IMPORTANT NOTICE

THIS OFFERING (AS DEFINED HEREIN) IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("*QIBs*") WITHIN THE MEANING OF RULE 144A ("*RULE 144A*") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "*U.S. SECURITIES ACT*"), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("*REGULATION S*") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, NOT A RETAIL INVESTOR (AS DEFINED HEREIN)).

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum (the "*Offering Memorandum*") following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The Offering Memorandum has been prepared in connection with the proposed offer and sale of the securities described herein. The Offering Memorandum and its contents are confidential and should not be distributed, published, reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described herein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S), and who are outside the United States in offshore transactions in reliance on Regulation S, provided that investors resident in a member state of the European Economic Area are not retail investors (as defined herein). The Offering Memorandum is being sent at your request. By accepting the e-mail and accessing the Offering Memorandum, you shall be deemed to have represented to each of the Initial Purchasers (as defined in the attached Offering Memorandum), being the senders of the Offering Memorandum, and the Issuer that:

(1) you consent to delivery of such Offering Memorandum by electronic transmission; and

(2) either you and any customers you represent are:

    (a) QIBs; or

    (b) (i) not U.S. persons (as defined in Regulation S) and are outside the United States in offshore transactions in reliance on Regulation S and (ii) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia (and if you are resident in a member state of the European Economic Area, you are not a retail investor).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A under the U.S. Securities Act.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Memorandum to any other person.

The materials relating to this Offering (as defined below) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this Offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, this Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum has not been approved by an authorised person in the United Kingdom and is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "*Financial Promotion Order*")), (ii) are persons falling within Article 49(2)(a) to (d) ("*high net worth companies, unincorporated associations etc.*") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "*FSMA*")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "*Relevant Persons*"). The Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer. The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any Initial Purchaser, nor any of their respective subsidiaries, nor any directors, officers, employees or agents of theirs, or affiliates of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and the hard copy version available to you from the Initial Purchasers upon your request.

Professional Investors and ECPs Only Target Market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the debt securities described in the Offering Memorandum has led to the conclusion that: (i) the target market for such debt securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "*MiFID II*"); and (ii) all channels for distribution of such debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (a "*distributor*") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such debt securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors: The debt securities described in the Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. The Offering Memorandum has been prepared on the basis that any offer of such debt securities in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of such debt securities. The Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

SUBJECT TO COMPLETION, DATED 7 OCTOBER 2019

PRELIMINARY OFFERING MEMORANDUM
STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

The information in this preliminary offering memorandum is not complete and may be changed. The Issuer may not sell its securities until the offering memorandum is delivered in final form. This preliminary offering memorandum is not an offer to sell these securities and the Issuer is not soliciting an offer to buy these securities in any jurisdiction where the offer, sale or solicitation is not permitted.

Motion Bondco DAC

£635,000,000 (equivalent) Senior Notes due 2027

(comprising approximately equal amounts of U.S. dollar-denominated and euro-denominated notes)

$ % Senior Notes due 2027

€ % Senior Notes due 2027

Motion Bondco DAC, a designated activity company incorporated under the laws of Ireland (the "*Issuer*"), is offering $ million in aggregate principal amount of its % Senior Notes due 2027 (the "*Dollar Notes*") and € million in aggregate principal amount of its % Senior Notes due 2027 (the "*Euro Notes*" and together with the Dollar Notes, the "*Notes*"). The proceeds of the Offering will be used in connection with the financing for the proposed acquisition (the "*Acquisition*") of Merlin Entertainments plc (the "*Target*") by Motion Acquisition Limited ("*Bidco*"), an affiliate of the Issuer.

The Dollar Notes will bear interest at a rate of per cent. per annum and the Euro Notes will bear interest at a rate of per cent. per annum. Interest on the Notes will be payable semi-annually in arrear on each and , beginning on 2020. The Notes will mature on 2027.

We will be entitled at our option to redeem all or a portion of the Notes at any time prior to 2022 at a redemption price equal to 100 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, to, but excluding, the date of redemption, plus the applicable "*make whole*" premium as set forth in this offering memorandum (the "*Offering Memorandum*"). At any time prior to 2022, up to 40 per cent. of the aggregate principal amount of each series of Notes may be redeemed with the net proceeds of one or more specified equity offerings at a redemption price equal to per cent. and per cent., respectively, in each case plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, provided that at least 50 per cent. of the aggregate principal amount of such series (in each case, including any additional Dollar Notes or Euro Notes, as the case may be) remains outstanding after the redemption (unless all Notes of such series are redeemed substantially concurrently). The Notes may be redeemed at any time on or after 2022 at the redemption prices set forth in this Offering Memorandum.

Upon the occurrence of certain defined events constituting a change of control, each holder of Notes of any series may require the Issuer to repurchase all or a portion of its Notes at a price equal to 101 per cent. of their principal amount plus accrued and unpaid interest and Additional Amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated leverage ratio is not exceeded in connection with such event. In the event of certain developments affecting taxation, the Issuer may elect to redeem all, but not less than all, of the Notes at a price equal to 100 per cent. of the principal amount thereof (including accrued and unpaid interest and Additional Amounts, if any). In addition, in connection with certain tender offers for the Notes, if holders of not less than 90 per cent. in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of the Notes. See "*Description of Notes—Optional Redemption*."

Pending consummation of the Acquisition, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined below), deposit the gross proceeds from the Offering into a dollar-denominated escrow account (the "*Dollar Escrow Account*") and a euro-denominated escrow account (the "*Euro Escrow Account*"), as applicable, for the benefit of the holders of the respective series of Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Acquisition will be required promptly (and in any event within two business days) and the conditions precedent under the Senior Facilities Agreement (as defined herein) shall have been satisfied or waived in all material respects. The occurrence of the Acquisition Completion Date (as defined herein) is subject to the satisfaction of certain conditions, including, amongst others, certain regulatory approvals and the performance of certain closing actions. If the conditions to the release of the escrow proceeds have not been satisfied on or prior to the Escrow Longstop Date (as defined herein) or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption (as defined herein). The Special Mandatory Redemption price of the Notes will be equal to 100 per cent. of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding such Special Mandatory Redemption date. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*."

The Notes will be general senior obligations of the Issuer. On the Issue Date, the Notes will be guaranteed (i) (x) on a senior basis by Midco (as defined herein) (the "*Parent Guarantor*") (the "*Parent Guarantee*") and (y) on a senior subordinated basis by Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower (each as defined herein) (collectively, the "*Issue Date Subsidiary Guarantors*" and together with the Parent Guarantor, the "*Issue Date Guarantors*") (the "*Issue Date Subsidiary Guarantees*" and together with the Parent Guarantee, the "*Issue Date Guarantees*") and (ii) subject to the Agreed Security Principles (as defined herein), within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favour of obligations under the Senior Facilities Agreement and any further guarantees granted in favour of the Existing 2026 Notes (as defined herein), in each case, by the Post-Completion Guarantors (as defined herein) (together with the Issue Date Guarantors, the "*Guarantors*") (the "*Post-Completion Guarantees*" and together with the Issue Date Guarantees, the "*Guarantees*").

On the Issue Date, the Notes and the Issue Date Guarantees will be secured by (i) a charge over the Escrowed Property (as defined herein) deposited into the Dollar Escrow Account and a charge over the Escrowed Property deposited into the Euro Escrow Account (the "*Escrow Charges*") on a first-priority basis, and, subject to the Agreed Security Principles, (ii)(x) security interests in the Senior Parent Independent Security (as defined herein) on a first-priority basis and (y) a share charge over the shares in Bidco and an assignment of material structural intercompany receivables owed by Bidco to Midco on a second-priority basis (the "*Shared Collateral*" and together with the Escrow Charges and the Senior Parent Independent Security, the "*Collateral*"). The Shared Collateral will also secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis. Upon the release of the Escrowed Property on the Escrow Release Date, the Escrow Charges will be released. The validity and enforceability of the Guarantees and the Collateral and the liability of each Guarantor and security provider will be subject to certain limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*." The security interests in favour of the Notes and the Guarantees may be released under certain circumstances.

This Offering Memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, covenants, events of default and transfer restrictions.

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "*Authority*") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "*Exchange*"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EU on markets in financial instruments, as amended.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 41.

Issue price for the Dollar Notes: per cent.

Issue price for the Euro Notes: per cent.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"), or the securities laws of any other jurisdiction. The Notes and the Guarantees may not be offered or sold within the United States or to U.S. persons, except to "qualified institutional buyers" in reliance on the exemption from registration provided by Rule 144A of the U.S. Securities Act ("*Rule 144A*") or to non-U.S. persons outside of the U.S. in offshore transactions in reliance on Regulations S of the U.S. Securities Act ("*Regulation S*"). The Notes and Guarantees may not be offered to retail investors in the European Economic Area, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). For a description of certain restrictions on transfers of the Notes, see "*Plan of Distribution*" and "*Notice to Investors*."

The Notes will initially be issued in the form of registered global notes. The Dollar Notes will be issued in registered form in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof and the Euro Notes will be issued in registered form in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Dollar Notes are expected to be delivered to investors in book-entry form through The Depository Trust Company ("*DTC*") and the Euro Notes are expected to be delivered to investors in book-entry form through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream*"), in each case, on or about 2019 (the "*Issue Date*").

Joint Bookrunners

Deutsche Bank **BofA Merrill Lynch**

Barclays **HSBC** **Mizuho Securities** **UniCredit Bank**

Co-Manager

The Blackstone Group

The date of this Offering Memorandum is 2019.

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IMPORTANT INFORMATION

You should rely only on, and base your decision to invest in the Notes solely on, the information contained in this Offering Memorandum. None of the Issuer, the Guarantors, any investment fund, co-investment vehicles and/or other similar vehicles or accounts, in each case managed or advised by The Blackstone Group Inc., Blackstone Core Equity Advisors L.L.C. or one or more of their affiliates, or any of their respective successors (collectively, "*Blackstone*"), Canada Pension Plan Investment Board ("*CPPIB*"), KIRKBI A/S and each of its subsidiary undertakings (collectively, the "*KIRKBI Group*"), including KIRKBI Invest A/S and its subsidiary undertakings (collectively, "*KIRKBI*" and together with Blackstone and CPPIB, the "*Consortium*"), or any of Deutsche Bank AG, London Branch, Merrill Lynch International (with respect to the Euro Notes), BofA Securities, Inc. (with respect to the Dollar Notes), Barclays Bank PLC, HSBC Bank plc, Mizuho Securities Europe GmbH (with respect to the Euro Notes), Mizuho Securities USA LLC (with respect to the Dollar Notes), UniCredit Bank AG and Blackstone Advisory Partners L.P. (the "*Initial Purchasers*") have authorised anyone to provide prospective investors with different information, and you should not rely on any such information. You should assume that the information contained in this Offering Memorandum is accurate only as of the date on the front of this Offering Memorandum or otherwise as of the date specifically referred to in connection with the particular information.

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we, the KIRKBI Group, the Consortium (or any member thereof) or any of the Initial Purchasers are responsible for your compliance with these legal requirements.

We are offering the Notes, and the Guarantors are issuing the Guarantees, in reliance on (i) an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering and (ii) a transaction pursuant to Regulation S that is not subject to the registration requirements of the U.S. Securities Act (and if any investors are resident in a member state of the European Economic Area (each, a "*Member State*"), they are not retail investors (as defined herein)). If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "*Notice to Investors*." The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period.

The Notes are subject to restrictions on transferability and resale, which are described under the caption "*Notice to Investors*." By possessing this Offering Memorandum or purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. None of the Issuer, the Guarantors or the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither the Issuer nor any Guarantor makes any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

None of us, the KIRKBI Group, the Consortium (or any member thereof) or the Initial Purchasers or any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us or set forth under the caption "*Available Information*."

By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorised in connection with any offering made pursuant to this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorised by us, the KIRKBI Group, the Consortium (or any member thereof) or the Initial Purchasers.

The information contained in this Offering Memorandum is accurate as of the date hereof. The Issuer's and the Guarantors' business, financial condition or other information contained in this Offering Memorandum may change after the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum.

The Initial Purchasers, the Trustee (as defined herein), the KIRKBI Group, the Consortium, each member of the Consortium and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, or any other agents acting with respect to the Notes as to the past or the future. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers, the KIRKBI Group, the Consortium, any member of the Consortium or their respective directors, affiliates, advisers and agents in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

We reserve the right to withdraw the offering of the Notes at any time. We and the Initial Purchasers each reserve the right to reject any offer to purchase the Notes in whole or in part and to allot to any prospective purchaser less than the amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

This Offering Memorandum is a confidential document that we are providing only to prospective purchasers of the Notes. You must not make copies of any part of this Offering Memorandum or give a copy of it to any other person, or disclose any information in this Offering Memorandum to any other person.

By accepting delivery of this Offering Memorandum, you agree to the foregoing and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may be used only for the purpose for which it was published.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream currently in effect. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of DTC, Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

STABILISATION

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "*DOLLAR NOTES STABILISATION MANAGER*") AND DEUTSCHE BANK AG, LONDON BRANCH (THE "*EURO NOTES STABILISATION MANAGER*" AND TOGETHER WITH THE DOLLAR NOTES STABILISATION MANAGER, THE "*STABILISATION MANAGERS*") (OR PERSONS ACTING ON THEIR RESPECTIVE BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE RESPECTIVE SERIES OF NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGERS (OR PERSONS ACTING ON THEIR RESPECTIVE BEHALF) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RESPECTIVE SERIES OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY EITHER STABILISATION MANAGER (OR PERSONS ACTING ON SUCH STABILISATION MANAGER'S BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

IMPORTANT INFORMATION ABOUT SELLING AND JURISDICTIONAL RESTRICTIONS

United States

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. For a description of certain other restrictions on resale and transfer, see "*Plan of Distribution*" and "*Notice to Investors.*"

In the United States, the offering of the Notes (the "*Offering*") is being made only to "*qualified institutional buyers*" (as defined in Rule 144A under the U.S. Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the Notes may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the Offering of the Notes is being made to persons who are not U.S. persons in offshore transactions (each as defined in Regulation S).

Neither the U.S. Securities and Exchange Commission (the "*SEC*"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

European Economic Area

MiFID II Product Governance / Professional Investors and ECPs Only Target Market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "*MiFID II*"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prospectus Regulation / Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation

(EU) 2017/1129 (the "*Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Denmark

This Offering Memorandum has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*), the Danish Business Authority (*Erhvervsstyrelsen*) or any other regulatory authority in Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Prospectus Regulations and the Danish Capital Markets Act (*Lov om kapitalmarkeder*), the Danish Financial Business Act (*Lov om finansiel virksomhed*) and Executive Orders (*bekendtgørelser*) issued pursuant thereto as amended from time to time.

Germany

The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Prospectus Regulation and the Securities Prospectus Act of the Federal Republic of Germany (the "*Securities Prospectus Act*," *Wertpapierprospektgesetz*, *WpPG*), as amended, and any other applicable German law. No application has been made under German law to publicly market the Notes in or out of the Federal Republic of Germany. The Notes are not registered or authorised for distribution under the Prospectus Regulation or under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2(e) of the Prospectus Regulation or who are subject of another exemption in accordance with Section 1 of the Prospectus Regulation. Any resale of the Notes in Germany may be made only in accordance with the Prospectus Regulation and the Securities Prospectus Act and other applicable laws.

Ireland

No action may be taken with respect to the Notes in Ireland otherwise than in conformity with the following provisions of law (each as may have been amended): (a) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) (the "*MiFID II Regulations*"), including, without limitation, Regulation 5 (Requirement for authorisation and certain provisions concerning MTFs and OTFs) thereof, any codes of conduct made under the MiFID II Regulations and the provisions of the Investor Compensation Act 1998 of Ireland (as amended); (b) the Companies Act 2014 of Ireland (as amended), the Central Bank Acts 1942 to 2018 of Ireland, any regulations issued thereunder and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland; (c) the Prospectus Regulation ((EU) 2017/1129), as amended, and any rules issued under Section 1363 of the Companies Act 2014 of Ireland (as amended) by the Central Bank of Ireland; and (d) the provisions of the Market Abuse Regulation ((EU) 596/2014), the European Union (Market Abuse) Regulations 2016 of Ireland and any rules issued by the Central Bank of Ireland under Section 1370 of the Companies Act 2014 of Ireland (as amended).

An investment in the Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

Italy

No action has been or will be taken that could allow an offering of the Notes to the public in the Republic of Italy ("*Italy*") within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree No. 58 of 24 February 1998, as subsequently integrated and amended ("*Financial Services Act*"). Accordingly, the

Notes may not be offered or sold directly or indirectly in Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors, or the Notes may be issued, distributed or published in Italy, either on the primary or on the secondary market, except:

(i) to qualified investors (*investitori qualificati*), as defined under Article 100 of Legislative Decree No. 58 of 24 February 1998, as subsequently integrated and amended from time to time (the "*Financial Services Act*"), as implemented by Article 35, first paragraph, letter d) of Commissione Nazionale per le Società e la Borsa ("*CONSOB*") Regulation No. 20307 of 15 February 2018, as subsequently integrated and amended from time to time ("*Regulation No. 20307*"), and by Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as subsequently integrated and amended from time to time ("*Regulation No. 11971*"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and its implementing CONSOB regulations, including Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(a) made by *soggetti abilitati* (including an investment firm, bank or financial intermediary, as defined by Article 1, first paragraph, letter r) of the Financial Services Act) permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of 1 September 1933, as amended (the "*Banking Act*"), the Financial Services Act, Regulation No. 20307 (in each case, as amended from time to time) and any other applicable law and regulations;

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offering of securities in Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

United Kingdom

This Offering Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments and are investment professionals as defined within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*"), (iii) high net worth bodies corporate and any other person falling within Article 49(2)(a) to (d) of the Order, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended), or "*FSMA*"), and any other persons to whom it may otherwise lawfully be made in accordance with the Order or Section 21 of the FSMA (all such persons together being referred to as "*relevant persons*").

Accordingly, by accepting delivery of this Offering Memorandum, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

Canada

Resale Restrictions

The distribution of Notes in Canada is being made on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Notes in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

Representations of Canadian Purchasers

By purchasing Notes in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws as it is an "*accredited investor*" as defined under National Instrument 45-106—*Prospectus Exemptions* or Section 73.3(1) of the Securities Act (Ontario), as applicable;
- the purchaser is a "*permitted client*" as defined in National Instrument 31-103—*Registration Requirements*, *Exemptions and Ongoing Registrant Obligations*;
- where required by law, the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under "*—Resale Restrictions.*"

Conflicts of Interest

Canadian purchasers are hereby notified that the Initial Purchasers are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105—*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

Statutory Rights of Action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

Grand Duchy of Luxembourg

This Offering Memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* for the purposes of public offering or sale, in the Grand Duchy of Luxembourg, of the Notes or admission to the Official List of the Luxembourg Stock Exchange (the "*LxSE*") and trading on the LxSE's regulated market of the Notes. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, or listed or traded on the regulated market of the LxSE, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, the Grand Duchy of Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with applicable Luxembourg law and in particular the Luxembourg act dated 16 July 2019 on prospectuses for securities, as amended.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, amongst other things, our future financial conditions and performance, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "*aim*," "*anticipate*," "*believe*," "*continue*," "*could*," "*estimate*," "*expect*," "*forecast*," "*guidance*," "*intend*," "*may*," "*plan*," "*project*," "*should*" or "*will*" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to those relating to:

- terrorist activities, political direct action, natural disasters and significant power outages;
- safety accidents or incidents at the Attractions;
- adverse economic conditions;
- weather conditions;
- the failure to generate desired returns from the roll-out and development of new Attractions and the development of LEGOLAND Parks and resort hotels;
- the failure to achieve the desired results from our planned capital investment strategy;
- the loss of any of our senior management, key managers or employees;
- the loss of, or any adverse change in, any of our important commercial relationships and agreements;
- the loss of, or any adverse change in, our current intellectual property rights and inability to acquire future intellectual property rights;
- adverse changes in tourism patterns and visitor volumes;
- adverse changes in foreign exchange rates or interest rates;
- changes or uncertainty in respect of LIBOR;
- public health concerns, including the outbreak of prolonged pandemic or epidemic disease;
- competition from other attractions;
- changes in consumer tastes and competition from other events and attractions;
- the loss of, inability to obtain, or failure to retain, necessary licenses, permits, planning consents and approvals;
- adverse changes in tax laws;
- increased labour costs, work stoppages and the inability to retain seasonal employees;
- failure to comply with anti-corruption laws;
- the misappropriation of cash by employees and/or third parties;
- the loss of or inability to renew leases;

- legal and arbitration proceedings;
- losses or damages beyond the scope of our insurance coverage;
- our failure to comply with laws and regulations, including in respect of anti-corruption, and any changes in laws and regulations;
- our failure to maintain effective internal controls over financial reporting;
- the loss, theft or misappropriation of sensitive or private information and data;
- interruption or failure of IT systems upon which our operations are reliant;
- changes to accounting standards may affect our reporting of financial results; and
- other factors discussed or referred to in this Offering Memorandum.

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We urge you to read this Offering Memorandum, including the sections entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*," for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

Any forward-looking statements are only made as of the date of this Offering Memorandum and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*."

CERTAIN DEFINITIONS

In this Offering Memorandum, the following definitions apply unless the context otherwise requires.

"2006 Act"	The Companies Act 2006, as amended from time to time
"2016 financial year"	The 53 weeks ended 31 December 2016
"2017 financial year"	The 52 weeks ended 30 December 2017
"2018 financial year"	The 52 weeks ended 29 December 2018
"2019 financial year"	The 52 weeks ended 28 December 2019
"Acquisition"	The proposed acquisition by Bidco of the entire issued and to be issued share capital of the Target not already owned or controlled by (i) Bidco or its subsidiary undertakings or (ii) KIRKBI or its subsidiary undertakings, by means of the Scheme or the Takeover Offer, as applicable, as further described in "*The Transactions*"
"Acquisition Completion Date"	The completion date of the Acquisition, which is expected to occur during the fourth quarter of 2019
"Acquisition Payment Date"	The date on which consideration is paid for the Acquisition in accordance with the Scheme or the Takeover Offer, as applicable
"Asia Pacific region"	The countries in Asia (excluding Turkey), Australia and New Zealand
"Agreed Security Principles"	The agreed security principles described under "*Description of Notes—Security—The Collateral*"
"Attractions"	Visitor attractions within our Resort Theme Parks, LEGOLAND Parks and Midway operating groups
"Australian dollar," "AU$," or "A$"	The currency of Australia
"Bidco"	Motion Acquisition Limited (formerly Berkeley Bidco Limited), a private company limited by shares incorporated under the laws of England and Wales
"Blackstone"	Collectively, any investment fund, co-investment vehicles and/or other similar vehicles or accounts, in each case managed or advised by The Blackstone Group Inc., Blackstone Core Equity Advisors L.L.C. or one or more of their affiliates, or any of their respective successors
"CAD" or "Canadian dollar"	The currency of Canada
"CAGR"	Compound annual growth rate
"cash conversion"	Underlying EBITDA minus Existing Estate capital expenditure as a percentage of Underlying EBITDA
"Central Capital Expenditure"	Capital expenditure not attributable to any operating group
"Central EBITDA"	EBITDA not attributable to any operating group
"Collateral"	Together, the Escrow Charges, the Senior Parent Independent Security and the Shared Collateral
"Consent Solicitation"	The consent solicitation launched by the Target in relation to change of control provisions of the Existing 2026 Indenture, as further described in "*The Transactions*"
"Consortium"	Blackstone, CPPIB and KIRKBI, collectively

"Court Meeting"	The meeting of the Target Shareholders convened at the direction of a competent court pursuant to Part 26 of the 2006 Act at which a resolution was proposed to approve the Scheme
"CPPIB"	Canada Pension Plan Investment Board
"Delayed Draw Term Loan"	a delayed draw term loan facility in an aggregate principal amount of $172,500,000, which is fungible with the USD Term Loan Facility at the end of the first interest period
"Delisting"	The planned delisting of the Target Shares from the London Stock Exchange, as further described in "*The Transactions—The Delisting*"
"discontinued operations"	Operations of our Australian ski resorts at Mount Hotham and Falls Creek, which we sold to Vail Resorts Inc. on 5 April 2019 for total cash consideration of A$174 million pursuant to an agreement with Vail Resorts Inc. dated as of 21 February 2019, and which we present as discontinued operations in our financial statements as at and for the 26 weeks ended 29 June 2019 (on an as reported basis), in which we also present the profit on disposal thereof, and 30 June 2018 (on a restated basis)
"DKK" or "Danish Kroner"	The currency of Denmark
"Dollar Escrow Account"	The escrow account of the Issuer into which the Initial Purchasers will deposit the gross proceeds of the Dollar Notes on the Issue Date, to be controlled by the Dollar Escrow Agent and charged in favour of the Trustee on behalf of the holders of the Dollar Notes
"Dollar Escrow Agent"	Deutsche Bank AG, London Branch
"Dollar Escrow Charge"	The first-priority charge over the Escrowed Property deposited into the Dollar Escrow Account in favour of the Trustee, which will secure the Dollar Notes and the Issue Date Guarantees on a first-priority basis as of the Issue Date
"Dollar Notes"	The $ million % Senior Notes due 2027 offered hereby
"Dollar Paying Agent"	Deutsche Bank Trust Company Americas
"Dollar Transfer Agent"	Deutsche Bank Trust Company Americas
"EBITDA"	Profit before finance income and costs, taxation, depreciation and amortisation and after taking account of profit after tax of joint ventures
"Equity Contribution"	Represents (i) the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective and (ii) the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions
"Escrow Accounts"	Together, the Dollar Escrow Account and the Euro Escrow Account
"Escrow Agents"	Together, the Dollar Escrow Agent and the Euro Escrow Agent
"Escrow Agreement"	The agreement to be dated as of the Issue Date between the Issuer, the Trustee and the Escrow Agents relating to the Escrow Accounts
"Escrow Charges"	The Dollar Escrow Charge and the Euro Escrow Charge, together

"Escrow Equity Commitment"	An escrow equity commitment to be delivered to the Issuer by Midco, in the event of a special mandatory redemption, in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balances and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such special mandatory redemption date (see "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*")
"Escrow Longstop Date"	31 March 2020
"Escrow Release Date"	The date upon which the proceeds from the Offering are released from the Escrow Accounts to the Issuer (or its designee) upon the satisfaction of certain conditions described in the Escrow Agreement
"Escrowed Property"	The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement)
"EU"	The European Union
"EUR Term Loan B"	Together, the term loan in a euro-equivalent amount of £562,000,000 prior to its redenomination in euros and the term loan in the amount of €770,000,000, in each case made available under the Senior Facilities Agreement
"euro," "EUR" or "€"	The currency of the European Union member states participating in the European Monetary Union
"Euro Escrow Account"	The escrow account of the Issuer into which the Initial Purchasers will deposit the gross proceeds of the Euro Notes on the Issue Date, to be controlled by the Euro Escrow Agent and charged in favour of the Trustee on behalf of the holders of the Euro Notes
"Euro Escrow Agent"	Deutsche Bank AG, London Branch
"Euro Escrow Charge"	The first-priority charge over the Escrowed Property deposited into the Euro Escrow Account in favour of the Trustee, which will secure the Euro Notes and the Issue Date Guarantees on a first-priority basis as of the Issue Date
"Euro Notes"	The € million % Senior Notes due 2027 offered hereby
"Euro Paying Agent"	Deutsche Bank AG, London Branch
"Euro Transfer Agent"	Deutsche Bank AG, London Branch
"Existing 2022 Indenture"	The indenture dated 19 March 2015 governing the Existing 2022 Notes
"Existing 2022 Notes"	The €500 million aggregate principal amount of 2¾% Senior Notes due 2022 issued by the Target on 19 March 2015 together with the additional €200 million aggregate principal amount of 2¾% Senior Notes due 2022 issued by the Target on 17 March 2017, in each case, under the Existing 2022 Indenture. The Existing 2022 Notes are expected to be redeemed in full on or about the Acquisition Payment Date
"Existing 2026 Indenture"	The indenture dated 9 May 2018 governing the Existing 2026 Notes

"Existing 2026 Notes"	The $400 million aggregate principal amount of 5¾% Senior Notes due 2026 issued by the Target on 9 May 2018 under the Existing 2026 Indenture
"Existing Estate"	As at any date, our existing Attractions and facilities on such date
"Existing Estate capital expenditure"	Capital expenditure on our Existing Estate, which typically includes (i) adding new rides or displays and enhancements to Attractions, (ii) replacing old features with new, more up-to-date ones and (iii) general maintenance and refurbishment of existing Attractions (including ensuring health and safety standards are met or exceeded)
"Existing Senior Facilities"	The £600 million multi-currency revolving credit facility, provided under the facilities agreement dated 25 February 2015, amongst, *inter alios*, the Target as company, the entities described therein as original borrowers and original guarantors, The Royal Bank of Scotland plc, Barclays Bank PLC, BNP Paribas, London Branch, Lloyds Bank plc, HSBC Bank plc, Société Générale, London Branch and UniCredit Bank AG, London Branch, as mandated lead arrangers and Unicredit Bank AG, London Branch as agent (as amended and restated on 18 April 2018 pursuant to the amendment and restatement agreement dated 18 April 2018 by, *inter alios*, the Target, the entities described therein as borrowers and guarantors, the lenders referred to therein and Unicredit Bank AG, London Branch as agent)
"FCA"	Financial Conduct Authority or its successor from time to time
"Guarantees"	Collectively, the Parent Guarantee and the Subsidiary Guarantees
"Guarantors"	Collectively, the Parent Guarantor and the Subsidiary Guarantors
"H1 2018"	The 26 weeks ended 30 June 2018
"H1 2019"	The 26 weeks ended 29 June 2019
"HK$"	The currency of Hong Kong
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union
"Indenture"	The indenture to be dated as of the Issue Date governing the Notes offered hereby
"Initial Purchasers"	Collectively, Deutsche Bank AG, London Branch, Merrill Lynch International (with respect to the Euro Notes), BofA Securities, Inc. (with respect to the Dollar Notes), Barclays Bank PLC, HSBC Bank plc, Mizuho Securities Europe GmbH (with respect to the Euro Notes), Mizuho Securities USA LLC (with respect to the Dollar Notes), UniCredit Bank AG and Blackstone Advisory Partners L.P.
"Intercreditor Agreement"	The intercreditor agreement dated on or prior to the Issue Date, amongst, *inter alios*, Bank of America Merrill Lynch International Designated Activity Company as Senior Facility Agent, the companies named therein as Original Debtors and Deutsche Bank AG, London Branch as Security Agent

