October 2019 | **Motion Acquisition Limited**

CONFIDENTIAL INFORMATION MEMORANDUM

£2,729,000,000 Senior Secured Credit Facilities

£400,000,000 Revolving Credit Facility
£2,329,000,000 Term Loan B Facility

Joint Global Coordinators:

Bank of America Merrill Lynch   Deutsche Bank

Joint Lead Arrangers and Joint Bookrunners:

BARCLAYS   HSBC   MIZUHO   UniCredit Bank   SMBC

Mandated Lead Arrangers:

中国银行 BANK OF CHINA   Santander Corporate & Investment Banking

SPECIAL NOTICE REGARDING PUBLICLY AVAILABLE INFORMATION

MOTION ACQUISITION LIMITED (THE "COMPANY") HAS REPRESENTED THAT THE INFORMATION CONTAINED IN THIS CONFIDENTIAL INFORMATION MEMORANDUM IS EITHER PUBLICLY AVAILABLE OR DOES NOT CONSTITUTE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY OR ITS SECURITIES. THE RECIPIENT OF THIS CONFIDENTIAL INFORMATION MEMORANDUM HAS STATED THAT IT DOES NOT WISH TO RECEIVE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY AND/OR MERLIN ENTERTAINMENTS PLC (THE "TARGET" AND TOGETHER WITH ITS SUBSIDIARIES, THE "TARGET GROUP") AND/OR THEIR RESPECTIVE AFFILIATES OR THEIR RESPECTIVE SECURITIES AND ACKNOWLEDGES THAT OTHER LENDERS HAVE RECEIVED A CONFIDENTIAL INFORMATION MEMORANDUM THAT CONTAINS ADDITIONAL INFORMATION WITH RESPECT TO SUCH PERSONS OR THEIR RESPECTIVE SECURITIES THAT MAY BE MATERIAL. NEITHER THE COMPANY NOR THE ARRANGERS TAKE ANY RESPONSIBILITY FOR THE RECIPIENT'S DECISION TO LIMIT THE SCOPE OF THE INFORMATION IT HAS OBTAINED IN CONNECTION WITH ITS EVALUATION OF THE COMPANY, THE TARGET GROUP AND THE FACILITIES. NOTWITHSTANDING THE RECIPIENT'S DESIRE TO ABSTAIN FROM RECEIVING MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY AND THE TARGET GROUP AND THE ABSENCE OF MATERIAL NON-PUBLIC INFORMATION IN THIS CONFIDENTIAL INFORMATION MEMORANDUM, THE RECIPIENT ACKNOWLEDGES THAT (1) ALL INDIVIDUALS LISTED AS CONTACTS IN THIS CONFIDENTIAL INFORMATION MEMORANDUM ARE ON THE PRIVATE SIDE OF THE INFORMATION WALL AND THAT IF THE RECIPIENT CHOOSES TO COMMUNICATE WITH ANY SUCH INDIVIDUAL THE RECIPIENT ASSUMES THE RISK OF RECEIVING MATERIAL NON-PUBLIC INFORMATION CONCERNING THE COMPANY, THE TARGET GROUP AND THEIR RESPECTIVE RELATED PARTIES, OR THE SECURITIES THEREOF, (2) INFORMATION OBTAINED AS A RESULT OF BECOMING A LENDER MAY INCLUDE SUCH MATERIAL NON-PUBLIC INFORMATION, AND (3) IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH APPLICABLE LAW INCLUDING NATIONAL AND STATE SECURITIES LAWS.

Notice to and Undertaking by Recipients (this "Notice and Undertaking")

This Confidential Information Memorandum (the "**Confidential Information Memorandum**") contains confidential information regarding (i) The Blackstone Group L.P., Canada Pension Plan Investment Board and KIRKBI A/S (each, together with its respective affiliates, funds, limited partnerships and other similar investment vehicles and accounts managed or advised by it, a "**Sponsor**" and together, the "**Sponsor Group**"), (ii) Motion Acquisition Limited (the "**Company**") (together with its subsidiaries, the "**Group**") and (iii) Merlin Entertainments plc (the "**Target**") and its subsidiaries (together with the Target, the "**Target Group**").

The Confidential Information Memorandum has been prepared from information supplied by or on behalf of the Group and the Sponsor Group and is being furnished for information purposes only, by Bank of America Merrill Lynch International Designated Activity Company, Bank of America N.A., London Branch, Deutsche Bank AG, London Branch, Barclays Bank PLC, HSBC Bank plc, Mizuho Bank, Ltd., UniCredit Bank AG, London Branch, SMBC Nikko Capital Markets Limited, Bank of China Limited, London Branch, and Banco Santander S.A., London Branch (together with each of their respective affiliates, the "**Arrangers**") to you in your capacity as a prospective lender (the "**Recipient**") in considering the proposed senior secured credit facilities (the "**Facilities**") to be made available in connection with the Company's acquisition of the Target Group as described in the Confidential Information Memorandum. The Arrangers refer each Recipient to the copy of the authorisation letter from the Company to the Arrangers. The Arrangers have relied upon that authorisation letter.

ACCEPTANCE OF THIS CONFIDENTIAL INFORMATION MEMORANDUM CONSTITUTES AN AGREEMENT TO BE BOUND BY THE TERMS OF THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE SET FORTH ON THE COVER PAGE HEREOF (THE "**SPECIAL NOTICE**"). IF THE RECIPIENT IS NOT WILLING TO ACCEPT THE CONFIDENTIAL INFORMATION MEMORANDUM AND OTHER EVALUATION MATERIAL (AS DEFINED HEREIN) ON THE TERMS SET FORTH IN THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE, IT MUST RETURN THE CONFIDENTIAL INFORMATION MEMORANDUM AND ANY OTHER EVALUATION MATERIAL TO THE ARRANGER IMMEDIATELY WITHOUT MAKING ANY COPIES THEREOF, EXTRACTS THEREFROM OR USE THEREOF.

I. Confidentiality

As used herein: (a) "**Evaluation Material**" refers to the Confidential Information Memorandum and any other information regarding the Sponsor Group, the Group, the Target Group or the Facilities furnished or communicated to the Recipient by or on behalf of the Sponsor Group, the Group, the Target Group or the Arrangers in connection with the Facilities (whether prepared or communicated by the Arrangers, the Group, the Sponsor Group, the Target Group or their respective advisors or otherwise) and (b) "**Internal Evaluation Material**" refers to all memoranda, notes, and other documents and analyses developed by the Recipient using any of the information specified under the definition of Evaluation Material.

The Recipient acknowledges that the Company considers the Evaluation Material to include confidential, sensitive and proprietary information and agrees that it shall use such material only for the purposes of evaluating the Facilities and keep the Evaluation Material confidential in accordance with the terms of the confidentiality agreement which the Recipient has been required to enter into prior to receiving the Confidential Information Memorandum (the "**Confidentiality Undertaking**");

In the event that the Recipient decides not to participate in the transaction described herein, upon request of the Arrangers, the Company or their respective agents, all Evaluation Material (other than Internal Evaluation Material, which shall be destroyed) shall remain confidential and, as soon as possible without making copies thereof, such Recipient (i) shall return all material supplied by the Arrangers or Company or (ii) shall represent in writing to the Arrangers and the Company that the Recipient and each person it has disclosed Evaluation Material to in accordance with the Confidentiality Undertaking has destroyed all copies of the Evaluation Material and Internal Evaluation Material unless prohibited from doing so by the Recipient's internal policies and procedures.

II. **Information**

The Recipient acknowledges and agrees that (i) the Arrangers received the Evaluation Material from third party sources (including the Company, the Sponsor Group, the Group and the Target Group) and it is provided to the Recipient for information purposes only, (ii) the Company (except as set forth in the Company's Authorisation Letter), the Arrangers and their affiliates and their and their respective affiliates' respective directors, officers, employees, agents, partners, representatives and professional advisors (together, the "**Arranger Representatives**") bear no responsibility (and shall not be liable) for the accuracy or completeness (or lack thereof) of the Evaluation Material or any information contained therein, (iii) no representation regarding the Evaluation Material is made by the Company (except as set forth in the Company's Authorisation Letter), the Arrangers or any of their affiliates, (iv) neither the Arrangers nor any of the Arranger Representatives have made any independent verification as to the accuracy or completeness of the Evaluation Material, and (v) neither the Arrangers, the Arranger Representatives nor the Company shall have any obligation to update or supplement any Evaluation Material or otherwise provide additional information. The Company and the Arrangers expressly do not undertake and are not obliged to review, update or correct the financial condition, status or affair of the Company, of any member of the Group or the Target Group at any time or to advise any potential or actual participant in any financing (including, without limitation, the Facilities) of any information coming to the attention of the Arrangers. Subject to these limitations, if the Company or the Arrangers exercise their discretion to supply further information, such information shall be provided for the same purposes, and on the same terms, as the Evaluation Material. In addition, the Recipient acknowledges and agrees that the Arranger may offer interests in the Facilities for the account of the Arrangers and their respective affiliates.

The Evaluation Material has been prepared to assist interested parties in making their own evaluation of the Group and the Target Group and the Facilities and does not purport to be all-inclusive or to contain all of the information, or discussion of all or any of the risks, that a prospective participant may consider material or desirable in making its decision to become a lender. Each Recipient of the information and data contained herein should take such steps as it deems necessary to assure that it has the information it considers material or desirable in making its decision to become a lender and should perform its own independent investigation and analysis of the Facilities or the transactions contemplated thereby and the creditworthiness of the Group and the Target Group. The Recipient represents that it is sophisticated and experienced in extending credit to entities similar to the entities in the Group and the Target Group. The information and data contained herein are not a substitute for the Recipient's independent evaluation and analysis and should not be considered as a recommendation by the Company, any Arranger or any of their respective affiliates that any Recipient enter into the Facilities. The Evaluation Material is not intended and should not be used to form the basis of any creditor, taxation, legal or other evaluation. Recipients of the Evaluation Material must check and observe all applicable legal and regulatory requirements and, for the avoidance of doubt, receipt of the Evaluation Material may not be taken as discharging any regulatory or statutory responsibilities under applicable legislation (including but not limited to anti-money laundering legislation) of any such Recipient.

None of the information contained in the Evaluation Material shall form the basis of any contract, representation, warranty or undertaking, express or implied. Neither the Arrangers nor any of the Arranger Representatives nor the Company shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of any use of or reliance made upon any statement contained in the Evaluation Material. To the extent permitted by law, the Company, the Arrangers and the Arranger Representatives expressly disclaim any and all liability which is based on the information and statements or any part thereof contained in (or omitted from) the Evaluation Material or any use made of the Evaluation Material. The Company, the Arrangers and the Arranger Representatives neither assume nor accept any responsibility, any contractual and/or non-contractual obligation or any liability (whether for negligence or otherwise) for whether the Evaluation Material either does or does not constitute material non-public information.

The Evaluation Material includes industry and trade association data, forecasts and information that the Arrangers or the Company has prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys and other independent sources. These third party publications and surveys generally state that the information included therein is believed to have been obtained from sources believed to be reliable, but that the publications and surveys can give no assurance as to the accuracy or completeness of such information. Neither the Arrangers nor the Company has independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions on which such data are based.

The Evaluation Material includes certain forward looking statements and projections provided by the Company, regarding, among other things, the Company's plans, strategies and prospects, both business and financial. The use of words such as "may", "might", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "project", "predict", "intend", "future", "potential" or "continue", and other similar expressions are intended to identify forward-looking statements, which are defined as statements that are not historical fact. Any such statements and projections reflect various estimates and assumptions by the Company concerning anticipated results and should not be viewed as facts. Examples of forward looking statements include but are not limited to the targeted cost savings attributable to the Company's business transformation initiatives. Forward-looking statements and projections are inherently subject to risks and uncertainties and there is no assurance that they will in fact be achieved. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections, and no assurances are given that the projected results will be realized. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events some of which are not within the control of the Company. Accordingly, actual results may vary from the projected results and such variations may be material. Forward-looking statements involve significant risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of management's control, that may cause business, industry, strategy or actual results of the Company to differ materially from the forward-looking statements. There are no guarantees of performance and forward-looking statements should not be relied upon as conclusions or acknowledgements there is no certainty that any figures or outcomes included therein are definitive or will actually occur. Consequently, all of the forward-looking statements made in the Evaluation Material are qualified by these cautionary statements. The Company undertakes no obligation to update or revise any such statements or projection, whether as a result of new information, future events or otherwise.

III. General

It is understood that unless and until a definitive agreement regarding the Facilities between the parties thereto has been executed, the Recipient will be under no legal obligation of any kind whatsoever with respect to the Facilities by virtue of this Notice and Undertaking except for the matters specifically agreed to herein and in the Special Notice. The Evaluation Material should not be considered as an offer or invitation to participate in the Facilities or a recommendation that the Recipient should participate in the Facilities.

The Recipient agrees that money damages would not be a sufficient remedy for breach of this Notice and Undertaking or of the Special Notice, and that in addition to all other remedies available at law or in equity, the Group, the Target Group and the Sponsor Group and the Arrangers shall be entitled to equitable relief, including injunction and specific performance, without proof of actual damages.

This Notice and Undertaking and the Special Notice together embody the entire understanding and agreement between the Recipient and the Arrangers with respect to the Evaluation Material and the Internal Evaluation Material and supersedes all prior understandings and agreements relating thereto (other than the Confidentiality Undertaking). The terms and conditions of this Notice and Undertaking and the Special Notice shall apply until such time, if any, that the Recipient becomes a party to the definitive agreements regarding the Facilities, and thereafter the provisions of such definitive agreements relating to confidentiality shall govern. If you do not enter into the Facilities, the application of this Notice and Undertaking and the Special Notice shall terminate with respect to all Evaluation Material in accordance with the terms of the Confidentiality Undertaking.

This Notice and Undertaking and the Special Notice and any non-contractual obligation arising from it shall be governed by and construed in accordance with English law and each Recipient hereby submits to the exclusive jurisdiction of the English courts in relation to any dispute arising out of or in connection with this Notice and Undertaking and the Special Notice (including a dispute relating to any non-contractual obligations arising out of or in connection therewith).

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A. Merlin Overview

Merlin Entertainments plc (and together with its subsidiaries, "Merlin") is a global leader in branded, location-based family entertainment, focused on creating and delivering memorable, immersive brand experiences for millions of guests. Merlin generated revenue of £1,688 million, Underlying EBITDA of £494 million, and profit before tax of £285 million for the 52 weeks ended 29 December 2018. Merlin generated Pro Forma EBITDA of £506 million for the 52 weeks ended 29 June 2019.

As of 29 June 2019, Merlin operated 133 attractions in 25 countries across four continents, and in the 52 weeks ended 29 June 2019, Merlin welcomed approximately 68 million visitors to its attractions. Merlin is the largest operator of visitor attractions and theme parks in Europe and the second largest operator globally, in each case, by number of visitors in 2018. Merlin is also a market leader in the United Kingdom, Germany and Italy by total visitor numbers, with an already significant and growing presence in the United States and the Asia Pacific region. Merlin believes it owns and / or operates a unique portfolio of chainable iconic assets and brands, each possessing a strong heritage within its original markets, as well as being globally scalable and supported by its extensive technical and creative expertise. Merlin's portfolio of assets and brands is highly diversified across geography, attraction type, brand and customer demographic and its globally diversified portfolio is well-balanced between indoor and outdoor attractions and international and domestic visitation (with international and domestic visitation measured relative to the relevant attraction). Merlin operates two main product types, split across three Operating Groups: Midway Attractions and Theme Parks which include LEGOLAND Parks and Resort Theme Parks.

LEGOLAND	▪ Interactive outdoor theme parks offering multi-day visits targeted at families with children aged two to twelve ▪ Themed on-site accommodation at seven of eight open parks
Resort Theme Parks	▪ National destination outdoor theme parks offering multi-day visits in densely populated European markets ▪ Themed on-site accommodation across all parks
Midway	▪ Branded, predominantly indoor visitor attractions, located in city centres, resorts or shopping malls, with up to two hour visitor duration

III. EXECUTIVE SUMMARY

B. Industry Overview

Merlin is a global leader in branded, location based, family entertainment with a portfolio of attractions serving the global leisure market, of which the attractions industry forms a part. According to the WTTC, spending in the global leisure market is forecast to increase by 3.9 per cent. per annum between 2019 and 2029, which reflects faster growth than that of the broader economy. Merlin segments the attractions industry into a commercial sector, including paid-for attractions, and a public sector, including state-owned, primarily free entry attractions such as museums and parks. Within the commercial attractions sector, Merlin has identified four key categories: (i) theme parks; including both international destinations and national / regional destinations; (ii) regional amusement parks; (iii) smaller visitor attractions; and (iv) larger zoos and wildlife attractions.

Merlin's focus is mainly on the national / regional destination theme parks and smaller visitor attractions sectors.

Merlin has a broad set of competitors within the attractions leisure industry, although Merlin believes there are relatively few truly international operators with the scale of Merlin. In addition, it also competes with more traditional entertainment offerings such as cinemas, museums (many of which are free or government-subsidized), sporting and gaming events and large shopping malls.

According to the TEA/AECOM Report for 2018 (1), Merlin was the second largest Theme Park Group worldwide by number of visitors in 2018 and owns seven of Europe's top 20 theme parks (including LEGOLAND Parks). Located in 25 countries, it has a large international presence in the industry driven by the proven roll out of LEGOLAND Parks and Midway Attractions. Resort Theme Parks and LEGOLAND Parks compete with other theme parks which also attract local residents and tourists typically from within a five hour drive. Major competitors in each country of operation include Blackpool Pleasure Beach, Paulton's Park and Drayton Manor in the UK; Europa-Park and Phantasialand in Germany; Mirabilandia, Rainbow Magicland and Movieland Park Studios in Italy; Tivoli Gardens, Djurs Sommerland and Bakken in Denmark; and Disneyland Paris on a Europe-wide basis. In the United States, it competes with Disney, Universal Studios, Six Flags, Cedar Point and SeaWorld Parks and Resorts. LEGOLAND Malaysia competes with Universal Studios on Sentosa Island, Singapore.

Midway Attractions compete with other local attractions and tourist destinations in the locations where the Midway Attractions operate. Major competitors include both individually owned attractions, such as the Warner Bros. Studio Tour in the UK, Madurodam in Holland and Sydney Bridge Climb in Australia, as well as larger attractions groups, such as Ripley's Entertainment, and third sector groups, such as royal historic palaces, museums and the National Trust.

(1) Source: Themed Entertainment Association (TEA)/AECOM 2018 Theme Index and Museum Index: The Global Attractions Attendance Report (2009-2018).

III. EXECUTIVE SUMMARY

C. Summary of Recent Historical Performance

From 30 December 2018, Merlin adopted IFRS 16 and on 21 February 2019, Merlin entered into an agreement to sell its two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. Merlin completed the sale on 5 April 2019. Accordingly, figures for the 26 weeks ended 29 June 2019 reflect the application of IFRS 16 and the exclusion of the impact in Merlin's results of discontinued operations, as reported in the unaudited condensed consolidated financial statements of Merlin and its subsidiaries for the 26 weeks ended 29 June 2019. In order to facilitate a comparison of Merlin's results of operations for H1 2018 and H1 2019, a restatement of the unaudited condensed consolidated financial statements of Merlin and its subsidiaries as at and for the 26 weeks ended 30 June 2018 is presented to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of its Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of Merlin and its subsidiaries as at and for the 26 weeks ended 29 June 2019. All of Merlin's results of operations for H1 2018 presented herein have been restated to give effect to the impact of IFRS 16 and remove from its results the impact of discontinued operations.

Recent Trading

Trading over the summer continued to be driven by the factors referenced at the time of the H1 2019 results on 1 August 2019. In particular, better trading in the Midway and Resort Theme Parks Operating Groups have offset the challenging market conditions for LEGOLAND Parks. Merlin's financial performance remains in line with its expectations to date. Merlin expects to spend approximately £400m on capital expenditure in 2019 of which £160m-£180m relates to its Existing Estate Capex.

H1 2019 vs. H1 2018 (as restated)

Revenue increased by £57 million, or 8 per cent., to £763 million for H1 2019 from £706 million in H1 2018. This increase was driven by like-for-like growth within Midway Attractions and Resort Theme Parks and the continued roll out of new attractions and accommodation. New Business Development added a total of £33 million to growth, including £15 million from the roll-out of accommodations and £14 million from new Midway Attractions.

