouraging.

Looking forward, a second, 100 room hotel at Gardaland is under construction which will open in 2016. This is a major development in the ongoing strategy to reposition the Italian park as a short break destination resort.

### Midway roll out

*Opening new Midway attractions under one of our chainable global brands.*

We have identified over 100 potential further locations for Midway attractions where we believe that we can open new Madame Tussauds, SEA LIFE Centres, Dungeons and LEGOLAND Discovery Centres, typically for £5-8 million per attraction, with a target of 20% EBITDA ROIC return. Increasingly, our focus is on opening multiple attractions in the same locations to form clusters from which we can derive operational, marketing and cross-selling advantages.

During the period, we opened five new Midway attractions: SEA LIFE Michigan, LDC Osaka, and three attractions – The Orlando Eye, a Madame Tussauds and SEA LIFE – in Orlando, Florida. The three Orlando attractions, which all opened on the same day, enjoyed some exceptionally strong PR, and have received excellent guest feedback.

The pilot of our new 'DreamWorks Tours – Shrek's Adventure!' brand opened on 1 July 2015 in the heart of our London cluster on the South Bank. The concept incorporates a magical 4D ride and ten live shows in a new interactive storyline based around Shrek and other DreamWorks Animation characters. The pilot is potentially the first of six attractions to be opened under the initial agreement with DreamWorks Animation. While still early days, we are encouraged by strong initial guest feedback.

Merlin's seventh and final new Midway attraction for 2015 is LEGOLAND Discovery Centre Istanbul which opens today, 30 July, in the Forum Istanbul shopping mall – Turkey's largest shopping and leisure centre. The attraction sits alongside Istanbul SEA LIFE aquarium (the recently rebranded Turkuazoo aquarium which was acquired in 2013).

### New LEGOLAND Park developments

*Opening new full scale LEGOLAND Parks.*

We have announced the development of three further LEGOLAND Parks. LEGOLAND Dubai will open in Q3 2016 and LEGOLAND Japan will open in late Q2 2017. LEGOLAND Korea is now scheduled for 2018. The expected timing of capital investment and profit contribution remains unchanged.

Negotiations for future parks in the US and China remain ongoing.

### Strategic acquisitions

*Pursuing acquisition opportunities that complement our strategic objectives.*

Merlin's future growth is not dependent on acquisitions but the Group will continue to consider potential acquisition targets based primarily on brand, strategic fit and capital returns.

## Chief Financial Officer's review

### Trading performance

Revenue grew by £31 million or 6.1%, in the period. Like for like growth of 2.8% was augmented by New Business Development, to give total constant currency growth of 6.6%. Movements in foreign exchange rates had a slightly negative impact on revenue in the period, primarily as a result of Sterling's appreciation against the Euro and Australian Dollar, offset to a degree by the strengthening of the US Dollar. Further detail on the impact of foreign exchange movements is provided below.

Visitor numbers grew by 0.9% in the period to 27.7 million.

Group like for like revenue growth of 2.8% reflects a solid portfolio performance despite specific challenges in the period.

Revenue per capita (RPC) was £17.68, up 3.6% on a constant currency basis as a result of strong underlying RPC performances across all three Operating Groups and the mix impact of the stronger performance in LEGOLAND Parks. The headline Group RPC for the first half of the year is typically lower than the full year figure due to the mix impact, with many of the theme parks with a higher spend per head only being open for part of the period. The Company's focus continues to be on revenue maximisation rather than specific volume or RPC targets, which is primarily a function of business mix and promotion strategies.

Underlying EBITDA growth of 0.3% was suppressed as a result of the softer than expected revenue performance, the growth in pre-opening costs and the earlier phasing of marketing spend as part of our continued short break strategy. Reported EBITDA was up 2.7% year on year as it benefited from the positive impact of FX as a result of the seasonal bias towards US Dollar profits.

Underlying operating profit was flat year on year at £71 million on a reported basis and declined 3.6% on a constant currency basis as a result of the EBITDA performance and higher depreciation and amortisation arising from the expanding estate.

### Finance costs

Underlying net finance costs of £22 million were £9 million lower than the prior period, reflecting the pay down of £110 million of gross debt in the period, and the benefit of lower financing costs as a result of the refinancing activities and interest rate swap restructuring during the period. The reported underlying costs also included the benefit of a £3 million non-cash foreign exchange credit.