"Interim Facilities Agreement"	An interim facilities agreement dated 28 June 2019, incorporating: (i) interim term facilities in aggregate principal amounts equal to GBP 1,487,000,000 (equivalent), EUR 770,000,000 and USD 592,500,000; (ii) interim bridge facilities in an aggregate principal amount equal to GBP 785,000,000 (equivalent); and (iii) an interim multi-currency revolving facility in an aggregate amount equal to GBP 400,000,000, entered into between, amongst others, Bidco (as guarantor) and Lux Finco (as borrower), 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, Blackstone Holdings Finance Co. L.L.C., CPPIB Credit Investments Inc. and KIRKBI Invest A/S (as interim lenders) and Deutsche Bank AG, London Branch (as interim facility agent and interim security agent). The Interim Facilities Agreement is expected to be cancelled following the issuance of the Notes and utilisation of the Senior Facilities
"IPO"	The initial public global offer of 306,110,253 Target Shares on 13 November 2013
"Issue Date"	The date on which the Notes offered hereby are issued
"Issue Date Guarantees"	Collectively, the Parent Guarantee and the Issue Date Subsidiary Guarantees
"Issue Date Guarantors"	Collectively, the Parent Guarantor and the Issue Date Subsidiary Guarantors
"Issue Date Subsidiary Guarantors"	Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower
"Issuer"	Motion Bondco DAC, a designated activity company incorporated under the laws of Ireland
"JVco"	Motion JVco Limited (formerly Berkeley JVco Limited), a private company limited by shares incorporated under the laws of England and Wales
"Key Brands"	Alton Towers Resort, Chessington World of Adventures Resort, The Dungeons, The Eye Brand, Gardaland Resort, Heide Park Resort, LEGOLAND Parks, LEGOLAND Discovery Centres, Madame Tussauds, SEA LIFE, THORPE PARK Resort, Warwick Castle and any other brands to which we acquire intellectual property rights from time to time
"KIRKBI"	KIRKBI Invest A/S, whose registered office is at Koldingvej 2, DK-7190, Billund, Denmark
"KIRKBI Group"	KIRKBI, its parent company, KIRKBI A/S and each of the subsidiary undertakings of KIRKBI A/S, including LEGO
"KIRKBI Shares"	The shares of the Target owned or controlled by KIRKBI and each of its subsidiary undertakings
"LCA"	The licencing and co-operation agreement dated 24 August 2005 (as subsequently amended and restated on 11 March 2011) with KIRKBI A/S, as licensor, whereby certain members of the Target Group hold rights to use the LEGOLAND® and LEGO® trademarks in the LEGOLAND business
"LEGO"	LEGO A/S
"LEGO Group"	LEGO and its subsidiary undertakings and where the context permits, each of them

"LEGOLAND Parks"	LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland, LEGOLAND Dubai, LEGOLAND Florida, LEGOLAND Japan, LEGOLAND Malaysia and LEGOLAND Windsor, and where the context permits, LEGOLAND New York and LEGOLAND Korea
"like-for-like"	A measurement based on the estate of Attractions and other businesses that we owned and operated on the first day of the immediately preceding financial year, which disregards the impact of acquisitions, new Attractions and other businesses, including new hotels and other accommodation, changes in foreign exchange rates and our exit from certain non-core smaller Midway Attractions, and which is calculated on a constant currency basis for all currencies using the exchange rates applicable for the later of the two years being compared. When calculating like-for-like measures, the results of the 53rd week of the 2016 financial year (a 53-week financial year) are excluded to assist with comparability to the 2017 financial year (a 52-week financial year) and to the 2018 financial year (a 52-week financial year)
"London Stock Exchange"	London Stock Exchange plc or its successor
"Lux Finco"	Motion Finco S.à r.l. (formerly Berkeley Finco S.à r.l.)
"Lux Finco 2"	Motion Finco 2 S.à r.l. (formerly Berkeley Finco 2 S.à r.l.)
"Merlin" or "Target Group"	Except where the context otherwise requires, when referring to operations, businesses, or market shares, Merlin Entertainments plc and its subsidiaries, except when used in the context of financial information, in which case we refer to Merlin Entertainments plc and its consolidated subsidiaries
"Merlin ADS Holders"	Holders of Merlin ADSs
"Merlin ADSs"	Sponsored level 1 American Depositary Shares of Merlin for which Citibank Shareholder Services acts as depositary
"Merlin Annual Pass"	An annual season ticket allowing entry to a range of Attractions, generally in the United Kingdom or Germany
"Merlin Studios"	Our creative studios, located in west London
"Midco"	Motion Midco Limited (formerly Berkeley Midco Limited), a private company limited by shares incorporated under the laws of England and Wales
"Midway Attractions"	The Dungeons, LEGOLAND Discovery Centres, The Eye Brand, Madame Tussauds, SEA LIFE Centres, Peppa Pig World of Play Attractions, Little BIG City, The Bear Grylls Adventure, "*DreamWorks Tours' Shrek's Adventure!*" and other Attractions from time to time within our Midway Attractions operating group
"MYR"	The currency of Malaysia
"New Business Development"	The development of new or upcoming Midway Attractions, LEGOLAND Parks, Resort Theme Parks, accommodation at existing sites and "*second gates*"
"Notes"	Together, the Dollar Notes and the Euro Notes
"NZ$" or "New Zealand dollar"	The currency of New Zealand
"Offering"	The offering of the Notes by the Issuer

"Offer Price"	Cash consideration equal to 455 pence per share offered to Target Shareholders in connection with the Acquisition
"organic growth"	Growth from like-for-like businesses and New Business Development at constant currency, excluding growth from acquisitions and including our exit from certain non-core smaller Midway Attractions
"Panel"	The Panel on Takeovers and Mergers
"Parent Guarantee"	The senior guarantee of the Notes by the Parent Guarantor
"Parent Guarantor"	Midco
"Post-Completion Guarantees"	The senior subordinated guarantees of the Notes by the Post-Completion Guarantors
"Post-Completion Guarantors"	Collectively, the Target, Madame Tussauds Touring Exhibition Limited, Merlin Attractions Operations Limited, Merlin Entertainments (Dungeons) Limited, Merlin Entertainments Group Holdings Limited, Merlin Entertainments (SEA LIFE) Limited, LEGOLAND ApS, Dungeon Deutschland GmbH, Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Madame Tussauds Deutschland GmbH, Sea Life Deutschland GmbH, Gardaland S.r.l., LEGOLAND California, LLC, LEGOLAND Discovery Centre US, LLC, LEGOLAND New York LLC, Madame Tussaud Las Vegas LLC, Madame Tussaud's New York LLC, Merlin Entertainments Group Florida LLC, Merlin Entertainments Group U.S. Holdings Inc., Merlin Entertainments North America LLC, Sea Life Minnesota LLC and Sea Life US LLC
"Registrar"	Deutsche Bank Trust Company Americas
"Resort Theme Parks"	Alton Towers Resort, Chessington World of Adventures Resort, Gardaland Resort, Heide Park Resort, THORPE PARK Resort and Warwick Castle
"Revolving Facility"	The multi-currency revolving facility in a base currency amount of £400,000,000 (equivalent) made available under the Senior Facilities Agreement
"RMB"	The currency of China
"ROU assets"	Right-of-use assets
"Scheme"	The proposed scheme of arrangement under Part 26 of the 2006 Act between Merlin and the holders of the Scheme Shares, with or subject to any modification, addition or condition approved or imposed by a competent court and agreed by the Target and Bidco
"Scheme Document"	The document governing the terms of the Scheme
"Scheme Shareholders"	Holders of Target Shares that are eligible to participate in the Scheme
"Scheme Shares"	Target Shares held by Scheme Shareholders
"SEC"	The U.S. Securities and Exchange Commission
"second gates"	A visitor attraction at an existing resort with a separate entrance and for which additional admission fees are charged

"Senior Facilities"	The EUR Term Loan B, the USD Term Loan B, the Revolving Facility, the Delayed Draw Term Loan and, if the context permits, each additional facility established from time to time under the Senior Facilities Agreement
"Senior Facilities Agreement"	The senior facilities agreement, amongst, *inter alios*, Motion Acquisition Limited as the Company, 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. and UniCredit Bank AG, London Branch as arrangers and bookrunners and Bank of America Merrill Lynch International Designated Activity Company as agent and Deutsche Bank AG, London Branch as security agent
"Senior Parent Independent Security"	The collateral securing the Notes and the Issue Date Guarantees on the Issue Date on a first-priority basis, as further described under "*Summery—The Offering—Collateral*"
"SGD" or "Singapore dollar"	The currency of Singapore
"Shared Collateral"	The collateral securing the Notes and the Issue Date Guarantees on the Issue Date on a second-priority basis and the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis, as further described in "*Summary—The Offering—Collateral*"
"sterling," "pounds sterling," "GBP" or "£"	The currency of the United Kingdom
"Subsidiary Guarantees"	The senior subordinated guarantees of the Notes by the Issue Date Subsidiary Guarantors and the Post-Completion Guarantors
"Subsidiary Guarantors"	Collectively, the Issue Date Subsidiary Guarantors and the Post-Completion Guarantors
"Takeover Offer"	Subject to the consent of the Panel and the agreed terms between the Target Group and the Consortium, should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006, the offer that would be made by or on behalf of Bidco to acquire the entire issued and to be issued share capital of the Target, other than Target Shares owned or controlled by (i) Bidco or (ii) KIRKBI and each of its subsidiary undertakings and, where the context admits, any subsequent revision, variation, extension or renewal of such offer
"Target"	Merlin Entertainments plc
"Target Shares"	Ordinary shares of one pence each in the capital of the Target
"Target Shareholders"	Holders of the Target Shares
"THB"	The currency of Thailand
"Theme Parks"	The Resort Theme Parks and the LEGOLAND Parks
"Topco"	Motion Topco Limited (formerly Berkeley Topco Limited), a private company limited by shares incorporated under the laws of England and Wales
"Transactions"	The transactions described in "*The Transactions*"
"TRY"	The currency of Turkey
"U.K." or "United Kingdom"	The United Kingdom of Great Britain and Northern Ireland

"U.S." or "United States"	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"U.S. Co-Borrower"	Motion Finco LLC
"U.S. Exchange Act"	The U.S. Securities Exchange Act of 1934, as amended
"US$," "$," "USD," "dollars" or "U.S. dollars"	The currency of the United States
"USD Term Loan B"	Together, the term loan in a dollar-equivalent amount of £925,000,000 prior to its redenomination in U.S. dollars and the term loan in the amount of $420,000,000 (which will be reduced on a dollar-for-dollar basis by the aggregate principal amount of Existing 2026 Notes that remain outstanding following the Acquisition Completion Date)
"Vardon Attractions"	Vardon Attractions Limited
"we," "us," "our" or "Group"	Except where the context otherwise requires, (i) when referring to operations, businesses or market shares, Merlin Entertainments plc and its subsidiaries, except when used in the context of financial information, in which case we refer to Merlin Entertainments plc and its consolidated subsidiaries and (ii) when referring to the Transactions, *pro forma* indebtedness obligations and other *pro forma* financial information, one or more of the JVco, Topco, Midco, the Issuer, Bidco, Lux Finco, Lux Finco 2 and the Target Group
"WON"	The currency of South Korea
"YEN" or "Japanese Yen"	The currency of Japan

PRESENTATION OF FINANCIAL INFORMATION

Presentation of Financial Information

The Issuer was incorporated on 6 September 2019, for purposes of facilitating the Transactions and performing certain activities related thereto. As of the date of this Offering Memorandum, the Issuer has no revenue-generating activities of its own, and no business operations, material assets or liabilities other than those acquired or incurred in connection with its incorporation and the Transactions. See "*Risk Factors—Risks Related to the Notes and Our Structure—The Issuer and certain Guarantors are holding companies, each of which is dependent upon cash flow from their respective subsidiaries to meet their obligations under the Notes and the Guarantees.*" As a result, no financial information of the Issuer is included in this Offering Memorandum, except for certain limited "*as adjusted*" financial data presented on a consolidated basis for Midco and its consolidated subsidiaries, "*as adjusted*" to reflect certain effects of the Transactions.

All historical financial information presented in this Offering Memorandum is that of the Target and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to "*we*," "*us*," "*our*," "*Group*" or the "*Target Group*" in respect of historical financial information in this Offering Memorandum are to the Target and its subsidiaries on a consolidated basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These standards also require management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the financial statements.

The extracted consolidated financial information in this Offering Memorandum is presented in pounds sterling rounded to the nearest million. Therefore, discrepancies between total figures and the sums of the amounts listed may occur due to such rounding.

In making an investment decision, investors must rely upon their own examination of our business, the terms of the offering and the financial information.

Historical Financial Statements

Unless otherwise indicated, the financial information presented in this Offering Memorandum is extracted from the historical consolidated financial information of the Target and its subsidiaries. This Offering Memorandum presents:

- the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019 (including the unaudited consolidated financial information for the 26 weeks ended 30 June 2018, as restated to give effect to the application of IFRS 16 (Leases) and remove from our operations the impact of discontinued operations), which have been prepared in accordance with International Financial Reporting Standards ("*IFRS*") issued by the International Accounting Standards Board ("*IASB*") as adopted by the European Union and reviewed by our statutory auditors, KPMG LLP;
- the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018, which have been prepared in accordance with IFRS issued by the IASB as adopted by the European Union and reviewed by our statutory auditors, KPMG LLP;
- the audited consolidated financial statements of the Target and its subsidiaries as at and for the 52 weeks ended 29 December 2018, which have been prepared in accordance with IFRS issued by the IASB as adopted by the European Union and audited by our statutory auditors, KPMG LLP;
- the audited consolidated financial statements of the Target and its subsidiaries as at and for the 52 weeks ended 30 December 2017, which have been prepared in accordance with IFRS issued by the IASB as adopted by the European Union and audited by our statutory auditors, KPMG LLP; and
- the audited consolidated financial statements of the Target and its subsidiaries as at and for the 53 weeks ended 31 December 2016, which have been prepared in accordance with IFRS issued by the IASB as adopted by the European Union and audited by our statutory auditors, KPMG LLP.

For the purposes of this Offering Memorandum, we refer to the 53 weeks ended 31 December 2016 as the "*2016 financial year*," the 52 weeks ended 30 December 2017 as the "*2017 financial year*," the 52 weeks ended 29 December 2018 as the "*2018 financial year*," the 26 weeks ended 30 June 2018 as "*H1 2018*" and the 26 weeks ended 29 June 2019 as "*H1 2019*." We prepare our financial statements on the basis of a 52-week or 53-week financial period. Each of the 2017 financial year and the 2018 financial year was a 52-week financial period. However, the 2016 financial year was a 53-week financial period. Consequently, unless otherwise indicated, our results for the 2016 financial year include an additional week of trading, which affects the comparability of our results of operations between periods.

IFRS 15

In 2014, the IASB adopted IFRS 15 (revenue from contracts with customers) and the accounting standard became effective on 1 January 2018. The new standard replaced IAS 18 (Revenue), IAS 11 (Construction contracts) and related interpretations. From 31 December 2017, we have adopted IFRS 15 using the cumulative effect method (without practical expedients). The audited consolidated financial statements of the Target and its subsidiaries as at and for the 52 weeks ended 29 December 2018 and the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019, included elsewhere in this Offering Memorandum, have been prepared in accordance with IFRS 15. Unless otherwise indicated, financial information included in this Offering Memorandum is as reported in the consolidated financial statements of the Target and its subsidiaries. Therefore, financial information included in this Offering Memorandum for the 52 weeks ended 29 December 2018, the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019 shows the impact of IFRS 15. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Additional Factors Affecting Comparability of Results of Operations—Changes to Accounting Standards—IFRS 15.*"

Restated Financial Statements

IFRS 16

On 13 January 2016, the IASB published IFRS 16 (Leases), and the European Union adopted IFRS 16 on 9 November 2017. IFRS 16 (Leases) became effective from 1 January 2019. The new standard replaces the previous lease accounting standard, IAS 17 (Leases), including related interpretations. We have adopted IFRS 16 from 30 December 2018, using the fully retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 has been recognized, in line with IAS 8 (Accounting policies, changes in accounting estimates and errors), by restating the 52-week period ending 29 December 2018 and making an opening equity adjustment as at 31 December 2017. We are not required to make any adjustment for leases in which we are a lessor except where we are an intermediate lessor in a sub-lease. We have applied the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4. The unaudited condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019 included elsewhere in this Offering Memorandum have been prepared in accordance with IFRS 16, and where indicated, the unaudited condensed consolidated financial statements as at and for the 26 weeks ended 30 June 2018 have been restated to give effect to the application of IFRS 16.

Discontinued Operations

In 2019, we sold our two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. As at 29 December 2018, the potential sale process was at an early stage and in line with IFRS 5, the ski resorts were not classified as held-for-sale or as discontinued operations. On 21 February 2019, we entered into an agreement to sell the resorts to Vail Resorts Inc. for a cash consideration of A$174 million. The transaction was subject to the completion of relevant regulatory filings and completed on 5 April 2019. The unaudited condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019 included elsewhere in this Offering Memorandum have been prepared, and where indicated, the unaudited condensed consolidated financial statements as at and for the 26 weeks ended 30 June 2018 have been restated, to exclude from our results the impact of discontinued operations.

H1 2018

In order to facilitate a comparison of our results of operations and financial condition for H1 2018 and H1 2019, we include in this Offering Memorandum a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of our Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Additional Factors Affecting Comparability of Results of Operations—Changes to Accounting Standards—IFRS 16*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Additional Factors Affecting Comparability of Results of Operations—Discontinued Operations*."

We refer to our results of operations for H1 2018, as restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations, as information presented "*on a restated basis*" and have included such financial information in certain financial tables in this Offering Memorandum under the columns titled "*Restated*."

Unless otherwise indicated, the financial information presented in this Offering Memorandum for H1 2018 reflects our reported financial information from the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018.

Other Operating, Financial and *Pro Forma* Financial Information

In addition, we have included certain operating and financial information in this Offering Memorandum as at and for the 2016, 2017 and 2018 financial years, H1 2018, H1 2019 and the 52 weeks ended 29 June 2019, which have been prepared solely for the purpose of this Offering Memorandum, are for illustrative purposes only, have not been audited or reviewed and and are not necessarily indicative of our results of operations for any future period or our financial condition at any future date. Unless otherwise indicated, operating and financial information for the 52 weeks ended 29 June 2019 represents the mathematical calculation of subtracting the applicable operating and financial information for the 26 weeks ended 30 June 2018 from the applicable operating and financial information for the 52 weeks ended 29 December 2018 and adding the applicable operating and financial information for the 26 weeks ended 29 June 2019, without accounting for differences in the application of accounting measures and the treatment of discontinued operations.

This Offering Memorandum includes unaudited *pro forma* financial information, presented on an as adjusted basis, to illustrate the effect the Transactions might have had on certain of our financial results for the 52 weeks ended 29 June 2019 and as at 29 June 2019, as applicable. The unaudited *pro forma* financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported had the Transactions been completed as at (i) 1 July 2018 for purposes of the calculation of EBITDA, operating free cash flow and cash interest expense and (ii) 29 June 2019 for the purposes of the calculation of cash and cash equivalents and net indebtedness (excluding leases). The unaudited *pro forma* financial information should not be taken as indicative of our future consolidated results of operations or financial position. Our historical results may not be indicative of our future results following completion of the Transactions. The unaudited *pro forma* financial information has not been prepared in accordance with any generally accepted accounting standards. The unaudited *pro forma* financial information should be read in conjunction with the information contained in "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the historical financial statements of the Target included elsewhere in this Offering Memorandum.

Non-IFRS Financial Information

Certain financial measures and ratios related thereto in this Offering Memorandum, including EBITDA, Underlying EBITDA, Normalised EBITDA, *pro forma* EBITDA, segment EBITDA, "like-for-like" revenue growth, "like-for-like" EBITDA growth, organic growth, EBITDA return on invested capital, operating free cash flow, revenue per capita and admissions revenue per capita (the "*Non-IFRS Metrics*"), are not specifically defined under IFRS. These measures are presented in this Offering Memorandum because they are measures our management uses to assess operating performance, and we believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure, and because we believe they present helpful comparisons of financial performance between periods by excluding the distorting effect of certain non-recurring items. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles.

Our Non-IFRS Metrics have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital commitments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortised over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, Non-IFRS Metrics should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. You should compensate for these limitations by relying primarily on our IFRS results and using these Non-IFRS Metrics only as supplements to evaluate our performance. Please see "*Summary—Summary Historical Consolidated Financial and Other Data*," "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our historical consolidated financial statements and the related notes included elsewhere.

For a description of how our Non-IFRS Metrics are calculated from our consolidated profit for the year/period and a reconciliation of our Non-IFRS Metrics to our consolidated profit for the year/period, please see "*Summary—Summary Historical Consolidated Financial and Other Data*."

EBITDA, Underlying EBITDA, Normalised EBITDA, Pro Forma EBITDA and Segment EBITDA

EBITDA, as used in this Offering Memorandum, represents profit before finance income and costs, taxation, depreciation and amortisation and is calculated after taking account of profit after tax of joint ventures.

Underlying EBITDA reflects adjustments to EBITDA to exclude the impact of certain one-off and non-trading items that, by their nature, can be classified as exceptional items. Historically, exceptional items have included items such as acquisition and integration costs, impairment charges and other one-off, non-recurring items and fair value re-measurements of financial instruments. No exceptional items were recognised for the 2016 and 2017 financial years, but exceptional costs of £4 million were incurred in delivering on our productivity agenda in the 2018 financial year. For the 26 weeks ended 29 June 2019, exceptional costs of £2 million were incurred in delivering on our productivity agenda. Underlying EBITDA from other financial years may also reflect such adjustments. Exceptional items, if any, are set out in the notes of our consolidated financial statements. For additional details in respect of exceptional items in the 2018 financial year and H1 2019, see note 2.2 of the audited consolidated financial statements of the 2018 financial year and the unaudited condensed consolidated financial statements for the 26 weeks ended 29 June 2019, respectively, each as included elsewhere in this Offering Memorandum. Underlying EBITDA and exceptional items may not be directly comparable with other similarly titled measures or profit measures used by other companies.

Normalised EBITDA for the 2018 financial year, H1 2018 and H1 2019 gives effect to certain adjustments made in connection with share-based payments (non-cash costs) and Tooley Street Exit Incentive (each as described under "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro Forma Financial Information*"), in each case, to Underlying EBITDA. In addition, Normalised EBITDA for (i) H1 2019 also gives effect to the disapplication of IFRS 16 and the exclusion in our results of the impact of discontinued operations and (ii) for the 2018 financial year and H1 2018 also gives effect to the exclusion in our results of the impact of discontinued operations. Normalised EBITDA for the 52 weeks ended 29 June 2019 has been calculated by subtracting Normalised EBITDA for H1 2018 from Normalised EBITDA for the 2018 financial year, and adding Normalised EBITDA for H1 2019. Normalised EBITDA may not be directly comparable with other similarly titled measures or profit measures used by other companies.

Pro forma EBITDA, as used in this Offering Memorandum, represents Normalised EBITDA adjusted to illustrate the effect the Transactions would have had on Normalised EBITDA if the Transactions had occurred on 1 July 2018. The estimated cost savings and adjustments in the Consortium's business plan, which have been used to calculate our *pro forma* EBITDA for the 52 weeks ended 29 June 2019, are based on a number of assumptions made in reliance on the information available to the Consortium and management's judgments based on such information. Assumptions used in estimating cost savings are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially. The figure shown for our *pro forma* EBITDA for the 52 weeks ended 29 June 2019 has not been, and cannot be, audited, reviewed or verified by an independent accounting firm and should not be relied upon when making an investment decision. *Pro forma* EBITDA may not be directly comparable with other similarly titled measures or profit measures used by other companies.

Segment EBITDA, as used in this Offering Memorandum, represents segment profit before exceptional items, finance income and costs, taxation, depreciation and amortisation and is after taking account of profit after tax of joint ventures. Certain costs are not allocated to individual operating groups and are therefore not included within segment EBITDA. Our segments are the Midway Attractions, LEGOLAND Parks and Resort Theme Parks (together, the "*Attractions*").

Constant Currency

The financial information presented on a constant currency basis included in this Offering Memorandum is unaudited and reflects an adjustment to eliminate the effect of exchange rate movements on our financial results for all currencies. Our management uses financial information, including revenue and EBITDA, on a constant currency basis to eliminate the impact of exchange rate movements and to enhance comparability between periods in evaluating our business performance and like-for-like growth.

In this document, financial information on a like-for-like basis has been prepared using the exchange rates applicable for the later of the two years being compared.

The weighted average exchange rates for our principal currencies in respect of revenue and EBITDA for the 2016, 2017 and 2018 financial years and for H1 2018 and H1 2019 were as follows:

	EBITDA weighted FX Rates					Revenue weighted FX Rates				
	2016	2017	2018	H1 2018	H1 2019	2016	2017	2018	H1 2018	H1 2019
€/£	1.21	1.13	1.13	1.14	1.16	1.23	1.14	1.13	1.14	1.15
US	1.37	1.29	1.34	1.37	1.30	1.37	1.29	1.34	1.37	1.30
A$/£	1.82	1.68	1.78	1.74	1.83	1.83	1.68	1.78	1.77	1.84
CAD/£	1.79	1.68	1.73	1.76	1.74	1.81	1.68	1.72	1.75	1.74
DKK/£	9.09	8.41	8.43	8.58	8.72	9.16	8.48	8.43	8.49	8.62
HK$/£	10.60	10.02	10.51	10.86	10.18	10.58	10.02	10.50	10.81	10.18
MYR/£	5.62	5.52	5.39	5.43	5.35	5.62	5.52	5.38	5.42	5.34
NZ$/£	1.99	1.81	1.93	1.92	1.92	1.97	1.81	1.93	1.92	1.93
RMB/£	9.03	8.77	8.85	8.79	8.80	9.00	8.75	8.84	8.76	8.80
SGD/£	1.88	1.79	1.80	1.82	1.77	1.88	1.78	1.80	1.82	1.77
THB/£	48.13	43.86	43.38	43.80	41.26	48.06	43.85	43.32	43.71	41.31
TRY/£	4.03	5.19	6.02	5.01	6.99	4.10	4.64	6.20	5.44	7.09
WON/£	1,593.22	1,470.30	1,470.47	1,478.90	1,475.09	1,585.85	1,462.94	1,469.49	1,477.31	1,477.79
YEN/£	100.62	145.04	147.62	149.64	144.74	147.26	144.68	147.57	149.35	143.69

We believe that constant currency measures have limitations, particularly as the currency effects that are eliminated may constitute a significant element of our revenue and expenses and could materially impact our performance. Our management does not evaluate our results and performance on a constant currency basis without also evaluating our financial information prepared in accordance with IFRS. Constant currency measures should be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS.

Like-for-Like Revenue, Like-for-Like EBITDA and Other Operating and Financial Information

Like-for-like revenue, like-for-like EBITDA and other operating and financial information, as used in this Offering Memorandum, represents the revenue, EBITDA and operating and financial information attributable to the estate of Attractions and other businesses owned and operated by us on the first day of the previous financial year. Like-for-like information is unaudited and is presented to enhance the comparability of our results of operations from period to period by disregarding the impact of acquisitions, new Attractions and other businesses, including new hotels and other accommodation, changes in foreign exchange rates and our exit from certain non-core smaller Midway Attractions. Our management uses like-for-like data as a key performance indicator of our business and as a tool for assessing the performance of specific operating groups, Attractions and other businesses from period to period.

Unless otherwise stated, like-for-like revenue and like-for-like EBITDA growth in respect of each financial period reflect the growth in revenue and EBITDA, respectively, attributable to the estate of Attractions and other businesses owned and operated by us on the first day of the immediately preceding financial year, on a constant currency basis for all currencies using the exchange rates applicable for the later of the two years being compared.

EBITDA Return on Invested Capital

EBITDA Return on Invested Capital ("*EBITDA ROIC*"), as used in this Offering Memorandum, is used in conjunction with the roll-out and development of new Attractions or new businesses (such as new hotels and other accommodation) and represents the incremental contribution to our EBITDA from the new Attraction or business on an annual basis on average over the first five full years of operation of such Attraction or business, divided by the aggregate development costs of the relevant Attraction or business and expressed as a percentage.

EBITDA ROIC is unaudited and is presented as a supplemental measure to enhance a prospective investor's understanding of the returns generated by our capital investments and our effectiveness in utilising our capital resources. Our management uses EBITDA ROIC in setting hurdles for the approval of, and for measuring the performance of, all revenue generating capital expenditure projects in our existing Attractions and facilities (the "*Existing Estate*").

Return on Capital Employed

Return on Capital Employed ("*ROCE*"), as used in this Offering Memorandum, is based on underlying operating profit after tax, which is defined as profit after tax excluding exceptional items, and the average net operating assets, which include all net assets other than deferred tax, derivative financial assets and liabilities and net debt.

Return on Capital Employed is unaudited and is presented to enhance a prospective investor's understanding of the return on capital employed. Our management uses Return on Capital Employed as a key performance indicator of our business.

Operating Free Cash Flow

Operating free cash flow, as used in this Offering Memorandum, represents EBITDA less Existing Estate capital expenditure.

Operating free cash flow is unaudited and is presented to enhance a prospective investor's understanding of our cash generation and provide prospective investors with a useful supplemental measure for comparing our liquidity in respect of our operations from period to period without the distortions of exceptional growth capital expenditure and other non-operating items. Our management uses operating free cash flow as a key performance indicator of our business and as an indicator of our ability to make strategic investments, repay our debt and meet other payment obligations.