Like-for-like revenue increased by £16 million, or 2 per cent., to £704 million for H1 2019 from £688 million in H1 2018. This increase was driven primarily by growth in Midway Attractions and Resort Theme Parks, which was offset by a slight decline in LEGOLAND Parks.

EBITDA increased by £1 million, or 1 per cent., to £189 million for H1 2019 from £188 million in H1 2018. This increase was primarily driven by revenue growth in each operating group, offset by significant cost pressures, which were partially mitigated by cost savings. On a restated basis, EBITDA for H1 2018 includes adjustments of £41 million relating to the application of IFRS 16 and £4 million relating to discontinued operations.

2018 vs. 2017

Revenue increased by £94 million, or 6 per cent., to £1,688 million for the 2018 financial year from £1,594 million in the 2017 financial year. This increase was driven by like-for-like growth in the Resort Theme Parks operating group of 9 per cent and stable performances in the LEGOLAND Parks and Midway Attractions operating groups. New accommodation across the estate added £44 million to revenue growth, and the opening of seven new Midway Attractions, together with the full year benefit of Midway Attractions that opened in the 2017 financial year, contributed £11 million to revenue growth. Study agreements regarding prospective LEGOLAND Parks, together with the full-year effect of LEGOLAND Japan, resulted in a further £2 million contribution to revenue. In addition, during the 2018 financial year, Merlin adopted IFRS 15, the new accounting standard for revenue accounting, which created an increase in revenue of £35 million. This primarily results from revenue derived from third-party arrangements such as tickets purchased through online travel agents.

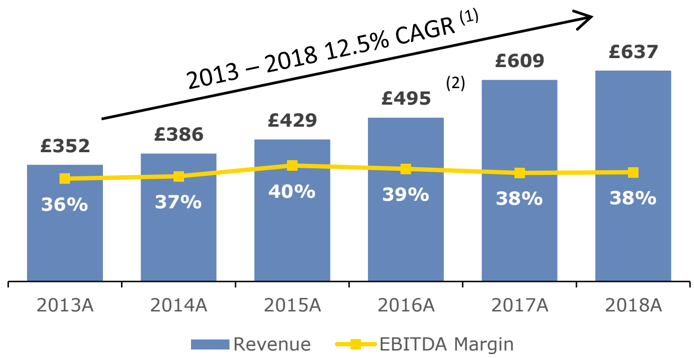
EBITDA increased by £16 million, or 3 per cent., to £490 million for the 2018 financial year from £474 million in the 2017 financial year. This increase was primarily due to strong trading within Resort Theme Parks and the increased accommodation offering across the theme parks, partially offset by cost pressures, such as those arising from wage legislation and property taxes. In addition, £4 million of exceptional costs were incurred in connection with Merlin's productivity agenda initiatives.

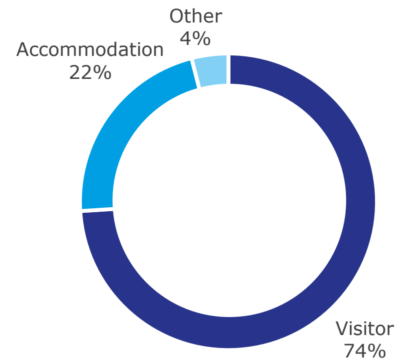
Note: Data as of FY 2018A and inclusive of IFRS 15 and IFRS 16.

III. EXECUTIVE SUMMARY

D. Historical Financial Summary by Segment

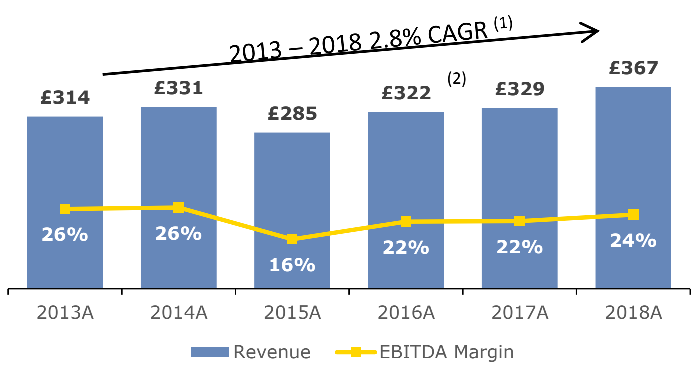
LEGOLAND

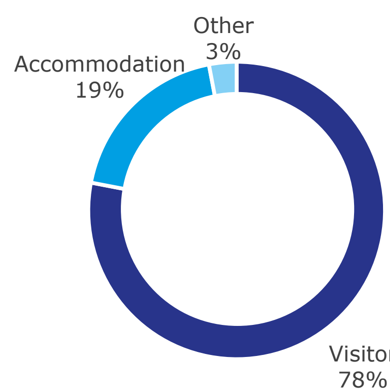




£637m FY 2018A Revenue

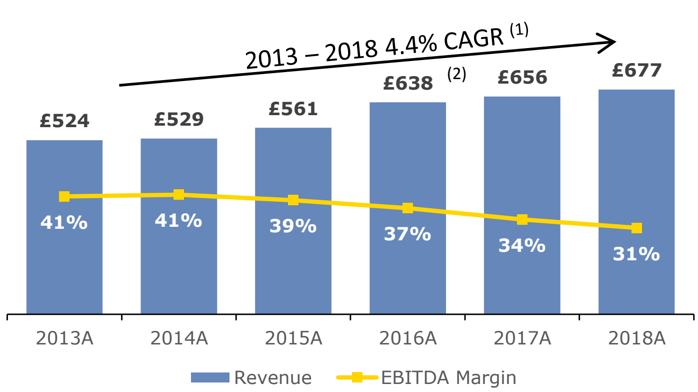
Resort Theme Parks

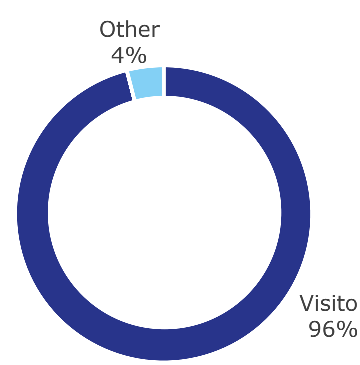




£367m FY 2018A Revenue

Midway





£677m FY 2018A Revenue

(1) CAGR based on 2018 revenue excluding IFRS 15.
(2) Based on 53 week performance.

III. EXECUTIVE SUMMARY

E. Transaction Overview

On 28 June 2019, Blackstone, KIRKBI, and CPPIB (together the "**Consortium**")(1) announced a take-private offer for Merlin Entertainments plc ("**Merlin**") (the "**Transaction**"). The Transaction is intended to be implemented by way of a court-sanctioned scheme of arrangement (the "**Scheme**")(2) and was recommended by the board of directors. The Transaction values Merlin at an Enterprise Value of £5.9bn (~11.7x LTM to 29 June 2019 Pro Forma EBITDA). On 3 September 2019, over three-quarters of independent shareholders approved the Scheme. The Transaction is expected to close in Q4-2019. Blackstone and KIRKBI have had a successful history with Merlin. Blackstone and KIRKBI previously jointly owned Merlin from 2005 through 2013 and played a crucial role in scaling the platform and eventually taking Merlin public in 2013. KIRKBI is Merlin's largest shareholder and strategic partner via an exclusive LEGOLAND brand agreement. Merlin generated revenue of £1,688 million, Underlying EBITDA of £494 million, and profit before tax of £285 million for the 52 weeks ended 29 December 2018. Merlin generated Pro Forma EBITDA of £506 million for the 52 weeks ended 29 June 2019.

- The Transaction is financed via:
  - ~£2.3bn equivalent(3) senior secured term loan B ("TLB")
  - ~£0.6bn senior notes
  - £0.4bn senior secured RCF
- Existing ~£0.3bn Merlin USD bonds to remain in place (4)

F. Sources & Uses and Pro Forma Capitalisation

Sources	£m
USD Term Loan B (excl. DDTL of $172.5m)	941
EUR Term Loan B	1,252
USD Bridge to Senior Notes	317.5
EUR Bridge to Senior Notes	317.5
Equity	2,899
Sources of Funds	**£5,727**

Uses	£m
Acquisition of Merlin Shares(5)	4,693
Refinancing certain existing net indebtedness (6)	661
Cash to balance sheet (7)	133
Transaction fees and expenses(8)	240
Uses of Funds	**£5,727**

Pro-Forma Capitalisation

	LCY	£m	x Adj EBITDA	Tenor / Maturity(9)
Cash and cash equivalent		133		
RCF (£400m available)		-		6.5 years
Existing USD SUN (due 2026)(10)	$400m	315		2026
EUR Term Loan B	€770m and £562m eqv	1,252		7 years
USD Term Loan B (excl. DDTL)	£941m eqv	941		7 years
Gross Senior Secured Debt		**£2,508**	**5.0x**	
Net Senior Secured Debt		**£2,375**	**4.7x**	
USD Bridge to Senior Notes	£317.5m eqv	£317.5		8 years
EUR Bridge to Senior Notes	£317.5m eqv	£317.5		8 years
Total Gross Debt (excluding leases)(11)		**£3,143**	**6.2x**	
Total Net Debt (excluding leases)		**£3,010**	**5.9x**	
Equity(12)		£2,899		
Net Capitalisation (Incl. Cash)		**£5,909**	**11.7x**	
Pro Forma EBITDA			***£506m***	

(1) Consortium economic and voting rights comprise of KIRKBI (50%), Blackstone / CPPIB (50%).
(2) Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.
(3) Includes $172.5m delayed draw TLB for general corporate purposes.
(4) On 17 September 2019, Merlin obtained a change-of-control consent/waiver from holders of the existing $400m Senior Notes due 2026, approved by 91% of existing holders. The rolled over existing bonds will be granted equal and ratable security and rank pari-passu with TLB/RCF and correspondingly reduce the TLB raised hereby. Existing €700m Senior Notes assumed to be redeemed.
(5) Represents the aggregate purchase price for 100% of the Merlin Shares on a fully diluted basis in connection with the Scheme or the takeover offer, as applicable, assuming a purchase price per share equal to the offer price.
(6) Represents (i) the redemption of the aggregate principal amount of the 2022 Notes outstanding as of June 29, 2019 on or about the initial closing date, but excluding redemption premia and accrued and unpaid interest on the 2022 Notes, and (ii) the repayment of amounts outstanding, and cancellation of commitments under, the existing Senior Facility as of June 29, 2019 on or about the initial closing date, but excluding accrued and unpaid interest thereon, net of the cash and cash equivalents of the Group as of June 29, 2019 and excluding the mark-to-market valuation of existing derivatives. Certain existing indebtedness of Merlin excludes the Existing 2026 Notes, for which the Company has obtained the noteholders' consent to amend the indenture for the Existing 2026 Notes with the effect that the Transaction would not result in a Change of Control Repurchase Event thereunder.
(7) Represents an amount of cash provided to the issuer by Bidco in connection with the Transaction, based on the estimated normalized level of working capital for the issuer and its subsidiaries.
(8) Represents estimated fees and expenses associated with the Transaction, as estimated by Bidco, including redemption premia on the 2022 Notes, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. Estimated fees and expenses exclude any applicable VAT and social security charges in connection with the Target Group's employee share plans that are expected to vest as a result of the Transaction. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including fluctuations in the exchange rates amongst the U.S. dollar, the euro and the pound sterling, differences between estimates of fees and expenses and the actual fees and expenses as of the initial closing date.
(9) Maturity presented from initial closing date.
(10) Merlin has obtained a change-of-control consent/ waiver from the existing Merlin USD bondholders ($400m). The rolled over existing bonds will be granted equal and ratable security and rank pari-passu with TLB.
(11) As at 29 December 2018, the Target and its consolidated subsidiaries had finance leases of £200 million on the balance sheet. As a result of the adoption of IFRS 16 from 30 December 2018, the Target reported £1,139 million of lease liabilities as noncurrent liabilities and £38 million of lease liabilities as current liabilities as at 29 June 2019.
(12) Excludes non-controlling interest.

III. EXECUTIVE SUMMARY

G. Summary Terms and Conditions

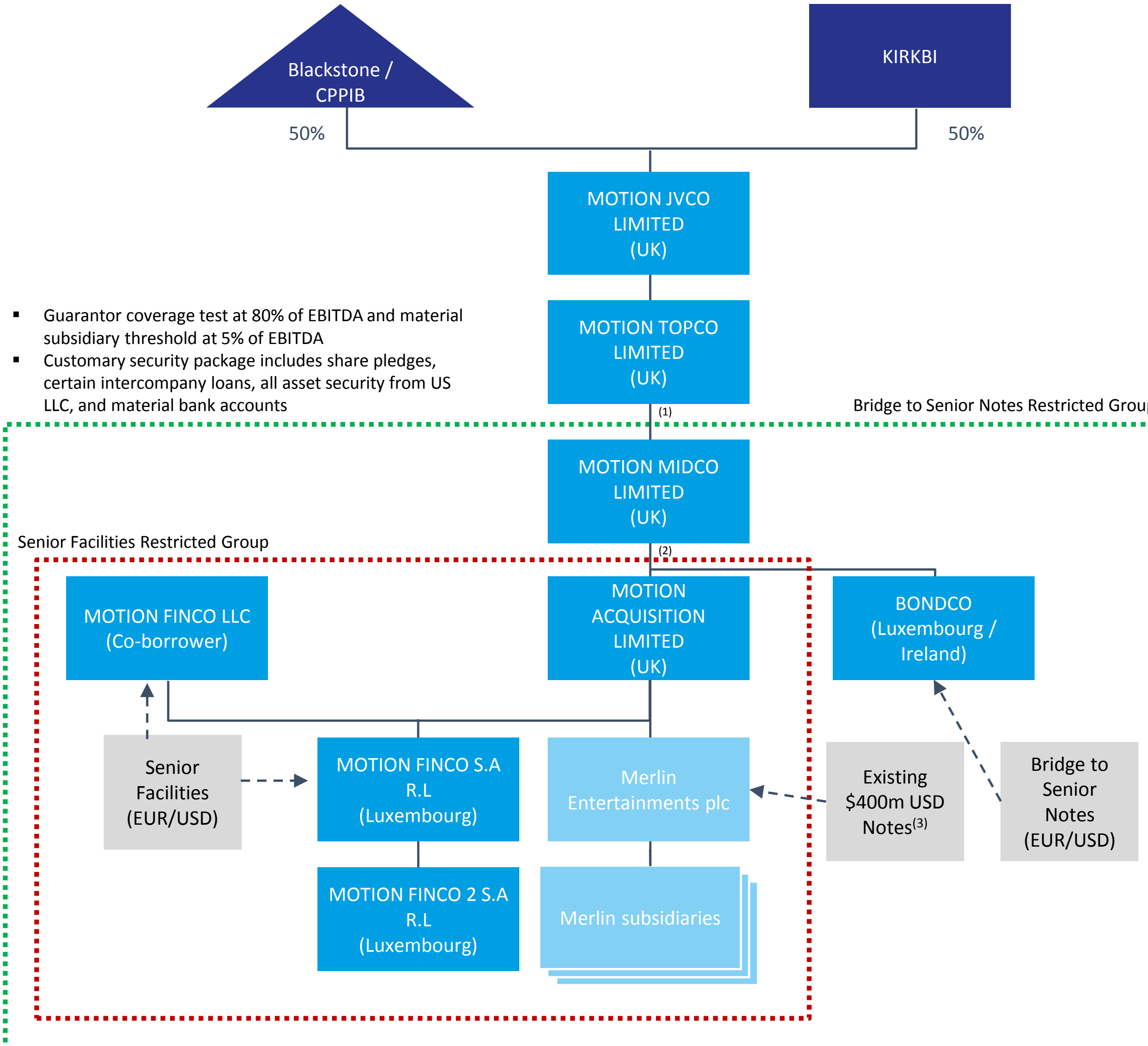
	RCF	Term Loan B		
Currency	Multicurrency	EUR	USD	USD
Amount	£400m	€770m and £562m (equivalent)	£941m (equivalent)	$172.5m(1)
Maturity	6.5 years	7.0 years		
Amortisation	Revolving	Bullet	1.0% per annum	
Optional redemption	Revolving	101 soft call for 6 months		
Guarantors	Guarantor coverage test at 80% of EBITDA and material subsidiary threshold at 5% of EBITDA			
Financial covenants	Springing SSNL at 10.0x and 40% utilisation	Cov-lite with customary HY incurrence covenants		

(1) Delayed draw TLB for general corporate purpose with availability period of 2 years from Initial Closing Date. This table and the Sources & Uses exclude $400m in term loan commitments that will be cancelled dollar-for-dollar for the rolled USD bonds.

III. EXECUTIVE SUMMARY

H. Pro Forma Organizational Structure

- Guarantor coverage test at 80% of EBITDA and material subsidiary threshold at 5% of EBITDA
- Customary security package includes share pledges, certain intercompany loans, all asset security from US LLC, and material bank accounts



Note: All ownerships are 100% unless otherwise stated.
(1) Single point of enforcement (Bridge to SNs).
(2) Single point of enforcement (Senior Facilities).
(3) Merlin has obtained a change-of-control consent/ waiver from the existing Merlin USD bondholders ($400m). The rolled over existing bonds will be granted equal and ratable security and rank pari-passu with TLB.

III. EXECUTIVE SUMMARY

I. Sponsors Overview

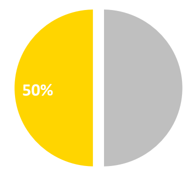
KIRKBI

KIRKBI is the Kirk Kristiansen family's private holding and investment company founded to promote a sustainable family ownership of the LEGO brand. KIRKBI works to manage, protect and develop the LEGO brand across all the family entities. KIRKBI's strategic activities include a 75% ownership of the LEGO Group in addition to investments across strategies, asset classes and industries. KIRKBI is an active owner with a long-term oriented ownership and investment approach with 165 professionals and employing over 15k full-time employees primarily through the LEGO brand.

Relevant Investments

2005

PF Ownership



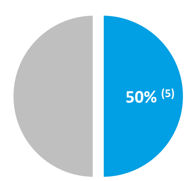
The Blackstone Group

Founded in 1985, Blackstone is a leading alternative asset manager with total assets under management of $545bn. Blackstone has substantial experience effecting private equity transactions, having invested or committed approximately $80bn in private equity transactions since founding[1]. Companies in Blackstone's current private equity portfolio have aggregate revenues of more than $76bn, with over 400,000 employees. Blackstone has a global footprint with over 250 private equity investment professionals around the world, including offices in New York, London, São Paulo, Mumbai, Hong Kong, Beijing and Sydney. Blackstone's investment in connection with the Transaction will be made through its long-dated Core Private Equity fund, which invests in high-quality businesses for a period of 10-15+ years.

Relevant Investments

2005 – 2015 | *2009 – 2017* | *2000 – 2011 [2]* | *1991 – 1993 [3]*

PF Ownership



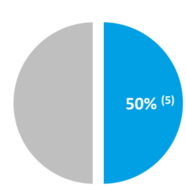
CPPIB

CPPIB is a professional investment management organization that invests the excess funds of the Canada Pension Plan ("CPP") on behalf of its contributors and beneficiaries. CPPIB's purpose is to provide a foundation for 20 million Canadians to build their financial security in retirement and is focused on long-term, sustainable value creation. Governed and managed independently from Canada Pension Plan and at arm's length from governments. At 30 June 2019, the Fund totalled C$400.6bn, including approximately C$21.7bn of assets invested in the United Kingdom, and net investments of C$90bn in private equity.

Relevant Investments

2012 [4] | *2017* | *2016*

PF Ownership



Note: All figures as of June 30, 2019.
(1) Excludes Hedge Fund Solutions and Credit.
(2) 50% economic interest with NBC Universal from 2000 – 2011.
(3) Partnership with Time Warner from December 1991 to September 1993.
(4) Made 39% equity investment in Merlin.
(5) Represents combined 50% ownership interest for CPPIB and Blackstone.