An underlying charge of around £40-45 million is expected for the full year, including non-cash amortisation of financing fees of approximately £3-4 million.

During the period the Group incurred net exceptional financing costs of £13 million. The Group restructured its interest rate swaps as part of a wider refinancing of the debt facilities, and paid a net £13 million to cash settle certain swaps. In respect of these swaps, £14 million had previously been hedge accounted through equity and was therefore recycled through the income statement. This was then offset by foreign exchange gains of £1 million as part of the wider refinancing.

### Taxation

An underlying tax charge of £14 million has been booked for the period, representing an underlying effective tax rate of 27.9% and is consistent with the expected effective tax rate 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 the results of our overseas operations. The table below shows the impact on 2014 revenues of re-translating them at 2015 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. As a result, the strengthening of the US Dollar during the period results in a favourable impact on operating profit.

Currency	2014 average FX rates	2015 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.66	1.53	8.2%	11
EUR	1.21	1.37	(13.0)%	(11)
AUD	1.84	1.93	(4.9)%	(1)
Other				(1)
<b>Reduction in 2014 revenues at 2015 FX rates</b>				<b>(2)</b>

#### Earnings per share (EPS)

Basic earnings per share was 2.5p (2014: 2.8p).

Adjusted earnings per share, which excludes the impact of exceptional items, was 3.5p (2014: 2.8p).

Reconciliation between basic and adjusted earnings

	June 2015 £m	June 2014 £m
Profit attributable to shareholders	25	29
Exceptional items after tax	10	-
Underlying profit for the period	35	29
Weighted average number of shares (million)	1,014	1,014
Basic earnings per share (p)	2.5p	2.8p
Adjusted earnings per share (p)	3.5p	2.8p

#### Dividend

Merlin is today proposing a 2.1 pence per share interim dividend. This will be paid on 24 September to shareholders on the register on 14 August.

Cash flow	June 2015 £m	June 2014 £m
<b>EBITDA</b>	123	120
Working capital and other movements	21	40
Tax paid	(31)	(20)
<b>Net cash inflow from operating activities</b>	<b>113</b>	<b>140</b>
Capital expenditure	(127)	(101)
Net repayment of borrowings	(110)	(2)
Interest paid, net of interest received	(23)	(30)
Refinancing and other costs	(27)	-
Dividend paid	(43)	-
Other	-	(3)
<b>Net cash (outflow)/inflow for the period</b>	<b>(217)</b>	<b>4</b>

Net cash flow from operating activities of £113 million was £27 million lower than the prior year as a result of the growth in EBITDA being more than offset by a reduction in working capital inflow, and an increase in tax paid. The Group invested £127 million (2014: £101 million) in capital projects during the period. Surplus cash reserves were used to repay £110 million of term debt (net repayment) and costs of £27 million were incurred related to the refinancing and interest rate swap restructuring during the period. Cash financing costs were £23 million (2014: £30 million) and the 2014 final dividend was £43 million (2014: £nil).

<u>Net debt</u>	June 2015 £m	Dec 2014 £m	June 2014 £m
Bank loans and borrowings	976	1,136	1,161
Less: cash and cash equivalents	(68)	(285)	(268)
Net bank debt	908	851	893
Finance lease obligations	81	84	84
Net debt	989	935	977

Net debt increased by £54 million in the 26 week period, reflecting the timing of capital expenditure and the seasonality of trading, together with the payment of the 2014 final dividend.

Compared to 28 June 2014, net debt has increased by £12 million.

Cash and cash equivalents at 27 June 2015 were £68 million. Further liquidity was provided by an undrawn £300 million revolving credit facility.

#### Risks and uncertainties

The principal risks and uncertainties affecting the Group are detailed on pages 42-47 of the 2014 Annual Report and Accounts. These are summarised as:

- Health, safety and security risks;
- Commercial and strategic risks including those over customer satisfaction, people availability and expertise, animal welfare, availability and delivery of new sites and attractions, competition, IT robustness, technological developments and cyber security, and seasonality / weather; and
- Financial process risks including those over anti-bribery and corruption, credit risk, foreign exchange risk, interest rate risk and liquidity / cash flow risk.