Organic Growth

Organic Growth, as used in this Offering Memorandum, is based on growth from like-for-like businesses and New Business Development at constant currency, excluding growth from acquisitions and including our exit from certain non-core smaller Midway Attractions.

Organic Growth is unaudited and is presented to enhance a prospective investor's understanding of the growth of the business. Our management uses Organic Growth to measure progress on our strategy for growth.

Revenue Per Capita and Admissions Revenue Per Capita

Revenue per capita, as used in this Offering Memorandum, is calculated by dividing total visitor revenue by the number of visitors, excluding visitors to Attractions operated under management contracts (which includes LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye) and as part of joint ventures (which includes, for example, SEA LIFE Helsinki Oy (until we acquired the remaining 50 per cent. of shares in 2016) and Pirate Adventure Golf Limited (until we acquired the remaining 50 per cent. of shares in 2017)). Visitor revenue includes both revenue generated from admissions fees, including spend on fastrack passes, and commercial spend, including spend on food and beverages, retail purchases and souvenir photography. Revenue generated from our hotel operations, private functions and sponsorships, as well as revenue generated at Attractions operated under management contracts, including LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye, and under joint ventures, is not included in visitor revenue or revenue per capita.

Revenue per capita data is unaudited and is presented to provide prospective investors with a supplemental measure to evaluate our financial performance, enhancing comparison of results from period to period and by operating group or Attraction by highlighting the visitor revenues achieved per visitor, as opposed to aggregate visitor revenues which depend largely upon visitor numbers. Our management uses revenue per capita as an indicator of profitability and yield and uses revenue per capita to evaluate the performance of operating groups and Attractions from period to period.

Admissions revenue per capita, as used in this Offering Memorandum, represents total revenue from admission fees divided by the number of visitors (excluding visitors to Attractions operated under management contracts and under joint ventures). Unlike "*revenue per capita*," admissions revenue per capita does not take account of revenue from commercial spend.

Rounding

Certain figures in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row.

Independent Auditors

The consolidated financial statements of the Target as at and for the 52 weeks ended 29 December 2018, the 52 weeks ended 30 December 2017 and the 53 weeks ended 31 December 2016, included in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein. The consolidated financial statements of the Target as at and for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019, included in this Offering Memorandum, have been reviewed by KPMG LLP, independent auditors. Accordingly, the degree of reliance on their report on financial information as at and for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019 should be restricted in light of the limited nature of the review procedures applied.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, KPMG LLP's independent auditors' reports state that: they were made solely to the Target's members as a body and are subject to important explanations and disclaimers regarding KPMG LLP's responsibilities, which are incorporated into the independent auditors' reports as if set out in full and should be read to provide an understanding of the purpose of the reports, the work KPMG LLP has undertaken and the basis of its opinions. A description of KPMG LLP's responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Investors in the Notes should understand that in making these statements, KPMG LLP confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than the Target's members as a body, with respect to the reports and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Securities Exchange Act of 1934, as amended (the "*U.S. Exchange Act*"). If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. As the offered Securities have not been, and will not be, registered under the U.S. Securities Act, KPMG LLP has not filed a consent under the U.S. Securities Act. See "*Risk Factors—Risks Related to the Notes and Our Structure—Investors in the Notes may have limited recourse against our independent auditors.*"

MARKET AND INDUSTRY DATA

In this Offering Memorandum, we refer to information regarding our business and the markets in which we operate and compete. The market data and economic and industry data and forecasts used in this Offering Memorandum have been derived from:

- Brand Finance Global 500 report (2017);
- Brand Finance Global 500 report (2019);
- World Travel and Tourism Council Travel and Tourism Economic Impact 2019 World report;
- Press releases by the United Nations World Tourism Organization;
- Key Tourism Figures May 2019 report by the United Nations World Tourism Organization;
- TEA/AECOM Theme Index and Museum Index: The Global Attractions Attendance (2009-2018) reports; and
- Reports by VisitBritain (together, the "*data reports*").

The market data and economic and industry data presented in the data reports includes (i) data from independent third-party data providers as well as information provided by the Company and (ii) information and statements reflecting such third-party providers' knowledge and estimates of the industry and markets in which we operate.

We cannot assure you that any of the assumptions that the providers of the data reports have made in compiling this data are accurate or correctly reflect our position in the relevant markets. In addition, the markets in which we operate and compete may have shifted or changed since the date that each data report was prepared. Therefore, the data reports may not accurately reflect certain aspects of the current market and industry. Further, the providers of the data reports do not warrant, represent or guarantee the accuracy and completeness of any information in this Offering Memorandum, and neither do the providers of the data reports accept any responsibility or liability to any party who relies on any information contained in this Offering Memorandum. As we do not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in third-party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. We also do not have access to the facts and assumptions underlying the projections made in the market data obtained from the data reports, or the other third-party reports that contributed to any of the data reports. Various economic and other factors may cause actual results to differ from these projections.

In certain instances, the market data and economic and industry data and forecasts used in this Offering Memorandum have been based solely on our experience, internal studies and estimates and our own investigation of market conditions. We believe that the sources of such information in this Offering Memorandum are reliable, but there can be no assurance that these assumptions are accurate or correctly reflect our position in these industries, and none of our internal surveys or information has been verified by any independent sources. Such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum. As a result, none of us, the KIRKBI Group, the Consortium nor the Initial Purchasers make any representation as to the accuracy of such information.

In considering the industry and market data included in this Offering Memorandum, you should note that this information may be subject to significant uncertainty due to differing definitions of the relevant markets and market segments described. All estimates involve risks and uncertainties and are subject to change based on various factors. The projections and forward-looking statements in this section are not guarantees of future performance, and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "*Forward-Looking Statements*," "*Risk Factors*," "*Industry Overview*" and "*Business*" for further discussion.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of its respective holder. In particular, we have the right to use the LEGOLAND and LEGO trademarks in the LEGOLAND Parks and LEGOLAND Discovery Centres on an exclusive worldwide basis pursuant to the terms of the LCA with KIRKBI A/S, who through a wholly owned subsidiary, KIRKBI Invest A/S, are one of our significant shareholders. See "*Business—Material Contracts—Intellectual Property*." In addition, for example, we have the right to use certain brands, including, amongst others, Star Wars, CBeebies, Shrek and Ghostbusters, either for entire Attractions, themed lands and accommodation at our Theme Parks or features at other Attractions.

Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the TM, ® and © symbols. LEGO, the LEGO logo, NINJAGO and LEGOLAND are trademarks of the LEGO Group. ©2018 The LEGO Group.

EXCHANGE RATE AND CURRENCY INFORMATION

Unless otherwise indicated, references in this Offering Memorandum to "*sterling*," "*pounds sterling*," "*GBP*" or "*£*" are to the lawful currency of the United Kingdom, references to "*euro*," "*EUR*" or "*€*" mean the lawful currency of the European Union member states participating in the European Monetary Union and references to "*US$*," "*$*," "*USD*," "*dollars*" or "*U.S. dollars*" mean the lawful currency of the United States.

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per £1.00. The Bloomberg Composite Rate (London) is a "*best market*" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate (London) is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and operating and financial information appearing in this Offering Memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represent that the U.S. dollars amounts referred to below could be or could have been converted into pounds sterling at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates (London) on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates (London) during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the U.S. dollar on 3 October 2019 was $1.2373 per £1.00.

	U.S. dollar per £1.00			
Year	**High**	**Low**	**Average(1)**	**Period end**
2016	1.4810	1.2158	1.3554	1.2345
2017	1.3582	1.2068	1.2888	1.3524
2018	1.4325	1.2516	1.3350	1.2746
2019 (through 3 October 2019)	1.3302	1.2060	1.2725	1.2373
Month				
January 2019	1.3176	1.2587	1.2899	1.3122
February 2019	1.3302	1.2805	1.3014	1.3266
March 2019	1.3285	1.2993	1.3164	1.2993
April 2019	1.3170	1.2902	1.3030	1.3042
May 2019	1.3147	1.2612	1.2845	1.2628
June 2019	1.2747	1.2553	1.2675	1.2695
July 2019	1.2635	1.2166	1.2466	1.2214
August 2019	1.2297	1.2060	1.2160	1.2166
September 2019	1.2503	1.2077	1.2353	1.2290
October 2019 (through 3 October 2019)	1.2373	1.2309	1.2333	1.2373

(1) The yearly average represents the average of the exchange rates on the last business day of each month during the relevant period. The monthly average represents the average of the exchange rates on each business day during the relevant period.

The Bloomberg Composite Rate of the euro on 3 October 2019 was €1.1265 per £1.00.

	Euro per £1.00			
Year	**High**	**Low**	**Average(1)**	**Period end**
2016	1.3645	1.0983	1.2237	1.1705
2017	1.1968	1.0758	1.1415	1.1250
2018	1.1568	1.0999	1.1302	1.1130
2019 (through 3 October 2019)	1.1745	1.0769	1.1329	1.1265
Month				
January 2019	1.1551	1.1078	1.1299	1.1461
February 2019	1.1699	1.1336	1.1466	1.1655
March 2019	1.1745	1.1504	1.1652	1.1581
April 2019	1.1712	1.1533	1.1599	1.1628
May 2019	1.1743	1.1313	1.1482	1.1313
June 2019	1.1296	1.1155	1.1222	1.1175
July 2019	1.1214	1.0909	1.1116	1.0977
August 2019	1.1082	1.0769	1.0929	1.1164
September 2019	1.1076	1.0903	1.1010	1.0903
October 2019 (through 3 October 2019)	1.1265	1.1231	1.1253	1.1265

(1) The yearly average represents the average of the exchange rates on the last business day of each month during the relevant period. The monthly average represents the average of the exchange rates on each business day during the relevant period.

For informational purposes only, we present the pounds sterling equivalent for certain figures denominated in euro or U.S. dollars and for certain aggregate figures comprises, in part, of figures denominated in euro or U.S. dollars.

SUMMARY

This summary highlights selected information about us and about the Offering contained elsewhere in this Offering Memorandum. The following summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum. Before making an investment decision, you should read this entire Offering Memorandum carefully, including the consolidated financial statements and the notes thereto and the operating and financial information contained in this Offering Memorandum, the risks described under "Risk Factors," the terms of the Notes and the tax and other considerations, which are important to your decision to invest in the Notes. Certain defined terms used herein are defined elsewhere in this Offering Memorandum.

Overview

We are a global leader in branded, location-based family entertainment. As at 29 June 2019, we operated 133 Attractions in 25 countries across four continents, and in the 52 weeks ended 29 June 2019, we welcomed approximately 68 million visitors to our Attractions. We are 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. We are 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. We believe we own and/or operate 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 our extensive technical and creative expertise.

Since our creation in 1999, our strategic vision has been the creation of a high growth, high return, family entertainment business, naturally balanced against the pressures of the macroeconomic environment in which we operate. Our portfolio of assets and brands is highly diversified across geography, attraction type, brand and customer demographic and our 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). We believe our footprint across 25 countries provides us with a favourable platform to benefit from the global growth in spending on travel and tourism, by allowing us to attract both international tourists and domestic visitors, and providing us with a buffer in the event of macroeconomic and currency risks. Our operating groups offer our visitors diverse entertainment options, including both indoor Attractions within city centres as well as outdoor theme parks offering multi-day visits. We estimate that in 2018, 72 per cent. of visitors to our Attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of our visitors. In the 2018 financial year, excluding the impact of IFRS 15, 62 per cent. of our revenues were generated by outdoor Attractions and 38 per cent. by indoor Attractions, providing a natural hedge against weather disruptions.

We have established a diverse portfolio of nationally and internationally recognised premium brands focused on delivering memorable experiences to millions of visitors around the world. We 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. We generated *pro forma* EBITDA of £506 million for the 52 weeks ended 29 June 2019. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

We are organised into three operating groups:

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks
Description	• Branded, predominantly indoor visitor attractions, located in city centres, resorts or shopping malls, typically with up to two hour visitor duration	• Interactive outdoor theme parks offering multi-day visits targeted at families with children aged two to 12 • All open LEGOLAND Parks (except LEGOLAND Dubai) have themed on-site accommodation	• National destination outdoor theme parks offering multi-day visits in densely populated European markets • With themed on-site accommodation across all parks
Attractions/parks (as at 29 June 2019)	119 Attractions[1]	8 parks[2]	6 parks
Hotels/Holiday Villages	—	10 hotels/3 holiday villages	10 hotels/3 holiday villages
Countries where present	22	7	3
Visitors (m) (for the 52 weeks ended 29 December 2018)[3]	40.4	15.6	11.0
Revenue (£m) (for the 52 weeks ended 29 December 2018)[4]	677	637	367
Segment EBITDA (£m) (for the 52 weeks ended 29 December 2018)[5]	210	242	88
Rooms (as at 29 June 2019)	—	2,581	1,909
Selection of key brands:	SEA LIFE; the Dungeons; Merlin Entertainments The Eye Brand; Madame Tussauds; LEGOLAND Discovery Centre	LEGOLAND	Alton Towers; Heide Park Resort; Warwick Castle; Gardaland Resort; Thorpe Park; Chessington World of Adventures Resort

(1) Includes seven "*second gates*," which are visitor attractions at an existing resort with a separate entrance and for which additional admission fees are charged. These have been reduced to six second gates with the closure of The Jurassic Skyline that was announced in August 2019. Since 29 June 2019, we have closed, sold or otherwise transferred three Midway Attractions, comprising SEA LIFE Chongqing, The Jurassic Skyline and Wild Life Hamilton Island.

(2) Includes LEGOLAND Malaysia and LEGOLAND Dubai, which we operate under management contracts and LEGOLAND Japan, which we operate under our "*leased and operated*" model.

(3) Visitor numbers include visitors to Attractions operated under management contracts (which, during the periods under review, included LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye) and visitors to Attractions operated as joint ventures.

(4) Includes revenue from discontinued operations.

(5) Segment EBITDA excludes the impact of (i) other items in the amount of £46 million, including Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable operating groups and (ii) exceptional items in the amount of £4 million, which comprise certain one-off operational costs that have been incurred in 2018 as part of our productivity agenda initiatives, which are expected to continue through to 2021, as well as exit costs in respect of certain small, non-core Midway sites. Exceptional items are separately presented as they are not part of our underlying operating expenses. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

Our three operating groups are supported by our 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 our group and creating high-class, compelling propositions for our 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 our 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 our Peppa Pig-themed Attractions, including our "*in park*" Peppa Pig Lands at Gardaland Resort and Heide Park Resort and our first Peppa Pig World of Play Attraction in Shanghai. We believe these Attractions continue to broaden our appeal in different markets and geographies, and reflect the increasing volume and strength of our relationships with third-party intellectual property holders who seek to leverage their content through location-based entertainment. We 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 and SEA LIFE Centres in Shenyang and Malaysia and re-launched the Colossos roller coaster at Heide Park Resort. Merlin Magic Making is also working on a number of Attractions expected to be launched in 2020, including our development of LEGOLAND New York and the LEGOLAND Waterpark at Gardaland Resort.

Our senior management is also supported by our 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.

Our strategy and performance is underpinned by our 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. Our strong financial returns are also the result of our efficient and strategic deployment of capital expenditure across the Existing Estate and new Attractions.

We have demonstrated the strength of our diversified business model through our historical financial track record. The drivers of this performance are:

- investment in our Existing Estate to improve customer satisfaction, increase capacity and provide compelling new propositions to guests in order to drive organic growth through visitations and pricing power;
- rolling out new Midway Attractions under our 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 our geographic diversification;
- developing 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, we announced that we 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 our Theme Parks into destination resorts by adding a broad range of themed accommodation and new Attractions at our 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.

Our Competitive Strengths

Unique Portfolio of Strong Brands and Iconic Assets

We believe we own and/or operate 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 our Midway Attractions operating group, LEGOLAND California and LEGOLAND Windsor in our LEGOLAND Parks operating group and Gardaland Resort and Alton Towers Resort in our Resort Theme Parks operating group. We believe the strength and breadth of our iconic brand portfolio enable us 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. Our

LEGOLAND Parks also benefit from a mutually synergistic relationship with the LEGO Group. Our 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*." Our portfolio of brands enables us to differentiate our Parks and Attractions from unbranded operators and to attract visitors to our Attractions.

Midway Attractions

Our 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. We believe the strength of our brands allows us to maximise economies of scale and synergies. As at 29 June 2019, our Midway Attractions 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 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 Dungeon, 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 eight countries, including LEGOLAND Discovery Centres in each of Beijing, San Antonio and Shenyang which opened in 2019.

In 2018, we opened seven new Midway Attractions, which included Little BIG City Beijing, our 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 U.K. and Peppa Pig World of Play in Shanghai. In H1 2019, we 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.

Other Attractions include two Treetop Walk experiences in Victoria and New South Wales, Australia, which we acquired as part of the Living and Leisure Australia acquisition in February 2012, one WILD LIFE Australian animal adventure Attractions in Sydney, "*DreamWorks Tours' Shrek's Adventure!*" Midway Attraction in London and two "Little BIG City" Midway Attractions in Berlin and Beijing.

Our scale and portfolio of strong brands has allowed us to leverage a number of strategic synergies. We have 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.

LEGOLAND Resorts and Parks

The LEGO brand is globally recognised and is associated with fun and learning through play. We hold the global, exclusive license to own and operate LEGOLAND Parks until at least 2054. We own and/or operate LEGOLAND Parks in Denmark, Germany, Malaysia, the United Kingdom, Dubai, California, Florida and Japan, all of which 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.

We have expanded our 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. We operate 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 while we funded and built the rides, provided the necessary theming and built the on-site SEA LIFE Centre second gate and the on-site accommodation. We lease the site on a long-term basis and operate the park. In 2017, we 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. We continue to target a 2020 opening for the park, although the timetable and costs are under pressure given the scale and complexity of the project, with accommodation at the park expected to open in 2021. At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. This site is also being developed under an "*owned and operated*" model.

We have also identified sites for potential LEGOLAND Parks in the medium and long-term and remain 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. In September 2019, we announced that we 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.

All of our 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. We opened 644 new rooms in 2018, including a 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 our parks, increased the level of pre-booked revenue and improved cross-selling opportunities. For example, we opened 142 rooms at the Pirate Island Hotel at LEGOLAND Deutschland in 2018 and had a guest satisfaction score of 97 per cent. and occupancy of up to 95 per cent. during 2018. We also have plans for additional accommodation at our other parks in future years. We believe these hotels and villages provide an integral contribution to the overall customer experience and help drive increases in multi-day ticket sales.

Resort Theme Parks

Each of our 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 our Resort Theme Parks, certain of which are among the leading theme parks in the U.K., Italy and Northern Germany, enjoys high brand and customer awareness in its local market.

We believe that each of our Resort Theme Parks offers a compelling, coherent proposition and strong theming, with few or no local competitors that can offer the same quality or scale of visitor experience. We aim to implement effective marketing and promotions to ensure that each brand is the strongest in its relevant market. Our Resort Theme Parks are increasingly recognised as destination resorts, attracting short break visits from national and, in certain cases, international visitors, supported by short break marketing campaigns. Each of our Resort Theme Parks has one or more hotels or holiday villages. In 2016, we opened a second hotel at Gardaland Resort and a holiday village at Warwick Castle. We also opened a 76-room CBeebies Land Hotel and 102 "*stargazing pods*" at Alton Towers Resort in 2017 and 2019, respectively. In 2019, we also opened a Magic Hotel at Gardaland Resort and announced the intended opening of a LEGOLAND Waterpark at Gardaland Resort in 2020.

Each of our 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, we have a market-leading position in the United Kingdom, where we own the top four theme parks, as classified by the Themed Entertainment Association, by number of visitors in 2018: LEGOLAND Windsor (part of our LEGOLAND Parks operating group), Alton Towers Resort, THORPE PARK Resort and Chessington

World of Adventures Resort. We also hold strong market positions in Italy and Germany, in each case by number of visitors in 2018.

The scale of our 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.

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 our 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 we are faced with more challenging economic conditions as individuals forego destination holidays in favour of entertainment closer to home. We believe we are increasingly well-positioned to meet this demand for short-term accommodation through our growing offering of themed, on-site accommodation and second gate Attractions aimed at extending the duration of our visitors' stay. In 2018, accommodation revenue represented 21 per cent. of revenue across our 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 our 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.

Intellectual Property Partnerships

Given our global reach and multi-format expertise, we believe we are well-placed to benefit from the growing opportunities to partner with leading owners of intellectual property content. These partnerships provide us with additional means to deliver memorable experiences to visitors of our Attractions and we offer our partners opportunities to increase engagement with their customers. For example, we have multiple intellectual property agreements ranging in scale from local level relationships for specific Attractions, to global, multi-product relationships with some exclusivity, to our core global, multi-product and exclusive relationship with the LEGO Group. We hold the global, exclusive rights to the LEGOLAND brand under the licencing and co-operation agreement signed with KIRKBI A/S. We have 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 Acquisition, will be a 50 per cent. investor, directly or indirectly in Bidco (which will hold 100 per cent. of the shares in the Target Group). See "*—The Transactions—The Acquisition*." We have also established and continue to develop, global, regional and local intellectual property partnerships allowing us to use brands such as Star Wars, Ghostbusters, the Gruffalo, Shrek, Kung Fu Panda and CBeebies, the latter through our partnership with BBC Worldwide. We continue to develop new global intellectual property partnerships and in 2018, we opened a Bear Grylls Adventure Attraction in the United Kingdom and a Peppa Pig Attraction in China. Our 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!*"

Strong Market Positions with High Guest Satisfaction

We are 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 our operating groups commands a strong market share within its market and benefits from competitive advantages. Our ongoing product investment and innovation, and strong focus on creating memorable experiences for our guests, have resulted in continued strong levels of guest satisfaction. In 2018, we delivered an overall guest satisfaction score across our group of 95 per cent. and a "*Net Promoter*" score of 57 per cent. which measures the propensity for our guests to recommend our Attractions and which increased compared to 2017. We consider a Net Promoter score of 50 per cent. or more to be "*world class.*" Our "Net Promoter" score was 47, 50, 53, 55 and 55 for the financial years 2013, 2014, 2015, 2016 and 2017, respectively.

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

We also retain a number of competitive advantages in the Midway Attractions operating group. These advantages include strong brand recognition in connection with our existing brands such as Madame Tussauds, SEA LIFE, the Eye and LEGOLAND/LEGO, our own in-house Merlin Magic Making team which includes wax sculptors, our SEA LIFE marine biologists and our ability to operate our Midway Attractions as part of "*clusters*," where multiple Attractions are situated in one city or region to capitalise on cross-selling, including through our multi-Attraction pass opportunities. We have been able to capitalise on our marketing leverage through ticketing promotions with partners such as Kellogg's and Tesco, amongst others. A popular package amongst customers is the sale of annual passes, which are purchased online or at our 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.

In addition, our scale also allows us to capitalise on operating cost efficiencies, including marketing costs, central management, site development expertise and application of visitor management experiences across our portfolio.

Well-Diversified Portfolio

Through our broad portfolio of Attractions, our overall business is diversified across geography, attraction type, brand and customer demographic. This diversification helps us 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.

We operate 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 our revenue, respectively. 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. Our long-term ambition is for a relatively equal split of revenue across Europe (including the United Kingdom), North America and the Asia Pacific region. Our business is not reliant upon the "*fly-in*" market of international tourism. We estimate that in 2018, 72 per cent. of visitors to our Attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of our visitors. Domestic visitors enhance the resilience of the underlying business as relatively low-cost local tourism is preferred in a soft macroeconomic environment.

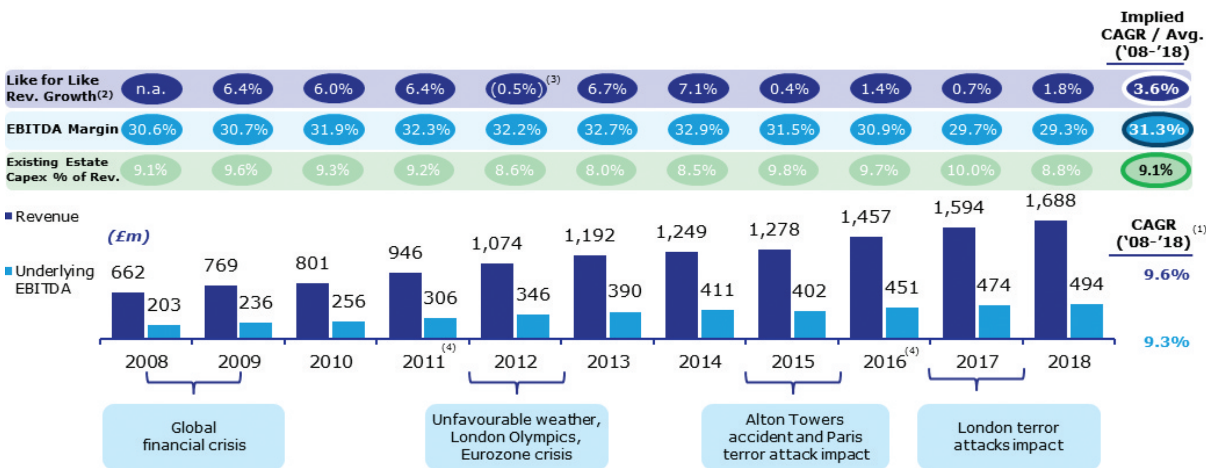
Our Attractions range in format from city centre to destination resorts and coastal Attractions, capturing both the urban and resort-based tourist market and appealing to visitors ranging from families with young children to teenagers and adults. Our Attractions are also partially insulated against extreme weather or seasonal changes through a mixture of formats with approximately 38 per cent. of our 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 our Attractions are open year-round, other than our European Theme Parks, which tend to be closed during the winter. In 2018, 62 per cent. of our 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.

Consistent Financial Track Record with Flexible Cost Base

We have a strong financial track record, with reported revenue growth between 2008 and 2018 reflecting a CAGR of approximately 9.6 per cent., excluding the impact of IFRS 15 for the financial year 2018. We have also demonstrated an ability to improve Underlying EBITDA during periods of macroeconomic volatility, geo-political uncertainty and challenging trading conditions within our operating groups, with reported Underlying EBITDA growth between 2008 and 2018 reflecting a CAGR of approximately 9.3 per cent.

We have a flexible cost base, with an ability to effectively increase and decrease the number of employee hours and scheduling of shifts at our Attractions depending on customer demand levels. There is a lead time required to reduce our costs and our ability to achieve these reductions is greater ahead of peak season. For the 2018 financial year, approximately 18 per cent. of our costs varied directly with revenue, comprising, amongst other things, retail inventory, food and beverage consumables. For the 2018 financial year, we 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.



Source: Company information.

(1) CAGR excludes the impact of IFRS 15, which resulted in an increase in reported revenue of £35 million in 2018.

(2) Like-for-like revenue growth refers to year-on-year growth on a constant currency basis using the prior year's exchange rates and including all businesses owned and operated before the start of the prior year. Revenue for the financial year 2018 includes the impact of IFRS 15, which resulted in an increase 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 was impacted by the 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 the Eurozone crisis.

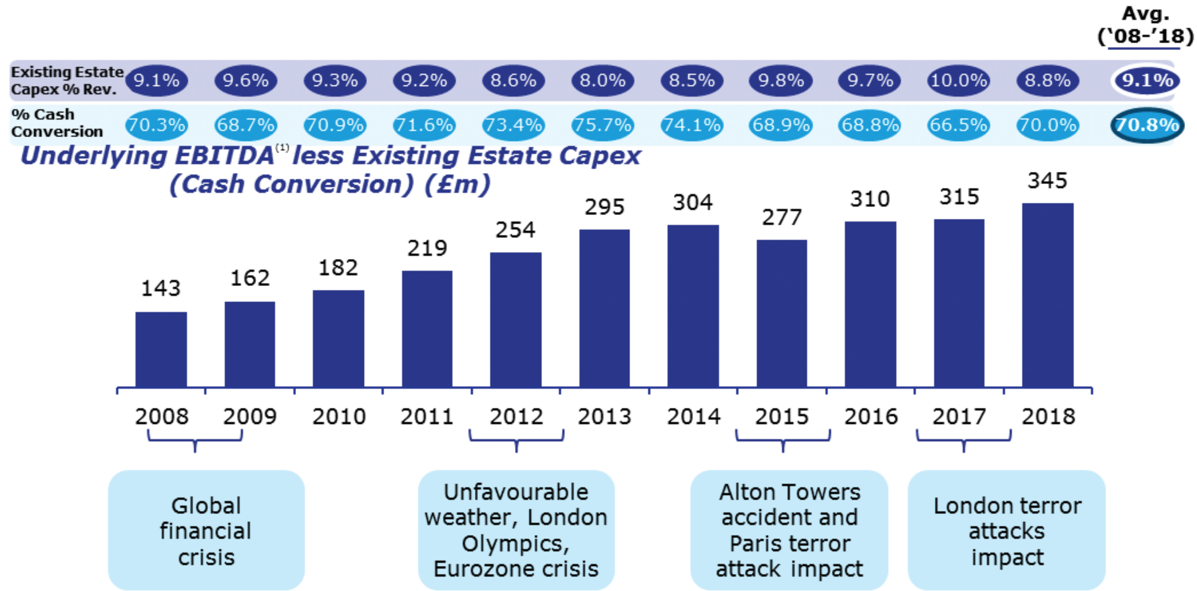
(4) Represents audited financial information for the 53 weeks ended 31 December of the respective year, on an as reported basis. Like-for-like revenue growth is presented for 52 weeks. Revenue for 52 weeks would be £933 million for 2011 and £1,428 million for 2016, and EBITDA would be £296 million for 2011 and £433 million for 2016. Amounts representing Existing Estate capital expenditure for the 52-week periods in 2011 and 2016 are not available.