IV. KEY INVESTMENT HIGHLIGHTS

IV. KEY INVESTMENT HIGHLIGHTS

1. Unique Portfolio of Strong Brands and Iconic Assets
2. Attractive Market Trends
3. Intellectual Property Partnerships
4. Strong Market Positions with High Guest Satisfaction
5. Well-Diversified Portfolio
6. Consistent Financial Track Record with Flexible Cost Base
7. Prudent Capital Allocation and Flexible Capital Expenditure Spend Resulting in Strong and Recurring Cash Flow Generation
8. Highly Experienced and Diverse Management Team Backed by Equity Owners with In-depth Knowledge of Merlin

IV. KEY INVESTMENT HIGHLIGHTS

A. Unique Portfolio of Strong Brands and Iconic Assets

Merlin believes it owns and / or operates a unique global portfolio of chainable brands and iconic assets which are widely recognised by consumers and have a strong heritage. Examples include Madame Tussauds, SEA LIFE and the London Eye in its Midway Attractions operating group, LEGOLAND California and LEGOLAND Windsor in its LEGOLAND Parks operating group and Gardaland Resort and Alton Towers Resort in its Resort Theme Parks operating group. Merlin believes the strength and breadth of its iconic brand portfolio enables it to offer compelling entertainment propositions through a wide variety of activities and visitor experiences across a broad range of geographies and all key target demographic groups ranging from families with young children, teenagers, young adults to older adults. Merlin's LEGOLAND Parks also benefit from a mutually synergistic relationship with the LEGO Group. Merlin's portfolio is focused on delivering high quality family entertainment, with the LEGOLAND Parks and LEGOLAND Discovery Centres in particular having an emphasis on "*playful learning*." Its portfolio of brands enables it to differentiate its parks and attractions from unbranded operators and to attract visitors to its attractions.

LEGOLAND

- Globally recognised and associated with fun and learning through play

Resort Theme Parks

- Offer a compelling, coherent proposition and strong theming
- Merlin believes few competitors can offer the same quality or scale of visitor experience

Midway

- Iconic observation attractions at landmark locations
- World's largest aquarium brand
- World's premier wax figures exhibition for over 200 years
- Extension of the globally recognised LEGO brand
- Strong 'cult' reputation amongst the teen and young adult market

IV. KEY INVESTMENT HIGHLIGHTS

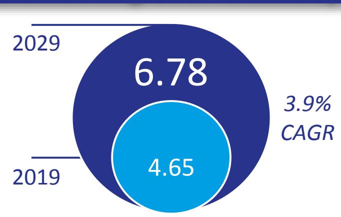
B. Attractive Market Trends

The global leisure market possesses a number of attractive features that facilitate growth. The main factors underpinning sector trends are the increasing leisure time in both developed and emerging economies, the value placed on time spent together with friends and family and growing tourism to gateway cities.

According to the World Travel & Tourism Council (the "*WTTC*"), spending in the global leisure market is forecast to increase by 3.9 per cent. per annum between 2019 and 2029, which reflects faster growth than that of the broader economy. In 2018, international tourist arrivals totalled 1.4 billion, representing the second strongest year since 2010. Tourist arrivals grew by 6 per cent. in 2018, which was the ninth consecutive year of sustained growth, according to the UN World Tourism Organisation (UNWTO). Despite certain external events (including geopolitical incidents and acts of terrorism), the international travel industry has grown consistently over this period. According to UNWTO, international tourism has grown at a CAGR of 3.8 per cent. from 2007 to 2017.

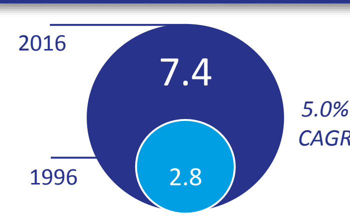
Significant growth in international tourism had a positive impact on certain of Merlin's attractions, including those in London, New York, Shanghai, Tokyo and Hong Kong, which also benefit from a growing trend of short break holidays by domestic travellers to key getaway cities. Short breaks in the U.K. have grown at a CAGR of 5.0 per cent. from 2.8 million holiday breaks in 1996 to 7.4 million in 2016 resulting in an increasing number of people taking "staycations". Furthermore, the relatively lower cost of short breaks or "staycations" has historically provided a buffer when Merlin is faced with more challenging economic conditions as individuals forgo destination holidays in favour of entertainment closer to home. Merlin believes it is increasingly well-positioned to meet this demand for short-term accommodation through its growing offerings of themed, on-site accommodation and second gate attractions aimed at extending the duration of its visitors' stay. In 2018, accommodation revenue represented 21 per cent. of revenue across Merlin's theme park operating groups on an actual currency basis compared to 13 per cent. in 2013, in each case, excluding the impact of IFRS 15. Accommodation revenue grew by 27 per cent. on an actual basis (and by 28 per cent. in 2018 on a constant currency basis) and has doubled over the past five years, in each case, excluding the impact of IFRS 15. Accommodation not only continues to increase the duration of Merlin's visitors' stay, allowing greater cross-selling opportunities and driving improved levels of guest satisfaction, but also leads to increases in pre-bookings, revenue visibility and positive working capital.

Growth in global leisure spend



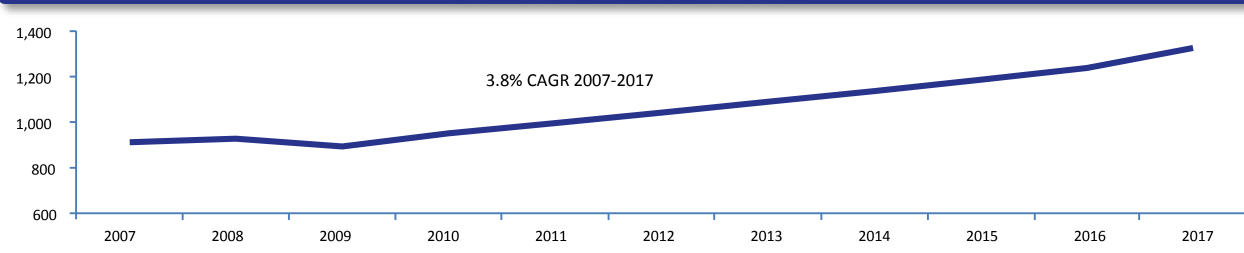
Global Leisure Travel spend ($tn)

Growth in short-break holidays



UK Short breaks holidays (m)

Growth in international tourism



Source: World Travel & Tourism Council, ONS, World Tourism Organisation.

IV. KEY INVESTMENT HIGHLIGHTS

C. Intellectual Property Partnerships

Merlin believes it is well-placed, given its global reach and multi-format expertise, to benefit from the growing opportunities to partner with leading owners of intellectual property content. These partnerships provide Merlin with additional means to deliver memorable experiences to visitors of its attractions and offers its partners opportunities to increase engagement with their customers. For example, Merlin has multiple intellectual property agreements ranging in scale from local level relationships for specific attractions, to global, multi-product relationships with some exclusivity, to its core global, multi-product and exclusive relationship with the LEGO Group. Merlin holds the global, exclusive rights to the LEGOLAND brand under the Licencing and Co-operation Agreement ("LCA") signed with KIRKBI A/S. Merlin has a synergistic relationship with the LEGO Group and KIRKBI A/S, which is a 75 per cent. shareholder of the LEGO Group with a 100 per cent. ownership of the LEGO and LEGOLAND trademarks and, following completion of the Transaction, will be a 50 per cent. investor, directly or indirectly in Bidco (which will hold 100 per cent. of the shares in Merlin). Merlin has also established and continues to develop, global, regional and local intellectual property partnerships allowing it to use brands such as Star Wars, Ghostbusters, the Gruffalo, Shrek, Kung Fu Panda and CBeebies, the latter through its partnership with BBC Worldwide. Merlin continues to develop new global intellectual property partnerships and in 2018, it opened a Bear Grylls Adventure Attraction in the United Kingdom and a Peppa Pig Attraction in China. Merlin's standalone, intellectual property-led attractions therefore include LEGOLAND Parks and Discovery Centres, Peppa Pig World of Play, The Bear Grylls Adventure and "*DreamWorks Tours' Shrek's Adventure!*".

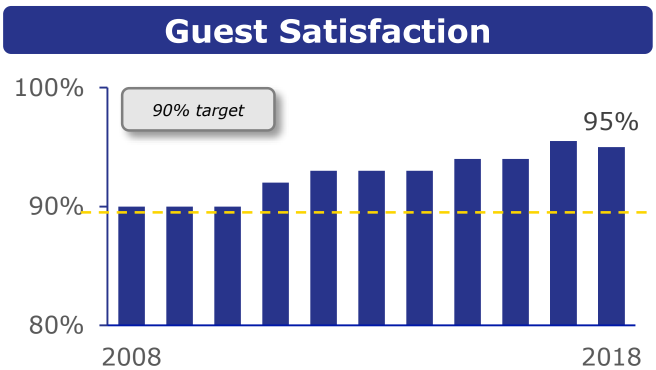
Overview of Key IP Partnerships & Attractions

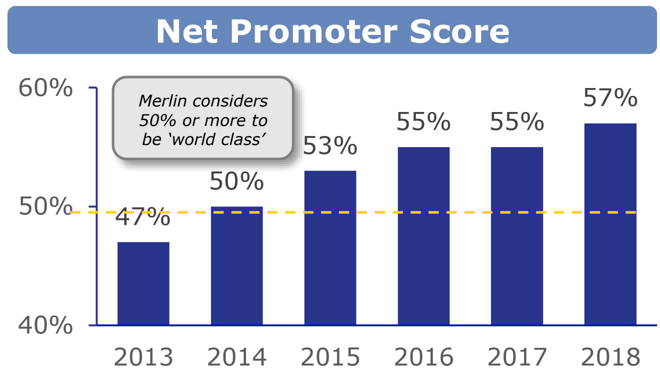
Key IP Partners	Selected Attractions
LEGO, Bear Grylls, DreamWorks Animation SKG, entertainmentOne, BBC Studios, Lucasfilm Ltd, Marvel, Sony Pictures	LEGOLAND, Peppa Pig World of Play, DreamWorks Tours Shrek's Adventure! London, LEGOLAND Discovery Centre, The Bear Grylls Adventure

IV. KEY INVESTMENT HIGHLIGHTS

D. Strong Market Positions with High Guest Satisfaction

Merlin is the leading operator of visitor attractions and theme parks in Europe and second globally, in each case, by number of visitors in 2018. Each of its operating groups commands a strong market share within its market and benefits from competitive advantages. Merlin's ongoing product investment and innovation, and strong focus on creating memorable experiences for its guests, have resulted in continued strong levels of guest satisfaction. In 2018, Merlin delivered an overall guest satisfaction score across the Group of 95 per cent. and a "*Net Promoter*" score of 57 per cent. which measures the propensity for its guests to recommend its attractions and which increased compared to 2017. Merlin considers a Net Promoter score of 50 per cent. or more to be "*world class.*"





Merlin believes the strong market position and breadth of the operations of its Resort Theme Parks, LEGOLAND Parks and Midway Attractions are also supported by its historic investment in each category. In particular, Merlin's existing portfolio of strong brands and use of the LEGO brand offer a compelling proposition that distinguishes its business. In each of its three operating groups, Merlin benefits from in-house technical and creative capacity, well-located sites in attractive markets, permits and branding relationships.

Merlin also retains a number of competitive advantages in the Midway Attractions operating group. These advantages include strong brand recognition in connection with its existing brands such as Madame Tussauds, SEA LIFE, the Eye and LEGOLAND / LEGO, its own in-house Merlin Magic Making team which includes wax sculptors, its SEA LIFE marine biologists and its ability to operate its Midway Attractions as part of "*clusters*," where multiple attractions are situated in one city or region to capitalise on cross-selling, including through its multi-attraction pass opportunities.

In addition, Merlin's scale also allows it to capitalise on operating cost efficiencies, including marketing costs, central management, site development expertise and application of visitor management experience across its portfolio.

IV. KEY INVESTMENT HIGHLIGHTS

E. Well-Diversified Portfolio

Through a broad portfolio of attractions, Merlin’s overall business is diversified across geography, attraction type, brand and customer demographic. This diversification helps it deliver strong financial results across a variety of different market conditions and to minimise the impact of external factors, such as regional economic performance, extreme weather and other external factors.

Merlin operates in 25 countries globally, including 15 countries in Europe and North America and ten countries in the Asia Pacific region, drawing both domestic and international visitors in each location. In the 52 weeks ended 29 December 2018, the United Kingdom, Europe (excluding the United Kingdom), North America and the Asia Pacific region accounted for 31 per cent., 24 per cent., 27 per cent. and 18 per cent. of its revenue, respectively, including the impact of IFRS 15. These results reflect increased diversification of revenue sources since the 2011 financial year, during which the United Kingdom and Europe (excluding the United Kingdom) accounted for 43 per cent. and 34 per cent. of reported revenues, respectively, while North America accounted for only 16 per cent. of reported revenues and the Asia Pacific region accounted for only 7 per cent. of reported revenues. Merlin’s long-term ambition is for a relatively equal split of revenue across Europe (including the United Kingdom), North America and the Asia Pacific region. Merlin’s business is not reliant upon the “*fly-in*” market of international tourism. It estimates that in 2018, 72 per cent. of visitors to Merlin's attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of its visitors. Domestic visitors enhance the resilience of the underlying business as relatively low-cost local tourism is preferred in a soft macroeconomic environment.

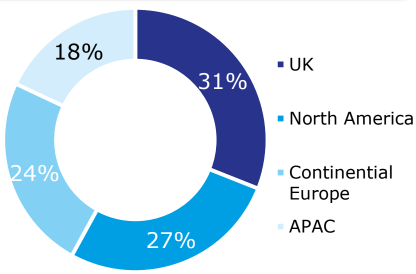
Merlin’s attractions range in format from city centre to destination resorts and coastal attractions, to capturing both the urban and resort-based tourist market and appealing to visitors ranging from families with young children to teenagers and adults. Merlin’s attractions are also partially insulated against extreme weather or seasonal changes through a mixture of formats with approximately 38 per cent. of Merlin’s revenue in the 2018 financial year generated from indoor formats and approximately 62 per cent. generated from outdoor attractions, in each case, excluding the impact of IFRS 15. Most of Merlin’s attractions are open year-round other than its European Theme Parks, which tend to be closed during the winter. In 2018, 62 per cent. of Merlin’s revenue (excluding the impact of IFRS 15) came from sites that are open all year round.

Pre-booked revenues, which are continuing to increase, lead to reduced volatility in attraction revenues. In the 2018 financial year, 62 per cent. of total admissions revenue (excluding the impact of IFRS 15) were generated from pre-bookings or annual passes, also resulting in a positive financial contribution to working capital. An increase in pre-bookings adds visibility to cash flows and provides resilience against external factors, such as the impact of weather.

IV. KEY INVESTMENT HIGHLIGHTS

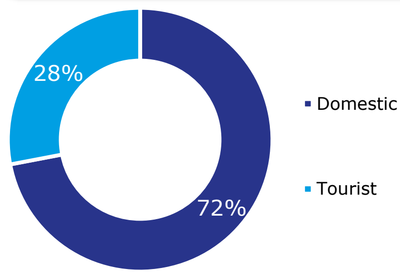
E. Well-Diversified Portfolio (Continued)

Geography (1)



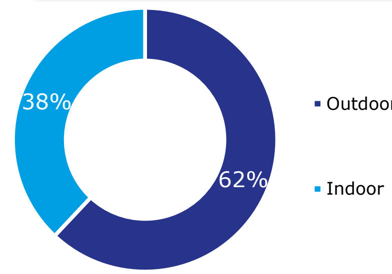
- ✓ Buffer in the event of macroeconomic and currency risks

By customer type (2)



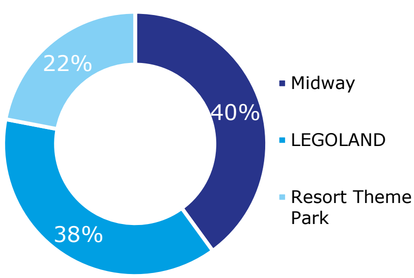
- ✓ Domestic tourists provide a buffer in the event of challenging economic conditions by opting for lower-cost short breaks

By attraction type (4)



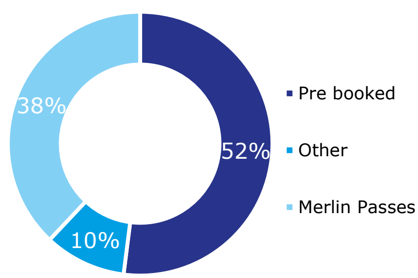
- ✓ Provides natural hedge against weather related disruptions

By business segments (1)



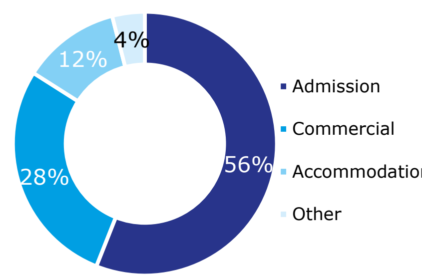
- ✓ Business segments well-positioned to meet short break and intra-day demand

By booking type (3)



- ✓ Increased revenue and cash flow visibility
- ✓ Favourable NWC dynamics

By revenue type (4)



- ✓ Optimise per capita spend
- ✓ Cross selling potential, especially in accommodation

Source: Company disclosure.
(1) Based on FY 2018A revenue including IFRS 15.
(2) Based on sample of visitors answering the question “What is your home country?”.
(3) Based on 2018 admissions revenue.
(4) Based on FY 2018A revenue excluding IFRS 15.

IV. KEY INVESTMENT HIGHLIGHTS

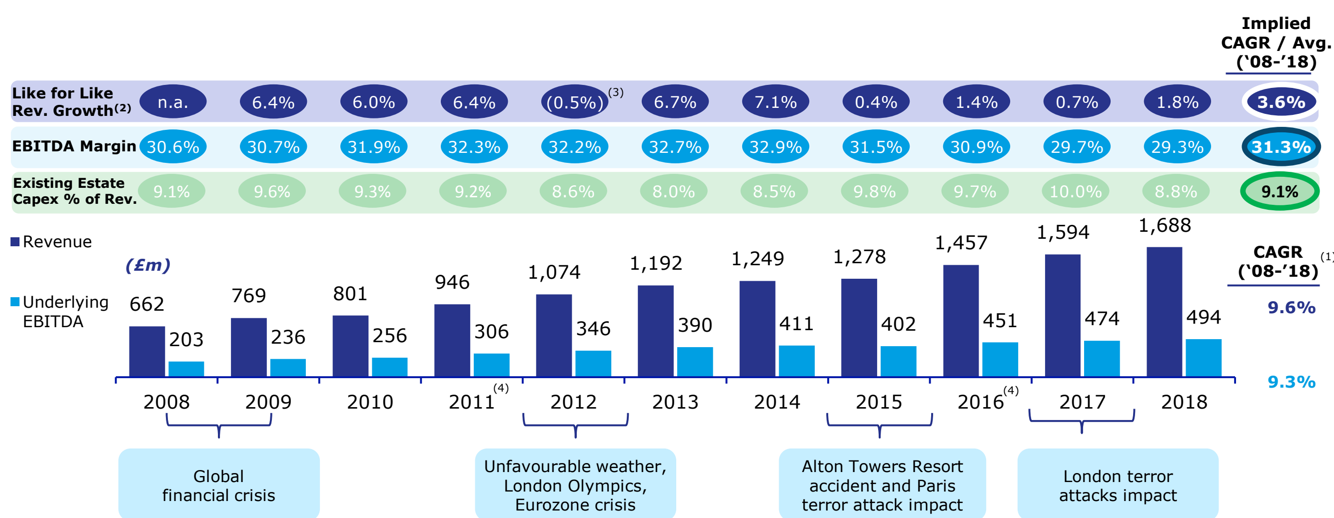
F. Consistent Financial Track Record with Flexible Cost Base

Merlin has a strong financial track record, with reported revenue growth between 2008 and 2018 reflecting a CAGR of approximately 9.6 per cent (1) for the financial year 2018. Merlin has also demonstrated an ability to improve Underlying EBITDA during periods of macroeconomic volatility, geo-political uncertainty and challenging trading conditions within its operating groups, with reported Underlying EBITDA growth between 2008 and 2018 reflecting a CAGR of approximately 9.3 per cent.

Merlin has a flexible cost base, with an ability to effectively increase and decrease the number of employee hours and scheduling of shifts at attractions depending on customer demand levels. There is a lead time required to reduce costs and Merlin's ability to achieve these reductions is greater ahead of peak season. For the 2018 financial year, approximately 18 per cent. of Merlin's costs varied directly with revenue, comprising, amongst other things, retail inventory, food and beverage consumables. For the 2018 financial year, Merlin maintained flexibility to reduce other discretionary expenses such as marketing spend with approximately 40 per cent. of costs in 2018 capable of being varied in the short to medium term in order to protect profitability.