On 2 June 2015 an accident occurred at Alton Towers Resort on the 'Smiler' ride. We are currently fully supporting the Health and Safety Executive who are performing an independent investigation. The Group responded immediately to support those who were injured, and maintains appropriate insurance that will provide full compensation in due course. It is possible that additional uninsured costs may be incurred and at this stage these costs are not anticipated to be material in the context of the Group's financial statements.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 27 June 2015 (2014: 26 weeks ended 28 June 2014)

	Note	26 weeks ended 27 June 2015			26 weeks ended 28 June 2014		
		Underlying Trading £m	Exceptional items <sup>(3)</sup> £m	Total £m	Underlying trading £m	Exceptional items <sup>(3)</sup> £m	Total £m
<b>Revenue</b>	2.1	544	-	544	513	-	513
Cost of sales		(81)	-	(81)	(75)	-	(75)
<b>Gross profit</b>		463	-	463	438	-	438
Staff expenses	2.1	(157)	-	(157)	(147)	-	(147)
Marketing		(38)	-	(38)	(34)	-	(34)
Rent		(42)	-	(42)	(40)	-	(40)
Other operating expenses		(103)	-	(103)	(97)	-	(97)
<b>EBITDA<sup>(1)</sup></b>	2.1	123	-	123	120	-	120
Depreciation and amortisation	3.1, 3.2	(52)	-	(52)	(49)	-	(49)
<b>Operating profit</b>		71	-	71	71	-	71
Finance income	4.2	3	1	4	1	-	1
Finance costs	4.2	(25)	(14)	(39)	(32)	-	(32)
<b>Profit before tax</b>		49	(13)	36	40	-	40
Taxation	2.3	(14)	3	(11)	(11)	-	(11)
<b>Profit for the period<sup>(2)</sup></b>		<b>35</b>	<b>(10)</b>	<b>25</b>	<b>29</b>	-	<b>29</b>
<b>Earnings per share</b>							
Basic and diluted earnings per share (p)	2.4			2.5			2.8

<sup>(1)</sup> 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 joint ventures.

<sup>(2)</sup> Profit for the 26 weeks ended 27 June 2015 and the 26 weeks ended 28 June 2014 is wholly attributable to the owners of the Company.

<sup>(3)</sup> Details of exceptional items are provided in note 2.2.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 27 June 2015 (2014: 26 weeks ended 28 June 2014)

	Note	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
<b>Profit for the period</b>		25	29
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on the retranslation of net assets of foreign operations		(66)	(23)
Exchange differences relating to the net investment in foreign operations		21	12
Cash flow hedges - effective portion of changes in fair value		3	(4)
Cash flow hedges - reclassified to profit and loss	2.2	14	-
Income tax on items relating to components of other comprehensive income		(2)	-
<b>Other comprehensive income for the period net of income tax</b>		(30)	(15)
<b>Total comprehensive income for the period <sup>(1)</sup></b>		<b>(5)</b>	<b>14</b>

<sup>(1)</sup> Total comprehensive income for the 26 weeks ended 27 June 2015 and the 26 weeks ended 28 June 2014 is wholly attributable to the owners of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 27 June 2015 (2014: 27 December 2014, 28 June 2014)

