



Merlin Entertainments plc – Trading Update

27 July 2015

Merlin Entertainments is today providing an update on current trading and the outlook, reflecting our revised expectations for the Resort Theme Parks Operating Group.

Whilst first half results, which will be published as planned on 30 July 2015, are expected to be in line with analyst estimates, the serious accident at Alton Towers on 2 June has had an adverse impact on trading at the start of the critical summer period and on the Board's expectations for the financial performance of the Group for the full year.

The accident at the Alton Towers Resort resulted in the temporary closure of the park, the suspension of UK theme park marketing and temporary ride closures at two of our other UK theme parks. The combination of these factors has significantly reduced volumes at Alton Towers Resort and, to a lesser extent, the UK Resort Theme Parks estate.

Action is being taken to rebuild momentum and re-engage with our customers. However, based on most recent trading and our assessment of the likely trajectory over the key summer trading period, the 2015 EBITDA for the Resort Theme Parks Operating Group is now expected to be in the range £40 to £50 million (2014: £87 million). The magnitude of the financial impact is the result of both a significant reduction in revenue and the requirement to maintain an appropriate investment in customer service and marketing through peak season.

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.

The lower expectations for the Resort Theme Parks Operating Group in 2015 will be partially offset by better than expected financing costs, now 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).

We have committed to support those injured as best we can and implemented additional safety protocols to be sure that a similar accident will never happen again.

Expected half year results - Key trading highlights⁽¹⁾

Merlin Entertainments will be releasing its interim results on Thursday 30 July 2015, but the expected key highlights are provided below.

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

(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.

- 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 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 at 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 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.

It is our expectation that the Board will approve, and the auditor issue a review opinion on, the Interim Results due to be released on Thursday 30 July 2015.

Nick Varney, Chief Executive Officer, said:

"The accident at Alton Towers in June was a devastating event, for which we have accepted responsibility and are deeply sorry. We have been humbled by the grace and fortitude of those who were injured, and their families, and will continue to do whatever we can to support them.

"As a result of the accident, we took the immediate decision to close the park and temporarily suspend a number of rides across the UK Resort Theme Parks estate. We firmly believe that this was the right course of action reflecting the seriousness of the incident, the impact on our staff, and to allow the team to focus on supporting all those affected and on the implementation of the new safety protocols, where necessary. In addition, we felt it appropriate to significantly reduce UK theme park marketing activity, in what is a critical period in the run up to the peak summer season. Alton Towers Resort was reopened on 8 June 2015, but as a result of the material loss of

momentum, trading at the park and, to a lesser extent, the broader UK Resort Theme Parks estate has been adversely impacted.

“Alton Towers has a proud track record as the #1 theme park in the UK, a position endorsed by its consistently high customer satisfaction scores and the recent recognition as Trip Advisor’s best UK theme park. The resort continues to offer world class family entertainment provided by its amazing staff and I am confident that it will rebuild its position as the nation’s favourite theme park.

“Elsewhere in the estate, there have been strong performances from new attractions and accommodation, and the LEGOLAND Parks Operating Group has maintained its strong momentum. There have been specific challenges within the Midway estate, particularly in London where a weaker Euro has impacted the relative attractiveness of the city as a tourist destination. However, our strong brands and diversified portfolio continue to support a robust Group performance and provide confidence in the medium and long term outlook.”

A conference call for analysts will be held at 8:30am this morning. Dial in details are as follows:

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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 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 new brand concept, 'DreamWorks Tours - Shrek's Adventure!', under development 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).