£m	2018A	% of Revenue	Variable element
Revenue	**1,688**	**100%**	
Cost of Sales	298	18%	Directly variable with revenue
Gross Profit	**1,390**	**82%**	
Staff	448	27%	Flexible employment contracts with variable element
Marketing	84	5%	Ability to cut above the line marketing spend
Other expenses*	263	16%	Potential to reduce other discretionary expenses
Rent	105	6%	Increasing number of sites where rent has a revenue related payment
Total Operating expenses	900	53%	
Underlying EBITDA	**494**	**29%**	

Note: Analysis excludes IFRS 16 impact of £84m on 2018A.
*Other includes repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.



Source: Company annual reports and input from Company management.

(1) CAGR excludes impact of IFRS 15 which resulted in an increase in reported revenues of £35 million in 2018.
(2) Like for like revenue growth refers to y-o-y growth on a constant currency basis using the prior year exchange rates and includes all businesses owned and operated before the start of the prior year and disregards the impact of acquisitions, new businesses, changes in FX rates and Merlin's exit from certain non-core smaller Midway Attractions. Revenue for the financial year 2018 includes the impact of IFRS 15, which resulted in an increased in reported revenue of £35 million in the 2018 financial year. To aid comparability, the like-for-like growth rate comparing the results for the 2017 financial year and the 2018 financial year excludes the impact of IFRS 15.
(3) 2012 like for like performance impacted by London Olympics, unfavourable weather (as 2012 was at that time the wettest year on record in England and other parts of the continent experienced similarly poor weather in 2012), and Eurozone crisis.
(4) Represents audited reported financials for 53 weeks ended 31 December of the respective year. Like for like revenue growth presented for 52 weeks. Revenue for 52 weeks would be £933m for 2011 and £1,428m for 2016, and EBITDA would be £296m for 2011 and £433m for 2016 (52 week existing estate capital expenditure not available).

IV. KEY INVESTMENT HIGHLIGHTS

G. Prudent Capital Allocation and Flexible Capital Expenditure Spend Resulting in Strong and Recurring Cash Flow Generation

Merlin’s track record of delivering attractive returns from efficient investment is a result of a disciplined internal focus on investment criteria, return thresholds and hurdles; in-house expertise in capital expenditure efficiency, project delivery, yield and variable cost management; and experience in maximising the returns from marketing spend. Merlin considers Return on Capital Employed (“*ROCE*”) to be an important metric for appraising financial performance and for the 2018 financial year, the Group’s ROCE was 8.9 per cent. (2017 financial year: 9.1 per cent.). Further, Merlin’s own in-house Merlin Magic Making team delivers innovative new product ideas including ride concept and design, wax figure manufacture, animal and fish husbandry, and therefore yields synergies and cost-savings over third-parties that would otherwise be engaged to develop attractions. Merlin also maximises its marketing spend through targeted campaigns focused on educating prospective customers about new attractions and rides. Throughout this process, Merlin takes advantage of market leverage and implements cost-efficiencies such as shared marketing costs, central management, site development expertise and application of visitor management experiences across the portfolio. In addition to the benefits Merlin derives from its core competencies, Merlin maintains its estate through regular planned maintenance capital expenditure, which means that incremental capital expenditure can be targeted at driving incremental revenue opportunities.

LEGOLAND Parks typically require lower capital expenditure than Merlin's Resort Theme Parks because they are geared towards families with young children and do not require expensive, large format roller coasters. Merlin's Resort Theme Parks tend to be nationally pre-eminent in their respective markets and therefore lack the significant competitive intensity of the theme park operators in the United States. As a result, Merlin does not need to compete solely on the basis of the latest and largest coasters but can open significant new coasters on an opportunistic basis. In addition, although not directly comparable to other theme park operators, the Midway Attractions operating group does not require substantial ongoing capital expenditure due to the lack of large scale coasters, or rides, and the low overall degree of capital employed in each site. Capital expenditure programmes for the Midway Attractions operating group vary between attractions, depending on the size and anticipated growth of the attraction.

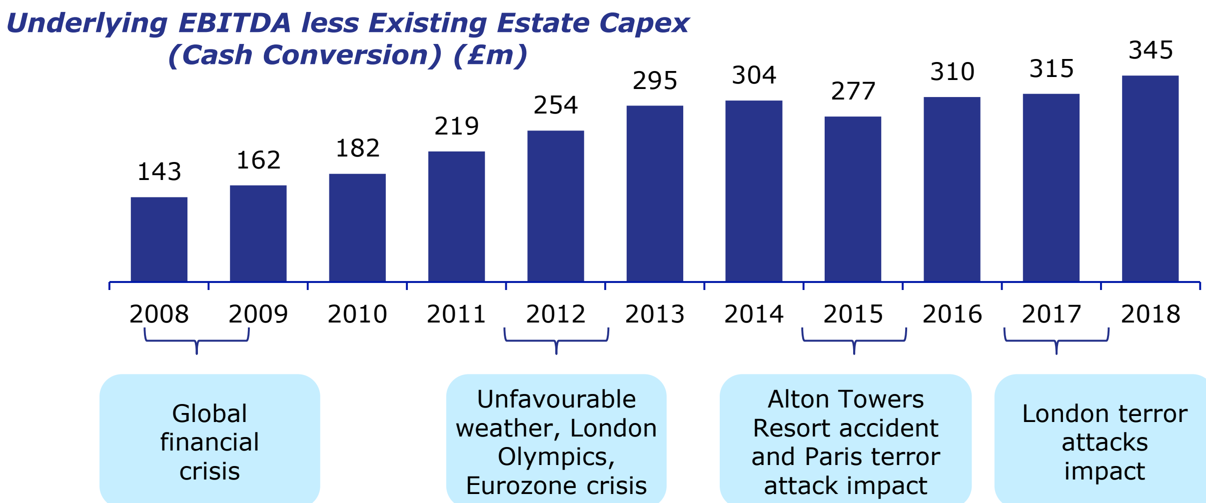
IV. KEY INVESTMENT HIGHLIGHTS

G. Prudent Capital Allocation and Flexible Capital Expenditure Spend Resulting in Strong and Recurring Cash Flow Generation (Cont'd)

Merlin's capital expenditure across its portfolio of attractions is primarily funded out of operating free cash flow.

Merlin's total reported capital expenditure for 2018 was £332 million, of which £88 million was used for the development of new accommodations, £60 million was used for the development of Midway Attractions, £35 million was used for the longer term development of new LEGOLAND parks, primarily LEGOLAND New York, and £149 million was used for its Existing Estate. Between the 2008 financial year and the 2018 financial year, Merlin invested on average 9 per cent. of its revenue in Existing Estate capital expenditure. Merlin's successful and flexible capital expenditure programme has translated into consistently positive cash conversion with average cash conversion of greater than 70 per cent. [(1)] between the 2008 financial year and the 2018 financial year. Further, it benefits from structurally favourable working capital due to a high proportion of pre-bookings by visitors.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Avg. ('08-'18)
Existing Estate Capex % Rev.	9.1%	9.6%	9.3%	9.2%	8.6%	8.0%	8.5%	9.8%	9.7%	10.0%	8.8%	9.1%
% Cash Conversion [(1)]	70.3%	68.7%	70.9%	71.6%	73.4%	75.7%	74.1%	68.9%	68.8%	66.5%	70.0%	70.8%



Source: Company annual reports.
(1) Underlying EBITDA – Existing estate capex.

IV. KEY INVESTMENT HIGHLIGHTS

H. Highly Experienced and Diverse Management Team Backed by Equity Owners with In-depth Knowledge of Merlin

Merlin’s senior management team is highly experienced within both the attractions industry and its businesses, with decades of combined sector experience, supplemented with relevant experience from outside the attractions industry. Merlin's Chief Executive Officer, Nick Varney, has led Merlin since its inception in 1999. The senior management team has driven the development and execution of its strategy to deliver growth both organically and through acquisitions.

The senior management team is supported by local management teams, which run Merlin’s operational groups and attractions. Each Resort Theme Park, LEGOLAND Park and regional or functional division of the Midway Attractions operating group has a divisional director, who is supported by a management team and who reports directly to the relevant operating group managing director. This decentralised management structure empowers site management to make commercial and operational decisions locally, enabling real-time reaction to local market conditions. Merlin’s senior management team is also supported by the Merlin Magic Making team, which is Merlin’s unique, creative and project management resource. Merlin Magic Making also provides creative design and production. Merlin Magic Making is supported by Merlin’s New Openings team, which is responsible for the site search, development, opening and integration of new attractions. The New Openings team typically manages an attraction in the first 12 to 18 months of trading before handing over responsibility to the relevant operating group once the attraction is established. The strong local management teams are often a result of Merlin’s culture of training and development, with central and local programmes to develop skills at all levels of the organisation. The commitment of Merlin's employees is best demonstrated by the results of the 2018 annual staff survey. With an employee response rate of 95 per cent., 94 per cent. of respondents agreed with the statement “*they enjoy working here*” and Merlin’s engagement score, which measures whether its teams think Merlin is a “*great place to perform*,” “*a great place for customers*” and a “*great place to work*,” was 86 per cent. Further, 96 per cent. of respondents agreed that “*they are encouraged to minimise risks and ensure a safe working environment for colleagues and customers*” and 95 per cent. agreed that “*they are clear about what they are expected to achieve in their job*.”

Merlin’s senior management team is supported by Blackstone and KIRKBI, with whom it has meaningful and successful history. Blackstone had previously been Merlin’s majority shareholder since a management-backed buy-out investment in 2005. At the same time, Merlin acquired rights to LEGOLAND Parks from KIRKBI A/S, who signed the Licensing and Co-operation Agreement with Merlin, and KIRKBI became one of Merlin’s shareholders. Blackstone and KIRKBI continued to jointly control Merlin for eight years from 2005 to 2013, during which period Merlin successfully grew, with a revenue CAGR of 12.5 per cent. from 2008 to 2013, to become the second largest visitor attraction business globally in terms of number of annual visitors. Merlin’s senior management team has a strong relationship with Blackstone and KIRKBI, with Merlin’s current CEO, Nick Varney, having worked closely with Blackstone and KIRKBI during their previous ownership tenure. Blackstone has longstanding experience investing in location-based entertainment businesses, as well as the wider hospitality, travel and leisure sectors - previous investments include: Merlin, Sea World, Hilton, Six Flags, Center Parcs, Cosmo Hotel, and Universal. In addition, the Consortium has a long history of joint ownership of companies they acquired together, with Blackstone and KIRKBI having acquired Armacell in 2015 and Blackstone and CPPIB having acquired, among other companies, Refinitiv in 2018 and Ascend in 2017.

IV. KEY INVESTMENT HIGHLIGHTS

H. Highly Experienced and Diverse Management Team Backed by Equity Owners with In-depth Knowledge of Merlin

Experienced Management Team

Nick Varney
CEO
30 years' experience in the visitor attractions industry

- Led the Management buy-out in 1999 and has been leading Merlin as CEO since
- Nearly 30 years' experience in the visitor attractions industry
- Guided Merlin from £20m of revenue and £7m of EBITDA in 1999 to £1.7bn of revenue and £494m of EBITDA in 2018

Anne-Francoise Nesmes
CFO
25 years' experience in finance

- Appointed CFO in 2016
- 25 years experience in finance across international organisations
- Instrumental in transforming Dechra into a successful pharmaceutical company

Years With Merlin

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Overview

Merlin Entertainments is a global leader in branded, location based family entertainment. As of 29 June 2019, Merlin operated 133 attractions in 25 countries across four continents, and in the 52 weeks ended 29 June 2019, Merlin welcomed approximately 68 million visitors to its attractions. Merlin is the largest operator of visitor attractions and theme parks in Europe and the second largest operator globally, in each case, by number of visitors in 2018. Merlin is also a market leader in the United Kingdom, Germany and Italy by total visitor numbers, with an already significant and growing presence in the United States and the Asia Pacific region. Merlin believes it owns and / or operates a unique portfolio of chainable iconic assets and brands, each possessing a strong heritage within its original markets, as well as being globally scalable and supported by extensive technical and creative expertise.

Merlin has established a diverse portfolio of nationally and internationally recognised premium brands, focused on delivering memorable experiences to millions of visitors around the world. Merlin generated revenue of £1,688 million, Underlying EBITDA of £494 million, and profit before tax of £285 million for the 52 weeks ended 29 December 2018. Merlin generated Pro Forma EBITDA of £506 million for the 52 weeks ended 29 June 2019.

Merlin operates two main product types, split across three Operating Groups: Midway Attractions and Theme Parks which includes LEGOLAND Parks and Resort Theme Parks:

Midway Attractions	Theme Parks	
	LEGOLAND® Parks	Resort Theme Parks
£1,688m 2018A Revenue		
£677m (1) Revenue (40% of Merlin)	**£637m** Revenue (38%)	**£367m** Revenue (22%)
119 attractions in 22 countries (2)	8 Parks in 7 Countries (2)	6 Parks in 3 countries (2)
Indoor attractions located in city centres, shopping malls or resorts	LEGO themed accommodation, rides, shows and interactive experiences	Accommodation, rides, shows and interactive experiences around a central theme
40.4m Visitors	**15.6m** Visitors	**11.0m** Visitors

Note: Data as of FY 2018A and inclusive of IFRS 15. Attendance based on total visitors
(1) Includes contribution from ski resorts.
(2) As of June 2019.

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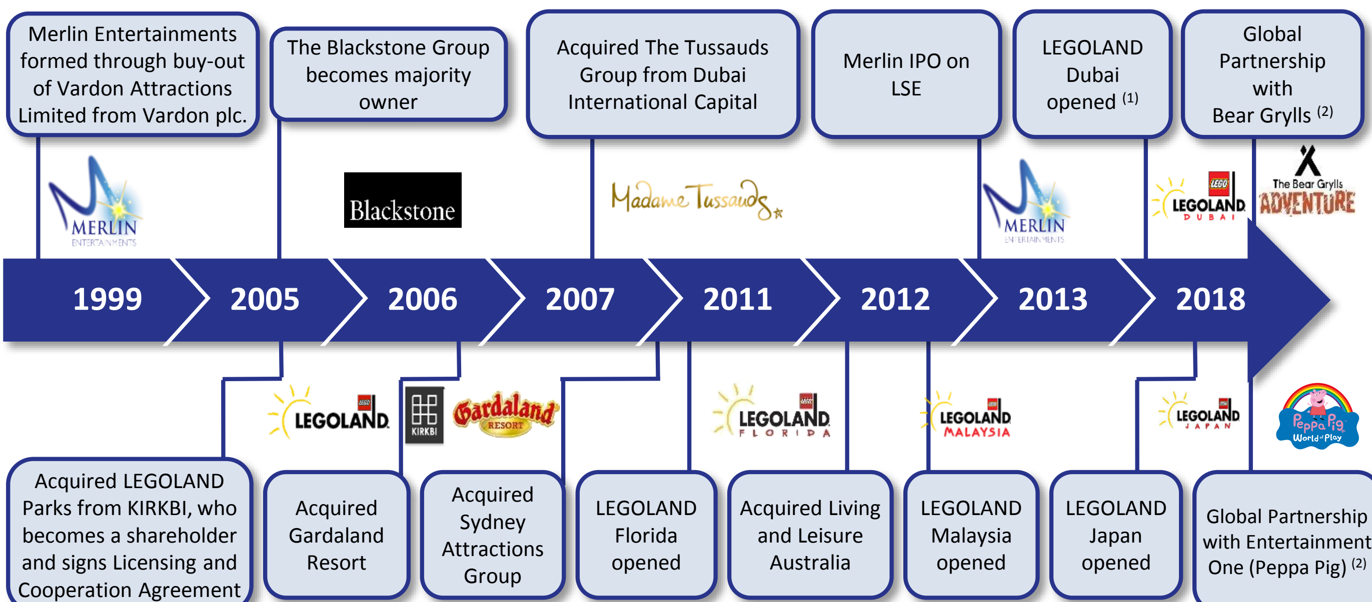
Company Timeline

Since Merlin Entertainments' formation in 1999, the strategy has been to create a high growth, high return, family entertainment company based on strong brands and a global portfolio of assets that is naturally hedged against the impact of external factors. Merlin was formed in 1999 when Nick Varney, Group Chief Executive Officer, led a management buy-out from Vardon Attractions Limited ("Vardon Attractions") to form Merlin Entertainments. At that time, the business comprised 17 SEA LIFE Centres in the United Kingdom, Germany, the Republic of Ireland, The Netherlands, Belgium and Spain, and the London Dungeon and York Dungeon. From 1999 to 2005, Merlin undertook a major expansion of its SEA LIFE and Dungeons brands, which continue to be important brands in the business today. As a result of subsequent growth and acquisitions, Merlin now has a mixture of brands and attractions that range from small visitor attractions to national theme parks. Merlin's ownership has changed a number of times since its formation in 1999, with Hermes Private Equity acquiring the business in 2004 and Blackstone becoming a majority shareholder in May 2005. On 13 November 2013, Merlin completed its initial public offering and listing of its ordinary shares on the London Stock Exchange. Merlin Entertainments intends to apply for delisting of its ordinary shares from the London Stock Exchange in connection with the Transaction.

Merlin Timeline: History of Leading Brands



Source: Company annual reports.
(1) Opened in 2016.
(2) Global partnerships announced in 2017. First attractions opened in 2018. Entertainment One has recently been acquired by Hasbro.

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Merlin Magic Making & Intellectual Property Partnerships

Merlin Magic Making

Merlin's three operating groups are supported by an extensive in-house business development, creative, project management and production group, Merlin Magic Making, which employs about 400 people across Europe, North America and the Asia Pacific region. Merlin Magic Making is responsible for driving innovation across the Group and creating high-class, compelling propositions for attractions ("*Creating the Magic*"), developing new concepts into commercially-viable attractions ("*Developing the Magic*"), producing compelling content such as wax figures and attraction theming ("*Producing the Magic*") and constructing new attractions and investment projects, including new hotels and rides ("*Delivering the Magic*").

Merlin Magic Making is central to Merlin's major projects. In 2018, Merlin Magic Making worked with the New Openings team to develop two new brands, the Bear Grylls Adventure in Birmingham and the first three of its Peppa Pig-themed attractions, including its "in *park*" Peppa Pig Lands at Gardaland Resort and Heide Park Resort and its first Peppa Pig World of Play Attraction in Shanghai. Merlin believes these attractions continue to broaden its appeal in different markets and geographies, and reflect the increasing volume and strength of its relationships with third-party intellectual property holders who seek to leverage their content through location-based entertainment. Merlin also worked on the launch of a further five Midway Attractions across three continents. In 2019, Merlin Magic Making launched the Magic Hotel at Gardaland Resort, a new Dungeon at Alton Towers Resort and a new Peppa Pig World of Play in Texas and Michigan, LEGOLAND Discovery Centres in Shenyang, Beijing and San Antonio, SEA LIFE Centres in Shenyang and Malaysia and the Collosos roller-coaster at Heide Park Resort. Merlin Magic Making is also working on a number of attractions expected to be launched in 2020, including the development of LEGOLAND New York and LEGOLAND Waterpark at Gardaland Resort.

Merlin's senior management is also supported by a New Openings team, which was established in 2015 to oversee the location scouting, development, opening and integration of all new attractions. This team includes eight senior executives and is led by a Chief New Openings Officer.

Merlin's strategy and performance is underpinned by its commitment to operational excellence and is driven by an integrated approach to quality management, capital investment, marketing and pricing, together with a focus on health and safety. Merlin's strong financial returns are also the result of its efficient and strategic deployment of capital expenditure across the Existing Estate and new attractions.