	Note	27 June 2015 £m	27 December 2014 £m	28 June 2014 £m
<b>Non-current assets</b>				
Property, plant and equipment	3.1	1,431	1,410	1,345
Goodwill and intangible assets	3.2	906	942	945
Investments		6	6	6
Other receivables		10	7	4
Deferred tax assets		48	49	56
		2,401	2,414	2,356
<b>Current assets</b>				
Inventories		37	26	36
Trade and other receivables		98	60	89
Other financial assets		7	1	4
Cash and cash equivalents	4.1	68	285	268
		210	372	397
<b>Total assets</b>		<b>2,611</b>	<b>2,786</b>	<b>2,753</b>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	4.1	4	5	5
Other financial liabilities		1	12	11
Trade and other payables		296	226	301
Tax payable		6	27	-
Provisions		4	4	5
		311	274	322
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	4.1	972	1,131	1,156
Finance leases	4.1	81	84	84
Other payables		23	23	24
Provisions		49	50	45
Employee benefits		5	5	4
Deferred tax liabilities		152	156	158
		1,282	1,449	1,471
<b>Total liabilities</b>		<b>1,593</b>	<b>1,723</b>	<b>1,793</b>
<b>Net assets</b>		<b>1,018</b>	<b>1,063</b>	<b>960</b>
<b>Equity</b>				
Issued capital and reserves attributable to owners of the Company		1,014	1,059	956
Non-controlling interest		4	4	4
<b>Total equity</b>		<b>1,018</b>	<b>1,063</b>	<b>960</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 27 June 2015 (2014: 52 weeks ended 28 June 2014)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Trans- lation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non- control- ling interest £m	Total equity £m
At 29 December 2013		10	3,183	(2,250)	(85)	(2)	84	940	4	944
Profit for the period		-	-	-	-	-	29	29	-	29
Other comprehensive income for the period net of income tax		-	-	-	(11)	(4)	-	(15)	-	(15)
Total comprehensive income for the period		-	-	-	(11)	(4)	29	14	-	14
Capital restructure		-	(3,183)	2,250	-	-	933	-	-	-
Equity-settled share-based transactions		-	-	-	-	-	2	2	-	2
<b>At 28 June 2014</b>		10	-	-	(96)	(6)	1,048	956	4	960
Profit for the period		-	-	-	-	-	133	133	-	133
Other comprehensive income for the period net of income tax		-	-	-	(5)	(5)	(2)	(12)	-	(12)
Total comprehensive income for the period		-	-	-	(5)	(5)	131	121	-	121
Equity dividends		-	-	-	-	-	(20)	(20)	-	(20)
Equity-settled share-based transactions		-	-	-	-	-	2	2	-	2
<b>At 27 December 2014</b>		10	-	-	(101)	(11)	1,161	1,059	4	1,063
Profit for the period		-	-	-	-	-	25	25	-	25
Other comprehensive income for the period net of income tax		-	-	-	(46)	16	-	(30)	-	(30)
Total comprehensive income for the period		-	-	-	(46)	16	25	(5)	-	(5)
Equity dividends	4.3	-	-	-	-	-	(43)	(43)	-	(43)
Equity-settled share-based transactions	4.4	-	-	-	-	-	3	3	-	3
<b>At 27 June 2015</b>		10	-	-	(147)	5	1,146	1,014	4	1,018

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 27 June 2015 (2014: 26 weeks ended 28 June 2014)

	Note	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
<b>Cash flows from operating activities</b>			
Profit for the period		25	29
<i>Adjustments for:</i>			
Depreciation and amortisation	3.1, 3.2	52	49
Finance income	4.2	(4)	(1)
Finance costs	4.2	39	32
Taxation	2.3	11	11
		123	120
Working capital changes		21	38
Changes in provisions and other non-current liabilities		-	2
		144	160
Tax paid		(31)	(20)
<b>Net cash inflow from operating activities</b>		113	140
<b>Cash flows from investing activities</b>			
Acquisition of investments		-	(3)
Acquisition of property, plant and equipment		(127)	(101)
<b>Net cash outflow from investing activities</b>		(127)	(104)
<b>Cash flows from financing activities</b>			
Equity dividends paid		(43)	-
Proceeds from borrowings		1,002	-
Financing costs		(14)	-
Interest paid		(23)	(30)
Settlement of interest rate swaps		(13)	-
Repayment of borrowings		(1,112)	(2)
<b>Net cash outflow from financing activities</b>		(203)	(32)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(217)	4
Cash and cash equivalents at beginning of period		285	264
Effect of movements in foreign exchange		-	-
<b>Cash and cash equivalents at end of period</b>	4.1	<b>68</b>	<b>268</b>

## SECTION I BASIS OF PREPARATION

26 weeks ended 27 June 2015

### I.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 27 June 2015 (2014: 26 weeks ended 28 June 2014) 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 52 weeks ended 27 December 2014 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 Services 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 52 weeks ended 27 December 2014.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 27 December 2014 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 £25 million (52 weeks ended 27 December 2014: £162 million) and continues to generate cash with net operating cash inflows of £113 million. In the equivalent period for 2014, the Group generated net operating cash inflows of £140 million, and went on to generate £357 million for the full year. Following a refinancing that completed in March 2015, extending maturities and diversifying the Group's sources of funding, the Group is now funded by senior unsecured bank facilities due for repayment in 2020 and senior unsecured notes due for repayment in 2022. 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 cash flow forecasts and trading budgets and making appropriate enquiries, 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 foreseeable future. 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 52 weeks ended 27 December 2014, except for the adoption as of 1 January 2015 of the following new standards and interpretations. These have been adopted by the Group with no significant impact on its consolidated financial statements.