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

Our 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. We consider Return on Capital Employed ("*ROCE*") to be an important metric for appraising financial performance and for the 2018 financial year, our ROCE was 8.9 per cent. (2017 financial year: 9.1 per cent.). See "*Presentation of Financial Information—Non-IFRS Financial Information*." Further, our 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 our Attractions. We also maximise our marketing spend through targeted campaigns focused on educating prospective customers about new Attractions and rides. Throughout this process, we take advantage of our market leverage and implement 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 we derive from our core competencies, we maintain our 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 our Resort Theme Parks because they are geared towards families with young children and do not require expensive, large format roller coasters. Our 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, we do 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. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure*."

Capital expenditure across our portfolio of Attractions is primarily funded out of our operating free cash flow. Our 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 our Existing Estate. Between the 2008 financial year and the 2018 financial year, we invested on average 9 per cent. of our revenue in Existing Estate capital expenditure. Our successful and flexible capital expenditure programme has translated into consistently positive cash conversion with average cash conversion of greater than 70 per cent. between the 2008 financial year and the 2018 financial year. Further, we benefit from structurally favourable working capital due to a high proportion of pre-bookings by visitors.



Source: Company information.

(1) Underlying EBITDA reflects adjustments to EBITDA to exclude the impact of certain one-off and non-trading items that, by their nature, can be classified as exceptional items. See "*Presentation of Financial Information—Non-IFRS Financial Information*." No exceptional items were recognised for the 2016 and 2017 financial years, but exceptional costs of £4 million were incurred in delivering on our productivity agenda in the 2018 financial year. Exceptional items, if any, are set out in the notes of our consolidated financial statements for the relevant period.

Highly Experienced and Diverse Management Team Backed by Equity Owners with In-depth Knowledge of the Company

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

Our senior management team is supported by local management teams, which run our operating 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. Our senior management team is also supported by the Merlin Magic Making team, which is our unique, creative and project management resource. Merlin Magic Making also provides creative design and production. Merlin Magic Making is supported by our 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 twelve to 18 months of trading before handing over responsibility to the relevant operating group once the Attraction is established. Our strong local management teams are often a result of our culture of training and development, with central and local programmes to develop skills at all levels of the organisation. The commitment of our 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 our engagement score, which measures whether our teams think we are 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*."

Our senior management team is supported by Blackstone and KIRKBI, with whom we have meaningful and successful history. Blackstone had previously been our majority shareholder since a management-backed buy-out investment in 2005. At the same time, we acquired rights to LEGOLAND Parks from KIRKBI A/S, who signed the licensing and co-operation agreement with us, and KIRKBI became one of our shareholders. See "*Business—History—Our Relationship with the KIRKBI Group.*" Blackstone and KIRKBI continued to jointly control Merlin for eight years from 2005 to 2013, during which period we 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. Our senior management team has a strong relationship with Blackstone and KIRKBI, with our current CEO, Nick Varney, having worked closely with Blackstone and KIRKBI during their previous ownership tenure. Blackstone has longstanding experience investing in the visitor attractions industry as well as the broader hospitality, travel and leisure sectors. Blackstone's previous investments include Merlin Entertainments, SeaWorld, Six Flags, Universal Orlando, Center Parcs, Hilton Hotels and The Cosmopolitan Hotel. 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.

Our Strategy

Existing Estate Growth via the Application of Prudent Investment Practices

We continue to invest in our existing Attractions to improve the visitor experience, which we believe is a key driver for increased visitor numbers and revenue growth. To improve our product appeal, maintain our high levels of customer satisfaction and drive organic growth, we have developed prudent investment practices. Investments are planned well in advance, where possible, according to the forecasted potential returns and the capital requirements of the respective Attraction, operating groups and location. Existing Estate capital expenditure is divided between adding new rides or displays and enhancements to our Attractions, replacing old features with newer, more compelling ones and general maintenance, including ensuring health and safety standards are met or exceeded. Our capital expenditure practices are designed to develop the product portfolio over time so as to increase visitor numbers and visitors' length of stay and to support value added increases in admissions fee prices and commercial spend, thereby delivering growth in revenue and profitability.

In addition to major rides and developments, we also make smaller investments at most Attractions to support a continually refreshed marketing message and sustained level of visitor satisfaction. For example, we have developed touring displays of wax work figures which can be rotated around our Madame Tussauds Attractions.

In consultation with the Consortium, we intend to continue maintaining the existing standards of general maintenance and commitments to ensure health and safety standards and making strategic, value-accretive investments in our Existing Estate and in respect of New Business Development in the near term as well as in the medium term to maintain and strengthen our leading positions in the industry in which we operate.

Leveraging Strategic Synergies

We aim to leverage our scale in key markets to maximise our operational, marketing, product and cost synergies. Strategic initiatives we have taken include:

The Merlin Annual Pass and Merlin Pass Monthly Membership

We offer 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, we also allow 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 our 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 pass 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.

Accesso Ticketing

The roll-out of the accesso "*Passport*" ticketing system across our estate is largely complete. Previously, customers had to purchase tickets for our various Attractions separately using a fragmented ticketing system. Accesso helps standardise ticketing across our estate, giving us greater opportunities to up-sell and cross-sell tickets, which we believe will be of particular benefit for cluster Attractions. Accesso provides for benefits in mobile sales and ticketing, Merlin Annual Pass management and queue-busting ticket sales. There is a particular focus on online sales and bookings to improve the customer "*digital journey*." Online pre-bookings help provide a short-term hedge against the impact of poor weather. They also offer opportunities to cross sell commercial spend items, such as overnight accommodation and priority ride passes.

Group Promotions and Marketing

We apply flexible pricing and promotional strategy to manage visitor numbers through peaks and troughs of attendance, to extend the length of stay and to encourage repeat visits and to enhance overall revenue from each Attraction. Such pricing strategies include promotional discounts, such as selling admission through a retailer's loyalty card programme, and wider national marketing campaigns, such as one part of a newspaper advertising promotions and "*on pack*" promotions of major consumer brands. We have conducted successful national promotions in the United Kingdom, including promotions with Tesco, McDonalds and Kellogg's, as well as abroad. We use these methods to strategically drive demand for the Attractions at times when visitor numbers are typically lower, to drive commercial spend and to achieve "*low cost*" advertising to build Attraction and brand awareness. Online channels provide opportunities for more targeted promotions with lower lead times in the future.

Procurement Synergies

Our scale allows us to exploit procurement cost efficiencies within a country or region and across clusters and we seek to achieve benefits from such savings as we increase our global scale.

Productivity Agenda

We have successfully mitigated cost pressures in recent years, resulting from legislative changes, such as the U.K. national living wage, and significant increases in utility and business rates. We are also increasingly seeing the impact of tighter labour markets in many parts of the world, such as Southern California, Southern Germany and the South East of England. To date, our ability to mitigate costs has been achieved largely through Attraction-level savings and tactical efficiency improvements.

Our global productivity agenda gathered pace in 2018, aimed at streamlining and evolving our back office and operations to provide long-term sustainable savings. For example, we are developing our new cloud based finance system, which is scheduled to be rolled out across the business from the fourth quarter of the 2019 financial year, to stimulate better use of technology and the centralisation and standardisation of activities. As a part of "*model evolution,*" we have launched initiatives seeking to simplify and streamline the operations of our smaller Midway Attractions and applied lean continuous improvement principles across our Theme Parks. We have also exited certain non-core smaller Midway Attractions. As this programme accelerates, we expect to incur total one-off costs of approximately £35 million from 2018 through 2021, of which £6 million has been incurred as at 29 June 2019. We initially anticipated that these initiatives will generate up to £35 million of sustainable, annualised savings by 2022, including back office costs savings and operational savings. We expect to generate these savings through a number of initiatives, including the centralization of activities into shared service hubs, the automation of processes, dynamic pricing tools and organisational syndication. In addition, we believe there may be opportunities for cost savings beyond what was initially anticipated. For example, we expect to generate an additional £2 million of annual savings as a result of our delisting from the London Stock Exchange. In addition to delivering financial savings, our agenda seeks to improve productivity, better enabling our Attraction staff and general managers to focus on delivering memorable experiences for our guests.

Transformation of Theme Parks to Destination Resorts

We seek to position our Theme Parks as destination resorts through the addition of a broad range of themed accommodation. We expect our enhanced Theme Parks will benefit from the growing short break tourism market and complement the business generated by our day visit market.

As at 29 June 2019, we had a total of 4,490 themed rooms across our Theme Parks. These include themed on-site accommodation at all of our open LEGOLAND Parks, with the exception of LEGOLAND Dubai, ranging from 61 to 263 rooms. A hotel is scheduled to open at LEGOLAND Dubai in 2020. LEGOLAND Deutschland, LEGOLAND Billund and LEGOLAND Florida each include a holiday village, ranging from 166 to 319 rooms. LEGOLAND Billund opened a 142-room Castle Hotel in 2019. Alton Towers Resort has three hotels, including the 76-room CBeebies Land Hotel, which opened in 2017 and 102 "*stargazing pods*," which opened in 2019. Gardaland Resort has three hotels, including the Magic Hotel which opened in 2019, Chessington World of Adventures Resort has two hotels and THORPE PARK Resort and Heide Park Resort each has one hotel. In addition, Warwick Castle has a 65-room "*Knight's Village*" and Heide Park Resort has a 165-room holiday camp. We believe these hotels and holiday villages provide an integral contribution to the overall customer experience, help drive pre-booking, increase multi-day ticket sales and improve guest satisfaction. We believe that this destination positioning has already extended visitor market reach to over five hours drive time and has enhanced revenues from both primary admissions, including multi-day tickets and second gate admission fees, and commercial spend. The latter is typically comprised of the sale of food and beverages, merchandise and souvenirs as a result of longer average lengths of stay.

We are also continuing our strategy of investing in second gate and up-sell Attractions, where appropriate, to lengthen overall visitor times and enhance revenues. In 2018 and 2019, we opened three second gate Attractions at our Theme Parks in the United Kingdom and Asia. In 2019, we announced the targeted opening of a LEGOLAND Waterpark as a second gate at Gardaland Resort in 2020, in addition to Gardaland Resort's existing second gate, SEA LIFE Aquarium.

LEGOLAND Park Developments

We have a proven track record of developing and operating LEGOLAND Parks globally. We opened new LEGOLAND Parks in Florida in 2011, in Malaysia in 2012, in Dubai in 2016 and in Nagoya, Japan in 2017. LEGOLAND Malaysia and LEGOLAND Dubai are operated under management contracts. LEGOLAND Japan is operated under our "*leased and operated*" model. In October 2017, we announced the development of LEGOLAND New York in Goshen, Orange County, 60 miles north-west of New York City, with a targeted opening of the park in 2020. In 2018, we announced our intention to open a LEGOLAND Park in South Korea by 2022 and we have further development plans in China with a focus on operating these parks under management contracts. Given the strength of the LEGO and LEGOLAND brands and the success of our existing LEGOLAND Parks, we see significant scope for new LEGOLAND Parks, particularly in Asia, and we are committed to ensuring that future expansion is carefully planned and executed in order to maintain core brand values.

We have three operating and investment models with respect to the development of LEGOLAND Parks.

Firstly, in more proven locations, we follow an "*owned and operated*" model. Under this approach, we make the necessary capital investment to secure the land and develop the infrastructure ourselves. We have used this model in our European and North American LEGOLAND Parks and LEGOLAND New York and LEGOLAND Korea are being developed under this model.

Second, in new and unproven locations, we use a low capital commitment model, whereby the capital investment is provided by a third party and we operate the park pursuant to a management agreement arrangement and are paid annual operating fees. We operate LEGOLAND Malaysia under this model. We do not own the park but instead operate it pursuant to a development and management contract with our partners. The Malaysian government provided the funds to develop LEGOLAND Malaysia. We own a 20 per cent. interest in the company that owns LEGOLAND Malaysia. LEGOLAND Dubai is operated under a similar management contract model, whereby LL Dubai Theme Park LLC, a wholly owned subsidiary of DXB Entertainments, owns the assets and we operate the park. We do not have an equity interest in LEGOLAND Dubai. See "*Business—Material Contracts.*"

Third, we can operate parks under a "*leased and operated*" model. Under this approach, the acquisition of the park site, the development of the infrastructure and the basic construction is funded by a third-party partner. We fund and build the rides and the necessary theming, lease the site on a long-term basis, and operate the LEGOLAND Park. LEGOLAND Japan, for example, was developed using this approach with a subsidiary of KIRKBI as the lessor.

Strategic Acquisitions

We continue to consider acquisitions of, or investments in, visitor attractions, sites and brands that could strategically enhance our portfolio and enable us to grow into new geographies. We have demonstrated a track record of identifying, implementing and integrating both large and small acquisitions and delivering significant value uplift through improving the acquired operations. Examples of this strategy include the original acquisition of LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland and LEGOLAND Windsor as well as the acquisitions of Gardaland, the Tussauds Group, the Sydney Attractions Group and Living and Leisure Australia. In 2016, we acquired a minority interest in BIG BUS Tours and entered into co-promotion agreements with them in certain city centre locations. We made no acquisitions during financial years 2017 and 2018, as we continue to assess opportunities where potential targets can complement our organic growth plans and meet our strict investment return criteria. We believe that there remain further attractive acquisition opportunities that would meet our investment criteria in the future.

Recent Developments

Recent Trading

Trading over the summer continued to be driven by the factors referenced at the time we published our results for H1 2019 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. Our financial performance remains in line with our expectations to date. We expect to spend approximately £400 million on capital expenditure in 2019, of which £160 million to £180 million relates to Existing Estate capital expenditure.

There have been no significant changes in the financial position of the Target Group since the date of our condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019, which have been included elsewhere in this Offering Memorandum.

LEGOLAND Sichuan

In September 2019, we announced that we had entered into an agreement with Global Zhongjun Cultural Tourism Development Co., Ltd for a LEGOLAND Resort in the city of Meishan, approximately 60 kilometres 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 we will partner in the resort development and operate it under a management contract arrangement.

Disposal of Australian Ski Resorts

On 21 February 2019, we entered into an agreement to sell our Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. We completed the sale on 5 April 2019 for total cash consideration of A$174 million. These Attractions formed part of the Midway Attractions operating group. In 2018, reported revenue and reported underlying EBITDA for the two sites, were £35 million and £11 million, respectively. We treat the operations of these Attractions as discontinued operations in our financial statements as at and for the 26 weeks ended 29 June 2019 and our restated financial statements as at and for the 26 weeks ended 30 June 2018, the 52 weeks ended 29 December 2018 and the 52 weeks ended 29 June 2019. See "*Presentation of Financial Information.*"

The Transactions

We refer to the following collectively as the "*Transactions*."

The Acquisition

On 28 June 2019, Bidco, a newly incorporated company controlled by the Consortium, announced its agreement with the Target on the terms of a recommended cash offer to be made by Bidco for the entire issued and to be issued share capital of the Target (other than the shares of the Target owned or controlled by KIRKBI) (the "*Acquisition*"). It is intended that the Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the 2006 Act (the "*Scheme*"). However, subject to certain conditions, Bidco has the right to effect the Acquisition by way of a takeover offer (as defined in section 974 of the 2006 Act, the "*Takeover Offer*") on the same terms as the Scheme (subject to appropriate amendments).

The Scheme was approved on 3 September 2019, at the Court Meeting, by a majority in number of those Scheme Shareholders present and voting (and eligible to vote) and not less than 75 per cent. in value of the shares voted by such Scheme Shareholders. Following the Court Meeting, a general meeting of the Target Shareholders was held on 3 September 2019, at which meeting a special resolution authorising the directors to take certain actions to facilitate the Scheme and to amend the Target's articles of association was duly passed. A sanction hearing is expected to be held during the fourth quarter of 2019, at which time the court is expected to sanction the Scheme. The Acquisition is expected to complete during the fourth quarter of 2019, subject to receipt of the relevant competition clearances and regulatory approvals.

Pursuant to the terms of the Acquisition as set forth in the Scheme Document, and subject to adjustments in the sole discretion of Bidco for any declaration or payment of dividends or other distributions to shareholders of the Target prior to the Acquisition Completion Date, all Scheme Shareholders will receive cash consideration equal to 455 pence per share (the "*Offer Price*"), implying an equity value of the Target on a fully diluted basis equal to approximately £4,693 million. At the time the Scheme was launched, Bidco did not directly hold any shares in the Target. However, as at 27 June 2019, KIRKBI held a beneficial interest in shares representing approximately 29.58 per cent. of Merlin's issued share capital and CPPIB had previously entered into cash settled swaps related to the Target representing approximately 0.09 per cent. of the Target's issued share capital. It is expected that, upon the Acquisition becoming effective, KIRKBI will transfer the shares it holds in the Target to Bidco.

Following the completion of the Acquisition, we expect that Bidco will hold 100 per cent. of the shares in the Target Group.

The notional sources and uses necessary to consummate the Acquisition are shown in the table below. The proceeds from each of these funding sources will be contributed or on-lent to Bidco, in certain instances for further distribution by Bidco to the Target, and used to pay transaction costs. Actual amounts will vary from the notional amounts presented here depending on several factors, including fluctuations in the exchange rates amongst the U.S. dollar, the euro and the pound sterling, differences between our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date, the Acquisition Completion Date and the timing of the actual Escrow Release Date. Amounts in the table below are notionally converted at a EUR:USD FX rate of 1.1373 and a EUR:GBP FX rate of 0.8958.

Sources of Funds	**(£ in millions)**	**Uses of Funds**	**(£ in millions)**
Senior Facilities(1)	2,193	Acquisition of share capital of the Target(4)	4,693
Dollar Notes offered hereby(2)	317.5	Refinancing certain existing net indebtedness of the Target(5)	661
Euro Notes offered hereby(2)	317.5	Cash to the balance sheet of the Target(6)	133
Equity Contribution(3)	2,899	Transaction fees and expenses(7)	240
Total Sources	**5,727**	**Total Uses**	**5,727**

(1) Represents the pounds sterling-equivalent of amounts expected to be drawn under the Senior Facilities in connection with the Acquisition on or about the Acquisition Payment Date. Amounts committed in pounds sterling but denominated in a different currency (which includes the USD Term Loan B, the EUR Term Loan B and the Delayed Draw Term Loan) will be redenominated on the syndication or allocation date in respect of the Senior Facilities, together with entry into a deal contingent currency swap. On the utilisation date of the Senior Facilities, such amounts will, to the extent required for the uses thereof, be converted back to pounds sterling.

(2) Represents the pounds sterling-equivalent of the principal amount of the Dollar Notes and the Euro Notes offered hereby, respectively. On the date of pricing, the Issuer intends to enter into deal contingent currency swaps. Upon utilisation of the proceeds from the Notes on or about the Acquisition Payment Date, such amounts will be exchanged for pounds sterling.

(3) Represents (i) the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective and (ii) the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions.

(4) Represents the estimated aggregate purchase price for 100 per cent. of the Target Shares on a fully diluted basis as at 29 June 2019 in connection with the Scheme or the Takeover Offer, as applicable, assuming a purchase price per share equal to the Offer Price.

(5) Represents (i) the redemption of the aggregate principal amount outstanding of the Existing 2022 Notes, on or about the Acquisition Payment Date, but excluding redemption premia and accrued and unpaid interest thereon, and (ii) the repayment of amounts outstanding under, and the cancellation of commitments in respect of, the Existing Senior Facilities as at 29 June 2019, on or about the Acquisition Payment Date, but excluding accrued and unpaid interest thereon, net of the cash and cash equivalents of the Target Group as at 29 June 2019 and excluding the mark-to-market valuation of existing derivatives. Certain existing indebtedness of the Target excludes the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder.

(6) Represents an amount of cash provided to the Target by Bidco in connection with the Transactions, based on our estimated normalised level of working capital for the Target Group.

(7) Represents estimated fees and expenses associated with the Transactions, including negative interest on proceeds of the Notes while in escrow, redemption premia in respect of the Existing 2022 Notes, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees and estimated fees payable to holders of the Existing 2026 Notes in connection with the Consent Solicitation. 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 Transactions. 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 our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date and the timing of the actual Escrow Release Date.

Prior to the Acquisition Completion Date, Bidco will not have control over the board of directors of the Target. The board of directors of the Target will be required, prior to the Acquisition Completion Date, to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. See "*Risk Factors—Risks Related to the Transactions—Bidco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Acquisition Completion Date*."

The Consent Solicitation

On 9 May 2018, the Target issued $400 million in aggregate principal amount of 5¾% Senior Notes due 2026 (the "*Existing 2026 Notes*") pursuant to an indenture, dated as at 9 May 2018, between, *inter alios*, the Target, the Existing 2026 Note Guarantors and Deutsche Trustee Company Limited as the trustee (the "*Existing 2026 Indenture*"). Under the Existing 2026 Indenture, in the event of a Change of Control Repurchase Event (as defined therein), holders of the Existing 2026 Notes may have had, following the Acquisition Completion Date, the right to require the Target to repurchase all or any part of their Existing 2026 Notes at a purchase price equal to 101 per cent. of the principal amount of the Existing 2026 Notes repurchased, plus accrued and unpaid interest to, but excluding, the date of purchase. In connection with the Acquisition, the Target solicited the consent of holders of the Existing 2026 Notes to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder (the "*Consent Solicitation*"). The requisite consents in respect of the Consent Solicitation were received on 17 September 2019 and the amendments to the Existing 2026 Indenture became effective on 18 September 2019. Such amendments to the Existing 2026 Indenture will become operative upon payment of a consent fee to consenting holders of the Existing 2026 Notes in connection with the Consent Solicitation on or about the Acquisition Payment Date.

The Delisting

As at the date of this Offering Memorandum, the Target's Shares are listed and admitted to trading on the regulated market of the London Stock Exchange. Upon completion of the Acquisition, the London Stock Exchange and the FCA will be requested respectively to cancel trading in the Target's Shares on the London Stock Exchange's market for listed securities and the listing of the Target's Shares from the London Stock Exchange on or shortly after the Acquisition Completion Date. It is expected that the last day of dealings in Merlin Shares on the Main Market of the London Stock Exchange will be the business day following the Scheme Court hearing and no transfers will be registered after 6:00 p.m. (London time) on that date.

Following the Acquisition Completion Date, Merlin's ADS programme will be terminated and the depositary in respect of the Merlin ADS programme will cancel all Merlin ADSs on behalf of all Merlin ADS Holders.

It is intended that Merlin be re-registered as a private limited company as part of the Scheme and for this to take effect as soon as practicable on or following the Acquisition Completion Date.

Escrow Accounts

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into the Dollar Escrow Account and the Euro Escrow Account, as applicable, in the name of the Issuer. The Escrow Accounts will be controlled by the Escrow Agents and will be pledged on a first-priority basis in favour of the Trustee on behalf of the holders of the respective series of the Notes. See "*Summary—The Offering—Collateral*."

The release of the Escrowed Property from the Escrow Accounts is subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Acquisition will be required promptly (and in any event within two business days) and the conditions precedent under the Senior Facilities Agreement shall have been satisfied or waived in all material respects. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*." If these conditions are not satisfied on or before the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption. The Special Mandatory Redemption Price for the Notes will be equal to 100 per cent. of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of such Special Mandatory Redemption. See "*Description of*

Notes—Escrow of Proceeds; Special Mandatory Redemption" and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco*."

In the event of a Special Mandatory Redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balances and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such Special Mandatory Redemption Date pursuant to an escrow equity commitment delivered to the Issuer by Midco (the "*Escrow Equity Commitment*"). The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco*."

The Issuer

The Issuer is a designated activity company incorporated under the laws of Ireland. The Issuer's registered business address is 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland. The Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Issuer is indirectly controlled, through wholly owned holding company subsidiaries, by the Consortium.

The Consortium

Blackstone

Blackstone is one of the world's leading investment firms. Blackstone seeks to create positive economic impact and long-term value for investors, the companies in which it invests and the communities in which it works. It does this by using extraordinary people and flexible capital to help companies solve problems. Blackstone's asset management businesses, with $545 billion in assets under management as at 30 June 2019, include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis. Blackstone has longstanding experience investing in the visitor attractions industry as well as the broader hospitality, travel and leisure sectors. Blackstone's previous investments include Merlin Entertainments, SeaWorld, Six Flags, Universal Orlando, Center Parcs, Hilton Hotels and The Cosmopolitan Hotel. Blackstone's investment in connection with the Transactions will be made through its long-dated Core Private Equity fund, which invests in high-quality businesses and has the flexibility to hold assets for a longer duration than traditional private equity funds.

CPPIB

CPPIB is a professional investment management organisation that invests the funds not needed by the Canada Pension Plan ("*CPP*") to pay current benefits in the best interests of 20 million contributors and beneficiaries. In order to build a diversified portfolio, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPPIB is governed and managed independently of CPP and at arm's length from governments. At 30 June 2019, the Fund totalled C$400.6 billion, including approximately C$21.7 billion of assets invested in the United Kingdom, and net investments of C$90 billion in private equity.

CPPIB's private equity team is a committed long-term investor with permanent capital, a focus on sizeable investments alongside aligned partners, the ability to invest across the full spectrum of ownership from minority positions up to full control platforms, and the ability to shape the duration and underwriting approach of investments to support longer-date return on investment initiatives.

KIRKBI

KIRKBI is a wholly owned subsidiary of KIRKBI A/S, the private holding and investment company of the Kirk Kristiansen family, founded to promote a sustainable family ownership of the LEGO brand. The Kirk

Kristiansen family's mission is to "*inspire and develop the builders of tomorrow*." The family aims to fulfil the mission, helping children grow and develop to their full potential through play, by dedicated efforts driven by the LEGO branded entities. The KIRKBI Group was established to manage, protect and develop the LEGO brand, its activities and Attractions under long-term family ownership. To achieve this purpose, the KIRKBI Group's strategic activities include a 75 per cent. ownership of the LEGO Group, a 100 per cent. ownership of the LEGO and LEGOLAND trademarks, through KIRKBI a 29.58 per cent. ownership of Merlin and investments in renewable energy to off-set the energy consumption of the LEGO Group.

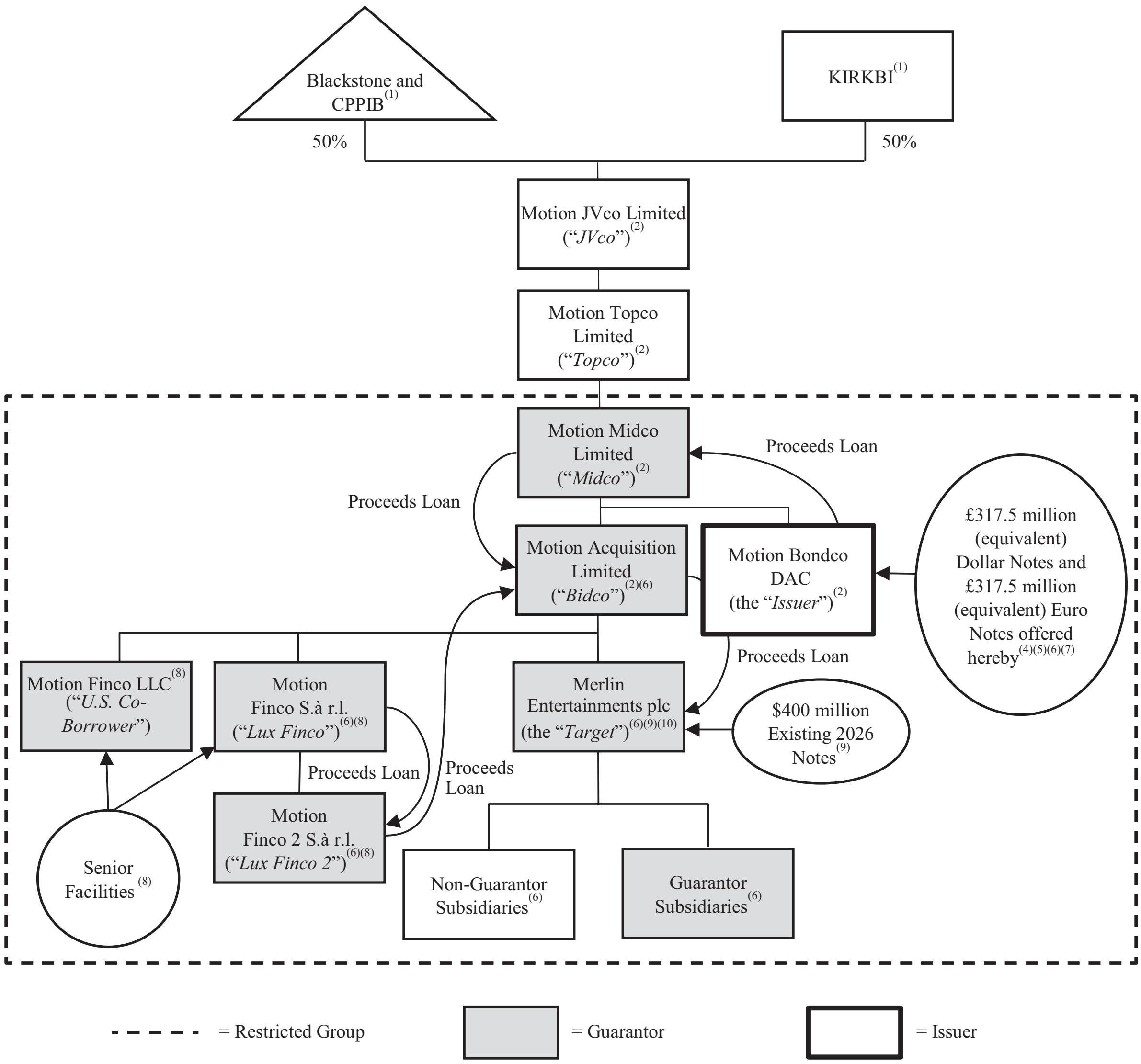
In addition, KIRKBI manages an international, diversified investment portfolio with a long-term investment profile and is a responsible investor with high environmental, social and governance standards. At the end of 2018, KIRKBI's investment portfolio was valued at approximately €8 billion. KIRKBI's long-term investment approach reflects an ambition to build sustainable value across selected asset classes.

A key focus of KIRKBI's investment strategy is long-term equity investments in established and well-run companies. Within long-term equity, KIRKBI seeks significant minority ownership stakes in listed and unlisted companies alongside trusted partners and management teams who share our view on governance, value creation and environmental, social and governance standards.