Intellectual Property Partnerships

Given its global reach and multi-format expertise, Merlin believes it is well-placed to benefit from the growing opportunities to partner with leading owners of intellectual property content. These partnerships provide Merlin with additional means to deliver memorable experiences to visitors of its attractions and Merlin offers its partners opportunities to increase engagement with their customers. For example, Merlin has multiple intellectual property agreements ranging in scale from local level relationships for specific attractions, to global, multi-product relationships with some exclusivity, to Merlin's core global, multi-product and exclusive relationship with the LEGO Group. Merlin holds the global, exclusive rights to the LEGOLAND brand under the Licencing and Co-operation Agreement signed with KIRKBI A/S. Merlin has a synergistic relationship with the LEGO Group and KIRKBI A/S, which is a 75 per cent. shareholder of the LEGO Group with a 100 per cent. ownership of the LEGO and LEGOLAND trademarks and, following completion of the Transaction, will be a 50 per cent. investor, directly or indirectly in Bidco (which will hold 100 per cent. of the shares in Merlin). Merlin also established and continues to develop, global, regional and local intellectual property partnerships allowing it to use brands such as Star Wars, Ghostbusters, the Gruffalo, Shrek, Kung Fu Panda and CBeebies, the latter through their partnership with BBC Worldwide. Merlin continues to develop new global intellectual property partnerships and in 2018, Merlin opened a Bear Grylls Adventure Attraction in the United Kingdom and a Peppa Pig Attraction in China. Merlin's standalone, intellectual property-led attractions therefore include LEGOLAND Parks and Discovery Centres, Peppa Pig World of Play, The Bear Grylls Adventure and "*DreamWorks Tours' Shrek's Adventure!*".

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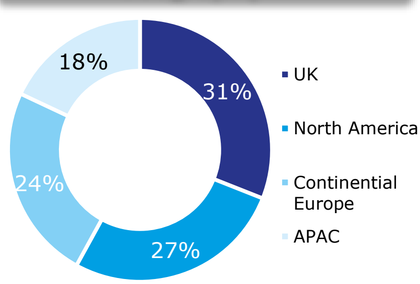
Diversified Business Model

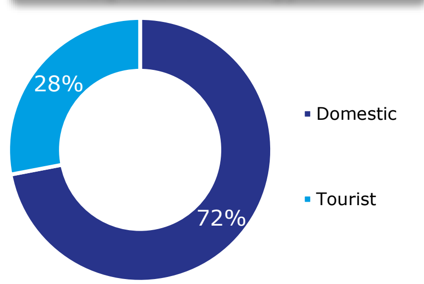
Merlin has demonstrated the strength of its diversified business model through its historical financial track record. The drivers of this performance are:

- Investment in the Existing Estate to improve customer satisfaction, increase capacity and provide compelling new propositions to guests in order to drive organic [1] growth via visitations and pricing power;
- Rolling out new Midway Attractions under its chainable global brands to drive organic revenue growth, often with a "cluster" focus to drive commercial advantages and with a focus on new sites outside of Europe, including in emerging markets to continue geographic diversification;
- Development of new LEGOLAND Parks, including the opening of LEGOLAND Dubai in 2016 and LEGOLAND Japan in 2017, the targeted opening of LEGOLAND New York in 2020 and LEGOLAND Korea by 2022 and potential new LEGOLAND Parks in China and the rest of the world, subject to targeted return on investment criteria. In September 2019, Merlin announced that it had entered into an agreement to partner in the development of LEGOLAND Sichuan and operate it under a management contract arrangement, with the resort scheduled to open by the end of 2023; and
- Transforming its theme parks into destination resorts by adding a broad range of themed accommodation and new attractions at its theme parks to improve customer satisfaction and drive multi-day visitation, such as the opening of a 142-room Castle Hotel at LEGOLAND Billund RESORT, a 128-room Magic Hotel at Gardaland Resort and 102 "stargazing pods" at Alton Towers Resort in 2019 as well as the targeted opening of a LEGOLAND Waterpark at Gardaland Resort in 2020.

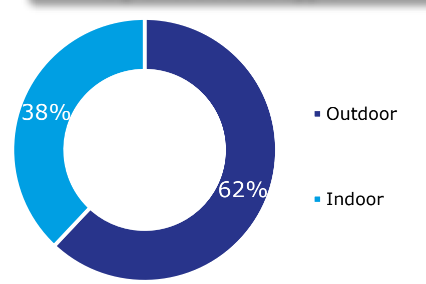
Geography [2]



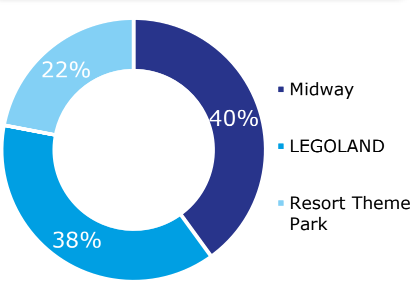
By customer type [3]



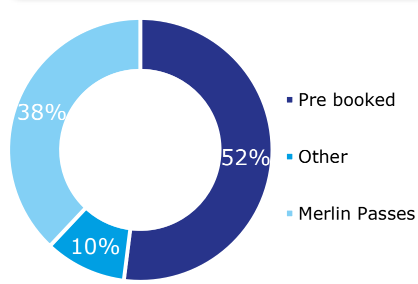
By attraction type [5]



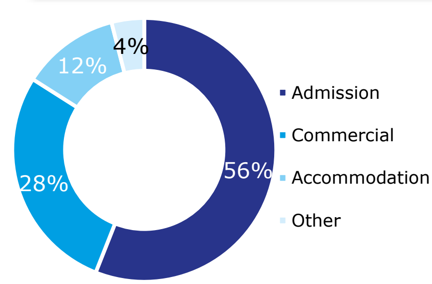
By business segments [2]



By booking type [4]



By revenue type [5]



Source: Company disclosure.

(1) Organic growth defined as growth from like-for-like businesses and New Business Development at constant currency and excluding growth from acquisitions. It also includes the exit from certain non-core smaller Midway Attractions.

(2) Based on FY 2018A revenue including IFRS 15.

(3) Based on sample of visitors answering the question "What is your home country?".

(4) Based on 2018 admissions revenue.

(5) Based on FY 2018A revenue excluding IFRS 15.

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Segment Overview

Merlin believes it owns and / or operates a unique global portfolio of chainable brands and iconic assets which are widely recognised by consumers and have a strong heritage. Examples include Madame Tussauds, SEA LIFE and the London Eye in its Midway Attractions operating group, LEGOLAND California and LEGOLAND Windsor, in its LEGOLAND Parks operating group and Gardaland Resort and Alton Towers Resort in its Resort Theme Parks operating group. Merlin believes the strength and breadth of its iconic brand portfolio enables it to offer compelling entertainment propositions through a wide variety of activities and visitor experiences across a broad range of geographies and all key target demographic groups ranging from families with young children, teenagers, young adults to older adults. Merlin's LEGOLAND Parks also benefit from a mutually synergistic relationship with the LEGO Group. Merlin's portfolio is focused on delivering high quality family entertainment, with the LEGOLAND Parks and LEGOLAND Discovery Centres in particular placing an emphasis on "*playful learning*." Its portfolio of brands enables it to differentiate its parks and attractions from unbranded operators and to attract visitors to its attractions.

Midway Attractions

Midway Attractions benefit from high quality, chainable brands with broad international appeal and recognition, which are distributed across geographies, markets and target demographics creating a diversified portfolio. Merlin believes the strength of its brands allows Merlin to maximise economies of scale and synergies. As of 29 June 2019, these included:

- **Madame Tussauds,** the world's premier wax figures exhibition for over 200 years, where visitors are encouraged to interact with historical and celebrity figures. Located in both more mature and emerging markets, comprising 23 attractions in twelve countries;
- **The Eye** brand and observation attractions, with iconic, and internationally recognised landmarks such as Coca-Cola London Eye and the Sydney Tower Eye;
- **SEA LIFE**, the world's largest aquarium brand, comprising 48 attractions in 19 countries, with strong name recognition and a track record of providing high quality and informative family entertainment for over 30 years and campaigning actively on a variety of conservation issues prioritised around breeding, rescue and protection of the marine environment;
- **The Dungeons**, with a strong "cult" reputation amongst the teen and young adult market for a unique mix of dark, historical horror and irreverent humour, delivered through set piece shows performed by live actors, rides and themed sets, comprising eleven attractions in five countries, including the Shanghai Dungeon which opened in 2018 and the Alton Towers Dungeons which opened in 2019; and
- **LEGOLAND Discovery Centres**, an extension of the LEGOLAND brand to the Midway Attractions format offering the same values of interactivity and family fun in a smaller, more accessible format, comprising 23 attractions in all eight countries, including LEGOLAND Discovery Centres in each of Beijing, San Antonio and Shenyang which opened in 2019.

In 2018, Merlin opened seven new Midway Attractions. These included Little BIG City Beijing, its second Attraction under that new format, the first Dungeon attraction in Asia in Shanghai, and pilots of two new intellectual property partnerships – The Bear Grylls Adventure in the UK and Peppa Pig World of Play in Shanghai. In H1 2019, Merlin opened eight new Midway Attractions, which comprised the Alton Towers Dungeon, LEGOLAND Discovery Centres in each of Beijing, San Antonio and Shenyang, SEA LIFE attractions in Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan.

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Segment Overview

The scale and portfolio of strong brands has allowed Merlin to leverage a number of strategic synergies. It has developed "clusters" of Midway Attractions in Amsterdam, Arizona, Bangkok, Berlin, Blackpool, Dallas, Istanbul, Kansas City, London, Manchester, Melbourne, Michigan, Oberhausen, Orlando, San Francisco, Shanghai, Sydney and Tokyo, where multiple attractions are situated in one city or region to capitalise on strong cross promotional and operational synergies, including multi-attraction tickets to drive cross-selling.

Merlin has been able to capitalise on its marketing leverage through ticketing promotions with partners such as Kellogg's and Tesco, among others. A popular package among customers is the sale of annual passes, which are purchased online or at parks for a one-off price that enables customers to visit all attractions within a particular country for one year for no additional admission fee.

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Segment Overview

	SEA LIFE	The Eye Brand	LEGOLAND Discovery Centre	Madame Tussauds	The Dungeons	Peppa Pig World of Play
	World's largest [(1)] aquarium brand - home to a variety of creatures from shrimps and starfish to seahorses, rays, sharks and seals	Observation attractions which offer the ultimate viewing experience at landmark locations	Ultimate LEGO indoor playground, with over two million bricks under one roof	Collection of celebrity wax attractions and interactive exhibits	Unique mix of dark, historical horror and irreverent humor delivered through set piece shows by live actors, rides and themed sets	Partnership with hugely successful, critically acclaimed pre-school animated series that has global reach
Year of First Opening	1983	2000	2007	1835	1976	2018
Region	Continental Europe, UK, APAC, NA	UK, APAC	NA, APAC, Continental Europe, UK	APAC, NA, Continental Europe, UK	UK, Continental Europe, NA, APAC	APAC
Season	All year					
Types of attractions	Total attractions: 48 Marine sanctuaries	Total attractions: 3 London Eye, Sydney Tower Eye, Blackpool Tower Eye	Total attractions: 23 Indoor LEGO-based rides and activities centred around the main Miniland attraction	Total attractions: 23 Life size wax figures	Total attractions: 11 Rides and live entertainment	Total attractions: 3 [(2)] Indoor, Peppa Pig based themed play areas
Demographic	All ages	City Centre Tourists, All Ages	Children / Families	City Centre Tourists	Teenagers and young adults, City Centre Tourists	Pre-School Families

Other Brands: WILD LIFE, The Bear Grylls Adventure, Little BIG City, Shrek's Adventure! London, Australian Treetop Adventures

LEGOLAND Resorts and Parks

The LEGO brand is globally recognised and is associated with fun and learning through play. Merlin holds the global, exclusive license to own and operate LEGOLAND Parks until at least 2054. Merlin owns and / or operates LEGOLAND Parks in Denmark, Germany, Malaysia, the United Kingdom, Dubai, California, Florida and Japan, all of which are build on the strength of the LEGO brand and are themed and interactive parks, which are designed to appeal to families (particularly with children aged two to twelve years) looking for a fun and engaging day out.

Merlin has expanded its LEGOLAND offering in recent years with the opening of LEGOLAND Florida in 2011, LEGOLAND Malaysia in 2012, LEGOLAND Dubai in the United Arab Emirates in 2016 and LEGOLAND Japan in 2017. It operates the parks in Malaysia and Dubai under management contracts. LEGOLAND Japan is "leased and operated", meaning a third-party partner (a subsidiary of KIRKBI) funded the acquisition of the park site, the development of the infrastructure and the basic construction. Merlin funded and built the rides, provided the necessary theming, and built the on-site SEA LIFE Centre second gate and the on-site accommodation. Merlin leases the site on a long-term basis and operates the park. In 2017, Merlin announced the development of a LEGOLAND park in New York State with a targeted opening in 2020, which is being developed under an "owned and operated" model. Merlin continues to target a 2020 opening for the park, although the timetable and costs are under pressure given the scale and complexity of the project. Merlin expects the accommodation at the park to open in 2021. At the start of 2019, Merlin also announced that an agreement had been reached with Gangwon Provincial Government with respect of partial funding for LEGOLAND Korea, which will be an owned and operated resort, scheduled to open by 2022. Merlin intends to invest approximately £150 million in LEGOLAND Korea with the remaining funding £56 million to come from LL Developments, the investment arm of Gangwon Province, £14 million of which had been received by 29 June 2019. This site is also being developed under an "*owned and operated*" model. Merlin has also identified sites for potential LEGOLAND Parks in the medium and long-term and remains in active discussions with a number of potential partners to develop several LEGOLAND parks in China with a focus on operating these parks under management contracts.

Note: Information based on latest available public information.
(1) Based on June 2019 attraction count. Source: Operator provided information.
(2) Future growth opportunity.

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Segment Overview

All open LEGOLAND Parks, with the exception of LEGOLAND Dubai, have themed on-site hotels ranging from 61 to 263 rooms. A hotel is scheduled to open at LEGOLAND Dubai in 2020. A total of 644 new accommodation rooms were opened in 2018 including the 252 room hotel at LEGOLAND Japan, transforming the park which opened in 2017 into a resort. Adding on-site, themed accommodation has historically improved guest satisfaction, increased the catchment area for parks, increased the level of pre-booked revenue and improved cross-selling opportunities. For example, the 142 rooms opened at the Pirate Island Hotel at LEGOLAND Deutschland in 2018 had a guest satisfaction score of 97 per cent and occupancy of up to 95 per cent during 2018. Merlin also has plans for additional accommodation at other parks in future years. Merlin believes hotels and villages provide an integral contribution to the overall customer experience and help drive increases in multi-day ticket sales.

	LEGOLAND Florida	LEGOLAND Billund	LEGOLAND California	LEGOLAND Dubai	LEGOLAND Windsor	LEGOLAND Deutschland	LEGOLAND Malaysia	LEGOLAND Japan
Year Opened	2011	1968	1999	2016	1996	2002	2012	2017
Country	US	Denmark	US	UAE	UK	Germany	Malaysia	Japan
Season	All year	March – October	All year	All year	March – Early November	March – October	All year	All year
Additional Features	Waterpark, Hotel, Holiday Village	Waterpark, Hotel, Holiday village	Waterpark, Sealife Centre, Hotels	Waterpark, Hotel (1)	Hotels	Hotels, Holiday Village	Waterpark, Sealife Centre, Hotel	Sealife Centre, Hotel
Hotel Accomm.	318 rooms	578 rooms	500 rooms	250 rooms (1)	209 rooms	461 rooms	263 rooms	252 rooms

LEGOLAND Parks Agreement

Following the Transaction, the Consortium has agreed to increase the level of Existing Estate capital expenditure on LEGOLAND Parks and has also agreed on certain changes to the licensing arrangements for LEGOLAND Discovery Centres, including: introducing a new global, exclusive perpetual license agreement to use the LEGO trademark for the purpose of the LEGOLAND Discovery Centres (subject to separate fixed term license agreements of 20 years individually agreed for each LEGOLAND Discovery Centre); a review of the current format of the LEGOLAND Discovery Centres; more flexibility for the LEGO Group to operate education centres and events near the LEGOLAND Parks; and updates to the LEGO product supply arrangements. Details of these amendments will be finalized following the Transaction.

Resort Theme Parks

Each of Merlin's six Resort Theme Parks is a national brand aimed at families, teenagers and young adults, with themed accommodation at all locations. For example, THORPE PARK Resort focuses especially on the teen and young adult markets whereas Chessington World of Adventures Resort is orientated more towards families. Each of Merlin's Resort Theme Parks, certain of which are among the leading theme parks in the UK, Italy and Northern Germany, enjoys high brand and customer awareness in its local market.

Note: Information based on latest available public information.
(1) LEGOLAND Dubai hotel scheduled to open 2020.

V. BUSINESS OVERVIEW

Segment Overview

Merlin believes that each of the Resort Theme Parks all offer a compelling, coherent proposition and strong theming, with few or no local competitors that can offer the same quality or scale of visitor experience. Merlin aims to implement effective marketing and promotions to ensure that each brand is the strongest in its relevant market. Resort Theme Parks are increasingly being recognised as destination resorts, attracting short break visits from national and, in certain cases, international visitors, supported by short break marketing campaigns. Each of Merlin's Resort Theme Parks has one or more hotels or holiday villages.

In 2016, Merlin opened a second hotel at Gardaland Resort and a holiday village at Warwick Castle. It also opened a 76-room CBeebies Land Hotel and 102 "stargazing pods" at Alton Towers Resort in 2017 and 2019, respectively. In 2019, Merlin also opened a Magic Hotel at Gardaland Resort and announced the intended opening of a LEGOLAND Waterpark at Gardaland Resort in 2020. Each of Merlin's Resort Theme Parks is strongly positioned in its national / regional market, often representing the pre- eminent visitor attraction in its respective region and benefiting from being situated in a prominent location with good transport links to areas of substantial populations. In particular, Merlin has a market-leading position in the United Kingdom, where it owns the top four theme parks, as classified by the Themed Entertainment Association, by number of visitors in 2018: LEGOLAND Windsor (part of Merlin's LEGOLAND Parks operating group), Alton Towers Resort, THORPE PARK Resort and Chessington World of Adventures Resort. It also holds strong market positions in Italy and Germany, in each case by number of visitors in 2018.

The scale of Merlin's Resort Theme Parks and available undeveloped land at certain locations has also provided opportunities for "second gates", which are visitor attractions at an existing resort with a separate entrance and for which additional admission fees are charged. For example, there is a SEA LIFE centre located close to Gardaland Resort and a Dungeons Warwick Castle on the Warwick Castle site.

	Alton Towers Resort	Heide Park Resort	Thorpe Park	Chessington World of Adventures Resort	Gardaland Resort	Warwick Castle
	UK's largest theme park (1) with three themed hotels, The Enchanted Village lodges and an indoor waterpark	One of Germany's largest and most visited theme parks with rides and attractions	UK's second biggest theme park (1)	Exotic themed lands and rides mixed with amazing creatures from around the world	Italy's leading theme park (1) located at the edge of Lake Garda	Interactive 11th century theme with events and staged scenes by Madame Tussauds and the Castle Dungeon
Year of First Opening	1980	1978	1979	1931	1975	1978
Country	UK	Germany	UK	UK	Italy	UK
Season	March – Early November	March – October	March – October	March – October (2)	March – October / weekends in December	All year
Additional Features	Dungeon, Hotels, Lodges & Pods	Hotel, Holiday Village	Hotel	Hotels, Camping	Sea Life Centre, Hotels	Camping and Lodges
Hotel Accommodation	694 rooms	329 rooms	90 rooms	254 rooms	475 rooms	67 rooms
Demographic	All ages	Teenagers and young adults	Teenagers, young adults and older families	Families, teenagers and young adults	All ages	All ages

Note: Information based on latest available public information.
(1) Based on 2018 attendance. Source: AECOM 2018 Theme Index and Museum Index and Blooloop.
(2) 'Zoo only' days in the off season during weekends and school holidays.

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Other

Property

Merlin's principal real estate interests are as follows:

Midway Attractions

- SEA LIFE Centres: Merlin's SEA LIFE Centres are predominantly leasehold properties, with three located on a freehold site. Merlin also has second gate SEA LIFE attractions at LEGOLAND California and Gardaland Resort, which each sit within the freehold of those attractions;
- Madame Tussauds: Merlin holds leases in respect of all of the Madame Tussauds' sites other than Madame Tussauds Blackpool, which is operated under a 20-year management agreement. Madame Tussauds London formed part of the 2007 sale and leaseback arrangement with Prestbury (the predecessor in title of Secure Income REIT plc), which subsequently sold the freehold to Fubon MTL Property (Jersey) Ltd. with no changes to the terms of the lease;
- The Dungeons: Merlin holds leases in respect of all of the Dungeons sites, with the exception of the Blackpool site which it operates under a 20 year management agreement;
- The London Eye: Merlin retains and operates part of London Eye pursuant to an indefinite licence from the Port of London Authority and holds the remainder pursuant to three leasehold interests. Merlin also operates observation attractions at Sydney, under a leasehold arrangement, and Blackpool, as part of the 20 year management agreement;
- LEGOLAND Discovery Centres: Merlin holds leases in respect of all LEGOLAND Discovery Centre sites;
- Peppa Pig attractions are operated under lease arrangements;
- Merlin holds a lease in respect of "*DreamWorks Tours' Shrek's Adventure!*";
- "Little BIG City,": Merlin holds leases in respect of both Little BIG City sites;
- Merlin operates two treetop walks in Australia. The treetop walks are freehold sites;
- Merlin leases the WILD LIFE Australian animal adventure Attraction in Sydney Australia; and
- "*Bear Grylls Adventure*" in Birmingham, United Kingdom is operated under a lease arrangement.