- IAS 19 (Amendment) 'Employee benefits' - defined benefit plans: employee contributions.
- IFRS 2 (Amendment) 'Share-based payment' - definition of 'vesting condition'.
- IFRS 3 (Amendment) 'Business combinations' - classification and measurement of contingent consideration and scope exclusion for the formation of joint arrangements.
- IFRS 8 (Amendment) 'Operating segments' - disclosures on the aggregation of operating segments.
- IFRS 13 (Amendment) 'Fair value measurement' - measurement of short term receivables and payables and scope of portfolio exception.
- IAS 16 (Amendment) 'Property, plant and equipment'.
- IAS 24 (Amendment) 'Related party disclosures' - definition of 'related party'.

## SECTION 2 RESULTS FOR THE PERIOD

26 weeks ended 27 June 2015

### 2.1 Profit before tax

#### Segmental information

An operating segment 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. 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, and for which discrete financial information is available. 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
<b>26 weeks ended 27 June 2015</b>				
Segment revenue	252	178	112	542
Segment profit, being segment EBITDA	87	58	(6)	139
Segment depreciation and amortisation	(25)	(11)	(14)	(50)
Segment operating profit/(loss)	62	47	(20)	89

	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m
<b>26 weeks ended 28 June 2014</b>				
Segment revenue	233	162	117	512
Segment profit, being segment EBITDA	85	50	2	137
Segment depreciation and amortisation	(24)	(11)	(14)	(49)
Segment operating profit/(loss)	61	39	(12)	88

#### Reconciliation to statutory items included in the condensed consolidated income statement

	Revenue £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m
<b>26 weeks ended 27 June 2015</b>				
Segment results	542	139	(50)	89
Other items <sup>(1)</sup>	2	(16)	(2)	(18)
<b>Total per condensed consolidated income statement</b>	<b>544</b>	<b>123</b>	<b>(52)</b>	<b>71</b>

	Revenue £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m
<b>26 weeks ended 28 June 2014</b>				
Segment results	512	137	(49)	88
Other items <sup>(1)</sup>	1	(17)	-	(17)
<b>Total per condensed consolidated income statement</b>	<b>513</b>	<b>120</b>	<b>(49)</b>	<b>71</b>

<sup>(1)</sup> Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributable to the reportable segments.

## SECTION 2 RESULTS FOR THE PERIOD *(continued)*

26 weeks ended 27 June 2015

### 2.1 Profit before tax *(continued)*

#### Staff expenses

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

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
Wages and salaries	132	125
Share-based payments	3	2
Social security costs	17	16
Other pension costs	5	4
	157	147

#### Seasonality of operations

The Group's portfolio of attractions operates on different trading cycles. 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 52 weeks to 27 June 2015 is included below:

	52 weeks ended 27 June 2015 £m	52 weeks ended 28 June 2014 £m
Revenue	1,280	1,222
Underlying EBITDA	414	399
Underlying operating profit	311	297
Profit before tax	222	213

## SECTION 2 RESULTS FOR THE PERIOD *(continued)*

26 weeks ended 27 June 2015

### 2.2 Exceptional items

The following items are exceptional and have been shown separately on the face of the consolidated income statement:

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
<i>Within finance income and costs:</i>		
Refinancing <sup>(1)</sup>	13	-
Exceptional items before income tax	13	-
Exceptional items income tax charge <sup>(2)</sup>	(3)	-
<b>Exceptional items for the period</b>	<b>10</b>	<b>-</b>

- (1) As part of the refinancing undertaken during the period (see note 4.1), the Group incurred net exceptional financing costs of £13 million. The Group restructured its interest rate swaps as part of a wider refinancing of the debt facilities, and paid a net £13 million to cash settle certain swaps. In respect of these swaps, £14 million had previously been hedge accounted through equity and was therefore recycled through the income statement. This was then offset by foreign exchange gains of £1 million as part of the wider refinancing. These have been separately presented in order to better present the underlying finance cost for the Group. Further details of the Group's debt are presented in note 4.1.
- (2) The exceptional items income tax charge reflects the tax effect of the exceptional items above.