KIRKBI operates as an active owner through the board of directors and is generally not involved operationally in the companies in the investment portfolio.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram gives a simplified summary of our corporate structure and principal indebtedness, on a pro forma basis giving effect to the Transactions. Please see "The Transactions" and "Use of Proceeds." The diagram does not include all entities within our group, or all of the debt obligations thereof. For additional information, see "Use of Proceeds" and "Capitalisation." For a summary of the debt obligations referred to in this chart, see "Capitalisation," "Description of Certain Financing Arrangements" and "Description of Notes."



(1) Upon the consummation of the Acquisition, the Consortium is expected to indirectly hold (through wholly owned intermediate holding companies) all of the share capital of the Target, with Blackstone indirectly holding approximately 31 per cent., CPPIB indirectly holding approximately 19 per cent. and KIRKBI indirectly owning the remaining 50 per cent. of such share capital. The shareholding percentages of Blackstone and CPPIB are indicative and may be subject to minor variations. The cash consideration payable under the terms of the Acquisition will be financed in part by a combination of equity to be provided by Blackstone, CPPIB and KIRKBI to JVco. JVco will contribute and/or on-lend such funds to Topco, which will contribute and/or on-lend such funds to Midco. Midco will, in turn, contribute and/or on-lend such funds to Bidco to, amongst other things, finance a portion of the purchase price for the Acquisition. Following the Acquisition Completion Date, we intend to enter into a management incentive plan with certain members of management.

(2) JVco, Topco, Midco, the Issuer and Bidco were incorporated as holding companies for the purpose of the Acquisition, have no independent business operations, other than those in connection with their incorporation and the Transactions, and have no significant assets, other than the equity interest each of these companies holds in its subsidiaries and, with respect to the Issuer only, the Escrowed Property pending consummation of the Acquisition. Prior to the Acquisition Completion Date, the restrictive covenants in the Indenture will only apply to the Issuer and the Issue Date Guarantors. Bidco will not obtain control of the Target until the Acquisition Completion Date.

(3) On the Acquisition Payment Date, Bidco will use the proceeds from the Equity Contribution, drawings under the Senior Facilities that have been on-lent to Bidco and the proceeds of the Offering that have been on-lent to Bidco to (i) acquire 100% of the share capital of the Target (other than the KIRKBI Shares, which will be transferred to Bidco upon the Acquisition

becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."

(4) The Issuer is offering € million in aggregate principal amount of its % senior notes due 2027 and $ million in aggregate principal amount of its % senior notes due 2027. On or about the Escrow Release Date, the proceeds of the Offering will be on-lent by the Issuer to Midco for further distribution to Bidco for use, together with amounts drawn under the Senior Facilities and the Equity Contribution, to (i) acquire 100% of the share capital of the Target (other than the KIRKBI Shares, which will be transferred to Bidco upon the Acquisition becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."

(5) The Notes will be general obligations of the Issuer and will, upon issuance, (i) rank *pari passu* in right of payment with all of the Issuer's future senior obligations that are not subordinated in right of payment to the Notes, (ii) rank senior in right of payment to all future obligations of the Issuer that are expressly subordinated in right of payment to the Notes, if any, (iii) be effectively subordinated to all future obligations of the Issuer that are secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations, (iv) be structurally subordinated to all obligations of Midco's subsidiaries that do not guarantee the Notes (other than the Issuer), (v) be guaranteed on a senior basis by Midco and on a senior subordinated basis by the Subsidiary Guarantors, subject to limitations under applicable law, and (vi) be secured as set forth under "*Description of Notes—Security*."

(6) The Notes will be guaranteed (i) on the Issue Date by Midco (the "*Parent Guarantor*") and Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower (together, the "*Issue Date Subsidiary Guarantors*") and (ii) subject to the Agreed Security Principles (as defined herein), within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favour of obligations under the Senior Facilities Agreement and any further guarantees granted in favour of the Existing 2026 Notes, in each case, by the Post-Completion Guarantors. The Guarantee granted by Midco (the "*Parent Guarantee*") will be a general obligation of Midco and will (i) rank *pari passu* in right of payment with all existing and future senior obligations of Midco that are not subordinated in right of payment to the Parent Guarantee, (ii) rank senior in right of payment to all existing and future obligations of Midco that are expressly subordinated in right of payment to the Parent Guarantee, if any, (iii) be effectively subordinated to all future obligations of Midco and its subsidiaries that are secured by property and assets that do not secure the Notes (including obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations, (iv) be structurally subordinated to all existing and future obligations of Midco's subsidiaries that do not guarantee the Notes and (v) be secured as set forth under "*Description of Notes—Security*." Each Guarantee granted by the Issue Date Subsidiary Guarantors and the Post-Completion Guarantors (together, the "*Subsidiary Guarantors*") will be a senior subordinated obligation of the relevant Subsidiary Guarantor and will (i) be subordinated in right of payment to all existing and future senior obligations of such Subsidiary Guarantor (including such Subsidiary Guarantor's obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes), (ii) rank *pari passu* in right of payment with all future senior subordinated obligations of such Subsidiary Guarantor, (iii) rank senior in right of payment to all future obligations of such Subsidiary Guarantor that are expressly contractually subordinated to such Subsidiary Guarantor's Guarantee, (iv) be effectively subordinated to all existing and future secured obligations of such Subsidiary Guarantor that are secured by property and assets that do not secure the Notes (including obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations, (v) be structurally subordinated to all existing and future obligations of the subsidiaries of such Subsidiary Guarantor that do not guarantee the Notes and (vi) be secured as set forth under "*Description of Notes—Security*." During the 52 weeks ended 29 December 2018, the Target and the other Post-Completion Guarantors accounted for 74 per cent. of the consolidated revenue and 86 per cent. of the consolidated Underlying EBITDA of the Target, and as at 29 December 2018, the Target and the other Post-Completion Guarantors accounted for 61 per cent. of the consolidated assets excluding goodwill, minority equity investments and investments in wholly owned subsidiaries of the Target. See "*Description of Notes—The Guarantees*."

(7) On the Issue Date, the Notes and the Issue Date Guarantees will be secured by (i) a charge over the Escrowed Property deposited into the Dollar Escrow Account and a charge over the Escrowed Property deposited into the Euro Escrow Account (the "*Escrow Charges*") on a first-priority basis; and, subject to the Agreed Security Principles, (ii)(x) a charge over the shares in Midco, an assignment of material structural intercompany receivables owed by Midco to Topco, a floating charge over all of Midco's assets and undertaking, a charge over Midco's material bank accounts, an assignment of material structural intercompany receivables owed to Midco (other than by Bidco), a share charge over the shares in the Issuer, an assignment of structural intercompany receivables owed by Midco to the Issuer and a charge over the material bank accounts of the Issuer (the "*Senior Parent Independent Security*") on a first-priority basis; and (y) a share charge over the shares in Bidco and an assignment of material structural intercompany receivables owed by Bidco to Midco on a second-priority basis (the "*Shared Collateral*" and together with the Escrow Charges and the Senior Parent Independent Security, the "*Collateral*"). The Shared Collateral will also secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis. Upon the release of the Escrowed Property on the Escrow Release Date, the Escrow Charges will be released. The validity and enforceability of the Guarantees and the Collateral and the liability of each Guarantor and security provider will be subject to certain limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*." The security interests in favour of the Notes and the Guarantees may be released under certain circumstances.

(8) In connection with the Transactions, Lux Finco and Motion Finco LLC are expected to enter into the Senior Facilities Agreement, which will provide for borrowings of up to £2,713 million (equivalent). It is intended that £1,252 million (equivalent) and £941 million (equivalent) will be drawn by Lux Finco under the EUR Term Loan B and the USD Term Loan B, respectively, which amounts will subsequently be on-lent by Lux Finco to Lux Finco 2 for further distribution to Bidco. It is intended that Bidco will use such proceeds to, amongst other things, finance a portion of the purchase price of the Target Shares in connection with the Acquisition. In addition, the Senior Facilities provides for borrowings of up to £400 million (equivalent) under the Revolving Facility and $172.5 million under the Delayed Draw Term Loan. See "*The Transactions*," "*Use of Proceeds*," "*Capitalisation*" and "*Description of Certain Financing Arrangements—Senior Facilities Agreement*."

(9) On 19 March 2015, the Target issued €500 million aggregate principal amount of 2¾% Senior Notes due 2022 and on 17 March 2017, the Target issued an additional €200 million aggregate principal amount of 2¾% Senior Notes due 2022 (collectively, the "*Existing 2022 Notes*"), in each case, pursuant to an indenture dated 19 March 2015. In connection with the Transactions, the Target is expected to redeem in full the principal amount outstanding of the Existing 2022 Notes on or about the Acquisition Payment Date. On 9 May 2018, the Target issued $400 million aggregate principal amount of 5¾% Senior Notes due 2026 (the "*Existing 2026 Notes*") pursuant to an indenture dated 9 May 2018 (the "*Existing 2026 Indenture*"). See "*Description of Certain Financing Arrangements—Existing 2026 Notes*." It is expected that the Target and certain of its subsidiaries will, to the extent required under the Existing 2026 Indenture, grant equal and ratable security in favour of the Existing 2026 Notes at the same time security is granted by such entities in favour of the obligations under the Senior Facilities Agreement. In connection with the Acquisition, the Target solicited the consent of holders of the Existing 2026 Notes to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder (the "*Consent Solicitation*"). The requisite consents in respect of the Consent Solicitation were received on 17 September 2019 and the amendments to the Existing 2026 Indenture became effective on 18 September 2019. Such amendments to the Existing 2026 Indenture will become operative upon payment of a consent fee to consenting holders of the Existing 2026 Notes in connection with the Consent Solicitation on or about the Acquisition Payment Date.

(10) As at the date of this Offering Memorandum, the Target's Shares are listed and admitted to trading on the regulated market of the London Stock Exchange. Upon completion of the Acquisition, the London Stock Exchange and the FCA will be requested respectively to cancel trading in the Target's Shares on the London Stock Exchange's market for listed securities and the listing of the Target's Shares from the London Stock Exchange on or shortly after the Acquisition Completion Date. It is expected that the last day of dealings in Merlin Shares on the Main Market of the London Stock Exchange will be the business day following the Scheme Court hearing and no transfers will be registered after 6:00 p.m. (London time) on that date. Following the Acquisition Completion Date, Merlin's ADS programme will be terminated and the depositary in respect of the Merlin ADS programme will cancel all Merlin ADSs on behalf of all Merlin ADS Holders. It is intended that Merlin be re-registered as a private limited company as part of the Scheme and for this to take effect as soon as practicable on or following the Acquisition Completion Date. Following the completion of the Acquisition, we expect that the Consortium will indirectly, through wholly owned holding company subsidiaries, hold 100% of the shares in the Target Group. For further information on our shareholders, please see "*Principal Shareholders*."

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THE OFFERING

The following is a brief summary of certain terms of this Offering. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this summary, please see "Description of Notes."

Issuer . . . . Motion Bondco DAC.

Notes Offered:

Dollar Notes . . . . $ million in aggregate principal amount of % Senior Notes due 2027.

Euro Notes . . . . € million in aggregate principal amount of % Senior Notes due 2027.

Issue Date . . . . On or about 2019.

Issue Price:

Dollar Notes . . . . per cent.

Euro Notes . . . . per cent.

Maturity Date:

Dollar Notes . . . . 2027.

Euro Notes . . . . 2027.

Interest Rate:

Dollar Notes . . . . Interest on the Dollar Notes will accrue from the Issue Date at a rate of per cent. *per annum*. Interest on the Dollar Notes will be payable in cash.

Euro Notes . . . . Interest on the Euro Notes will accrue from the Issue Date at a rate of per cent. *per annum*. Interest on the Euro Notes will be payable in cash.

Interest Payment Dates:

Dollar Notes . . . . Interest is payable on the Dollar Notes semi-annually in arrear on and of each year, commencing on 2020.

Euro Notes . . . . Interest is payable on the Euro Notes semi-annually in arrear on and of each year, commencing on 2020.

Form and Denomination:

Dollar Notes . . . . The Issuer will issue the Dollar Notes in global registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Euro Notes . . . . The Issuer will issue the Euro Notes in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Ranking of the Notes . . . . The Notes will be general obligations of the Issuer and will:

- rank *pari passu* in right of payment with all of the Issuer's future senior obligations that are not subordinated in right of payment to the Notes;
- rank senior in right of payment to all future obligations of the Issuer that are expressly subordinated in right of payment to the Notes, if any;

- be effectively subordinated to all future obligations of the Issuer that are secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all obligations of Midco's subsidiaries that do not guarantee the Notes (other than the Issuer);
- be guaranteed on a senior basis by Midco and on a senior subordinated basis by the Subsidiary Guarantors, subject to limitations under applicable law; and
- be secured as set forth under "*Description of Notes—Security*."

Guarantors . . . . The Notes will be guaranteed (i) on the Issue Date by Midco (on a senior basis) and by Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower (the "*Issue Date Subsidiary Guarantors*" and together with Midco, the "*Issue Date Guarantors*") (in each case, on a senior subordinated basis) and (ii) subject to the Agreed Security Principles within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favour of obligations under the Senior Facilities Agreement and any further guarantees granted in favour of the Existing 2026 Notes, in each case, by the Post-Completion Guarantors (in each case on a senior subordinated basis).

During the 52 weeks ended 29 December 2018, the Target and the other Post-Completion Guarantors accounted for 74 per cent. of the consolidated revenue and 86 per cent. of the consolidated Underlying EBITDA of the Target, and as at 29 December 2018, the Target and the other Post-Completion Guarantors accounted for 61 per cent. of the consolidated assets excluding goodwill, minority equity investments and investments in wholly owned subsidiaries of the Target.

Guarantees . . . . The Guarantees will be subject to contractual and legal limitations, and may be released without the consent of the holders of the Notes under certain circumstances. See "*Description of Notes—The Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

Ranking of the Parent Guarantee . The Parent Guarantee will be a general obligation of Midco and will:

- rank *pari passu* in right of payment with all existing and future senior obligations of Midco that are not subordinated in right of payment to the Parent Guarantee;
- rank senior in right of payment to all existing and future obligations of Midco that are expressly subordinated in right of payment to the Parent Guarantee, if any;
- be effectively subordinated to all future obligations of Midco and its subsidiaries that are secured by property and assets that do not secure the Notes (including obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations;

- be structurally subordinated to all existing and future obligations of Midco's subsidiaries that do not guarantee the Notes; and
- be secured as set forth under "*Description of Notes—Security*."

The Parent Guarantee is a full and unconditional guarantee of the Issuer's obligations under the Notes, but is subject to the limitations set forth in "*Description of Notes—The Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

Ranking of the Subsidiary Guarantees . . . . Each Subsidiary Guarantee will be a senior subordinated obligation of the relevant Subsidiary Guarantor and will:

- be subordinated in right of payment to all existing and future senior obligations of such Subsidiary Guarantor (including such Subsidiary Guarantor's obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes);
- rank *pari passu* in right of payment with all future senior subordinated obligations of such Subsidiary Guarantor;
- rank senior in right of payment to all future obligations of such Subsidiary Guarantor that are expressly contractually subordinated to such Subsidiary Guarantor's Guarantee;
- be effectively subordinated to all existing and future secured obligations of such Subsidiary Guarantor that are secured by property and assets that do not secure the Notes (including obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all existing and future obligations of the subsidiaries of such Subsidiary Guarantor that do not guarantee the Notes; and
- be secured as set forth under "*Description of Notes—Security*."

The Subsidiary Guarantees are full and unconditional guarantees of the Issuer's obligations under the Notes, but are subject to the limitations set forth in "*Description of Notes—The Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

Collateral . . . . On the Issue Date, the Notes and the Issue Date Guarantees will be secured by:

- a charge over the Escrowed Property deposited into the Dollar Escrow Account and a charge over the Escrowed Property deposited into the Euro Escrow Account (the "*Escrow Charges*") on a first-priority basis;

- subject to the Agreed Security Principles, a charge over the shares in Midco, an assignment of material structural intercompany receivables owed by Midco to Topco, a floating charge over all of Midco's assets and undertaking, a charge over Midco's material bank accounts, an assignment of material structural intercompany receivables owed to Midco (other than by Bidco), a share charge over the shares in the Issuer, an assignment of structural intercompany receivables owed by Midco to the Issuer and a charge over the material bank accounts of the Issuer (the "*Senior Parent Independent Security*") on a first-priority basis; and
- subject to the Agreed Security Principles, a share charge over the shares in Bidco and an assignment of material structural intercompany receivables owed by Bidco to Midco on a second-priority basis (the "*Shared Collateral*" and together with the Escrow Charges and the Senior Parent Independent Security, the "*Collateral*").

The Shared Collateral will also secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis.

Upon the release of the Escrowed Property on the Escrow Release Date, the Escrow Charges will be released.

The security interests may be limited by applicable law or subject to certain defences that may limit their validity and enforceability. For more information on the security interests granted, see "*Description of Notes—Security*," and for more information on potential limitations to the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security" and "Risk Factors—Risks Related to the Notes and Our Structure*."

The security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Our Structure—There are circumstances other than the repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee or the Security Agent*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*," and "*Description of Notes—Security—Release of Liens*."

Optional Redemption . . . . The Issuer may redeem the Notes:

- in whole or in part at any time prior to 2022 at a redemption price equal to 100 per cent. of the principal amount thereof, plus the applicable "*make whole*" premium as set forth in this Offering Memorandum under the caption "*Description of Notes—Optional Redemption*," plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption;

- on any one or more occasions at any time prior to 2022, up to 40 per cent. of the aggregate principal amount of each of the Dollar Notes and the Euro Notes (including the principal amount of any additional Notes of the same series of Notes) using the net proceeds of one or more specified equity offerings at a redemption price equal to % and %, respectively, of the principal amount of the series of Notes so redeemed, in each case plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable date of redemption; provided that at least 50 per cent. of the aggregate principal amount of such series (in each case, including any additional Dollar Notes or Euro Notes, as the case may be) remains outstanding after each such redemption (unless all Notes of such series are redeemed substantially concurrently); and/or
- in whole or in part at any time on or after 2022 at the relevant redemption prices as set forth in this Offering Memorandum under the caption "*Description of Notes—Optional Redemption*," plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding the date of redemption.

See "*Description of Notes—Optional Redemption*."

Additional Amounts; Tax Redemption . . . . All payments made by the Issuer and the Guarantors under or with respect to the Notes or any Guarantee will be made without withholding or deduction for or on account of, any present or future taxes except to the extent required by law. If such withholding or deduction is required by law in any relevant taxing jurisdiction, subject to certain exceptions, the Issuer or relevant Guarantor will pay such Additional Amounts as may be necessary so that the net amount received by each holder of Notes after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "*Description of Notes—Additional Amounts*."

In the event of certain developments affecting taxation of the Notes, the Issuer may redeem all, but not less than all, of the Notes at 100 per cent. of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption. See "*Description of Notes—Redemption for Taxation Reasons*."

Change of Control . . . . Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price equal to 101 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of the purchase. A change of control, however, will not be deemed to have occurred if a specified consolidated leverage ratio is not exceeded in connection with such event. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control Triggering Event*."

Tender Offers . . . . In connection with certain tender offers for the Notes, if holders of not less than 90 per cent. in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of the Notes. See "*Description of Notes—Optional Redemption*."

Escrow Proceeds; Special Mandatory Redemption . . . . Concurrently with the closing of the Offering, and pending consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into the Dollar Escrow Account and the Euro Escrow Account, as applicable, held in the name of the Issuer. The Escrow Accounts will be controlled by the Escrow Agents, and pledged on a first-priority basis in favour of the Trustee on behalf of the holders of the respective series of Notes. The release of the proceeds deposited in the Escrow Accounts will be subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Acquisition will be required promptly (and in any event within two business days) and the conditions precedent under the Senior Facilities Agreement shall have been satisfied or waived in all material respects. Upon delivery to the Trustee and the Escrow Agents of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the Escrowed Property will be released to the Issuer and utilised as described in "*Use of Proceeds*" and "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*." If the conditions to the release of the Escrowed Property have not been satisfied on or prior to the business day immediately following the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption.

The special mandatory redemption price of the Notes will be equal to 100 per cent. of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, such special mandatory redemption date.

In the event of a special mandatory redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balances and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such special mandatory redemption date pursuant to an escrow equity commitment delivered to the Issuer by Midco (the "*Escrow Equity Commitment*"). The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment.

In addition, the conditions applicable to the special mandatory redemption may be waived by holders of the Notes representing a majority in aggregate principal amount of the Notes outstanding.

See "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco.*"

Certain Covenants	The Indenture contains certain covenants that limit, amongst other things, the ability of the Issuer and Midco and its other restricted subsidiaries to: • incur or guarantee additional indebtedness or issue disqualified stock or certain preferred stock; • pay dividends and make other distributions or repurchase stock; • make certain investments; • create or incur certain liens; • transfer or sell certain assets; • enter into restrictions affecting the ability of certain restricted subsidiaries to make distributions, loans or advances or transfer assets to the Issuer or the Guarantors; • enter into certain transactions with affiliates; • designate restricted subsidiaries as unrestricted subsidiaries; and • merge, consolidate or transfer or sell all or substantially all of the Issuer's or the Guarantors' assets. These covenants are subject to important exceptions and qualifications. For a more detailed description of these covenants, see "*Risk Factors—Risks Related to the Notes and Our Structure*" and "*Description of Notes—Certain Covenants*."
Use of Proceeds	We estimate the gross proceeds of the Notes will be £635 million (equivalent). On or about the Escrow Release Date, the proceeds of the Offering will be on-lent by the Issuer to Midco for further distribution to Bidco for use, together with amounts drawn under the Senior Facilities and the Equity Contribution, to (i) acquire 100% of the share capital of the Target (other than the KIRKBI Shares, which will be transferred to Bidco upon the Acquisition becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Notice to Investors*" and "*Plan of Distribution*."

Listing	Application will be made to The International Stock Exchange Authority Limited (the "*Authority*") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "*Exchange*"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EC on markets in financial instruments, as amended.
Governing Law for the Notes, Guarantees and the Indenture	New York law.
Governing Law for the Senior Facilities Agreement and the Intercreditor Agreement	English law.
Governing Law for the security documents related to the Collateral	English and Irish law.
Trustee	Deutsche Trustee Company Limited.
Dollar Paying Agent and Dollar Transfer Agent	Deutsche Bank Trust Company Americas.
Euro Paying Agent and Euro Transfer Agent	Deutsche Bank AG, London Branch.
Registrar	Deutsche Bank Trust Company Americas.
Security Agent	Deutsche Bank AG, London Branch.
Dollar Escrow Agent	Deutsche Bank AG, London Branch.
Euro Escrow Agent	Deutsche Bank AG, London Branch.

Risk Factors

Investing in the Notes involves substantial risks. Please see the section of this Offering Memorandum captioned "*Risk Factors*" for a discussion of certain risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our summary consolidated financial and other data for the periods ended and as at the dates indicated below.

Except as otherwise noted, we have extracted our summary historical financial information (i) as at and for H1 2019 from our unaudited condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019, (ii) as at and for H1 2018 from our unaudited condensed consolidated financial statements as at and for the 26 weeks ended 30 June 2018, (iii) as at and for the 2018 financial year from our audited consolidated financial statements as at and for the 52 weeks ended 29 December 2018, (iv) as at and for the 2017 financial year from our audited consolidated financial statements as at and for the 52 weeks ended 30 December 2017 and (v) as at and for the 2016 financial year from our audited consolidated financial statements as at and for the 53 weeks ended 31 December 2016.

In order to facilitate a comparison of our results of operations and financial condition for H1 2018 and H1 2019, we also present a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of our Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. We refer to our results of operations for H1 2018, as restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations, as information presented "on a restated basis" and have included such financial information in certain financial tables under the columns titled "Restated."

In addition, we have included certain operating, financial and pro forma financial information in this Offering Memorandum as at and for the 2016, 2017 and 2018 financial years, H1 2018, H1 2019 and the 52 weeks ended 29 June 2019, which have been prepared solely for the purpose of this Offering Memorandum, are for illustrative purposes only, have not been audited or reviewed and are not necessarily indicative of our results of operations for any future period or our financial condition at any future date.

The following summary financial information set forth below should be read in conjunction with "Presentation of Financial Information," "Use of Proceeds," "Capitalisation," "Selected Historical Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto, included elsewhere in this Offering Memorandum.

Consolidated Income Statement

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018 (As originally reported)	For the 26 weeks ended 30 June 2018 Restated[(1)]	For the 26 weeks ended 29 June 2019[(1)]
			(£ in millions)			
Revenue[(2)]	**1,457**	**1,594**	**1,688**	**709**	**706**	**763**
Cost of sales	(227)	(255)	(298)	(127)	(126)	(139)
Gross profit	**1,230**	**1,339**	**1,390**	**582**	**580**	**624**
Staff expenses	(382)	(420)	(448)	(211)	(208)	(223)
Marketing	(75)	(85)	(84)	(47)	(47)	(51)
Rent	(93)	(104)	(105)	(50)	(10)	(11)
Other operating expenses[(3)]	(229)	(256)	(263)	(131)	(127)	(150)
Depreciation, amortisation and impairment	(131)	(151)	(167)	(80)	(100)	(112)
Operating profit	**320**	**323**	**323**	**63**	**88**	**77**
Finance income	3	3	10	5	5	5
Finance costs	(46)	(55)	(48)	(25)	(50)	(50)
Profit before tax	**277**	**271**	**285**	**43**	**43**	**32**
Taxation	(66)	(62)	(55)	(10)	(10)	(8)
Discontinued operations[(4)]	—	—	—	—	(5)	42
Profit for the year/period	**211**	**209**	**230**	**33**	**28**	**66**

(1) From 30 December 2018, we adopted IFRS 16 and on 21 February 2019, we entered into an agreement to sell our two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc., which sale we completed 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 our results of discontinued operations, as reported in the unaudited condensed consolidated financial statements of the Target and its subsidiaries for the 26 weeks ended 29 June 2019. In order to facilitate a comparison of our results of operations for H1 2018 and H1 2019, we present a restatement of the unaudited condensed consolidated income statement of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of our Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019.

(2) Revenue for the 52 weeks ended 29 December 2018, the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019 gives effect to the impact of IFRS 15.

(3) Other operating expenses include repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

(4) Discontinued operations represent operations, and in the 26 weeks ended 29 June 2019 also the profit on disposal, of our Australian ski resorts at Mount Hotham and Falls Creek, which we sold to Vail Resorts Inc. on 5 April 2019 for total cash consideration of A$174 million pursuant to an agreement with Vail Resorts Inc. dated as of 21 February 2019.

Consolidated Statement of Financial Position

	As at 31 December 2016	As at 30 December 2017	As at 29 December 2018	As at 30 June 2018 (As originally reported)	As at 30 June 2018 Restated[(1)]	As at 29 June 2019[(1)]
			(£ in millions)			
Total non-current assets[(2)]	2,958	3,213	3,482	3,337	4,167	4,368
Total current assets	340	451	285	313	310	365
Total assets	**3,298**	**3,664**	**3,767**	**3,650**	**4,477**	**4,733**
Total non-current liabilities[(3)]	1,518	1,738	1,607	1,638	2,536	2,543
Total current liabilities[(4)]	352	359	416	459	488	535
Total liabilities	**1,870**	**2,097**	**2,023**	**2,097**	**3,024**	**3,078**
Net assets	1,428	1,567	1,744	1,553	1,453	1,655
Total equity	**1,428**	**1,567**	**1,744**	**1,553**	**1,453**	**1,655**

(1) From 30 December 2018, we adopted IFRS 16 and on 21 February 2019, we entered into an agreement to sell our two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc., which sale we completed 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 our results of discontinued operations, as reported in the unaudited condensed consolidated financial statements of the Target and its subsidiaries for the 26 weeks ended 29 June 2019. In order to facilitate a comparison of our financial position for H1 2018 and H1 2019, we present a restatement of the unaudited condensed consolidated income statement of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of our Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019.

(2) Total non-current assets includes £968 million of ROU assets as at 30 June 2018 (on a restated basis) and £987 million of ROU assets as at 29 June 2019, in each case as a result of the application of IFRS 16.

(3) Total non-current liabilities includes £1,112 million of lease liabilities as at 30 June 2018 (on a restated basis) and £1,139 million of lease liabilities as at 29 June 2019, in each case as a result of the application of IFRS 16.

(4) Total current liabilities includes £38 million of lease liabilities as at 30 June 2018 (on a restated basis) and 29 June 2019, in each case as a result of the application of IFRS 16.

Consolidated Statement of Cash Flows

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018 (As originally reported)	For the 26 weeks ended 30 June 2018 Restated[(1)]	For the 26 weeks ended 29 June 2019[(1)]
			(£ in millions)			
Net cash inflow from operating activities	433	413	450	199	242	208
Net cash outflow from investing activities	(287)	(343)	(317)	(190)	(190)	(70)
Net cash (outflow)/inflow from financing activities	(106)	20	(335)	(198)	(241)	(108)
Net (decrease)/increase in cash and cash equivalents	**40**	**90**	**(202)**	**(189)**	**(189)**	**30**

(1) From 30 December 2018, we adopted IFRS 16 and on 21 February 2019, we entered into an agreement to sell our two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc., which sale we completed 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 our results of discontinued operations, as reported in the unaudited condensed consolidated financial statements of the Target and its subsidiaries for the 26 weeks ended 29 June 2019. In order to facilitate a comparison of our results of operations for H1 2018 and H1 2019, we present a restatement of the unaudited condensed consolidated statement of cash flows of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 to give effect to (i) the application of IFRS 16 and (ii) the impact of the sales of our Australian ski resorts as discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019.