LEGOLAND Parks

- Merlin owns the freehold interest of all the LEGOLAND Parks and associated accommodation sites with the exception of (a) Malaysia, which is managed pursuant to a long-term management agreement; (b) Dubai, which is managed pursuant to a long-term management agreement; (c) Japan, which is leased and operated; (d) the botanical gardens at LEGOLAND Florida, which it leases pursuant to a perpetual lease from the State of Florida; (e) certain parking and back-of-house areas at LEGOLAND Billund, which it leases; (f) the LEGOLAND Billund holiday village, which it leases from the LEGO Foundation; and (g) the initial hotel at LEGOLAND Windsor, which it leases from Aberdeen Standard Investments pursuant to a sale and leaseback arrangement; and
- Merlin acquired the land allocated for the development of LEGOLAND New York, which it targets to open in 2020 with development underway.

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Other

Property (Cont'd)

Resort Theme Parks

- Merlin leases the Alton Towers Resort, Heide Park Resort, THORPE PARK Resort and Warwick Castle sites, including their associated accommodation sites, from Secure Income REIT plc pursuant to a sale and leaseback arrangement entered into in July 2007 with the predecessor in title of Secure Income REIT plc.; and
- Merlin owns the freehold title to the Gardaland Resort and Chessington World of Adventures Resort sites including their respective hotels.

Other

- Merlin owns the freehold of the Merlin Magic Making Studios in Acton, West London;
- Merlin has supported offices in several countries, all of which are held under leasehold agreements or occupying space within existing attractions.

Employees

Merlin's average number of permanent employees for the 2016, 2017 and 2018 financial years was 8,515, 8,781 and 8,909, respectively. The average number of total employees, which also include seasonal or temporary employees, for the 2016, 2017 and 2018 financial years was 19,489, 19,871 and 21,123, respectively. The workforce increased to almost 28,000 employees during the peak season in the 2018 financial year.

Health, Safety and Security

Merlin's health, safety and security programmes are designed to deliver industry leading health, safety and security standards, a rigorous safety culture and a commitment to safety from management and staff. The Committee in charge of HSS assists the Board in ensuring that HSS risks are managed effectively across the Group by overseeing Merlin's policies and procedures for HSS, monitoring Merlin's processes for identifying and managing risks and monitoring the skills, effectiveness and levels of resource within Merlin's HSS teams. The MTC rate captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations. The reduction in Merlin's MTC rate in 2018 to 0.03 (as compared to 0.04 and 0.06 in 2017 and 2016, respectively) is therefore a positive outcome.

Insurance

Merlin maintains insurance policies for property damage and business interruption, public and product liability, employer's liability, motor insurance, engineering, travel insurance, marine insurance, pension fund liabilities, construction, professional indemnity, crime and directors and officers liabilities, as well as terrorist acts worldwide. In addition, Merlin maintains insurance policies at a local level based on legislative requirements. It does not maintain any keyman insurance cover.

Merlin believes its insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. Its policies are subject to standard limitations and therefore insurance may not necessarily cover all losses that Merlin incurs. Merlin cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies.

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Overview of the Attractions Industry

Merlin is a global leader in branded, location based, family entertainment with a portfolio of attractions serving the global leisure market, of which the attractions industry forms a part. According to the WTTC, spending in the global leisure market is forecast to increase by 3.9 per cent. per annum between 2019 and 2029, which reflects faster growth than that of the broader economy. Long-term growth of the attractions industry may be driven by a number of factors including: (i) increasing trend in developed markets toward multiple short breaks at home or abroad; (ii) consumers prioritizing experiences over goods; (iii) growing international tourism driven by more affordable air fares and desire to seek new experiences; (iv) increased leisure time to enjoy entertainment; (v) rising income and more affluent populations in developing countries, notably China; (vi) demand for higher quality out-of-home entertainment; (vii) improving transport infrastructure, including ease of access from long-distance travel infrastructure; and (viii) a greater number of high-quality, branded, entertainment options.

Merlin segments the attractions industry into a commercial sector, including paid-for attractions, and a public sector, including state-owned, primarily free entry attractions such as museums and parks. Within the commercial attractions sector, Merlin has identified four key categories: (i) theme parks, including both international destinations and national / regional destinations; (ii) regional amusement parks; (iii) smaller visitor attractions; and (iv) larger zoos and wildlife attractions.

Merlin’s focus is mainly on the national / regional destination theme parks and smaller visitor attractions sectors.

Theme Parks

Merlin defines theme parks as outdoor sites with rides and shows as the main attractions, which can be seasonally operated or open all year round, depending on the location. They often focus on a central theme or themes and are aimed at appealing to families and / or young adults. Revenue is driven by visitor volumes, upfront admission fees, commercial revenue, including the sale of retail merchandise (for example, LEGO bricks and related toys in the case of the LEGOLAND Parks), food and beverages, and ancillary products such as souvenir photography. On-site accommodations have also become an increasingly important part of the revenue mix, with a greater number of national, regional and international visitors staying for short breaks or longer.

Theme parks can be sub-categorised between international and national / regional destination theme parks.

International destination theme parks

International destination theme parks typically target visitors from a wide catchment area, including international “fly-in” tourists, and attract families as their prime demographic. The majority of such sites are located in the United States (e.g. Disney, Universal Studios and SeaWorld), in Asia (Disney and Universal Studios) and only one in Europe (Disneyland Paris). Global recognizable brands have become increasingly important in attracting visitors to destination parks. Merlin categorises international destination theme parks as theme parks which typically attract more than five million visitors annually and cost approximately £2,000 per visit (with accommodation) for a family of four. Attractions tend to be themed experiences, with a focus on storytelling, and are based on owned or licensed intellectual property. Lengths of visitor stays are generally longer than for national / regional destination theme parks and can reach up to two weeks as part of a resort package. Commercial spend is a significant source of revenue with on-site accommodation comprising an important part of the international destination theme park.

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National / regional destination theme parks

National / regional destination theme parks target visitors from the surrounding area up to a five hour drive, in some cases complemented by a limited number of international visitors from neighboring countries. Merlin categorises national / regional destination theme parks as theme parks which typically attract between one and four million visitors annually. Attractions tend to be themed experiences, typically attracting families and teens for one to three day visits. Retail merchandise, food and beverages and ancillary products are key commercial sources of revenue. Accommodations including on-site hotels are becoming increasingly important to national / regional destination theme parks as the shift towards shorter, more frequent breaks continues. In the UK there has been significant growth in breaks lasting two to four nights as the traditional two week family holiday has declined. In Europe, most theme parks can be categorised as national / regional destination theme parks. PortAventura in Spain, Efteling in the Netherlands and Europa-Park in Germany are examples of European national / regional destination theme parks. Merlin's European Theme Parks (including the LEGOLAND Parks) are examples of European national destination theme parks, although some also receive a significant proportion of visitors from neighboring regions. The Busch Gardens theme parks, in Florida and Virginia, are examples of national / regional destination theme parks in the United States.

Regional Amusement Parks

Regional amusement parks have historically developed from travelling shows and are now characterized by having thrill rides with limited theming as their main attractions. Regional amusement parks generally attract older children and young adults with an average stay of half a day and a typical journey time of up to two hours.

Merlin categorises regional amusement parks as amusement parks which typically attract up to one million visitors annually. Rather than charge admission fees up front, some amusement parks offer a "pay-as-you-go" format where commercial spend is typically limited. Merlin considers Blackpool Pleasure Beach in the UK and the various Six Flags parks in the United States to be examples of regional amusement parks.

Smaller Visitor Attractions

Merlin defines smaller visitor attractions as broadly indoor, commercial venues aimed at appealing to either a broad range of visitors or a specific target group and offering various forms of entertainment (excluding cinemas, theatres and sporting venues), which are typically located in city center or coastal environments or close to other significant population centers. They can be standalone buildings or part of shopping malls or other entertainment centers.

Guests of smaller visitor attractions include tourists (both domestic and international) and local residents and the length of stay is generally up to two hours. As the length of stay is shorter than that of a theme park or amusement park, a higher proportion of revenue is generated through admission fees than through commercial spend. Ongoing capital expenditure requirements for smaller visitor attractions are generally less than for theme parks and amusement parks as smaller visitor attractions have a high level of "first time" visitors and are less reliant on repeat visitors (requiring new products each year) and thrill rides (requiring higher capital expenditure). Examples of smaller visitor attractions include Ripley's Believe It or Not, Go Ape and Kidzania. Midway Attractions predominantly fall into this category.

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Zoos and Wildlife Attractions

Zoos and other wildlife attractions can generally be categorised as targeting a family audience, travelling for a half day visit from the surrounding area (up to a three hour drive). Locations vary between city center attractions, targeting tourists and local residents, and standalone wildlife centers, often geared towards families or groups on a day trip. Given the relatively short length of stay, typically up to five hours, revenues are more geared to admission fees, with a limited amount of commercial spend. There is often an emphasis on education, conservation and understanding wildlife and animal habitats.

Industry Overview by Demographic Market

Merlin also classifies the attractions industry by demographic appeal. While most visitor attractions target multiple visitor segments, there are three main demographic categories that the commercial attractions industry seeks to target:

- **Families with young children:** Attractions and parks that target families with young children generally have the backing of a strong family brand (for example, the LEGO brand or Disney) or appeal to both children and adults who are seeking an enjoyable experience alongside an element of education (for example, SEA LIFE Centres, Kidzania and zoos/wildlife attractions);
- **Families and adults:** Most visitor attractions and a number of theme parks target the broader segment of families (including grandparents with their grandchildren) and young adults, including Madame Tussauds, the London Eye, Gardaland Resort, Alton Towers Resort and Ripley's Believe It or Not; and
- **Teenagers and young adults:** Parks that target teenagers, young adults and families with older children tend to be positioned as regional theme and amusement parks with a focus on thrill rides, as visitors typically spend no more than a day at the park given the intense nature of the entertainment. State-of-the-art rides and the introduction of new rides are key drivers of visitor volume. Parks of this type include THORPE PARK in the UK, and Six Flags and Cedar Point in the United States. Certain visitor attractions, such as the "Dungeons" brand, are also targeted at this visitor segment.

Key Industry Drivers

Over the long-term, the main drivers affecting the attractions industry are as follows:

- **Visitor supply:** Visitor supply for the majority of attractions is made up of existing residents and tourists and is therefore influenced by the scale and growth of both groups as well as the propensity of all individuals to visit attractions;
- **Economic conditions:** Economic cycles are a key driver of disposable income, which influences spend on leisure activities. During downturns, though the number of international visitors tends to decrease, regional / national theme parks, amusement parks and visitor attractions tend to benefit from a "staycation" effect, as individuals opt to forego destination holidays in favour of entertainment closer to home. Foreign exchange rates can also impact international visitor trends in the short-term as the cost of travel becomes relatively more or less expensive. Over the longer term, growth in disposable income is an important driver for overall demand for leisure activities but in the short-term, fluctuations in income can be tempered by the staycation effect or foreign exchange fluctuations;

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- **Demographic changes:** Demographic shifts in the population living in the area surrounding an attraction influence the number of potential visitors within that attraction's target market. For example, Merlin believes the ageing baby boomer generation has created a beneficial demographic shift for leisure attractions, with an increase in the number of grandparents taking their grandchildren to attractions. More widespread demographic changes are also impacting the attractions industry. For example, the emerging middle classes around the world, in particular China, have an increasing desire to travel and seek new experiences, and are driving growth in visitor numbers;
- **Transportation infrastructure and accommodation:** Improvements in transport services and accommodation may positively affect customer satisfaction and visitor numbers at leisure attractions. Improvements in accommodation offerings at leisure attractions encourage multi-day visits as well as higher levels of commercial spending;
- **External events:** Extraordinary or one-off events can have a significant impact on travel patterns and consequently visitor numbers at leisure attractions. International destination theme parks and some smaller visitor attractions derive revenues from international tourists, a group that is susceptible to extraordinary events, such as contagious disease outbreaks, and influenced by one-off global events, including sporting events such as the Olympics. Conversely, national / regional destination theme parks that are located in areas that are unaffected by any such extraordinary or one-off event tend to benefit from the decline in international travel as holiday makers shift international trips to visits to attractions in their local market. However, there are certain external events, such as terrorism, that can affect both international and domestic visitors alike. There are other extraordinary events such as accidents in attractions at theme parks that may not affect travel or tourism, but may impact visitor numbers at leisure attractions; and
- **Capital expenditure:** Most theme and amusement parks introduce a new significant attraction every few years to support the growth of visitor supply. In addition to driving visitor growth, investment in new rides or features can also enable operators to increase admission prices. This is particularly relevant with respect to small visitor attractions where less capital expenditure is required to maintain visitor volumes, however, capital expenditure can drive revenue by providing a justification for higher admission prices.

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Market Trends

Global Trends

Merlin believes trends in tourism activity as a whole are an important component of attendance and overall spend at Merlin's portfolio of attractions. Increasing globalization, urbanization and rising disposable income have been major factors for growth in international tourism.

In 2018, international tourist arrivals totalled 1.4 billion, representing the second strongest year since 2010. Tourist arrivals grew by 6 per cent. in 2018 according to the UN World Tourism Organization (UNWTO), the ninth consecutive year of sustained growth. On a regional basis, the Middle East was the fastest growing region, increasing by 10 per cent. followed by Africa increasing by 7 per cent., and Asia and Europe increasing by 6 per cent. The Americas recorded combined growth of 3 per cent. with growth rates mixed across North America, South America, Central America and the Caribbean.

Despite occasional shocks, the international tourism industry has grown consistently in recent years. According to the UNWTO, revenue from international tourism increased to $1,448 billion in 2018, which, after taking into account exchange rate fluctuations and inflation, represented an increase of 4 per cent. over 2017.

By region, Europe generated the largest share of international tourism revenue in 2017 at 39 per cent., while the Asia Pacific region generated 29 per cent. and the rest of the world collectively generated 32 per cent. Merlin has attractions in nine of the top ten countries ranked by international tourism revenue in 2017.

The UK continues to be a popular holiday destination; according to data reported by VisitBritain, 37.9 million visitors came to the UK in 2018, and spend by in-bound tourists in 2018 was approximately £23 billion. The UK was the 4th most popular tourist destination in Europe in 2017. UK in-bound tourism numbers have experienced good growth in recent years, with a 4.2 per cent increase seen in 2016 and a 4.3 per cent increase in 2017, in part driven by the ongoing suppression in the value of the pound which has made the UK a more affordable destination for many consumers from abroad. In 2018 UK in-bound tourism numbers contracted by 3.3 per cent albeit they remained above levels seen in 2016. The drop in UK in-bound tourism numbers in 2018 has been largely attributed to a fall in interest amongst European tourists, who account for two-thirds of overseas visitors into the UK, including as a result of the terror attacks that took place in London in 2017; according to data reported by VisitBritain, interest in visiting Britain has fallen from 72 per cent in August 2016 to 64 per cent in March 2019. Despite this decline in 2018, direct travel and tourism GDP growth is expected to hold up well in 2019 and beyond, with VisitBritain forecasting 38.9 million visitors coming to the UK in 2019, a 2.4 per cent increase compared to 2018 and forecasting spend by in-bound tourists of £24.5bn in 2019, which would be the largest annual spend by in-bound tourists ever recorded.

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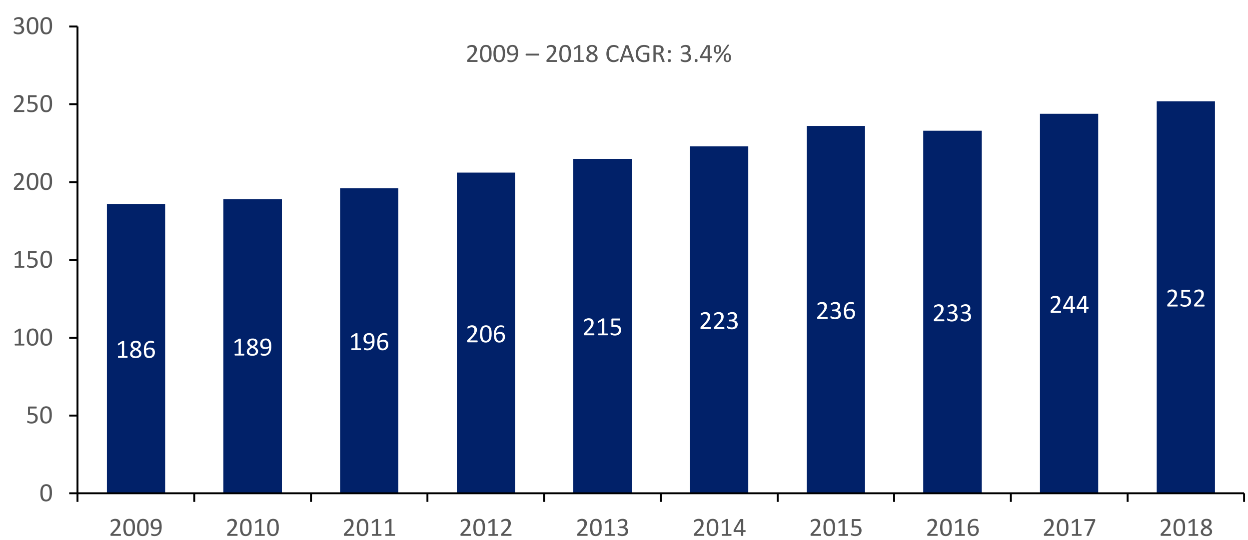
Travel and tourism play a crucial role in the global economy, accounting for 10.4 per cent. of GDP in 2018. Travel and tourism accounted for 8.2 per cent. of GDP in North America, 9.7 per cent. in Europe and 9.9 per cent in Asia. According to the WTTC, this trend is expected to continue with the direct contribution of travel and tourism to worldwide GDP is forecasted to rise by 3.6 per cent. per annum from 2019 to 2029.

Theme park attendance continues to grow globally. According to the TEA/AECOM Theme Index and Museum Index: The Global Attractions Attendance Reports (2009-2018) (the “TEA/AECOM Reports”), attendance at the top 25 global theme parks has grown by 3.4 per cent. per annum from approximately 186 million visitors in 2009, to approximately 252 million visitors in 2018. These 252 million visitors represented a 3.3 per cent. increase over the 244 million theme park visitors recorded in 2017. The strong growth in 2018 was driven by the addition of second gates, continued leveraging of blockbuster IP’s and the building of resort hotels adjacent to park properties. Theme park attendance grew by roughly 4 per cent from (2009-2018) across all major markets. Merlin believes it has benefitted from bundling parks and attractions, and from reinvesting capital back into parks to sustain growth. This strategy, along with good weather, proved advantageous in 2018 for Merlin’s UK parks, such as Alton Towers Resort and Chessington World of Adventures. Merlin believes these global trends support Merlin’s international growth and diversification strategy, and reduces its reliance on individual attractions or locations.

Attendance at Top 25 Theme Parks Worldwide (in millions)



Source: Themed Entertainment Association (TEA)/AECOM 2018 Theme Index and Museum Index: The Global Attractions Attendance Report (2009-2018).

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Short Break Trends

Merlin believes the short break market, typically composed of one to three day stays, is growing in many of the countries and regions in which Merlin operates and, in particular, in key destination cities, such as London, Berlin, Sydney and Shanghai. In the UK, short breaks have grown at twice the rate of longer holidays over the past 20 years. Merlin believes it is increasingly well positioned to meet this demand through its growing offering of themed, on- site accommodation and 'second gate' attractions to incentivise longer time at its locations.