### 2.3 Taxation

The taxation charge on underlying profits for the 26 weeks ended 27 June 2015 is based on an estimated full year effective tax rate of 27.9% (26 weeks ended 28 June 2014: 28.3%; 52 weeks ended 27 December 2014: 28.0%).

The tax charge in the income statement is based on management's best estimate of the full year effective tax rate on expected underlying profits to 26 December 2015, adjusted for actual tax on exceptional items in the period to 27 June 2015.

The effective tax rate on overall profit before taxation is 29.3% (26 weeks ended 28 June 2014: 28.3%; 52 weeks ended 27 December 2014: 28.4%).

## SECTION 2 RESULTS FOR THE PERIOD (continued)

26 weeks ended 27 June 2015

### 2.4 Earnings per share

Basic earnings per share is calculated by dividing the net 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 net 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.

Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted for exceptional items (see note 2.2).

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

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
Profit attributable to ordinary shareholders	25	29
Exceptional items net of tax (see note 2.2)	10	-
<b>Adjusted profit attributable to ordinary shareholders</b>	<b>35</b>	<b>29</b>

  

	26 weeks ended 27 June 2015	26 weeks ended 28 June 2014
Weighted average number of shares	1,013,746,032	1,013,746,032
Dilutive potential ordinary shares	1,057,156	-
<b>Diluted weighted average number of shares</b>	<b>1,014,803,188</b>	<b>1,013,746,032</b>

Share incentive schemes (see note 4.4) are treated as dilutive to earnings per share when, at the balance sheet date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

In 2015, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are dilutive as certain options are 'in the money' after accounting for the value of services rendered in addition to the option price.

In 2014, the performance measures for the PSP had not been achieved, the awards for the DBP had not yet been issued and the CSOP and AESP were 'out of the money', therefore no awards were treated as dilutive.

### Earnings per share

	26 weeks ended 27 June 2015 Pence	26 weeks ended 28 June 2014 Pence
<b>Basic and diluted earnings per share on profit for the period</b>	<b>2.5</b>	<b>2.8</b>
Exceptional items net of tax	1.0	-
<b>Adjusted and diluted earnings per share on adjusted profit for the period</b>	<b>3.5</b>	<b>2.8</b>

## SECTION 3 OPERATING ASSETS AND LIABILITIES

26 weeks ended 27 June 2015

### 3.1 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 28 December 2014	732	587	91	1,410
Additions	13	26	89	128
Movements in asset retirement provisions	2	-	-	2
Transfers	40	63	(103)	-
Depreciation for the period - owned assets	(14)	(35)	-	(49)
Depreciation for the period - leased assets	(1)	(1)	-	(2)
Effect of movements in foreign exchange	(36)	(19)	(3)	(58)
<b>Balance at 27 June 2015</b>	<b>736</b>	<b>621</b>	<b>74</b>	<b>1,431</b>

#### Capital commitments

At the period end the Group has a number of outstanding capital commitments amounting to £25 million (28 June 2014: £59 million and 27 December 2014: £50 million), for which no liability has been recognised. These commitments are expected to be settled within two financial years of the reporting date.

In addition to the contractual commitments disclosed above, the Group intends to invest £53 million in LEGOLAND Japan and £57 million in LEGOLAND Korea over the period from 2014 to 2018.

### 3.2 Goodwill and intangible assets

	Intangible assets			Total £m
	Goodwill £m	Brands £m	Other £m	
Balance at 28 December 2014	754	174	14	942
Amortisation for the period	-	-	(1)	(1)
Effect of movements in foreign exchange	(29)	(6)	-	(35)
<b>Balance at 27 June 2015</b>	<b>725</b>	<b>168</b>	<b>13</b>	<b>906</b>

## SECTION 4 CAPITAL STRUCTURE AND FINANCING

26 weeks ended 27 June 2015

### 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.

	Cash and cash equivalents £m	Interest-bearing loans and borrowings £m	Finance leases £m	Total £m
Net debt at 28 December 2014	285	(1,136)	(84)	(935)
Net cash flows	(217)	124	-	(93)
Non-cash movement	-	(1)	-	(1)
Effect of movements in foreign exchange	-	37	3	40
<b>Net debt at 27 June 2015</b>	<b>68</b>	<b>(976)</b>	<b>(81)</b>	<b>(989)</b>

### Terms and debt repayment schedule

This table provides information about the contractual terms of the Group's interest-bearing loans and borrowings. The principal value is the amount of debt owing at the end of the accounting period. The carrying value is measured at amortised cost, and presents the principal value as adjusted for any prepaid loan issue costs that are being amortised over the term of the facility.