Other Operating, Financial and *Pro Forma* Financial Information

	As at and for the 53 weeks ended 31 December 2016	As at and for the 52 weeks ended 30 December 2017	As at and for the 52 weeks ended 29 December 2018	As at and for the 26 weeks ended 30 June 2018	As at and for the 26 weeks ended 29 June 2019[(1)]	As at and for the 52 weeks ended 29 June 2019[(1)]
	(£ in millions except ratios or unless otherwise indicated)					
EBITDA[(2)]	451	474	490	143	189	536
EBITDA margin (per cent.)[(3)]	31%	30%	29%	20%	25%	31%
Underlying EBITDA[(2)]	451	474	494	143	191	542
Normalised EBITDA[(2)]	455	473	489	152	151	488
Existing Estate capital expenditure	141	159	149	85	81	145
Capital expenditures	259	336	332	190	162	304
Operating free cash flow	310	315	345	58	110	397
Operating free cash flow conversion	68.7%	66.5%	70.4%	40.6%	57.6%	56.1%
***Pro forma* financial information:**						
Pro forma EBITDA[(2)]						506
Pro forma cash and cash equivalents[(4)]						133
Pro forma net indebtedness (excluding leases)[(5)]						3,010
Pro forma operating free cash flow[(6)]						361
Pro forma cash interest expense (excluding leases)[(7)]						169
Ratio of *pro forma* net indebtedness (excluding leases) to *pro forma* EBITDA[(2)(5)]						5.9x
Ratio of *pro forma* net indebtedness (excluding leases) to *pro forma* operating free cash flow[(5)(6)]						8.3x
Ratio of *pro forma* EBITDA to *pro forma* cash interest expense (excluding leases)[(2)(7)]						3.0x

(1) Unless otherwise indicated, operating and financial information for the 52 weeks ended 29 June 2019 represents the mathematical calculation of subtracting the applicable operating and financial information for the 26 weeks ended 30 June 2018 from the applicable operating and financial information for the 52 weeks ended 29 December 2018 and adding the applicable operating and financial information for the 26 weeks ended 29 June 2019 without accounting for differences in the application of accounting measures and the treatment of discontinued operations. Normalised EBITDA and Pro Forma EBITDA for the 52 weeks ended 29 June 2019 reflect (i) the disapplication of IFRS 16 and the exclusion in our results of the impact in our results of discontinued operations, as reported in our unaudited condensed consolidated financial statements for the 26 weeks ended 29 June 2019; and (ii) the removal from our results of the impact of discontinued operations for each of the 52 weeks ended 29 December 2018 and the 26 weeks ended 30 June 2018.

(2) EBITDA is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of profit after tax of joint ventures. Underlying EBITDA reflects adjustments to EBITDA to exclude the impact of certain one-off and non-trading items that, by their nature, can be classified as exceptional items. No exceptional items were recognised for the 2016 and 2017 financial years, but exceptional costs of £4 million were incurred in delivering on our productivity agenda in the second half of the 2018 financial year. For the 26 weeks ended 29 June 2019, exceptional costs of £2 million were incurred in delivering on our productivity agenda as well. Normalised EBITDA for the 2018 financial year, H1 2018 and H1 2019 gives effect to certain adjustments made in connection with share-based payments (non-cash costs) and Tooley Street Exit Incentive (each as described below), in each case, to Underlying EBITDA. In addition, Normalised EBITDA for (i) H1 2019 also gives effect to the disapplication of IFRS 16 and the exclusion in our results of the impact of discontinued operations and (ii) for the 2018 financial year and H1 2018 also gives effect to the exclusion in our results of the impact of discontinued operations. The following table provides a reconciliation of profit for the year/period to EBITDA, EBITDA to Underlying EBITDA and Underlying EBITDA to Normalised EBITDA for the periods indicated:

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018	For the 26 weeks ended 29 June 2019
	(£ in millions)				
Profit for the year/period	**211**	**209**	**230**	**33**	**66**
Taxation	66	62	55	10	8
Finance costs	46	55	48	25	50
Finance income	(3)	(3)	(10)	(5)	(5)
Depreciation and amortisation	131	151	167	80	112
EBITDA	**451**	**474**	**490**	**143**	**189**
Exceptional items[(a)]	—	—	4	—	2
Underlying EBITDA	**451**	**474**	**494**	**143**	**191**
Sales tax rebate[(b)]	(5)	(2)	—	—	—
Share-based payments (non-cash costs)[(c)]	11	3	8	5	5
Tooley Street Exit Incentive[(d)]	(2)	(2)	(2)	(1)	(1)
Lease accounting adjustments[(e)]	—	—	—	—	(44)
Disposal of Australian ski resorts[(f)]	—	—	(11)	5	—
Total normalisation adjustments	**4**	**(1)**	**(5)**	**9**	**(40)**
Normalised EBITDA	**455**	**473**	**489**	**152**	**151**

(a) Exceptional items represent one-time costs incurred in connection with implementing our productivity agenda, which we initiated during the 52 weeks ended 29 December 2018 to streamline and evolve our back office and operations to provide long-term sustainable savings. For a description of our productivity agenda, see "*Summary—Our Strategy—Leveraging Strategic Synergies—Productivity Agenda*."

(b) 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 sales tax refunds for SEA LIFE Attractions in Europe.

(c) Share-based payments (non-cash costs) represent non-cash stock-based compensation expenses incurred by the Target 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.

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

(e) Lease accounting adjustments represent adjustments made to exclude the impact of the application of IFRS 16 from EBITDA and Underlying EBITDA as reported in our unaudited condensed consolidated financial statements for the 26 weeks ended 29 June 2019 to facilitate the calculations of Normalised EBITDA and *pro forma* EBITDA.

(f) Disposal of Australian ski resorts represents the removal of discontinued operations from our financial results. On 21 February 2019, we entered into an agreement to sell our Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. We completed the sale on 5 April 2019 for total cash consideration of A$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.

Pro forma EBITDA represents Normalised EBITDA adjusted to illustrate the effect the Transactions would have had on Normalised EBITDA if the Transactions had occurred on 1 July 2018. The following table provides (i) a reconciliation of EBITDA to Underlying EBITDA and Underlying EBITDA to Normalised EBITDA for each of the 52 weeks ended 29 December 2018, the 26 weeks ended 30 June 2018 and the 26 weeks ended June 2019; and (ii) a reconciliation of Normalised EBITDA to *pro forma* EBITDA for the 52 weeks ended 29 June 2019:

	For the 52 weeks ended 29 December 2018	**For the 26 weeks ended 30 June 2018**	**For the 26 weeks ended 29 June 2019**	**For the 52 weeks ended 29 June 2019[a]**
		(£ in millions)		
EBITDA	**490**	**143**	**189**	**536**
Exceptional items[b]	4	—	2	6
Underlying EBITDA	**494**	**143**	**191**	**542**
Share-based payments (non-cash costs)[c]	8	5	5	8
Tooley Street Exit Incentive[d]	(2)	(1)	(1)	(2)
Lease accounting adjustments[e]	—	—	(44)	(44)
Disposal of Australian ski resorts[f]	(11)	5	—	(16)
Total normalisation adjustments	**(5)**	**9**	**(40)**	**(54)**
Normalised EBITDA	**489**	**152**	**151**	**488**
Public company cost savings[g]				2
FX adjustment[h]				16
***Pro forma* EBITDA**				**506**

(a) Unless otherwise indicated, operating and financial information for the 52 weeks ended 29 June 2019 represents the mathematical calculation of subtracting the applicable operating and financial information for the 26 weeks ended 30 June 2018 from the applicable operating and financial information for the 52 weeks ended 29 December 2018 and adding the applicable operating and financial information for the 26 weeks ended 29 June 2019, without accounting for differences in the application of accounting measures and the treatment of discontinued operations. Normalised EBITDA and Pro Forma EBITDA for the 52 weeks ended 29 June 2019 reflect (i) the disapplication of IFRS 16 and the exclusion in our results of the impact in our results of discontinued operations, as reported in our unaudited condensed consolidated financial statements for the 26 weeks ended 29 June 2019; and (ii) the removal from our results of the impact of discontinued operations for each of the 52 weeks ended 29 December 2018 and the 26 weeks ended 30 June 2018.

(b) Exceptional items represent one-time costs incurred in connection with implementing our productivity agenda, which we initiated during the 52 weeks ended 29 December 2018 to streamline and evolve our back office and operations to provide long-term sustainable savings. For a description of our productivity agenda, see "*Summary—Our Strategy—Leveraging Strategic Synergies—Productivity Agenda*."

(c) Share-based payments (non-cash costs) represent non-cash stock-based compensation expenses incurred by the Target 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.

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

(e) Lease accounting adjustments represent adjustments made to exclude the impact of the application of IFRS 16 from EBITDA and Underlying EBITDA as reported in our unaudited condensed consolidated financial statements for the 26 weeks ended 29 June 2019 to facilitate the calculations of Normalised EBITDA and *pro forma* EBITDA.

(f) Disposal of Australian ski resorts represents the removal of discontinued operations from our financial results. On 21 February 2019, we entered into an agreement to sell our Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. We completed the sale on 5 April 2019 for total cash consideration of A$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.

(g) 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.

(h) 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.

These adjustments are based upon various assumptions, forecasts and management estimates and are in part based upon historical information. This information does not represent the results we would have achieved had each of the adjustments occurred and been fully implemented on the first day of the relevant financial period. In addition, our estimates of the impact of the cost savings are based upon forecasts and management estimates and are presented on an annual run-rate basis as if such cost-savings had been fully realised at the beginning of the relevant period. We may not be able to achieve these cost savings in a timely manner or at all. The estimated cost savings and adjustments in the Consortium's business plan, which have been used to calculate our *pro forma* EBITDA for the 52 weeks ended 29 June 2019, are based on a number of assumptions made in reliance on the information available to the Consortium and management's judgments based on such information. The assumptions used in estimating cost savings are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in our estimates of cost savings. These numbers have not been, and cannot be, audited, reviewed or verified by an independent accounting firm. This information is inherently subject to risks and uncertainties. It may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum and should not be relied upon when making an investment decision. EBITDA, Underlying EBITDA, Normalised EBITDA and *pro forma* EBITDA are included in this Offering Memorandum because we believe they are helpful to investors as measures of our operating performance and ability to service our debt. These measures are not measurements of financial performance under IFRS and should not be considered in isolation or as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Other companies, including those in our industry, may calculate similarly titled financial measures differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. See "*Presentation of Financial Information*." Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments or other commitments.

(3) EBITDA margin is defined as EBITDA divided by total revenue. EBITDA margin for the 52 weeks ended 29 June 2019 represents EBITDA for the 52 weeks ended 29 June 2019 divided by revenue for the 52 weeks ended 29 June 2019 resulting from the subtraction of the revenue for the 26 weeks ended 30 June 2018 amounting to £709 million, as originally reported in the condensed consolidated financial statements of the Target and its subsidiaries for and as at the 26 weeks ended 30 June 2018, from the revenue for the 52 weeks ended 29 December 2018 amounting to £1,688 million, as originally reported in the consolidated financial statements of the Target and its subsidiaries for and as at the 52 weeks ended 29 December 2018 and the addition of the revenue for the 26 weeks ended 29 June 2019 amounting to £763 million, as reported in the condensed consolidated financial statements of the Target and its subsidiaries for and as at the 26 weeks ended 29 June 2019, without accounting for differences in the application of accounting measures and the treatment of discontinued operations.

(4) *Pro forma* cash and cash equivalents represent cash and cash equivalents of Midco and its consolidated subsidiaries, including the Target, as at 29 June 2019, as adjusted to give effect to the Transactions, as if the Transactions occurred on 29 June 2019. See "*Summary—The Transactions*," "*Use of Proceeds*" and "*Capitalisation*."

(5) *Pro forma* net indebtedness (excluding leases) represents total financial indebtedness (excluding leases) of Midco and its consolidated subsidiaries, including the Target, as adjusted to give effect to the Transactions, as if the Transactions occurred on 29 June 2019, less *pro forma* cash and cash equivalents of Midco and its consolidated subsidiaries, including the Target. See "*Summary—The Transactions*," "*Use of Proceeds*" and "*Capitalisation*."

(6) *Pro forma* operating free cash flow represent operating free cash flow of Midco and its consolidated subsidiaries, including the Target, as at 29 June 2019, as adjusted to give effect to the Transactions, as if the Transactions occurred on 1 July 2018. See "*Summary—The Transactions*," "*Use of Proceeds*" and "*Capitalisation*."

(7) *Pro forma* cash interest expense (excluding leases) represents estimated cash interest expense (excluding leases) of Midco and its consolidated subsidiaries, including the Target, for the 52 weeks ended 29 June 2019, as adjusted to give effect to the Transactions, as if the Transactions occurred on 1 July 2018. See "*Summary—The Transactions*," "*Use of Proceeds*" and "*Capitalisation*." However, we may enter into currency and interest rate hedges after the Issue Date, from time to time, which would impact the actual cash interest payable in connection with our indebtedness. Pro forma cash interest expense (excluding leases) has been presented for illustrative purposes only and does not purport to represent what our cash interest expense

(excluding leases) would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our cash interest expenses (excluding leases) for any period or our financial condition on any future date.

Other Key Performance Measures

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018 Restated	For the 26 weeks ended 29 June 2019
Visitors[1] (millions)					
Midway Attractions	41.7	40.7	40.4	18.8	19.6
LEGOLAND Parks	12.9	15.3	15.6	6.9	6.9
Resort Theme Parks	10.5	10.0	11.0	4.2	4.3
Group Total	**65.1**	**66.0**	**67.0**	**29.9**	**30.8**
Revenue (£ millions)					
U.K.	486	486	527	214	236
Continental Europe	367	389	413	158	158
North America	404	438	453	216	238
Asia Pacific	200	281	295	118	131
Group Total	**1,457**	**1,594**	**1,688**	**706**	**763**
Per cent. of Revenue (per cent.)					
U.K.	33%	31%	31%	30%	31%
Continental Europe	25%	24%	24%	22%	21%
North America	28%	27%	27%	31%	31%
Asia Pacific	14%	18%	18%	17%	17%
Group Total	**100%**	**100%**	**100%**	**100%**	**100%**
Revenue (£ millions)					
Midway Attractions	638	656	677	297	324
LEGOLAND Parks	495	609	637	274	296
Resort Theme Parks	322	329	367	133	137
Group Total[2]	**1,457**	**1,594**	**1,688**	**706**	**763**
Revenue per capita[3][4] (£)					
Midway Attractions	15.27	15.35	15.56	15.51	15.89
LEGOLAND Parks	36.77	37.00	35.95	35.18	35.41
Resort Theme Parks	25.26	25.84	25.82	23.98	24.68
Group Total	**20.79**	**21.42**	**21.47**	**20.73**	**20.92**
Like-for-like revenue growth[1][5] (per cent.)					
Midway Attractions	0	(1)	0	(3)	5
LEGOLAND Parks	2	5	0	1	(1)
Resort Theme Parks	4	(2)	9	8	3
Group Total[6]	**1**	**1**	**2**	**1**	**2**
Like-for-like EBITDA growth[1][7][8] (per cent.)	**(4)**	**1**	**0**		

(1) Visitor numbers include visitors to Attractions operated under management contracts (which, during the periods under review, included LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye) and visitors to Attractions operated as joint ventures.

(2) Group Total includes revenue from Other items (including Merlin Magic Making, head office costs and other various costs, which cannot be directly attributed to the reportable operating groups) in an amount of £2 million for the 53 weeks ended 31 December 2016, £7 million for the 52 weeks ended 29 December 2018, £2 million for the 26 weeks ended 30 June 2018 and £6 million for the 26 weeks ended 29 June 2019.

(3) Revenue per capita for all periods is prepared on a constant currency basis and, for the 52 weeks ended 29 December 2018, excludes the impact of IFRS 15.

(4) 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 (until we exited the management contract in May 2018) the Orlando Eye, and under joint ventures).

(5) Like-for-like revenue growth in respect of each financial year reflects the growth in revenue attributable to the estate of Attractions owned by the Target and operational on the first day of the immediately preceding financial year (excluding visitors to Attractions operated under management contracts, including LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye, and under joint ventures), on a constant currency basis. In calculating like-for-like revenue and EBITDA growth, the results of the 53rd week of the 2016 financial year (which was a 53-week financial year) have been excluded for comparability purposes. In addition, to enhance the comparability of our results of operations from period to period, like-for-like revenue and EBITDA growth disregard the impact of acquisitions, new Attractions and other businesses, including new hotels and other accommodation, changes in foreign exchange rates and our exit from certain non-core smaller Midway Attractions.

(6) The following table provides a reconciliation of our revenue to our like-for-like revenue and the resulting like-for-like revenue growth between the 2016 to 2018 financial years:

	2016 – 2017 Like-for-like revenue growth		**2017 – 2018 Like-for-like revenue growth**	
	53 weeks ended 31 December 2016	**52 weeks ended 30 December 2017**	**52 weeks ended 30 December 2017**	**52 weeks ended 29 December 2018**
	(£ in millions except percentages)			
Revenue for the financial year	1,457	1,594	1,594	1,688
Revenue attributable to 53rd week of 2016	(28)	—	—	—
Revenue attributable to IFRS 15[(a)]	—	—	—	(35)
Foreign exchange adjustment to restate revenue on a constant currency basis	67	—	—	25
Revenue from Attractions or businesses opened or acquired since the start of the first financial year being compared and Central revenue[(b)]	(26)	(114)	(85)	(143)
Revenue from Attractions or businesses that ceased operations	—	—	(4)	(3)
Like-for-like revenue	**1,470**	**1,480**	**1,505**	**1,532**
Percentage growth (per cent.)	**—**	**1**	**—**	**2**

(a) To aid comparability for the like-for-like growth rate comparing the results for the 2017 financial year and the 2018 financial year, we present revenue attributable to IFRS 15 as a separate line item.

(b) Attractions opened during the 2016 financial year include five Midway Attractions, LEGOLAND Dubai, the "*Adventure Hotel*" at Gardaland Resort and the "*Knight's Village*" at Warwick Castle. Attractions opened during the 2017 financial year include six Midway Attractions, LEGOLAND Japan, the "*Beach Retreat*" at LEGOLAND Florida, the "*Castle Hotel*" at LEGOLAND Windsor, the extension to the holiday village at LEGOLAND Billund and the "*CBeebies Land Hotel*" at Alton Towers Resort. Attractions opened during the 2018 financial year include seven new Midway Attractions, 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.

(7) Like-for-like EBITDA growth in respect of each financial year reflects the EBITDA growth attributable to the estate of Attractions owned by the Target and operational on the first day of the immediately preceding financial year (excluding Attractions operated under management contracts, including LEGOLAND Malaysia LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye, and under joint ventures), on a constant currency basis. In calculating like-for-like revenue and EBITDA growth, the results of the 53rd week of the 2016 financial year (which was a 53-week financial year) have been excluded for comparability purposes.

(8) The following table provides a reconciliation of our EBITDA to our like-for-like EBITDA and the resulting like-for-like EBITDA growth between the 2016 and 2018 financial years:

	2016 – 2017 Like-for-like revenue growth		**2017 – 2018 Like-for-like revenue growth**	
	53 weeks ended 31 December 2016	**52 weeks ended 30 December 2017**	**52 weeks ended 31 December 2017**	**52 weeks ended 29 December 2018**
	(£ in millions except percentages)			
EBITDA for the financial year	451	474	474	494
EBITDA attributable to 53rd week of 2016	(18)	—	—	—
Foreign exchange adjustment to restate EBITDA on a constant currency basis	25	—	—	9
EBITDA from Attractions or businesses opened or acquired since the start of the first financial year being compared and Central EBITDA[(a)]	(4)	(16)	(6)	(32)
EBITDA from Attractions or businesses that ceased operations	—	—	—	(1)
Like-for-like EBITDA	**454**	**458**	**468**	**470**
Percentage growth (per cent.)	**—**	**1**	**—**	**—**

(a) Attractions opened during the 2016 financial year include five Midway Attractions, LEGOLAND Dubai, the "*Adventure Hotel*" at Gardaland Resort and the "*Knight's Village*" at Warwick Castle. Attractions opened during the 2017 financial year include six Midway Attractions, LEGOLAND Japan, the "*Beach Retreat*" at LEGOLAND Florida, the "*Castle Hotel*" at LEGOLAND Windsor, the extension to the holiday village at LEGOLAND Billund and the "*CBeebies Land Hotel*" at Alton Towers Resort. Attractions opened during the 2018 financial year include seven new Midway Attractions, 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.

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RISK FACTORS

An investment in the Notes involves risks. Before investing in the Notes, you should consider carefully the following risk factors and all information contained in this Offering Memorandum. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operations or prospects. If any of these events occur, our business, financial condition, liquidity, results of operations or prospects could be materially and adversely affected, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Market and Our Business

We may be adversely affected by terrorist activities, political direct action, activism, natural disasters and significant power outages.

Actual, attempted and threatened terrorist, sabotage and other criminal activities (such as trespass and other direct action by politically motivated groups) as well as natural disasters and significant power outages may adversely affect visitor volumes and spending at Attractions, delay or cause the abandonment of the development or expansion of Attractions or cause the voluntary, temporary or permanent cessation of operations of one or a number of the Attractions, which could have a material adverse effect on our business, financial condition and results of operations. We have Attractions in cities and in countries that have experienced terrorist attacks in recent years, such as London, New York, Manchester, Istanbul, Orlando, Munich, Berlin, Bangkok and Paris. The perceived threat of terrorist activity could in itself cause a downturn in visitor numbers and spending at our Attractions, particularly at Attractions located in city centres.

In the event of any terrorist or other disruptive activity successfully targeting or otherwise impacting, or a natural disaster or significant power outage impacting, an Attraction, there can be no assurance that we would seek to or receive approval to rebuild, restore or otherwise repair any damage to the Attraction, or that visitor volumes could be restored to levels experienced prior to the occurrence of such event. While we have insurance cover designed to mitigate the financial impact of direct terrorist or other disruptive activities or natural disasters or power outages on our operations, such insurance cover is subject to exclusions, exceptions, deductibles and limits on liability which mean that we may not be reimbursed in whole or in part for any resulting loss. Terrorist or other disruptive activity could also impact the transport infrastructure that serves our Attractions and in doing so affect the ability of staff or visitors to travel to our Attractions with consequent impact on visitor volumes.

We operate a number of clusters of Midway Attractions and other Attractions in or near "*gateway*" city centres. Any actual, attempted or threatened terrorist or other disruptive activity targeting a location where we operate a cluster of Midway Attractions could have a disproportionately negative effect on visitor numbers and our business, financial condition and results of operations.

In addition, we operate a number of aquariums and other animal attractions, including 48 SEA LIFE Attractions, as at 29 June 2019. Despite our involvement with various conservation charities, certain animal rights activists are known to campaign against such operations. If we were to become the subject of any such campaigns, this could impact public opinion about or interfere with our operations and consequently reduce visitor volumes at the Attractions. Any significant reduction in visitor volumes could have a material adverse effect on our business, financial condition and results of operations.

In order to maintain appropriate water temperatures in our tanks, our SEA LIFE Centres have back-up generators to provide power in the event of short-term power failure. In the event generators fail or power outages persist for a prolonged period of time, there is a potential risk of loss or damage to stock and a consequent impact on displays at Attractions, which could be detrimental to customer satisfaction, result in temporary closure of displays or Attractions and have a material adverse effect on our business, financial condition and results of operations.

We are exposed to the risk of serious accidents and other safety incidents.

Our brand and our reputation are amongst our most important assets. Our ability to attract and retain customers depends, in part, upon the external perceptions of our business, the quality and safety of our parks, services and rides and our corporate and management integrity. Our Attractions involve the inherent risk that serious incidents may occur where guests, staff members or contractors are harmed, including as a result of: a failure to follow safety management systems when operating rides; inadequate maintenance and management of buildings, infrastructure and vegetation; substandard build quality, asset degradation, fire flood, storm or utility failure; or harmful actions or crimes committed by other guests. An accident or an injury at any of our parks or at parks operated by competitors, particularly an accident or injury involving the safety of guests and employees, that receives media attention, could negatively impact our brand or reputation, cause loss of consumer confidence in our company, reduce attendance at our parks, and negatively impact our results of operations. The considerable expansion in the use of social media over recent years could compound the impact of negative publicity. If any such incident occurs during a time of high seasonal demand, the effect could disproportionately impact our results of operations for the year.

Despite the health and safety measures that we have imposed, incidents involving harm to persons at certain of the Attractions, including a limited number of incidents involving serious bodily injury and loss of life, as well as damage to property and assets have occurred. The accident at our Alton Towers Resort in June 2015, in which two carriages on one of our rides collided and 16 passengers were injured, was one such serious incident. See "*Business—Health, Safety and Security—The Alton Towers Resort Accident*." Although we have implemented changes to reduce the likelihood of such an event happening again, there can be no assurance that another similar event will not occur in the future. In addition, we are exposed to the risk of other safety incidents at our Theme Parks, including social disturbances and health concerns such as instances of food-borne illnesses at our restaurants, water-borne illnesses on our water rides and air-borne illnesses at any of the Attractions. Instances or reports, whether verified or not, of food-safety issues, such as food-borne illnesses (including allergic reactions by customers), food tampering, food contamination or mislabelling may significantly damage our reputation and expose us to litigation claims. Any accident or other safety incident involving loss of life or harm to any persons or damage to property or assets (or the public perception of risk thereof) could expose us to financial risk, including personal injury and other liability claims and criminal proceedings. Internal investigations or investigations by insurers or other interested parties following an accident or other incident involving a ride or Attraction could cause the affected ride or Attraction to be closed for a period of time or indefinitely which could negatively impact our brands, reputation and visitor volumes. In addition, rides (including high profile rides) at our Theme Parks could be subject to stoppages as a result of mechanical or technical faults. The occurrence of any such accident, other safety incident or material stoppage could have a material adverse effect on our business, financial condition and results of operations. The Medical Treatment Case ("*MTC*") rate captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations. Our MTC rate in the 2018 financial year was reduced to 0.03 (as compared to 0.04 and 0.06 in the 2017 financial year and the 2016 financial year, respectively).

In addition, accidents or other safety incidents at Attractions we operate or at our competitors' attractions (for example, historic incidents involving marine animals at one of our competitors or the fatality of a visitor at the Drayton Manor theme park in 2017) may generate adverse media coverage of us or the visitor attractions industry generally, result in regulatory changes that affect our industry and may adversely affect the general attitudes of potential visitors towards us and our brands. For example, the accident at Drayton Manor resulted in a temporary shutdown of similar rides in our parks while we reviewed our safety policies and procedures. Any such events could adversely affect visitor volumes at the Attractions which could have a material adverse effect on our business, financial condition and results of operations.

Economic conditions beyond our control could have an adverse effect on our results of operations.

Our business is influenced by general economic trends. Discretionary consumer spending, which is the principal economic driver for visitor attendance at the Attractions, is affected by global economic conditions. Visitor volumes at the Attractions, and the amount that visitors spend at the Attractions when they visit, may decrease if relative disposable income decreases, unemployment increases or the spending habits of potential visitors change to reflect any increased uncertainty or apprehension regarding economic conditions. A significant deterioration or sustained decline in economic conditions could reduce spending at the Attractions, and if the current economic conditions continue or worsen in any of the markets in which we operate, there can be no assurance that this will not have a material adverse effect on our business, financial condition and results of operations.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union ("*Brexit*") in a national referendum. Ongoing uncertainty on whether the government and parliament of the United Kingdom and the European Union will agree to a withdrawal agreement sustains the possibility that the United Kingdom will leave the European Union without a withdrawal agreement and transition plan in place, which is likely to cause significant market and economic disruption, which may have a substantial impact on our business. An Attraction's cost base and supply chain sit largely in the individual country of operation. However, Brexit may result in delays in the movement of goods and products or restrictions on the actual availability of goods and products, in each case which may disrupt our retail, food and beverage and ride operations, when either sourced directly or through third-party providers in the supply chain. In addition, Brexit may impose immigration restrictions that limit our access to non-U.K. staff that we may need to operate the U.K. Attraction estate. There can be no assurance that a shift in the availability of skilled personnel in the U.K. workforce would not impact recruitment in our U.K. businesses. Brexit may lead to a downturn in the U.K. or other European economies and could lead to lower access to European markets, in general. Further, any reduction in our customers' willingness or ability to travel due to Brexit-related changes in the economic environments of the U.K. and the European Union, including fluctuations in relevant currency exchange rates, could materially affect our revenue. Changes in respect of the U.K. legal and regulatory regime as the United Kingdom determines which European Union Laws to replace or replicate in the event of a withdrawal could increase costs, depress economic activity and restrict our access to capital. For instance, we may lose tax and tariff relief from not being within the EU tax and trade treaty umbrella. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated, which may have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by unfavourable weather conditions.

In the 2018 financial year, 60 per cent. of our revenue was derived from our LEGOLAND Parks and Resort Theme Parks operations, which are primarily organised around outdoor activities. Accordingly, visitor volumes at the LEGOLAND Parks and Resort Theme Parks can be significantly negatively affected by excessive rain or heat, other inclement weather and forecasts of inclement weather. Moreover, since our Resort Theme Parks are located entirely in Western Europe, we are exposed to the risk that any single inclement weather pattern that affects the whole region could have a significant adverse effect on the Resort Theme Parks operating group.

In the 2018 financial year, 40 per cent. of our revenue was derived from our Midway Attractions operating group, which is primarily organised around indoor activities. Accordingly, visitor volumes at the Midway Attractions can be negatively affected by unusually hot weather and forecasts of unusually hot weather, particularly during the summer months when our customers would rather, for example, partake in outdoor activities.

Furthermore, due to the seasonal nature of our business, inclement weather during July and August, the peak months of our opening period, and other peak periods across the globe (for example, the Easter and October half term school holiday periods in the United Kingdom), can have a greater negative impact on visitor volumes at the LEGOLAND Parks and Resort Theme Parks than inclement weather at other times. In addition, because weekend days are typically peak days for visitor volumes at the Attractions, unusually hot weather on weekends can have a greater negative impact on visitor volumes at Midway Attractions than on weekdays and inclement weather on weekends can have a greater negative impact on visitor volumes at the LEGOLAND Parks and Resort Theme Parks than on weekdays.