Further, domestic holiday attractions, including short break attractions, in the UK can benefit from sterling depreciation and are less impacted by economic downturns, as customers are more inclined to switch from international trips to domestic staycations. By creating attractive and highly successful theme accommodation formats on-site and / or working with hotel partners, as well as continuing to develop second gates, Merlin aims to capitalise on the growing short break market and encourage customers to increase both the duration of their stay at the attractions and also their overall spend.

Competitive Landscape

Merlin has a broad set of competitors within the attractions leisure industry, although it believes there are relatively few international operators with the scale and core focus on family entertainment as Merlin. In addition, it also competes with more traditional entertainment offerings such as cinemas, museums (many of which are free or government-subsidized), sporting and gaming events and large shopping malls.

Rank	Group Name	% Change	Attendance 2018 (million)	Attendance 2017 (million)
1	Walt Disney Attractions	4.9%	157.3	150.0
2	Merlin Entertainments Group	1.5%	67.0	66.0
3	Universal Parks and Resorts	1.2%	50.1	49.5
4	OCT Parks China	15.1%	49.4	42.9
5	Fantawild	9.3%	42.1	38.5
6	Chimelong Group	9.6%	34.0	31.0
7	Six Flags Inc.	5.3%	32.0	30.4
8	Cedar Fair Entertainment Company	0.7%	25.9	25.7
9	Seaworld Parks & Entertainment	8.6%	22.6	20.8
10	Parques Reunidos	1.5%	20.9	20.6
Top 10 Attendance Growth 2017-18		**5.4%**	**501.2**	**475.8**

Source: Themed Entertainment Association (TEA)/AECOM 2018 Theme Index and Museum Index: The Global Attractions Attendance Report (2018).

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According to the TEA/AECOM Report for 2018, Merlin was the second largest Theme Park Group worldwide by number of visitors in 2018 and owns seven of Europe's top 20 theme parks (including LEGOLAND Parks). Located in 25 countries, it has a large international presence in the industry via the proven roll out of LEGOLAND Parks. Resort Theme Parks and LEGOLAND Parks compete with other theme parks which also attract local residents and tourists typically from within a five hour drive. Major competitors in each country of operation include Blackpool Pleasure Beach, Paulton's Park and Drayton Manor in the UK; Europa-Park and Phantasialand in Germany; Mirabilandia, Rainbow Magicland and Movieland Park Studios in Italy; Tivoli Gardens, Djurs Sommerland and Bakken in Denmark; and Disneyland Paris on a Europe-wide basis. In the United States, it competes with Disney, Universal Studios, Six Flags, Cedar Point and SeaWorld Parks and Resorts. LEGOLAND Malaysia competes with Universal Studios on Sentosa Island, Singapore.

Midway Attractions compete with other local attractions and tourist destinations in the locations where the Midway Attractions operate. Major competitors include both individually owned attractions, such as the Warner Bros. Studio Tour in the UK, Madurodam in Holland and Sydney Bridge Climb in Australia, as well as larger attractions groups, such as Ripley's Entertainment, and third sector groups, such as royal historic palaces, museums and the National Trust.

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Income Statement

(£ in millions)	2016A	2017A	2018A
Revenue	**£1,457**	**£1,594**	**£1,688**
Cost of Sales	(227)	(255)	(298)
Gross Profit	**£1,230**	**£1,339**	**£1,390**
Staff Expenses	(382)	(420)	(448)
Marketing	(75)	(85)	(84)
Rent	(93)	(104)	(105)
Other Operating Expenses	(229)	(256)	(263)
Depreciation, Amortisation & Impairment	(131)	(151)	(167)
Operating Profit	**£320**	**£323**	**£323**
Finance Income	3	3	10
Finance Costs	(46)	(55)	(48)
Profit before Tax	**£277**	**£271**	**£285**
Taxation	(66)	(62)	(55)
Profit for the Year	**£211**	**£209**	**£230**

Key KPIs

(£ in millions)	2016A	2017A	2018A
Visitors (millions)			
Midway	41.7	40.7	40.4
LEGOLAND	12.9	15.3	15.6
Resort Theme Parks	10.5	10.0	11.0
Total	**65.1**	**66.0**	**67.0**
Geographic Overview			
UK	33%	31%	31%
Continental Europe	25%	24%	24%
North America	28%	27%	27%
Asia Pacific	14%	18%	18%
Total	**100%**	**100%**	**100%**
Revenue per Capita (1)			
Midway	15.27	15.35	15.56
LEGOLAND	36.77	37.00	35.95
Resort Theme Parks	25.26	25.84	25.82
Total	**20.79**	**21.42**	**21.47**

Source: Company disclosure.

(1) Revenue per capita for all periods is prepared on a constant currency basis and, for 2018A, excludes the impact of IFRS 15. Revenue per capita is calculated by dividing total visitor revenue by the number of visitors (excluding visitors to attractions operated under management contracts, including LEGOLAND Malaysia, LEGOLAND Dubai and the Orlando Eye, and under joint ventures).

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Segment Data

(£ in millions)	2016A	2017A	2018A
Midway	638	656	677
LEGOLAND	495	609	637
Resort Theme Parks	322	329	367
Total Revenue	**£1,457**	**£1,594**	**£1,688**
growth % - Total	***14%***	***9%***	***6%***
growth % - Midway	*14%*	*3%*	*3%*
growth % - LEGOLAND	*15%*	*23%*	*5%*
growth % - Resort Theme Parks	*13%*	*2%*	*12%*
Midway Attractions	236	220	210
LEGOLAND Parks	193	230	242
Resort Theme Parks	70	72	88
EBITDA (1)	**£451**	**£474**	**£494**
margin % - Total	*31%*	*30%*	*29%*
margin % - Midway Attractions	*37%*	*34%*	*31%*
margin % - LEGOLAND	*39%*	*38%*	*38%*
margin % - Resort Theme Parks	*22%*	*22%*	*24%*
Existing Estate Capital Expenditure	(141)	(159)	(149)
Free Cash Flow	**£310**	**£315**	**£345**
conversion %	*69%*	*66%*	*70%*

Note: 2018 results include impact of IFRS 15 and 2016 result based on 53 week performance.
(1) Total EBITDA after head office costs and other costs which cannot be directly attributed to the reporting operating groups.

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H1 2019 vs. H1 2018

From 30 December 2018, Merlin adopted IFRS 16 and on 21 February 2019, Merlin entered into an agreement to sell its two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. Merlin completed the sale on 5 April 2019. Accordingly, figures for the 26 weeks ended 29 June 2019 reflect the application of IFRS 16 and the exclusion of the impact in Merlin's results of discontinued operations, as reported in the unaudited condensed consolidated financial statements of Merlin and its subsidiaries for the 26 weeks ended 29 June 2019. In order to facilitate a comparison of Merlin's results of operations for H1 2018 and H1 2019, a restatement of the unaudited condensed consolidated financial statements of Merlin and its subsidiaries as at and for the 26 weeks ended 30 June 2018 is presented to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of its Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of Merlin and its subsidiaries as at and for the 26 weeks ended 29 June 2019. All of Merlin's results of operations for H1 2018 presented herein have been restated to give effect to the impact of IFRS 16 and remove from its results the impact of discontinued operations.

(£ in millions)	H1 2018 Restated	H1 2019
Revenue	**£706**	**£763**
Cost of sales	(126)	(139)
Gross Profit	**£580**	**£624**
Staff expenses	(208)	(223)
Marketing	(47)	(51)
Rent	(10)	(11)
Other operating expenses	(127)	(150)
Depreciation and amortisation	(100)	(112)
Operating profit	**£88**	**£77**
Finance income	5	5
Finance costs	(50)	(50)
Profit before tax	**£43**	**£32**
Taxation	(10)	(8)
Discontinued operations	(5)	42
Profit for the period	**£28**	**£66**

Other Financial Information:

	H1 2018 Restated	H1 2019
EBITDA	**£188**	**£189**
Underlying EBITDA	**£188**	**£191**

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Historical Financial Commentary – Consolidated

H1 2019 vs. H1 2018 (as restated)

Revenue

Revenue increased by £57 million, or 8 per cent., to £763 million for H1 2019 from £706 million in H1 2018. This increase was driven by like-for-like growth within Midway Attractions and Resort Theme Parks and the continued roll out of new attractions and accommodation. New business development added a total of £33 million to growth, including £15 million from the roll-out of accommodations and £14 million from new Midway Attractions. Like-for-like revenue increased by £16 million, or 2 per cent., to £704 million for H1 2019 from £688 million in H1 2018. This increase was driven primarily by growth in Midway Attractions and Resort Theme Parks, which was offset by a slight decline in LEGOLAND Parks.

Cost of Sales

Cost of sales increased by £13 million, or 10 per cent., to £139 million for H1 2019 from £126 million in H1 2018. This increase was driven primarily by the increased sales of food and beverages and merchandise as a result of the growth of Merlin’s portfolio of attractions and accommodation and an increase in visitor numbers. The impact of foreign exchange rates contributed to the increase in cost of sales.

Staff Expenses

Staff expenses increased by £15 million, or 7 per cent., to £223 million for H1 2019 from £208 million in H1 2018. This increase was driven by new openings and ongoing cost pressures.

Marketing

Marketing expenses increased by £4 million, or 9 per cent., to £51 million for H1 2019 from £47 million in H1 2018. This increase was driven primarily by increased marketing in connection with the launch of new attractions in new markets and new accommodations at Merlin's sites, together with marketing initiatives relating to Merlin’s Existing Estate.

Rent

Rent increased by £1 million, or 10 per cent., to £11 million for H1 2019 from £10 million in H1 2018. This increase was driven primarily by higher rent and the opening of new leased attractions. On a restated basis, rent for H1 2018 includes adjustments of £40 million relating to the application of IFRS 16.

Other Operating Expenses

Other operating expenses increased by £23 million, or 18 per cent., to £150 million for H1 2019 from £127 million in H1 2018. This increase was driven primarily by new openings and underlying cost pressures across the Group, partially offset by savings generated by Merlin’s productivity agenda. On a restated basis, marketing and other operating expenses include adjustments of £1 million relating to the application of IFRS 16 and £6 million relating to discontinued operations for the 26 weeks ended 30 June 2018.

EBITDA

EBITDA increased by £1 million, or 1 per cent., to £189 million for H1 2019 from £188 million in H1 2018. This increase was primarily driven by revenue growth in each operating group, offset by significant cost pressures, which were partially mitigated by cost savings. On a restated basis, EBITDA for H1 2018 includes adjustments of £41 million relating to the application of IFRS 16 and £4 million relating to discontinued operations.

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Historical Financial Commentary – By Segment

H1 2019 vs. H1 2018 (as restated)

Midway Attractions

Revenue from the Midway Attractions operating group increased by £27 million, or 9 per cent., to £324 million for H1 2019 from £297 million in H1 2018. This increase was driven primarily by growth in the existing estate and the contribution by New Business Development from the roll-out of new attractions. Merlin's London division, the largest of its five regional divisions has continued to improve and grown steadily in the first half of 2019, benefiting from stronger inbound tourism as it recovers following the terrorist attacks of 2017, and as a result of weaker Sterling. Merlin's performance was also impacted by the re-opening of the LEGOLAND Discovery Centre in Shanghai, following its temporary closure last year. Merlin's revenue growth was partially offset by the significant decrease in the number of visitors following the removal of the beluga whales from Chang Feng Ocean World in Shanghai.

Segment EBITDA from the Midway Attractions operating group remained largely constant and increased by £1 million, or 1 per cent., to £108 million for H1 2019 from £107 million in H1 2018. This increase was driven by revenue growth offset by costs incurred in connection with the significant investment in the openings of new brands and attractions in new markets, together with ongoing cost pressures relating to the Existing Estate.

LEGOLAND Parks

Revenue from the LEGOLAND Parks operating group increased by £22 million, or 8 per cent., to £296 million for H1 2019 from £274 million in H1 2018. This increase was driven primarily by the continued roll-out of new accommodation, including 142 rooms at the Castle Hotel at LEGOLAND Billund Resort, offsetting the impact of the poor weather and difficult trading conditions in a number of markets.

Segment EBITDA from the LEGOLAND Parks operating group remained largely constant and increased by £2 million, or 2 per cent., to £91 million for H1 2019 from £89 million in H1 2018. This increase was driven primarily by the opening of new accommodation, partly offset by continued cost pressures and to a lesser extent increasing pre-opening costs related to LEGOLAND New York.

Resort Theme Parks

Revenue from the Resort Theme Parks operating group increased by £4 million, or 3 per cent., to £137 million for H1 2019 from £133 million in H1 2018. This increase was driven primarily by product investment, the contribution of new accommodation, including 128 rooms at the Magic Hotel at Gardaland Resort and 102 "*stargazing pods*" at Alton Towers Resort and favourable trading at Easter.

Segment EBITDA from the Resort Theme Parks operating group increased by £1 million, or 7 per cent., to £16 million for H1 2019 from £15 million in H1 2018. This increase was driven primarily by product investment and contribution of new accommodation, including 128 rooms at the Magic Hotel at Gardaland Resort and 102 "stargazing pods" at Alton Towers Resort and favourable trading at Easter.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – Consolidated

2018 vs. 2017

Revenue

Revenue increased by £94 million, or 6 per cent., to £1,688 million for the 2018 financial year from £1,594 million in the 2017 financial year. This increase was driven by like-for-like growth in the Resort Theme Parks operating group of 9 per cent and stable performances in the LEGOLAND Parks and Midway Attractions operating groups. New accommodation across the estate added £44 million to revenue growth and the opening of seven new Midway Attractions, together with the full year benefit of Midway Attractions that opened in the 2017 financial year, contributed £11 million to revenue growth. Study agreements regarding prospective LEGOLAND Parks, together with the full-year effect of LEGOLAND Japan, resulted in a further £2 million contribution to revenue. In addition, during the 2018 financial year, Merlin adopted IFRS 15, the new accounting standard for revenue accounting, which created an increase in revenue of £35 million. This primarily results from revenue derived from third-party arrangements such as tickets purchased through online travel agents.

Cost of Sales

Cost of sales increased by £43 million, or 17 per cent., to £298 million for the 2018 financial year from £255 million in the 2017 financial year. This increase was driven primarily by the adoption of IFRS 15, which created an increase in cost of sales of £35 million. This primarily results from third-party arrangements such as ticket sales through online travel agents. Cost of sales represented 18 per cent. of Merlin's revenue in the 2018 financial year, a slight increase from 16 per cent. for the 2017 financial year.

Staff Expenses

Staff expenses increased by £28 million, or 7 per cent., to £448 million for the 2018 financial year from £420 million in the 2017 financial year. This increase was driven primarily by an increase in the average number of persons employed, which increased by 1,252, or 6 per cent., to 21,123 in the 2018 financial year from 19,871 in the 2017 financial year. Staff expenses represented 27 per cent. of Merlin's revenue in the 2018 financial year, a slight increase from 26 per cent. for the 2017 financial year.

Marketing

Marketing expenses decreased by £1 million, or 1 per cent., to £84 million for the 2018 financial year from £85 million in the 2017 financial year. Marketing expenses represented 5 per cent. of Merlin's revenue in both the 2018 and 2017 financial years.

Rent

Rent increased by £1 million, or 1 per cent., to £105 million for the 2018 financial year from £104 million in the 2017 financial year. Rent payments represented 6 per cent. of Merlin's revenue in the 2018 financial year, a slight decrease from 7 per cent. in the 2017 financial year.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – Consolidated

2018 vs. 2017 (Continued)

Other Operating Expenses

Other operating expenses increased by £7 million, or 3 per cent., to £263 million for the 2018 financial year from £256 million in the 2017 financial year. This increase resulted from the roll-out of new attractions, new accommodation and other cost increases. Other operating expenses represented 16 per cent. of Merlin's revenue in both the 2018 and 2017 financial years.

EBITDA

EBITDA increased by £16 million, or 3 per cent., to £490 million for the 2018 financial year from £474 million in the 2017 financial year. This increase was primarily due to strong trading within Resort Theme Parks and the increased accommodation offering across the theme parks, partially offset by cost pressures, such as those arising from wage legislation and property taxes. In addition, £4 million of exceptional costs were incurred in connection with Merlin's Productivity Agenda initiatives.

Like-for-like EBITDA increased by 0.4 per cent. for the 2018 financial year in comparison to 1 per cent. for the 2017 financial year. This increase was driven primarily by the factors affecting Merlin's results of operations by operating groups. Organic growth at a constant currency increased by 6 per cent.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – By Segment

2018 vs. 2017

Midway Attractions

Revenue from the Midway Attractions operating group increased by £21 million, or 3 per cent., to £677 million for the 2018 financial year from £656 million in the 2017 financial year. This increase was driven primarily by the adoption of IFRS 15 and the roll-out of seven new attractions, which comprised of LEGOLAND Discovery Centre in Birmingham, the Shanghai Dungeon, LEGOLAND Discovery Centre in Columbus, Peppa Pig World of Play in Shanghai, The Bear Grylls Adventure in Birmingham, Little BIG City in Beijing and SEA LIFE Nagoya. Without giving effect to the adoption of IFRS 15, revenue during the 2018 financial year would have been £650 million, representing a decrease of £6 million, or 1 per cent., from the 2017 financial year partly due to the impact of foreign exchange rate movements on reported revenues.

Segment EBITDA from the Midway Attractions operating group decreased by £10 million, or 5 per cent., to £210 million for the 2018 financial year from £220 million in the 2017 financial year. This decrease was driven primarily by costs relating to greater investment in the openings of new brands or new attractions in new markets together with non-recurring factors including the temporary closing of the LEGOLAND Discovery Centre in Shanghai and the non-recurrence of a sales tax rebate received in the 2017 financial year.

LEGOLAND Parks

Revenue from the LEGOLAND Parks operating group increased by £28 million, or 5 per cent., to £637 million for the 2018 financial year from £609 million in the 2017 financial year. This increase was driven primarily by the roll-out of new accommodation, comprising the 142-room Pirate Island Hotel at LEGOLAND Deutschland, the 252-room hotel at LEGOLAND Japan and the 250-room LEGOLAND California Castle Hotel and, to a lesser extent, by the adoption of IFRS 15. Without giving effect to the adoption of IFRS 15, the revenue during the 2018 financial year would have been £636 million, representing an increase of £27 million, or 4 per cent., from the 2017 financial year.

Segment EBITDA from the LEGOLAND Parks operating group increased by £12 million, or 5 per cent., to £242 million for the 2018 financial year from £230 million in the 2017 financial year. This increase was driven primarily by the improved profitability of LEGOLAND Japan due to the non-recurrence of pre-opening costs, the opening of a new hotel and of SEA LIFE at the park, partially offset by cost inflation across the operating group.

Resort Theme Parks

Revenue from the Resort Theme Parks operating group increased by £38 million, or 12 per cent., to £367 million for the 2018 financial year from £329 million for the 2017 financial year. This increase was driven by the adoption of IFRS 15, like for like revenue growth as a result of successful product offerings and favourable weather, together with the full-year effect of the CBeebies Hotel at Alton Towers Resort and continued growth in Merlin's existing accommodation. Without giving effect to the adoption of IFRS 15, the revenue during the 2018 financial year would have been £360 million, representing an increase of £31 million, or 9 per cent., from the 2017 financial year.

Segment EBITDA from the Resort Theme Parks operating group increased by £16 million, or 22 per cent., to £88 million for the 2018 financial year from £72 million in the 2017 financial year. This increase was driven by increased revenue and continued tight cost control.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – Consolidated

2017 vs. 2016

Revenue

Revenue increased by £137 million, or 9 per cent., to £1,594 million for the 2017 financial year from £1,457 million in the 2016 financial year. This increase was driven primarily by a combination of growth in the Existing Estate and the roll-out and development of new attractions and accommodation developments across the estate, partially offset by the impact of a 53rd week in the 2016 financial year, compared to the 2017 financial year, which was comprised of 52 weeks. The impact of movements in foreign exchange rates contributed £67 million to the increase in revenue.

Like-for-like revenue increased by 1 per cent. from the 2016 financial year to the 2017 financial year, largely as a result of capital expenditure on the Existing Estate. Organic growth of 7 per cent. was primarily due to the roll-out of new attractions.

Cost of Sales

Cost of sales increased by £28 million, or 12 per cent., to £255 million for the 2017 financial year from £227 million in the 2016 financial year. This increase reflects increased sales of food and beverages and merchandise as result of the growth of Merlin's portfolio of attractions and an increase in visitor numbers. The impact of foreign exchange rates contributed to the increase in cost of sales. Cost of sales represented 16 per cent. of Merlin's revenue in each of the 2017 and 2016 financial years.