	Currency	Nominal interest rate	Year of maturity	27 June 2015		27 December 2014	
				Principal value £m	Carrying amount £m	Principal value £m	Carrying amount £m
Unsecured floating rate bank loan	GBP	2.57%	2020	250	247	-	-
Unsecured floating rate bank loan	EUR	1.99%	2020	36	35	-	-
Unsecured floating rate bank loan	USD	2.29%	2020	343	338	-	-
Unsecured fixed rate notes	EUR	2.75%	2022	356	352	-	-
Secured bank loan	GBP	3.75%	2019	-	-	409	408
Secured bank loan	EUR	3.26%	2019	-	-	332	332
Secured bank loan	USD	3.41%	2019	-	-	319	318
Secured bank loan	AUD	5.90%	2019	-	-	73	73
				985	972	1,133	1,131
Bank interest payable					1		5
Bond interest payable					3		-
					976		1,136

In February 2015 the Group signed new unsecured debt facilities. These consist of bank loans of \$540 million, £250 million and €50 million that mature in 2020 and a £300 million revolving credit facility due in 2020. These, together with the proceeds from €500 million of notes due in 2022 (issued in March 2015), and available cash on the balance sheet, were used to repay the existing secured bank facility due to mature in 2019.

The Group's exposure to interest rate fluctuations on its interest-bearing loans and borrowings is managed by borrowing on a fixed rate basis and by entering into interest rate swaps. As a result of the new unsecured debt facilities the Group entered into a portfolio of floating to fixed interest rate swaps and consequently 75% of its interest-bearing loans and borrowings are at fixed interest rates.

### 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.

## SECTION 4 CAPITAL STRUCTURE AND FINANCING (continued)

26 weeks ended 27 June 2015

### 4.2 Finance income and costs

#### Finance income

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
<i>In respect of assets not held at fair value</i>		
Interest income	-	1
<i>Other</i>		
Net foreign exchange gain	4	-
	4	1

#### Finance costs

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
<i>In respect of liabilities not held at fair value</i>		
Interest expense on financial liabilities measured at amortised cost	24	31
Other interest expense	1	1
<i>In respect of liabilities held at fair value</i>		
Cash flow hedges - reclassified to profit and loss	14	-
	39	32

### 4.3 Equity

#### Dividends

The following dividends were declared and paid by the Company:

	26 weeks ended 27 June 2015 £m	26 weeks ended 28 June 2014 £m
Final dividend for the 52 weeks ended 27 December 2014 of 4.2 pence per share	43	-

On 29 July 2015 the directors declared an interim dividend of 2.1 pence per share (2014: 2.0 pence per share), amounting to £21 million (2014: £20 million), which will be paid on 24 September 2015 to ordinary shareholders on the register at the close of business on 14 August 2015.