Due to the varying nature and locations of the Attractions, weather conditions resulting in reduced visitor numbers at the outdoor Attractions may not always result in a corresponding increase in the number of visitors at the indoor Attractions, and vice versa.

A significant reduction in visitor volumes at the Attractions due to unfavourable weather conditions could have a material adverse effect on our business, financial condition and results of operations.

We may not generate the desired returns from our development of Midway Attractions, LEGOLAND Parks and new resort hotels.

A key component of our strategy is developing our Midway Attractions, LEGOLAND Parks and new resort hotels. In 2018, we opened seven Attractions of which two were in the United Kingdom, four in Asia Pacific and one was in the United States, balancing the growth of the portfolio across geographies and brands and building clusters of Midway Attractions where appropriate. Also in 2018, we opened new hotels at LEGOLAND Deutschland, LEGOLAND California and LEGOLAND Japan. In 2019, we opened a 142-room Castle Hotel at LEGOLAND Billund Resort, a 128-room Magic Hotel at Gardaland Resort, 102 "*stargazing pods*" at Alton Towers Resort and we announced the targeted opening of LEGOLAND Waterpark at Gardaland Resort in 2020, as part of our strategy to transform our Theme Parks into destination resorts. Following our recent development of new Midway Attractions brands such as "*Bear Grylls' Adventure*" and our Peppa Pig Attractions, we also plan to continue growing our LEGOLAND resorts with the opening of LEGOLAND Park New York targeted for 2020 (although the timetable and costs are under pressure given the scale and complexity of the project, with accommodation at the park expected to open in 2021) and LEGOLAND Park Korea targeted by 2022, in addition to other LEGOLAND projects which remain under discussion. Although we have identified sites for the potential roll-out of Midway Attractions, new hotels and LEGOLAND Parks during upcoming financial years, there can be no assurance that our New Openings team will be able to continue successfully to identify and secure suitable roll-out locations for new site openings and accommodation projects each year or successfully execute such projects.

New Midway Attractions, new resort hotels and other accommodation and additional LEGOLAND Parks may fail to become operational on the scheduled timetable or fail to open due to setbacks caused by: planning delays, challenges or refusals; development requests from local authorities over and above the norm; infrastructure issues; construction delays; financing delays; the delay or our inability, for any reason, to recruit, manage and control appropriately skilled employees and consultants; the financial failure of any key suppliers, development partners or finance providers; or otherwise. Furthermore, once opened, the Midway Attractions (including our recently developed "*Bear Grylls' Adventure*" brand and our Peppa Pig Attractions), new resort hotels and other accommodation and additional LEGOLAND Parks may not attract anticipated volumes of visitors or guests, either in the short or long term. In addition, we rely in some instances on independent contractors and sub-contractors for services relating to the development and construction of our Attractions and the provision of certain amenities and services to our customers once an Attraction has opened. There can be no assurance that we will be able to engage appropriate third parties and if engaged, that they will provide the services in a satisfactory and timely manner.

The occurrence of any of these factors could negatively impact our ability to generate the desired returns from our development of Midway Attractions, resort hotels and other accommodation and LEGOLAND Parks.

We may not generate the desired returns from the investment in our Existing Estate.

Our growth strategy is dependent in part upon regular investments in our Existing Estate that are intended to increase visitor volumes, support price increases and drive revenue growth at our existing Attractions, as well as maintain the long-term attractiveness of the Attractions. Such investments include: installing new rides and Attractions; replacing old Attractions with newer Attractions; upgrading and/or re-theming existing Attractions; and the general maintenance of existing Attractions (including ensuring health and safety standards continue to be met). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operation—Management of Capital Investments—Existing Estate*." We expect to spend approximately £400 million of capital expenditure in 2019, of which approximately £160 million to £180 million relates to Existing Estate capital expenditure. In the past, in some circumstances, investments have not yielded the anticipated increase in visitor volumes and revenues and there can be no assurance that our future planned investments will result in revenue growth at levels we anticipated (or at all), or that, if revenues do increase, the additional revenues will be sufficient to recover the amounts we invested and provide a return on such investments.

Any investment that does not result in increased visitor volumes, that otherwise does not recover the amount we have invested or that does not maintain the long-term attractiveness of the relevant Attraction, could adversely affect revenues at the relevant Attraction and consequently have a material adverse effect on our business, financial condition and results of operations.

We rely on key personnel and on our ability to attract and retain employees.

We rely on the contributions of our senior management team and other key personnel for the successful management and operation of our business. In addition, our future success depends in part on our ability to continue to recruit, train, motivate and retain employees and on our ability to continue to employ creative employees and consultants. In addition, our ability to expand into new geographies is dependent in part on our ability to recruit, manage and retain employees in those locations. The loss of service of any of our senior management team or other key personnel, or our inability to attract, retain and appropriately manage new employees or qualified employees and consultants, including in connection with the Acquisition, could have a material adverse impact on our business, financial condition and results of operations.

Our use of the LEGOLAND and LEGO trademarks, content and other intellectual property rights are subject to the terms and conditions of the LCA.

We have the right to use the LEGOLAND and LEGO trademarks in the LEGOLAND Parks and LEGOLAND Discovery Centres on an exclusive worldwide basis until at least 2054, pursuant to the LCA with KIRKBI A/S, the parent company of KIRKBI, one of our significant shareholders. Following completion of the Acquisition, KIRKBI (a wholly-owned subsidiary of KIRKBI A/S) will be a 50 per cent. investor, directly or indirectly, in Bidco (which will hold 100 per cent. of the shares in the Target Group).

The extension of the term of the LCA is subject to the development of a certain number of LEGOLAND Parks or LEGOLAND Discovery Centres, which we may not be able to develop in a timely manner or at all due to cost pressures given the scale and complexity of the Attractions or other factors, including those beyond our control. The LCA is subject to termination rights of the parties thereto in specified circumstances, including rights of KIRKBI A/S to terminate licensing to a park if visitor satisfaction survey results fall below a specified level, subject to specified cure periods. In addition, we may lose exclusivity if we fail to expand the number of LEGOLAND venues worldwide in accordance with the agreement. If the visitor satisfaction survey results fall below the threshold enabling KIRKBI A/S to terminate licensing under the LCA and such results are not cured in accordance with the LCA, there can be no assurances that KIRKBI A/S would not terminate or require amendments to the LCA with terms that may be less favourable to us than the current agreement. In connection with the Transactions, the Consortium has agreed on certain changes to the licensing arrangements under the LCA, details of which will be finalised following the Acquisition. See "*Business—Material Contracts—Intellectual Property*."

Any loss of our rights to use the LEGOLAND and LEGO trademarks in relation to all or any of the LEGOLAND Parks or LEGOLAND Discovery Centres could require us to direct significant levels of capital expenditure to removing the LEGOLAND and LEGO trademarks and LEGO-based statues, rides and other content from the relevant LEGOLAND Parks and/or LEGOLAND Discovery Centres and to introducing new trademarks and theming to, and marketing of, such Attractions. In addition, the loss of the benefit of association with these trademarks and the operational disruption could have a significant negative effect on visitor volumes which could have a material adverse effect on our business, financial condition and results of operations. The loss of the rights to use the trademarks could also delay completion of or cause the abandonment of any LEGOLAND Parks and LEGOLAND Discovery Centres under development which could restrict our ability to pursue our growth strategy. The termination of the LCA could have a material adverse effect on our business, financial condition and results of operations.

We also rely on the use of other intellectual properties in connection with the operation of our business, including from the BBC Worldwide, DreamWorks, Bear Grylls and, for the Peppa Pig Attractions, Entertainment One. (which Hasbro has recently agreed to acquire).

We rely on intellectual property partnerships for our business.

We rely on developing intellectual property partnerships for the growth of our business. As the ownership of intellectual property becomes increasingly concentrated, to the extent we continue our strategy to develop global, regional and local intellectual property partnerships, it may be difficult for us to procure or develop the rights to use such intellectual property. A failure to continue to develop intellectual property partnerships could have a material adverse effect on our business, financial condition and results of operations.

Our business is partly dependent on tourism.

Visitor volumes at the Attractions are partly dependent on the tourism industry, comprising both domestic tourists and, particularly in the case of the cluster of Attractions located in London, overseas tourists. The tourism industry is influenced by a number of external factors beyond our control, any of which may affect the number of tourists visiting the Attractions. Such factors include the general state of the global economy and the regional economies of the country in which an Attraction is located and the tourist's home country, reliance on tour operators, exchange rates (particularly in the United Kingdom as a result of Brexit uncertainty, and the impact any fluctuations of pound sterling may have on visitor numbers at the London cluster of Midway Attractions, including the London Eye) and international and regional geopolitical landscapes, including any actual, attempted or threatened terrorist activity, as well as visa requirements for countries where the Attractions are located. In addition, if transport links to, and related infrastructure such as car parks at, Attractions for any reason become inadequate or impacted by terrorism or other detrimental activity, this could have a negative effect on visitor volumes at the relevant Attractions. There can be no assurance that in the future the number of tourist visitors to the Attractions will match current levels or that any decline in overseas tourists will be wholly or partly offset by any "*staycation*" effect. A significant reduction in the number of tourist visitors to the Attractions could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks resulting from exchange rate fluctuations.

Although we prepare our financial statements in pounds sterling, we have material operations in several countries and continue to pursue a global expansion strategy. In the 2018 financial year, we generated 69 per cent. of our revenue in currencies other than pounds sterling, principally in euro and U.S. dollars. As a result, a strengthening of the pound sterling against the euro or the U.S. dollar may materially adversely affect our translated results of operations and *vice versa*. Fluctuations in currency exchange rates, which have experienced volatility due to, amongst other reasons, the global financial downturn or, more recently, the fall in pounds sterling following the Brexit referendum in the United Kingdom, have affected and may continue to affect our operating results. Where we have clusters of Attractions in cities that attract foreign visitors, foreign exchange fluctuations may impact inbound tourism. As we grow our overseas operations, particularly our expansion of Midway Attractions and LEGOLAND Parks into the United States and Asia, this effect could increase. Fluctuations in exchange rates for these or other reasons could have a material adverse effect on our reported results of operations.

We may be adversely affected by public health concerns.

The outbreak of a prolonged pandemic or epidemic disease, similar to the outbreaks of H1N1/swine flu, H5N1/bird flu and Zika virus in the past, or the occurrence of any other public health concern could negatively impact the public's willingness to gather in public spaces or travel domestically or overseas or result in health or other government authorities imposing restrictions on travel, any of which individually or together could reduce visitor volumes or revenues at the Attractions. In addition, any such public health concerns may severely restrict the level of economic activity in affected areas. Any of these events, particularly if they occur during July or August, when our visitor volumes are typically highest, could have a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely affected by competition.

The Attractions compete directly with (i) other theme parks (both international destination parks and national/regional destination parks), (ii) other regional amusement parks, (iii) other visitor attractions, such as museums, galleries, parks and aquariums and (iv) zoos and wildlife attractions. The Attractions compete indirectly with all other types of recreational and cultural facilities and alternative forms of entertainment, tourism and recreation activities, including cinemas, shopping malls, new media, in-home entertainment, sporting and gaming events, both recurring events and "*one-off*" events such as major sporting events, and vacation travel. Within each Attraction's regional market, the principal factors affecting competition include the brand positioning of attractions, location, price, customer-friendliness, the uniqueness and perceived quality of the rides, activities, installations, entertainment and/or attractions, the atmosphere and cleanliness of the Attraction and the quality of our food and other services. Competition may limit our ability to raise admission and other prices and may require us to make significant new investments or reduce pricing to avoid losing visitors to competitors and competing alternatives. There can be no assurance that competition from other free and paid-for attractions or other forms of entertainment will not have a material adverse effect on our business, financial condition and results of operations. The continued success of our business also depends, in part, on our ability to respond to changes in our industry as a result of improvements in technology, visitor preferences and other developments, and there can be no assurance that our failure to adapt to these changes in a timely manner will not have a material adverse effect on our business, financial condition and results of operation.

We may be adversely affected by changes in public and consumer tastes.

The success of the Attractions depends substantially on consumer tastes and preferences that can change in often unpredictable ways and on our ability to ensure that the Attractions meet the changing preferences of the broad consumer market. Although we carry out extensive research and analysis before opening new Midway Attractions or opening new rides or Attractions at Theme Parks, we often invest substantial amounts before we learn the extent to which new Midway Attractions and new rides or Attractions will earn consumer acceptance. For example, we recently made substantial investments to roll-out new format Attractions based on the Bear Grylls and Peppa Pig intellectual property. We may also find it difficult to source appropriate intellectual property to invest in to successfully develop new Attractions, rides or shows that appeal to visitors. For instance, visitor volumes at the LEGOLAND Parks and the LEGOLAND Discovery Centres could be adversely affected if the value of the LEGO and/or LEGOLAND brands were to diminish as a result of changes in public and consumer tastes or for any other reason. If visitor volumes at the LEGOLAND Parks or LEGOLAND Discovery Centres were to decline significantly or if the new Midway Attractions or new rides and entertainment offerings at the Attractions do not achieve sufficient consumer acceptance, visitor volumes may decline, which could have a material adverse effect on our business, financial condition and results of operations.

The operation and development of the Attractions may be subject to planning permission and other consents, laws and regulations.

The operation, development and redevelopment of rides, other entertainment offerings and other structures (including hotels) at the Attractions and the roll-out and development of new Attractions may require consent from the relevant local planning authorities as well as from third parties, such as landlords, development partners, finance providers and regulatory bodies. There can be no assurance that we can obtain the requisite planning or other consents as and when required in respect of developments or redevelopments or the roll-out and development of new Attractions or that they will not be withdrawn in relation to existing offerings at any of the Attractions.

We are required to submit a report to Lambeth Borough Council, the local planning authority, in relation to The London Eye by November 2023. The report must assess the continued acceptability of the London Eye on the basis of planning considerations. If the outcome of the review is adverse, planning permission for the London Eye will expire in November 2028 and we will be required to remove it. Given the London Eye's importance to the London tourism industry, the closure of the London Eye could have an adverse effect on our business, financial condition and results of operations.

Our relationships with the relevant local planning authorities are significant factors contributing to the success and development of our business. We engage with local planning authorities with regard to issues of shared concern that impact the development and redevelopment of our estate and the roll-out and development of new Attractions including sensitivities to site noise, listed structures, road congestion and other traffic concerns and health and safety matters. If we fail to maintain such relationships, or if such relationships were adversely affected for any reason, this could negatively impact our ability to obtain the planning and other consents necessary for the development and redevelopment of our Existing Estate or expansion into new sites or could result in the withdrawal of existing consents.

Any refusal or delay in obtaining planning or other consents or the application of any special conditions to such consents, or a breach of such conditions, could have an adverse effect on our business, financial condition and results of operations. Furthermore, future grants of planning consents are likely to impose further conditions and/or require the entry into new planning agreements. In addition, proposed regeneration schemes may adversely impact visitor access to or the operation of individual Attractions, particularly those in city centres. There can be no assurance that the constraints placed on our operations by future planning consents or regeneration schemes will not be more onerous than those currently in place, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is also subject to numerous other laws and licensing and authorisation regimes in the jurisdictions in which we operate, regulating a number of operating issues, including health and safety procedures, equipment specifications, employment requirements, environmental laws and regulations and requirements relating to the handling of animals. These laws and regimes are constantly subject to change and there can be no assurance that any or all of the regulatory and licensing and authorisation frameworks in which we operate will not become more restrictive in the future. Our strategy to expand our operations into new countries, regions and territories increases our risk exposure to political and regulatory changes. The impact of, and costs associated with, complying with changes in interpretation of existing, or the adoption of new, legislation, regulations or other laws or licensing and authorisation regimes in the jurisdictions in which we operate, or in which we have plans to operate, can be difficult to anticipate or estimate and could have a material adverse effect on our business, financial condition and results of operations.

Our tax burden could increase due to changes in tax laws, rules or treaties or their application or interpretation, adverse decisions of tax authorities or current or future tax audits.

Our tax burden could increase due to changes in tax laws, rules or treaties or their application or interpretation, adverse decisions of tax authorities or current or future tax audits. Our tax burden is dependent on certain aspects of tax laws and their application and interpretation. Any changes in tax laws or their interpretation could have a material adverse effect on our business, financial condition and results of operations. For example, the tax implications of Brexit are not known as at the date of this Offering Memorandum.

As a result of future tax audits or other review actions of the relevant tax authorities, additional taxes could be identified, which could lead to an increase in our tax obligations, either as a result of the relevant tax payment being levied directly on us or as a result of us becoming liable for tax as a secondary obligor due to a primary obligor's (such as, for example, an employee's) failure to pay. Tax authorities in European countries are routinely challenging corporate transactions, including financings such as the Transactions. Any future audit may require us to pay additional taxes (and any accrued interest and penalties).

The recent comprehensive tax reform in the United States could further adversely affect our financial condition and results of operations.

The United States enacted comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include, amongst others, (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base) and (iv) a one-time tax on accumulated offshore earnings held in cash and illiquid assets, with the latter taxed at a lower rate, which has and could continue to adversely affect our financial condition and results of operations.

Increased costs of labour, work stoppages and other labour problems, and the seasonal nature of our workforce may negatively impact our results of operations.

Labour is a primary component of our operating costs with staff costs representing 26.6 per cent. of revenues in the 2018 financial year, and any increase in the cost of labour may have a negative effect on our results. Increased labour costs due to competition, increased minimum wage, employee benefit costs, medical benefits costs or otherwise could adversely impact our business results, financial condition and results of operations. Further, a small number of our employees belong to trade unions. Though the level of our employees' participation in strikes organised by trade unions has been, in general, very low, we are exposed to potential future labour issues. A strike or other work stoppage at our Attractions could have an adverse effect on our business.

Our Attractions are dependent in part on a seasonal workforce. We manage seasonal wages and the timing of the hiring process to attempt to secure the appropriate workforce for peak and low seasons. We cannot guarantee that material increases in the cost of securing our seasonal workforce will not occur in the future. Increased seasonal wages, employment costs or an inadequate workforce could have an adverse impact on our business, financial condition and results of operations.

Failure to comply with the U.K., U.S. and foreign anti-bribery, anti-money laundering and other anti-corruption laws and regulations in the jurisdictions in which we operate could subject us to penalties and other adverse consequences that could negatively impact our business.

We are subject to certain U.K., U.S. and foreign anti-bribery, anti-money laundering and other anti-corruption laws and regulations in the jurisdictions in which we operate, including the U.K. Bribery Act and the U.S. Foreign Corrupt Practices Act. Amongst other matters, these laws and regulations prohibit companies and their employees, agents, consultants, contractors and other partners from authorizing, promising, offering, providing, soliciting or receiving, directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. We have implemented anti-corruption policies and measures that are designed to educate our employees and bring potentially improper conduct to our attention in the event an employee or affiliate fails to comply with our policies, and these measures have successfully detected potentially improper conduct in the past. However, there can be no assurance that these policies and measures have successfully detected all such conduct that has occurred, nor can there be any assurance that our policies and other measures will adequately prevent or detect possible violations under applicable anti-bribery, anti-money laundering and anti-corruption laws in the future.

Violations of these laws and regulations can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, tax reassessments, breach of contract and fraud litigation, notifications to authorities, investigations, reputational harm and other consequences, all of which could have a material adverse effect on our business, results of operations, and financial condition.

We may be subject to cash misappropriation schemes by our employees or third-parties and may have to invest in tighter control mechanisms.

While we have a profit protection team that seeks to limit instances of misappropriation and protect and oversee our operations, our business deals heavily in cash and payment cards. Employees and/or external persons can be involved in cash misappropriation schemes, ranging from taking cash from registers at shops or restaurants to more complex theft schemes or schemes involving the appropriation of customers' payment card details, including those provided by customers through our websites. We cannot guarantee that our employees or third-parties will not be involved in such schemes and we cannot completely assess the economic impact of these practices. Further, we may have to invest in tighter control mechanisms and in the case of payment cards, invest in conforming to Payment Card Industry standards and take other appropriate steps to protect customers' card data. Employee theft could have a material adverse impact on our business, financial condition and results of operations and loss of customer card data could have negative financial and public relations consequences.

We may be materially adversely affected because of risks associated with leases on certain of our properties.

A significant number of our properties are leased from third-party landlords. We may not be able to renew our leasehold interests on their expiry or to renew them on terms which are as favourable as current terms. We lease Alton Towers Resort, Heide Park Resort, THORPE PARK Resort and Warwick Castle from Secure Income REIT plc, following completion of the sale and leaseback of the properties to the predecessor in title of Secure Income REIT plc in 2007. The leases granted back to us as part of the transaction were for an initial term of 35 years, expiring in 2042, and we have a right to renew each lease for two additional, consecutive 35-year periods on materially similar terms, subject to an adjustment to market rates at that time. Although the Heide Park Resort lease contains the same contractual rights of renewal as the other leases under the sale and leaseback arrangements, as a matter of German law, Secure Income REIT plc has the right to terminate the lease after 30 years, notwithstanding the terms of the lease. Madame Tussauds London was part of the 2007 sale and leaseback but now leases its site from Fubon MTL Property (Jersey) Ltd, which acquired the freehold in 2015, with no change to the terms. In May 2012, we entered into a sale and leaseback arrangement with Richie Properties in respect of the LEGOLAND Windsor Hotel. The lease for LEGOLAND Windsor Hotel was subsequently transferred to Aberdeen Standard Investments. In 2017, we developed LEGOLAND Japan under our "*operated and leased*" model. Our local operating company leases the site and park infrastructure from development partners, including KIRKBI and LLJ Investco K.K, a subsidiary of KIRKBI. The lease is for a period of 50 years. In addition, we enter into leases for sites within the Midway Attractions operating group and central areas, which are typically of a duration between ten and 60 years with options to renew leases in line with local market practice in the territories concerned. Rent increases are also determined based on local market practice. In addition to a fixed rental element, rents within the Midway Attractions operating group can also contain a performance related element, typically based on turnover at the site concerned. If our future performance declines, inflation and rent charges increase, or the actual costs of removing assets and restoring our leased sites at the end of the lease term are much higher than anticipated, there may be a material adverse effect on our business, financial condition and results of operations.

A number of our property leases and licences may be terminated in the event of breach and certain other circumstances. For example, part of the London Eye site is operated in the current location pursuant to a licence granted to us by the Port of London Authority, the remainder of which is held by us pursuant to various leases. Revocation of this license by the Port of London Authority is possible on three months' notice, subject to the right of appeal to the U.K. Government, in certain exceptional circumstances, including an unremedied breach of the licence, the insolvency of the licensee or if the Port of London Authority exercises its statutory powers for navigational or river regime reasons. If the licence were terminated, we would be unable to continue to operate the London Eye, which could significantly impact our revenues. The termination of the leases on any of our properties, and in particular on any of the sale and leaseback properties or the London Eye, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal and arbitration proceedings.

From time to time, we are involved in litigation and other tax, labour and legal proceedings, the outcomes of which may be difficult to predict. We have been involved in legal disputes that involved substantial claims for damages and other payments in the past, and we may become involved in such proceedings in the future. In the event of a negative outcome in any material legal proceeding, whether based on a judgment or a settlement agreement, we could be obliged to make substantial payments. Even if there is a positive outcome to such proceedings, negative publicity and advisory costs, to the extent they are not reimbursable by other litigants or insurance, could adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. Although we carry property and casualty insurance to cover certain risks, our insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured and we cannot guarantee that we will be able to renew our current insurance policies on favourable terms, or at all. For example, after the accident at the Alton Towers Resort in June 2015, our insurance premiums increased. In addition, if we or other visitor attraction operators sustain significant losses or make significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

If we fail to maintain effective internal controls over financial reporting or remediate any future material weaknesses in our internal controls over financial reporting, we may be unable to accurately report our financial results or prevent fraud, which would have a material adverse effect on our financial results.

Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, including new standards under IFRS that come into effect from time to time. Effective internal controls over financial reporting are necessary for us to provide reliable reports and prevent fraud. Internal control systems provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of such inherent limitations in control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. For example, we have previously terminated certain individuals' employment with us due to acts of fraud, and on a limited number of occasions, we have had concerns with respect to internal financial controls at certain Attractions. Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business.

Changes to accounting standards may affect our reporting of financial results.

Our consolidated financial statements are prepared and presented in accordance with IFRS. Any recent or future changes in these accounting standards may have a significant impact on our reported results and financial condition. In particular, there are a number of standards, amendments and interpretations which have been issued by the IASB and IFRS standards are subject to change. Certain IFRS standards have been recently revised by the IASB. Notably, IFRS 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018 and introduced new requirements for the classification and measurement of financial assets, in particular, the impairment of financial assets. In addition, IFRS 15 became effective for annual periods beginning on or after 1 January 2018 and introduced a comprehensive framework for revenue recognition, including revenue from advanced ticket and accommodation sales and sales of annual passes. Moreover, IFRS 16 became effective for annual periods beginning on or after 1 January 2019 and provides a single lease accounting model, recognizing most leases on the statement of financial position. The standard replaces the dual lease accounting model approach of IAS 17, which treats finance leases and operating leases separately. We expect the application of IFRS 16 to have a significant impact on our reported assets, liabilities and income statement as we will recognise new assets and liabilities for our operating leases. Based on results for the 2018 financial year, we expect the impact on EBITDA of adopting IFRS 16 would have been an increase of approximately £85 million. As at 29 June 2019, we expect we would have recognised right of use assets of £993 million and total lease liabilities of £1,183 million as at 30 December 2018. The impact of adopting IFRS 16 on net debt would therefore have been £983 million as at 30 December 2018. We also anticipate an increase in deferred tax assets of £33 million as at 30 December 2018. Based on information available as at 29 June 2019, we expect the adjustments will in aggregate have resulted in a decrease in net assets of £105 million as at 30 December 2018. This information may not be indicative of the impact of the adoption of IFRS 16 on our total assets, total liabilities and EBITDA for the next financial year or any future period. Any one or combination of these or other changes to accounting standards may adversely affect our reported results. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Additional Factors Affecting Comparability of Results of Operations—Changes to Accounting Standards.*"

Further, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, impairment of long-lived assets, leases and related economic transactions, intangibles, self-insurance, income taxes, property and equipment, litigation and equity-based compensation are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us could require us to make changes to our accounting systems to implement these changes that could increase our operating costs, and could significantly change our reported or expected financial performance.

We may be subject to privacy or data protection failures.

We are subject to regulation regarding the use of personal customer and credit card data. We process sensitive personal customer data, including name, address, bank details and credit card details, as part of our business and therefore must comply with strict data protection and privacy laws in the jurisdictions in which we operate. Such laws restrict our ability to collect and use personal information relating to customers and potential customers, including the use of that information for marketing purposes. We are also at risk from cyber-theft, hacking and ransomware. We seek to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by our employees and any third-party service providers, and also implement security measures to help prevent these crimes. Notwithstanding such efforts, including our recent substantial investment in the accesso system, we are exposed to the risk that customer data could be wrongfully appropriated, lost, disclosed, stolen or processed in breach of data protection regulation. If we, or any of the third-party service providers on which we rely, fail to store or transmit customer information and online payment details in a secure manner, or if any loss of personal customer data were otherwise to occur, we could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of the goodwill of our customers and deter new customers which could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on our IT systems, which may fail or be subject to disruption.

Our operations, including in particular our online booking systems, are dependent in part on our information technology "*IT*" systems, and there is a risk that such systems could fail or that third parties could gain unauthorised access to those systems. There can be no assurance that our IT systems are or will continue to be able to support a significant increase in online traffic or increased customer numbers.

Although we have in place business continuity procedures and security measures in the event of IT failures, disruption, or unauthorised access, including backup IT systems for business critical systems, generally in different geographic locations from the main system, these are not, and are not intended to be, a full duplication of our operational systems. Should any of these procedures and measures not prevent or mitigate a network failure, disruption or event of unauthorised access or should an incident occur to a system for which there is no duplicate system, there may be a material adverse effect on our business, financial condition and results of operations.

We may be subject to complex tax law, including the Irish Finance Acts.

The Irish Finance Acts, 2016 and 2017 introduced provisions amending the tax treatment of a "*qualifying company*" within the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997 (the "*TCA*") (a "*Qualifying Company*"). These amendments deny a tax deduction for (1) profit dependent interest, or (2) interest to the extent it exceeds a reasonable commercial return (the "*Affected Interest*") where such Affected Interest is attributable to a "*specified property business*" carried on by the Qualifying Company. A "*specified property business*" means, subject to a number of exceptions, a business of holding "*specified mortgages*," units in an IREF (being a specified form of investment undertaking within the meaning of Chapter 1B, Part 27 of the TCA) or shares that derive their value or greater part of their value directly or indirectly from Irish land. A "*specified mortgage*" for this purpose is (a) a loan which is secured on, and which derives its value from, or the greater part of its value from, directly or indirectly, Irish land, (b) a "*specified agreement*" (effectively a profit dependent derivative) which derives all of its value from, or the greater part of its value from, directly or indirectly Irish land or a loan to which (a) applies or (c) the portion of a specified security (essentially a security in respect of which if the Finance Act 2016 and Finance Act 2017 rules did not apply to it, payments on that security would be deductible under section 110 of the 1997 Act) attributable to the specified property business in accordance with the rules. The legislation treats the holding of such assets as a separate business to the rest of the Qualifying Company's activities. Where Affected Interest arises, and an exemption is not available, it is treated as a distribution which is not deductible for tax purposes and will thus form part of the taxable profits of the Issuer and will also be subject to dividend withholding tax (subject to any available exemptions). However, on the basis that the Issuer will not acquire 'specified mortgages' (within the meaning of section 110 of the TCA), units in an IREF (being a specified form of investment undertaking within the meaning of Chapter 1B, Part 27 of the TCA) or shares that derive the greater part of their value, directly or indirectly, from Irish land (as to which, see "*Use of Proceeds*"), these rules should not apply to this transaction.

We are subject to EU Anti-Tax Avoidance Directive and EU Anti-Tax Avoidance Directive 2.