Staff Expenses

Staff expenses increased by £38 million, or 10 per cent., to an expense of £420 million for the 2017 financial year from an expense of £382 million in the 2016 financial year. This increase was primarily attributable to an increase in staff head count, which was broadly in line with the growth of Merlin's business and portfolio of attractions offset in part by the impact of a 53rd week in the 2016 financial year. The impact of foreign exchange rates contributed to the increase in expenses. The average number of persons employed by us (including managers) increased by 382, or 2 per cent., to 19,871 in the 2017 financial year from 19,489 in the 2016 financial year. Staff expenses represented 26 per cent. of Merlin's revenue in each of the 2017 and 2016 financial years.

Marketing

Marketing expenses increased by £10 million, or 13 per cent., to an expense of £85 million for the 2017 financial year from an expense of £75 million in the 2016 financial year. Marketing expenses represented 5 per cent. of Merlin's revenue in both the 2017 and 2016 financial years.

Rent

Rent increased by £11 million, or 12 per cent., to rent payable of £104 million for the 2017 financial year from rent payable of £93 million in the 2016 financial year. This increase was driven primarily by a combination of annual rent increases, the roll-out of new Midway Attractions and the opening of LEGOLAND Japan and the impact of foreign exchange rates, offset by the impact of the additional 53rd week in 2016. Rent payments represented 7 per cent. of Merlin's revenue in the 2017 financial year, a slight increase from 6 per cent. in the 2016 financial year.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – Consolidated

2017 vs. 2016 (Continued)

Other Operating Expenses

Other operating expenses increased by £27 million, or 12 per cent., to an expense of £256 million for the 2017 financial year from an expense of £229 million in the 2016 financial year. This increase in costs resulted from the roll-out of new attractions, new Accommodation and other cost increases. Other operating expenses represented 16 per cent. of Merlin's revenue in both the 2017 financial year and the 2016 financial year.

EBITDA

EBITDA increased by £23 million, or 5 per cent., to £474 million for the 2017 financial year from £451 million in the 2016 financial year.

Like-for-like EBITDA increased by 1 per cent. in the 2017 financial year in comparison to the 2016 financial year. Organic growth at constant currency increased by 4 per cent.

VII. HISTORICAL FINANCIAL OVERVIEW

Historical Financial Commentary – By Segment

2017 vs. 2016

Midway Attractions

Revenue from the Midway Attractions operating group increased by £18 million, or 3 per cent., to £656 million for the 2017 financial year from £638 million in the 2016 financial year. This increase was driven by the roll-out and development of new attractions offset by the impact of terror attacks, especially in London, where Merlin's Midway Attractions typically generate the highest margins in the Midway Attractions operating group. The increase was also attributable to the impact of foreign exchange rates offset in part by the additional 53rd week of trading in the 2016 financial year.

Segment EBITDA from the Midway Attractions operating group decreased by £16 million, or 7 per cent., to £220 million for the 2017 financial year from £236 million in the 2016 financial year. The decrease was primarily attributable to the impact of the additional 53rd week of trading in the 2016 financial year offset in part by the impact of changes in foreign exchange rates. Segment EBITDA from the Midway Attractions operating group represented 34 per cent. of its revenue in the 2017 financial year, a decrease of 3 per cent. from 37 per cent. of its revenue in the 2016 financial year.

LEGOLAND Parks

Revenue from the LEGOLAND Parks operating group increased by £114 million, or 23 per cent., to £609 million for the 2017 financial year from £495 million in the 2016 financial year. The increase was driven primarily by the opening of LEGOLAND Japan and the full year benefit of LEGOLAND Dubai, increased visitor numbers and the impact of foreign exchange rates, offset partially by the effect of the additional 53rd week in the 2016 financial year.

Segment EBITDA from the LEGOLAND Parks operating group increased by £37 million, or 19 per cent., to £230 million for the 2017 financial year from £193 million in the 2016 financial year. This increase is a result of increased revenue. Segment EBITDA from the LEGOLAND Parks operating group represented 38 per cent. of its revenue in the 2017 financial year, a decrease of 1 per cent. from 39 per cent. in the 2016 financial year.

Resort Theme Parks

Revenue from the Resort Theme Parks operating group increased by £7 million, or 2 per cent., to £329 million for the 2017 financial year from £322 million in the 2016 financial year due to the impact of new accommodation at Alton Towers Resort offset by a fall in visitor numbers, which was impacted by terror attacks in the United Kingdom and poor weather in continental Europe.

Segment EBITDA from the Resort Theme Parks operating group increased by £2 million, or 3 per cent. to £72 million for the 2017 financial year from £70 million in the 2016 financial year. Segment EBITDA from the Resort Theme Parks operating group represented 22 per cent. of its revenue in the 2017 financial year and 2016 financial year.

VII. HISTORICAL FINANCIAL OVERVIEW

Recent Trading

Trading over the summer continued to be driven by the factors referenced at the time of the H1 2019 results on 1 August 2019. In particular, better trading in the Midway and Resort Theme Parks operating groups have offset the challenging market conditions for LEGOLAND Parks. Merlin's financial performance remains in line with our expectations to date. Merlin expects to spend approximately £400m on capital expenditure in 2019 of which £160m-£180m relates to existing estate capex.

There have been no significant changes in the financial position of Merlin Group since the date of Merlin's Interim Financial Statements for the six months ended 29 June 2019, which have been included in the Offering Memorandum.

In September 2019 Merlin announced that it had entered into an agreement with Global Zhongjun Cultural Tourism Development Co., Ltd for a LEGOLAND Resort in the city of Meishan, approximately 60km south of Chengdu city centre in the Sichuan Province in Western China, with the resort scheduled to open by the end of 2023. Under the terms of the agreement, Global Zhongjun will fund the construction of LEGOLAND Sichuan, as well as the required infrastructure and adjacent commercial developments, while Merlin will partner in the resort development and operate it under a management contract arrangement.

LEGOLAND New York

- Target 2020 opening for park with accommodation expected to open in 2021
- As stated during interim results [1], this is a complex project and Merlin now expects to spend ~$400m
- ~$100m spent as of 29 June 2019

Will be located 60 miles northwest of New York City in Goshen, NY

LEGOLAND Korea

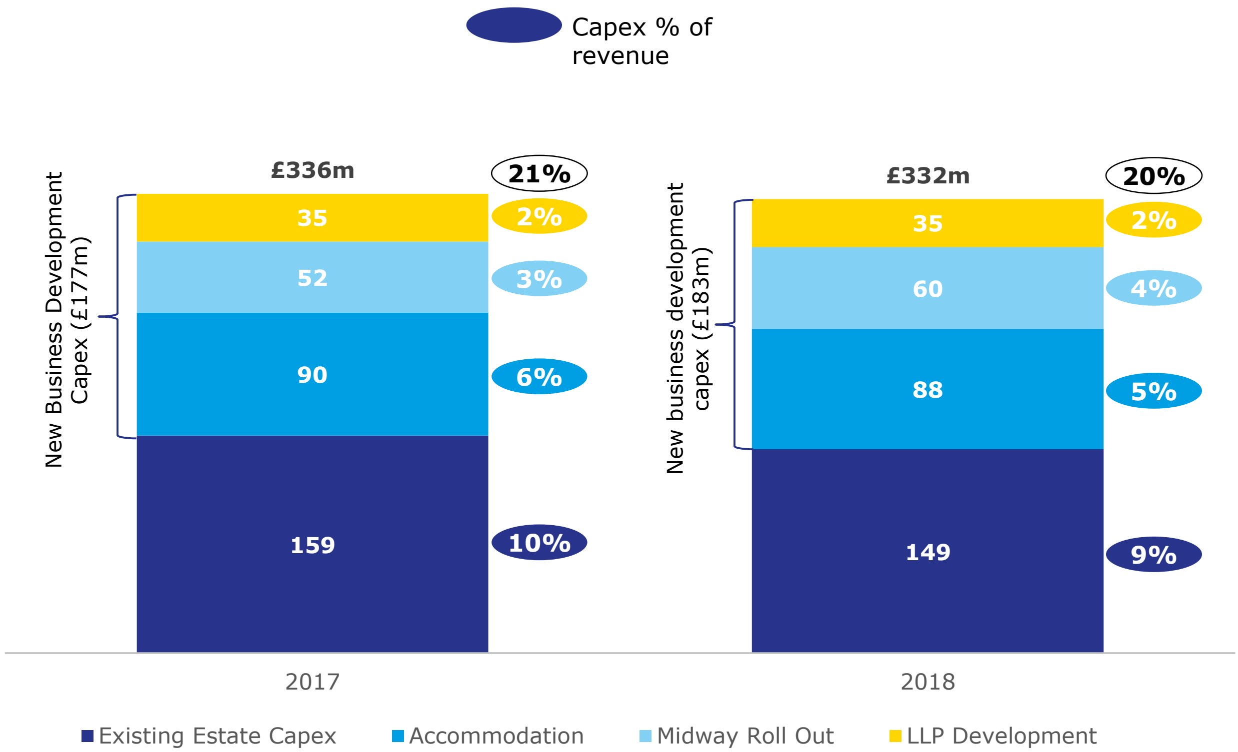
- Announced agreement with Gangwon Provincial Government to partially fund site, scheduled to open by 2022
  - Will be owned and operated resort
- Intend to invest ~£150m; local Korean government provided £56m of funding
- Funding for additional infrastructure adjacent to the park will be provided by national, regional and local governments [2]

Will be built on Hajungdo, an island in Chuncheon, the capital of Gangwon Province

(1) Interim results for H1 2019 as published on 1 August.
(2) Korean Government Gangwon Province and Chuncheon City provided £56 million of funding. Additionally, they have invested in the Construction of the new bridge to Hajungdo Island where LEGOLAND Korea will be located and undertaken groundworks on the site.

VII. HISTORICAL FINANCIAL OVERVIEW

Capital Expenditure Overview



Merlin's success is dependent upon the appeal of its attractions, which impacts visitor attendance and existing results of operations.

Existing Estate

Part of Merlin's growth strategy is to make targeted investments to update and refresh its existing estate on a regular basis. Merlin seeks to achieve this through both operating and capital expenditures that are intended to improve product appeal and guest experience, which are key to increasing visitor attendance levels and length of stay. Such investments include (i) adding new rides and attractions and improving food and beverage facilities and retail offerings (ii) replacing old features with new, more up-to- date features; and (iii) general maintenance of existing attractions, including ensuring health and safety standards are met or exceeded.

Such investment supports increases in admission fees and commercial spend and helps drive revenue growth and profitability. For example, accommodation not only continues to increase the duration of Merlin's visitors' stay, allowing greater cross-selling opportunities and driving improved levels of guest satisfaction, but also leads to increases in pre-bookings, revenue visibility and positive working capital. Merlin also makes capital investments to improve back office and IT efficiency.

The percentage of revenue invested in capital expenditure on the existing estate varies by operating group. Midway Attractions require relatively lower capital expenditure due to the smaller scale of the attractions and the higher proportion of first-time tourist visitors while Resort Theme Parks, and to a lesser extent LEGOLAND Parks, which target a younger age-range than Resort Theme Parks, require relatively higher capital expenditure due to the development of new rides and attractions of significant scale and the drive to attract repeat visitors.

Note: Financials presented include contribution from ski resorts unless otherwise noted.

Capital Expenditure Overview

In 2018, Merlin's existing estate capex was £149m, which decreased from £159m in 2017.

In H1 2019, significant capital investments in the Resort Theme Parks and LEGOLAND Parks operating groups included the relaunch of the iconic Colossos roller coaster at Heide Park Resort and the first of its LEGO Movie World investments in LEGOLAND Florida. In the Midway Attractions operating group, significant capital investments in SEA LIFE Sydney Aquarium were made, where visitors can now experience the world's largest Great Barrier Reef exhibit in the interactive 'Day and Night on the Reef'.

In the 2018 financial year, significant capital investments in the Resort Theme Parks operating group were the "*Wicker Man*" roller coaster in Alton Towers Resort, which drove growth in visitation and revenue per capita, and Peppa Pig Lands at Heide Park Resort and Gardaland Resort, which proved similarly successful, supporting significant growth in the young family and pre-school markets. Conversely, Merlin did not make significant capital investments with respect to the Midway Attractions operating group or with respect to the LEGOLAND Parks, although it has invested longer term in developing new LEGOLAND parks, primarily LEGOLAND New York.

In the 2017 financial year, significant capital investments in the Resort Theme Parks and LEGOLAND Parks operating groups were the development of a NINJAGO World in each of LEGOLAND Windsor, Germany and Florida and a Gruffalo River Adventure ride at Chessington World of Adventures Resort. In the Midway Attractions operating group, significant capital investments included "*Ocean Invaders*" at SEA LIFE London Aquarium.

In the 2016 financial year, significant capital investments in the Resort Theme Parks and LEGOLAND Parks operating groups were at THORPE PARK Resort (with the "*Derren Brown's Ghost Train*") and LEGOLAND Billund (with the "*LEGO NINJAGO*" themed ride), respectively. In the Midway Attractions operating group, significant capital investments included a "*Ghostbusters*" feature at Madame Tussauds New York and a penguin feature at SEA LIFE Sydney Aquarium.

Historically, capital investments were managed in cycles, determined based on periodic low, medium and high levels of investment, for each individual attraction across the business. Merlin benefits from an ability to defer capex, which when combined with an efficient NWC profile and increased cash flow visibility from pre-bookings and its accommodation strategy, supports sustainable cash flow conversion.

In consultation with the Consortium, Merlin intends to continue maintaining the existing standards of general maintenance and commitments to ensure health and safety standards, making strategic, value-accretive investments in Merlin's Existing Estate.

New Business Development

Merlin also focuses on a new business development (NBD) programme to drive strategic growth. This programme includes, amongst others, adding visitor attractions that are located next to Theme Parks and for which additional admission fees are charged, referred to as "second gates", and improving and expanding accommodation facilities and opening new LEGOLAND Parks and Midway Attractions.

VII. HISTORICAL FINANCIAL OVERVIEW

Capital Expenditure Overview

In 2018, Merlin's new business development ("NBD") capex was £183m, which increased from £177m in 2018. Spend on new business development in 2018 included:

- £88m related to developing new accommodation across the existing theme park estate opening in 2018 or 2019;
- £60m related to new Midway Attractions that either opened in 2018 or for a 2019 opening; and
- £35m related to the longer term investments of developing new LEGOLAND parks, primarily LEGOLAND New York, which is targeted to open in 2020.

Merlin continues to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated during the interim results for H1 2019 published on 1 August 2019, this is a complex project and Merlin now expects to spend approximately $400m of which ~$100m had been spent as of 29 June 2019.

At the start of 2019, Merlin also announced that an agreement had been reached with Gangwon Provincial Government with respect of partial funding for LEGOLAND Korea, which will be an owned and operated resort, scheduled to open by 2022. Merlin intends to invest approximately £150m in LEGOLAND Korea. The local Korean government provided £56m of funding. Additionally, the funding for necessary additional infrastructure adjacent to LEGOLAND Korea will be provided by national, regional and local governments. The Korean Government Gangwon Province and Chuncheon City have already invested in the construction of the new bridge to Hajungdo Island where LEGOLAND Korea will be located and undertaken groundworks on the site.

Merlin expects to spend approximately £400m of capital expenditure in 2019 of which approximately £160m-£180m relates to existing estate capex. In the six months ended 29 June 2019, Merlin has spent £162m in total capital expenditure of which £81m related to existing estate capex.

Net Working Capital Dynamics

Merlin benefits from structurally negative working capital due to a high proportion of pre-bookings by visitors and annual passes. As Merlin continues to expand accommodation facilities as part of its strategy, this will continue to lead to increases in pre-bookings, revenue visibility and positive working capital.

Merlin Annual Pass and Merlin Pass Monthly Membership
Merlin offers customers a pass that enables them to visit all attractions within a particular country for one year for an up-front fee (the "*Merlin Annual Pass*"). Merlin Annual Passes are available in the United Kingdom, Germany, the United States and Australia. In the United Kingdom, it also allows customers to pay a monthly fee on a minimum twelve-month contract as part of a Merlin Pass Monthly Membership in order to enjoy entry to over 30 of its attractions in the United Kingdom. Merlin Pass Monthly Memberships are offered at two price points to offer customers either standard or premium amenities. The membership accounts for approximately 30 per cent. of all online U.K.-wide pass sales. The key benefits of the Merlin Annual Pass and Merlin Pass Monthly Membership include: driving customer loyalty and brand-awareness, increasing revenue visibility and securing cash flows in advance, and potentially increasing the level of commercial spend.

Pre-booked revenues, which are continuing to increase, lead to reduced volatility in attraction revenues with 62 per cent. of total admissions (excluding the impact of IFRS 15) revenue in the 2018 financial year generated from pre- bookings or annual passes and result in a positive financial contribution to working capital. An increase in pre-bookings adds visibility to cash flows and provides resilience against external factors, such as the impact of weather.

VIII. APPENDIX

VIII. APPENDIX

A. Quality of Earnings

£ in millions	Notes	Year Ended December 31, 2016A	2017A	2018A	LTM 6/30/19A (1)
Net Profit per Statutory Accounts		£211	£209	£230	
Taxation		66	62	55	
Finance Costs		46	55	48	
Finance Income		(3)	(3)	(10)	
Depreciation & Amortization		131	151	167	
EBITDA per statutory accounts		**£451**	**£474**	**£490**	
Disposal of Australian Ski Resorts	1	(8)	(10)	(11)	
Restated EBITDA (excluding Australian ski resorts)		**£443**	**£464**	**£479**	**£476**
Exceptionals ("Productivity Agenda" costs)	2	-	-	4	6
Restated EBITDA Pre-Exceptionals		**£443**	**£464**	**£483**	**£482**
Sales Tax Rebate	3	(5)	(2)	-	-
Share Based Payments (Non-Cash Costs)	4	11	3	8	8
Tooley Street Exit Incentive	5	(2)	(2)	(2)	(2)
Total Normalization Adjustments		£4	(£1)	£6	£6
Normalized EBITDA		**£447**	**£463**	**£489**	**£488**
PLC Cost Savings	6	2	2	2	2
FX Adjustment	7	-	-	-	16
Pro Forma EBITDA		**£449**	**£465**	**£491**	**£506**

Commentary

1. Disposal of Australian ski resorts represents the removal of discontinued operations from Merlin's financial results. On 21 February 2019, Merlin entered into an agreement to sell its Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. Merlin completed the sale on 5 April 2019 for total cash consideration of ~$174 million. These attractions formed part of the Midway Attractions operating group. In 2018, reported revenue and underlying EBITDA for the two sites, were £35 million and £11 million, respectively.

2. Exceptional items represent one-time costs incurred in connection with implementing Merlin's productivity agenda, which Merlin initiated during the 52 weeks ended 29 December 2018 to streamline and evolve its back office and operations to provide long-term sustainable savings.

3. Sales tax rebate represents the non-recurring sales tax rebates received in the 52 weeks ended 30 December 2017 and the 53 weeks ended 31 December 2016 relating to a sales tax refund for SEA LIFE attractions in Europe.

4. Share-based payments (non-cash costs) represent non-cash stock-based compensation expenses incurred by Merlin as a result of being a listed company during the historical periods presented and are based upon the reported financial statements prepared in accordance with IFRS and the remuneration structures in place as at the time of those financial statements.

5. Tooley Street Exit Incentive represents the reversal of yearly non-cash recognition of the payment received in February 2013 from the landlord of Merlin's previous London Dungeon Attraction to exit the lease early. This payment is being recognised in income over a ten year period given the obligations Merlin has for this period in connection with the operation of the new site at County Hall.

6. Public company cost savings for the 52 weeks ended 29 June 2019 represent identified cost savings comprising (i) £0.7 million for salaries to Non-Executive Directors, (ii) £1 million for department costs and (iii) £0.3 million for Group-wide finance reporting obligations.

7. FX adjustment represents the currency adjustment based on the 30-day average FX exchange rates through 13 September 2019, which adds back the FX impact to the EBITDA for the 52 weeks ended 29 June 2019 as if the 30-day trailing average exchange rates were used during the 52 weeks ended 29 June 2019.

Note: EBITDA presented is prior to IFRS15 adjustment. 2016A based on 53 week performance
(1) Based on estimates from September 19.