## SECTION 4 CAPITAL STRUCTURE AND FINANCING *(continued)*

26 weeks ended 27 June 2015

### 4.4 Share-based payment transactions

#### Equity-settled schemes

The Group operates four employee share incentive schemes: the Performance Share Plan (PSP), the Company Share Option Plan (CSOP), the Deferred Bonus Plan (DBP) 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		CSOP		DBP		AESP	
	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)
At 29 December 2013	3,633,489	-	2,298,375	3.15	-	n/a	-	n/a
Granted during the period	78,177	-	100,250	3.77	-	n/a	3,555,062	2.98
Forfeited during the period	-	-	(9,532)	3.15	-	n/a	(78,868)	2.99
<b>At 28 June 2014</b>	<b>3,711,666</b>	<b>-</b>	<b>2,389,093</b>	<b>3.18</b>	<b>-</b>	<b>n/a</b>	<b>3,476,194</b>	<b>2.98</b>
Granted during the period	42,400	-	106,600	3.51	-	n/a	-	n/a
Forfeited during the period	(142,857)	-	(190,441)	3.17	-	n/a	(295,232)	2.98
<b>At 27 December 2014</b>	<b>3,611,209</b>	<b>-</b>	<b>2,305,252</b>	<b>3.19</b>	<b>-</b>	<b>n/a</b>	<b>3,180,962</b>	<b>2.98</b>
Granted during the period	2,111,471	-	1,012,500	4.42	383,843	-	2,823,813	3.24
Forfeited during the period	(286,282)	-	(123,877)	3.41	(17,502)	-	(168,762)	3.07
Exercised during the period	-	-	-	-	-	-	(284)	3.17
<b>At 27 June 2015</b>	<b>5,436,398</b>	<b>-</b>	<b>3,193,875</b>	<b>3.57</b>	<b>366,341</b>	<b>-</b>	<b>5,835,729</b>	<b>3.10</b>

The fair value per award granted and the assumptions used in the calculations for the 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	2 April 2015	-	4.47	4.47	n/a	n/a	3.0	n/a
CSOP	1 April 2015	4.42	4.42	0.99	1.4%	24%	4.7	1.0%
DBP	25 March 2015	-	4.45	4.45	n/a	n/a	3.0	n/a
AESP	17 February 2015	3.43	4.04	0.71	1.5%	18%	2.2	0.7%
	17 March 2015	3.23	4.38	1.20	1.4%	20%	3.3	0.9%

The total charge for the period relating to employee share-based payment plans was £3 million (26 weeks ended 28 June 2014: £2 million) which was charged to staff expenses.

## SECTION 5 OTHER NOTES

26 weeks ended 27 June 2015

### 5.1 Related party transactions

#### Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and IDR Resorts Sdn. Bhd.

All dealings with related parties are conducted on an arm's length basis.

#### Transactions with shareholders

During the period the Group entered into transactions with a major shareholder, KIRKBI Invest A/S, and the LEGO Group, a related party of KIRKBI Invest A/S. During the period Blackstone Capital Partners and funds advised by CVC Capital Partners (via Lancelot Holdings S.à r.l.) divested the final tranches of their previous shareholdings.

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 27 June 2015, were as follows:

	Goods and services			
	Sales £m	Amounts owed by related party £m	Purchases £m	Amounts owed to related party £m
<b>27 June 2015</b>				
KIRKBI Invest A/S	-	-	3	2
LEGO Group	1	1	21	5
	1	1	24	7
<b>28 June 2014</b>				
KIRKBI Invest A/S	1	1	3	2
LEGO Group	-	1	16	3
	1	2	19	5

Prior to the refinancing (see note 4.1) KIRKBI Invest A/S, as a member of a banking syndicate, owned an element of the Group's bank loan portfolio. The balance outstanding at 27 June 2015 is £nil (28 June 2014: £52 million).

#### Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group is committed to subscribing for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park. On this basis, IDR and its subsidiaries are deemed to be related parties. At 27 June 2015 and 28 June 2014 the Group had subscribed for 16,350,300 shares in IDR.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 27 June 2015, are as follows:

	27 June 2015 £m	28 June 2014 £m
Sales to related party	3	1
Amounts owed by related party	3	4

### 5.2 Contingent liabilities

On 2 June 2015 an accident occurred at Alton Towers Resort on the 'Smiler' ride. We are currently fully supporting the Health and Safety Executive which is performing an independent investigation. The Group responded immediately to support those who were injured, and maintains appropriate insurance that will provide full compensation in due course. It is possible that additional uninsured costs may be incurred and at this stage these costs are not anticipated to be material in the context of the Group's financial statements.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM 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 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 that could do so.

Miguel Ko, Dr. Gerry Murphy and Rob Lucas stood down from the Board of Merlin Entertainments plc on 14 May 2015. There have been no further appointments or resignations in the period and the remaining Directors are listed in the Merlin Entertainments plc 2014 Annual Report.

By order of the Board

**Nick Varney**  
Chief Executive Officer  
29 July 2015

**Andrew Carr**  
Chief Financial Officer  
29 July 2015

# 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 27 June 2015, 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 27 June 2015 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*  
Dukes Keep, Marsh Lane,  
Southampton  
SO14 3EX

29 July 2015