As part of its anti-tax avoidance package, and to provide a framework for a harmonised implementation of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the "*ATAD 1*") on 12 July 2016.

The EU Council adopted Council Directive (EU) 2017/952 (the "*ATAD 2*" and together with ATAD 1, "*ATAD*") on 29 May 2017, amending the ATAD 1, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries.

EU member states had until 31 December 2018 to implement ATAD 1 (subject, in certain cases, to derogations for EU member states which have equivalent measures in their domestic law) and have until 31 December 2019 to implement the ATAD 2 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021).

The Directives contain various measures that could, depending on their implementation in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible. This could increase the Issuer's liability to tax.

There are two measures of particular relevance.

First, ATAD provides for an "interest limitation rule" which restricts the deductible interest of an entity to 30 per cent. of its earnings before interest, tax, depreciation and amortisation. However, the interest limitation only applies to the net borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). There is also a carveout in ATAD 1 for financial undertakings, although as ATAD 1 is drafted, the Issuer is not likely to be treated as a financial undertaking.

Ireland has applied for a derogation with respect to the interest limitation rule meaning that the provisions of ATAD 1 on interest deductibility may be deferred in the case of Ireland until a later date, potentially 1 January 2024, although Ireland might implement the rules as early as Finance Act 2019.

Secondly, the ATAD provides for hybrid mismatch rules. These rules are designed to neutralise arrangements where amounts are deductible from the income of one entity but are not taxable for another, or the same amounts are deductible for two entities. These rules could potentially apply to the Issuer where: (i) the interest that it pays under the Notes, and claims deductions, from its taxable income for, is not brought into account as taxable income by the relevant holder of Notes, either because of the characterisation of the Notes, or the payments made under them, or because of the nature of the holder of Notes itself; and (ii) the mismatch arises between associated enterprises, between the Issuer and an associated enterprise or under a structured arrangement.

The exact scope of these two measures, and impact on the Issuer's tax position (if any), will depend on the implementation of the measures in Ireland.

Ireland may continue to amend its double tax treaties, including the Multilateral Instrument.

On 24 November 2016, the OECD published the text and explanatory statement of the "*Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting*" ("*MLI*"). The MLI is to be applied alongside existing tax treaties (rather than amending them directly), modifying the application of those existing treaties in order to implement BEPS measures.

The MLI has entered into force in Ireland. The date from which provisions of the MLI have effect in relation to a double tax treaty depends on several factors including the type of tax which the relevant treaty article relates to. In most cases, since the Issuer is not relying, for Irish tax purposes, on the provisions of an Irish double tax treaty, the MLI should have little Irish tax effect on it. The Issuer's ability to rely on Ireland's double tax treaties to reduce or eliminate taxes in other jurisdictions may be affected. The ability to rely on many of Ireland's double tax treaties with other jurisdictions may now be subject to a principal purpose test ("*PPT*"). The PPT would deny treaty benefits where it is reasonable to conclude, having regard to all of the relevant facts and circumstances for this purpose, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it was established that granting that benefit in those circumstances would be in accordance with the object and purpose of the relevant provisions of the treaty. It is currently unclear how a PPT, if adopted, would be applied by either the tax authorities of those jurisdictions from which payments are made to the Issuer.

It is also possible that Ireland will negotiate other amendments to its double tax treaties on a bilateral basis in the future which may affect the ability of the Issuer to obtain the benefit of those treaties.

Risks Related to the Transactions

The Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer may redeem the Notes at 100 per cent. of the issue price, plus accrued and unpaid interest.

It is intended that the Acquisition will be implemented by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006, although Bidco reserves the right to effect the Acquisition by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006, subject to certain conditions.

The Scheme or Takeover Offer, as applicable, is subject to the satisfaction of certain conditions, including, amongst others, certain third-party clearances and customary antitrust and regulatory approvals. Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Accounts in the name of the Issuer on the Issue Date. The release of the Escrowed Property is subject to the satisfaction of certain conditions, including the ownership by Bidco of all of the voting shares of the Target. As of the date of the Offering Memorandum, we do not yet know whether the Scheme or Takeover Offer will be successful.

If the conditions of the Scheme or Takeover Offer, as applicable, are not satisfied by the Escrow Longstop Date, and Bidco chooses not to waive the conditions, then the Acquisition will not be consummated. If the conditions to the release of the Escrowed Property, as more fully described under "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*," have not been satisfied on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a Special

Mandatory Redemption as described in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes.

If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco.

The Escrowed Property will be limited initially to the gross proceeds of the Offering and will not be sufficient to pay the Special Mandatory Redemption Price, which is equal to 100 per cent. of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the Special Mandatory Redemption Date. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption.*" In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Midco will be required to fund the Issuer with an amount sufficient to cover the difference between the Special Mandatory Redemption Price and the amount of the Escrowed Property, including accrued interest and Additional Amounts (if any) due with respect to the Notes from the Issue Date to the Special Mandatory Redemption Date and any negative interest which has accrued on the Escrow Accounts, pursuant to an escrow equity commitment delivered to the Issuer by Midco (the "*Escrow Equity Commitment*").

Holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. There can be no assurance that Midco will have sufficient funds to make this payment, and the Issuer may not have access to the funds necessary to allow it to pay the full amount of the required redemption price in the event of a Special Mandatory Redemption.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial position of the Target and its subsidiaries, or the terms of the Acquisition, between the Issue Date and the Escrow Release Date, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Bidco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Acquisition Completion Date.

Bidco will not obtain control of the Target until the Acquisition Completion Date. The current shareholders of the Target may not operate the business of the Target until the Acquisition Completion Date in the same way that we would. Some information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to the Target Group, has been provided to us by the Target and its subsidiaries, and the Issuer has relied on such information supplied to it in the preparation of this Offering Memorandum. Furthermore, the Acquisition itself has required, and will likely continue to require, substantial time and focus from management, which could adversely affect management's ability to operate the business. Likewise, employees may be uncomfortable with the Acquisition or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Acquisition Completion Date, the Target Group will not be subject to the covenants described in "*Description of Notes*" to be included in the Indenture. We cannot assure you that, prior to the Acquisition Completion Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the Indenture had those covenants been applicable. Any of the risks associated with Bidco's lack of control over the Target and its subsidiaries until the completion of the Acquisition could have a material adverse effect on our business, financial position and results of operations.

The Acquisition may entitle our customers and certain other business partners of the Target Group to terminate their agreements as a result of change of control provisions.

The Acquisition may constitute a change of control under certain agreements entered into by the Target and its subsidiaries, such as commercial agreements with some of its suppliers, and may entitle these third parties to terminate their agreements with us or, in some cases, request adjustments of the terms of the agreements. We cannot exclude the possibility that some of these third parties may exercise their termination, adjustment or other rights, which could have a material adverse effect on our business, results of operations and financial position following the Acquisition. In addition, some of the third parties may use their termination or adjustment rights to renegotiate the terms of the agreements to our detriment.

Waiver of the conditions of the Scheme or Takeover Offer relating to the Acquisition may have adverse consequences for holders of the Notes.

Certain of the conditions of the Scheme or Takeover Offer relating to the Acquisition may be waived by Bidco in specific circumstances without the consent of holders of the Notes. Furthermore, any waiver of these conditions may make the Acquisition less attractive and may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the price of the Notes.

The Consortium's opportunity to conduct due diligence with respect to the Target was limited, and its due diligence may not have revealed all facts that may be relevant in connection with the Acquisition.

Before making investments, each of Blackstone, CPPIB and KIRKBI conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, each of Blackstone, CPPIB and KIRKBI typically evaluates a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, each of each of Blackstone, CPPIB and KIRKBI relies on resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations.

Instances of bribery, fraud, accounting irregularities, contingent liabilities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions.

There may be liabilities that the Consortium failed or was unable to discover in the course of performing due diligence investigations into the Target and its subsidiaries in connection with the Acquisition. Following the Acquisition, we may learn of additional information about the Target and/or any of its subsidiaries that adversely affect us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial position and results of operations.

As the Target is a publicly listed company, the due diligence conducted for the Acquisition was mostly limited to publicly available information. We cannot be certain that the Consortium's due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target. We also cannot be certain that the Consortium's due diligence investigations will result in Bidco's investment in the Target being successful or that the actual financial performance of such investment will not fall short of the financial projections the Consortium used when evaluating that investment.

Risks Related to the Notes and Our Structure

To service our indebtedness, we require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures depends in part on our ability to generate cash in the future. This depends on the success of our business strategy and on general economic, financial, competitive, legislative, regulatory and other factors, as well as the other factors discussed in these "*—Risks Related to the Notes and Our Structure*," many of which are beyond our control.

We cannot assure you that we will generate sufficient cash flow from operations, that we will realise operating improvements on schedule or that future borrowings will be available to us in an amount sufficient to enable us to service and repay our indebtedness or to fund our other liquidity needs. Furthermore, applicable law and future contractual arrangements may impose restrictions on our subsidiaries' ability to make payments to us, which could impact our ability to pay our obligations as they mature or to fund its liquidity needs.

If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing or debt restructuring would be possible, or if possible, that it would be on similar terms to those of our debt instruments existing at that time, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realised from those sales would be favourable to us or that additional financing could be obtained on acceptable terms. Disruptions in the capital and credit markets, as we have seen in recent years, could adversely affect our ability to meet our liquidity needs or to refinance our indebtedness, including our ability to draw on our existing credit facilities or enter into new credit facilities. Banks that are party to our existing credit facilities may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

Our substantial debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes.

We use debt to finance our operations, the roll-out and development of new Attractions and in connection with our capital investment strategy. Under the Senior Facilities Agreement, we have a Revolving Facility and a Delayed Draw Term Loan, which we believe will allow us to finance our operations.

As at 29 June 2019, our debt (excluding leases), on an as adjusted basis to give effect to the Transactions, amounted to £3,143 million. See "*Capitalisation*."

Our substantial debt could have important consequences for our business and operations and for holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, developments or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- increasing our exposure to interest rate increases because some of our indebtedness bears a floating rate of interest, placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged and restricting us from pursuing strategic acquisitions or exploiting certain business opportunities;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and
- limiting our ability to upstream cash from our non-Guarantor subsidiaries to help meet our obligations under the Notes.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including under the Notes. The terms of the Indenture and the Senior Facilities Agreement restrict, but do not prohibit, our subsidiaries from incurring additional indebtedness. All of the debt of our non-Guarantor subsidiaries would be structurally senior to the Notes, including any interest payment on the Notes as a result of any further issuance of Notes. If we incur new debt in addition to our current debt level, the related risks that we now face, as described above and elsewhere in these "*Risks Related to the Notes and Our Structure*" could intensify.

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

We may incur substantial additional debt in the future. Although the Existing 2026 Indenture contains, and the Indenture and the Senior Facilities Agreement will contain, restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. Sale and leaseback transactions as well as lease obligations, including those that were classified as finance leases in the Target Group's financial statements prior to the implementation of

IFRS 16, are not considered debt under the terms of the Senior Facilities Agreement and the Indenture. Certain financial definitions included in the Indenture that are used in determining whether certain actions, including the incurrence of additional indebtedness, are permitted under the Indenture, including the definition of *"GAAP,"* have been adjusted from their ordinary meaning and therefore the Indenture may allow for more indebtedness to be incurred (or otherwise be more favourable to the Issuer) than if the ordinary meaning of such financial definitions had been used. The terms of the Existing 2026 Indenture, the Senior Facilities Agreement and the Indenture permit us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indenture. Moreover, the debt we may incur in the future could be structurally senior to the Notes, could mature prior to the Notes or may be secured by collateral that does not secure the Notes. In addition, the Existing 2026 Indenture, the Senior Facilities Agreement and the Indenture will not prevent us from incurring obligations that do not constitute debt under those agreements. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

Your right to receive payment under the Subsidiary Guarantees is contractually subordinated to senior debt, including such Guarantor's obligations under the Senior Facilities, the Existing 2026 Notes and certain hedging obligations.

The obligations of the Subsidiary Guarantors under their respective Subsidiary Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of such Subsidiary Guarantor (including obligations under the Senior Facilities Agreement, obligations under the Existing 2026 Notes and certain hedging obligations).

Although the Indenture will contain restrictions on the ability of the Subsidiary Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the Subsidiary Guarantees. Upon any payment or distribution to creditors of a Subsidiary Guarantor in respect of an insolvency event, the holders of senior debt of such Subsidiary Guarantor will be entitled to be paid in full from the assets of such Subsidiary Guarantor before any payment may be made pursuant to such Subsidiary Guarantee for the benefit of the holders of the Notes. Until the senior debt of such Subsidiary Guarantor is paid in full, any distribution to which holders of the Notes would be entitled but for the subordination provisions to be included in the Intercreditor Agreement shall instead be made to holders of senior debt of such Subsidiary Guarantor as their interests may appear. As a result, in the event of insolvency of a Subsidiary Guarantor, holders of senior debt of such Subsidiary Guarantor may recover more, ratably, than the holders of Notes, in respect of the Subsidiary Guarantee in respect thereof.

In addition, the subordination provisions in the Intercreditor Agreement relating to the Subsidiary Guarantees will provide:

- customary turnover provisions by the Trustee and the holders of the Notes for the benefit of the holders of senior debt of such Subsidiary Guarantor;
- that if a payment default on any senior debt of a Subsidiary Guarantor has occurred and is continuing, such Subsidiary Guarantor may not make any payment in respect of its Subsidiary Guarantee until such default is cured or waived;
- that if any other default occurs and is continuing on any designated senior indebtedness that permits the holders thereof to accelerate its maturity and the Trustee receives a notice of such default, such Subsidiary Guarantor may not make any payment in respect of the Notes, or pursuant to its Subsidiary Guarantee, until (amongst others) the earlier of the waiver or cure of such default and 179 days after the date on which the applicable payment blockage notice is received; and
- that the holders of the Notes and the Trustee are prohibited, without the prior consent of the majority senior creditors, from taking any enforcement action in relation to such Subsidiary Guarantee, except in certain circumstances.

The Indenture will also provide that, except under very limited circumstances, only the Trustee will have standing to bring an enforcement action in respect of the Notes and the Subsidiary Guarantees. Moreover, the Intercreditor Agreement and the Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take legal actions against each of the Subsidiary Guarantors and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Subsidiary Guarantees in the event of a default by the Issuer or a Subsidiary Guarantor.

Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

A part of our indebtedness, including borrowings under the Senior Facilities Agreement, is indexed to variable rates and exposes us to direct interest rate risks that could lead to a material increase in our obligations. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations even if the amount borrowed remained the same. This would reduce the cash flow available to finance our operations and future commercial opportunities and could hinder our ability to service our debt, including our ability to make payments on the Notes. There can be no assurance that we will, or will be able to, hedge our full exposure or that our hedging transactions will be effective. The use of derivatives is a highly specialised activity that involves investment techniques and risks different from those associated with our ordinary business. Depending on market conditions and movements in interest rates, our use of hedging transactions could enhance or harm our overall performance compared to our competitors. In addition, we will be subject to the creditworthiness of the counterparties under our hedging transactions, and we will be exposed to the risk of insolvency or default on the part of our hedge counterparties. Our business, financial condition and results of operations could be materially and adversely affected in the event that one or more of these risks materialise. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Disclosure About Market and Credit Risks—Interest Rate Risk*."

Changes or uncertainty in respect of LIBOR may affect our sources of funding.

Some of our sources of funding are linked to LIBOR. See "*Description of Certain Financing Arrangements*." Various interest rate benchmarks (including LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective, including the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the "*Benchmarks Regulation*"), while others are still to be implemented. In addition, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 29 November 2017, the Bank of England and the FCA announced that the market working group on Sterling Risk-Free Rates would have an extended mandate to catalyse a broad transition to the Sterling Over Night Index Average rate ("*SONIA*") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the working group will be to continue making recommendations relating to the potential development of term SONIA reference rates. These reforms and other pressures may cause other benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Based on the foregoing, investors should in particular be aware that:

- any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be; and
- if LIBOR is discontinued, then the rate of interest applicable to our sources of funding may be determined for a period by applicable fall-back provisions, although such provisions, often being dependent in part upon the provision by reference banks of offered quotations for the LIBOR rate, may not operate as intended (depending on market circumstances and the availability of information on applicable rates at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available.

More generally, any of the above matters or any other significant change to the setting or existence of LIBOR could affect the ability of amounts available to us to meet our obligations under our sources of funding and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, our sources of funding. Changes in the manner of administration of LIBOR could result in adjustment to the conditions applicable to our sources of funding or other consequences as relevant to our sources of funding including, without limitation, early redemption, discretionary valuation, delisting or other consequences. No assurance can be provided that relevant changes will not be made to LIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist.

Restrictions imposed by the Senior Facilities Agreement, the Existing 2026 Indenture and our other debt agreements limit, and restrictions imposed by the Indenture will limit, our ability to take certain actions.

The Senior Facilities Agreement, the Existing 2026 Indenture and other outstanding debt agreements limit, and the Indenture will limit, our flexibility to operate our business. For example, certain of these agreements restrict our and certain of our subsidiaries' ability to, amongst other things:

- incur or guarantee additional debt and issue preferred stock;
- make certain payments, including dividends or other distributions;
- make certain investments or acquisitions, including participating in joint ventures or undertaking capital expenditures;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- agree to limitations on the ability of our subsidiaries to make distributions;
- sell assets, consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital of certain subsidiaries;
- impair the security interests granted for the benefit of the holders of the Notes;
- undertake certain activities, own certain assets or incur certain liabilities at the Target; and
- create or incur or suffer to exist certain liens.

The operating and financial restrictions and covenants in the Senior Facilities Agreement, the Existing 2026 Indenture, the Indenture and certain of our other debt agreements may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. In addition to limiting our flexibility in operating our business, a breach of the covenants in the Senior Facilities Agreement, the Existing 2026 Indenture or the Indenture could cause a default under the terms of each of those agreements, causing all the debt under those agreements to be accelerated. If this were to occur, we may not have sufficient assets to repay our debt.

Our failure to comply with the covenants under the Senior Facilities Agreement, the Existing 2026 Indenture or the Indenture, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition and results of operations.

The Existing 2026 Indenture requires, and the Indenture will require, us and our restricted subsidiaries to comply with various covenants, and the Senior Facilities Agreement requires us and our subsidiaries (or certain of our subsidiaries) to comply with various covenants, including, in the case of the Revolving Facility thereunder, certain financial covenants, which require us and our subsidiaries (or certain of our subsidiaries) to maintain specified financial ratios, satisfy specified financial tests and comply with operational parameters and certain other undertakings. See "*Description of Notes—Certain Covenants*," "*Description of Certain Financing Arrangements—Existing 2026 Notes*" and "*Description of Certain Financing Arrangements—Senior Facilities Agreement*." Our ability to meet these financial ratios and financial tests could be affected by deterioration in our operating results, as well as by events beyond our control, including unfavourable economic conditions, and we cannot assure you that we will be able to meet these financial ratios and financial tests. Moreover, the Senior Facilities Agreement includes certain events of default (such as breaches of representations, warranties and undertakings and if we fail to make payment when due on certain other debt) that are in addition to the events of default set forth in the Indenture. If an event of default occurs under the Senior Facilities Agreement, the Existing 2026 Indenture, the Indenture or any of our other debt instruments and is not cured or waived, the holders of the defaulted debt could terminate their commitments and declare all outstanding debt, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under our other debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand as a result of an event of default under the Senior Facilities Agreement or other debt instruments. In these circumstances, our assets and cash flow may not be sufficient to repay in full the defaulted debt and our other debt, including the Notes then outstanding. If some or all of these instruments were accelerated, we could be forced into bankruptcy or liquidation, and we may not be able to repay its obligations under the Notes in such an event.

Certain actions in respect of defaults taken under the Indenture by beneficial owners with short positions in excess of their interests in the Notes will be disregarded.

By acceptance of the Notes, each holder of Notes agrees, in connection with certain notices of Default (as defined under "*Description of Notes*"), notices of acceleration or instructions to the Trustee to provide certain notices of Default, notices of acceleration or take any other action (a "*Noteholder Direction*"), to (i) deliver a written representation to the Issuer and the Trustee that such holder and any of its affiliates acting in concert with it in connection with its investment in the Notes (other than screened affiliates) are not (or, in the case such holder is Euroclear, Clearstream, DTC or their respective nominee, that such holder is being instructed solely by beneficial owners that (together with such affiliates) are not) Net Short (as defined under "*Description of Notes*") and (ii) provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such holder's representation within five business days of request therefor. Holders of the Notes, including holders that have hedged their exposure to the Notes in the ordinary course and not for speculative purposes, may not be able to make such representations or provide the requested additional information. These restrictions may impact a holder's ability to participate in Noteholder Directions.

The Issuer and certain Guarantors are holding companies, each of which is dependent upon cash flow from their respective subsidiaries to meet their obligations under the Notes and the Guarantees.

The Issuer is a designated activity company incorporated under the laws of Ireland and has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. Following the Acquisition, the Issuer will be dependent upon the cash flow from its operating subsidiaries in the form of dividends, loans, interest and payments on intercompany loans or other distributions to meet its obligations, including its obligations under the Notes. Similarly, certain Guarantors are holding companies and will be wholly dependent upon arrangements with their respective subsidiaries to meet their respective obligations under the Guarantees.

The ability of certain of the Guarantors' subsidiaries to make distributions or other payments to the Guarantors will depend upon their respective cash flows and earnings, as well as applicable law. Furthermore, the Guarantors' subsidiaries will also be restricted by the terms of their present and future indebtedness in their ability to make distributions or advance upstream loans to enable us and the Guarantors to make payments in respect of the Notes or the Guarantees, as the case may be. In addition, applicable tax laws may subject such payments to further taxation, and may limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests or even prevent such payments. Therefore, there can be no assurance that the dividend and distribution capacity will be adequate to fund distributions in amounts and at times sufficient for us to pay our obligations as they become due under the Notes. For more information about limitations on distributions, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

Not all of the Guarantors will initially guarantee the Notes and the security interests over the Escrowed Property will be released on the Escrow Release Date.

On the Issue Date, the Notes will only be guaranteed by the Issue Date Guarantors. We will agree in the Indenture, subject to the Agreed Security Principles, to take such necessary actions so that each of the Post-Completion Guarantors becomes a guarantor of the Notes within 120 days from the Acquisition Completion Date, by executing and delivering to the Trustee a supplemental indenture substantially in the form attached to the Indenture. There can be no assurance that we will be successful in procuring such additional Guarantees within the time period specified. The Guarantees by the Guarantors will be limited as set forth in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

On the Issue Date, the Notes and the Issue Date Guarantees will be secured, subject to the Agreed Security Principles, by the Collateral. On the Escrow Release Date, upon the definitive release of the Escrowed Property, the first-priority interests over the Escrowed Property will be released. The security interests will be limited as set forth under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*," which limitations could be significant. It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to claw-back provisions under applicable local insolvency laws. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

The Notes will be structurally subordinated to all of the debt and liabilities of our subsidiaries that are not Guarantors.

The Notes will be structurally subordinated to all of the debt and liabilities of our subsidiaries that do not guarantee the Notes. Generally, claims of creditors of a subsidiary that does not provide a Guarantee, including trade creditors and claims of preference shareholders (if any) of such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent entity. In the event of any foreclosure, dissolution, winding up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of our subsidiaries that do not provide a Guarantee, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our subsidiaries that do not provide a Guarantee. Our subsidiaries may not have sufficient funds to pay (or receive sufficient funds to pay) all their respective creditors, and you may not receive any payment on the Notes or receive less, rateably, than the holders of debt of our subsidiaries and other liabilities. Subject to certain limitations, our subsidiaries will be permitted to incur additional debt and liabilities in the future under the terms of the Existing 2026 Indenture and the Indenture. In addition, we will be permitted under the terms of the Indenture to incur additional secured debt without securing the Notes, and such secured debt will have priority with respect to the collateral granted.

The Security Interests in the Shared Collateral in favour of the Notes will rank behind the security benefiting the lenders under the Senior Facilities, the counterparties to certain hedging obligations and the holders of the Existing 2026 Notes, and your rights to enforce your security over the Shared Collateral will be limited.

The Shared Collateral will be pledged to the Security Agent for the benefit of, amongst others, the lenders under the Senior Facilities, certain hedging obligations and the Existing 2026 Notes, as well as to the Security Agent for the benefit of holders of the Notes. Under the Intercreditor Agreement and the security documents, the Senior Facilities, certain hedging obligations and the Existing 2026 Notes will be secured on a first-priority basis by security interests in the Shared Collateral and the proceeds of any sale of Shared Collateral on enforcement will be applied first to repay, amongst others, all debt of the lenders under the Senior Facilities, the counterparties to certain hedging obligations and the holders of the Existing 2026 Notes. Consequently, you may not be able to recover on such Shared Collateral because, amongst others, the lenders under the Senior Facilities, the counterparties to certain hedging obligations and the holders of the Existing 2026 Notes will have a prior claim on all proceeds realised from any enforcement of such Shared Collateral.

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and existing and future secured debt (including the Senior Facilities and the Existing 2026 Notes) may be secured by certain assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral described in this Offering Memorandum. See "*Description of Notes—Security*." The Shared Collateral will also secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis and may secure additional debt ranking senior to or *pari passu* with the Notes and the Guarantees. Although certain of the Collateral secures, or will secure, the Notes and the Guarantees thereof on a first-priority basis and does not, or will not, secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes, such pledge may secure additional debt ranking senior to or *pari passu* with the Notes, to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders may therefore be diluted by any increase in the debt secured by the Collateral or a reduction of the Collateral securing the Notes. In addition, pursuant to the Intercreditor Agreement, the proceeds of an enforcement of the Shared Collateral will be applied in favour of any lenders under the Senior Facilities, the counterparties to certain hedging obligations and the holders of the Existing 2026 Notes, amongst others, before repayment of the Notes and Guarantees. To the extent the claims of the holders of the Notes exceed the value of the Collateral securing the Notes and the Guarantees, those claims will generally rank equally with the claims of the holders of all other existing and future senior debt ranking *pari passu* with the Notes and the Guarantees. As a result, if the value of the assets pledged as Collateral is less than the value of the claims of the holders of the Notes, those claims may not be satisfied in full. In addition, not all of our assets secure the Notes, and the Indenture allows the Issuer and its restricted subsidiaries to secure certain types of debt permitted to be incurred under the Indenture (which may be structurally senior to the Notes and the

Guarantees) with the property and assets of the restricted subsidiaries that will not secure the Notes. For example, the Senior Facilities, certain hedging obligations and the Existing 2026 Notes will be secured by certain of our assets that will not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Guarantees will not benefit from the assets securing such secured debt, and will rank equally with the holders of other unsecured debt of the Notes and its restricted subsidiaries with respect to any property or assets that is excluded from the Collateral securing the Notes or such secured debt.

In addition, the Guarantees will be limited to the same extent as set forth under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*," which limitations could be significant. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims under the Notes, if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favour of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

It is not possible to conduct lien searches in jurisdictions in which certain of the Guarantors are located.

It is not possible to conduct comprehensive lien searches in all of the jurisdictions in which the Guarantors are organised. As a result, no assurance can be given that there does not exist one or more liens securing significant obligations having priority on certain of the Collateral, which liens may prevent or inhibit the collateral agent from foreclosing on the liens securing the Notes and may impair the value of the Collateral. For example, we cannot guarantee that information provided to us in response to company searches with the Registrar of Companies in England for security charges against our subsidiaries organised in England are accurate and complete because, for example, information which should have been registered with the Registrar of Companies may not have been so registered or information that has been lodged for inclusion in our English subsidiary's file may not have been fully updated.

It may be difficult to realise the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens, security interests and other imperfections permitted under the Indentures, the Senior Facilities Agreement or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes, from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, security interests and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realise or foreclose on such Collateral. Furthermore, the priority ranking of security interests can be affected by a variety of factors, including, amongst others, the timely satisfaction of perfection requirements, or statutory liens.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

The granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Guarantees and security interests to secure the Notes may create hardening or voidance periods for such Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indenture permits the release and retaking of security granted in favour of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security.*"

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.

The Guarantors are organised under the laws of Denmark, England and Wales, Germany, the Grand Duchy of Luxembourg, Italy and the United States. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor will be subject to certain defences available to the Issuer or the relevant Guarantor, as the case may be. These laws and defences may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defences affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder are limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

The Issuer and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents relating to the Collateral will, subject to the terms of the Senior Facilities Agreement, the Indenture and the Existing 2026 Indenture, allow the Issuer and the Guarantors to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no acceleration event under the Senior Facilities Agreement, the Indenture or the Existing 2026 Indenture is occurring or would result therefrom, the Issuer and the Guarantors, may, amongst other things, without any consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral and consequently the amounts payable to holders of the Notes from the proceeds of any sale of the Collateral in the case of an enforcement.

There are circumstances other than the repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee or the Security Agent.

Under a variety of circumstances, the Collateral securing the Notes and the Guarantees will be released automatically, including a sale, transfer or other disposal of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture. The Indenture also permits us to designate one or more restricted subsidiaries that are Guarantors as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any guarantees of the Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes and the Guarantees to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

Under various circumstances, the Guarantee of a Guarantor will be released, including upon:

- in the case of a Subsidiary Guarantor, any sale, exchange, issuance, disposition or transfer (by merger, amalgamation, consolidation, dividend, distribution or otherwise) of (i) the capital stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a restricted subsidiary for purposes of the Indenture or (ii) all or substantially all the assets of such Subsidiary Guarantor, in each case if such sale, exchange, issuance, disposition or transfer is made in compliance with the applicable provisions of the Indenture;
- the release or discharge of the guarantee by, or direct obligation of, such Guarantor of indebtedness under the Senior Facilities, or the release or discharge of such other guarantee or direct obligation that resulted in the creation of such guarantee, except a discharge or release by or as a result of payment under such guarantee or direct obligation (it being understood that a release subject to a contingent reinstatement will constitute a release for the purposes of this provision, and that if any such Guarantee is so reinstated, such Guarantee shall also be reinstated to the extent that such Guarantor would then be required to provide a guarantee pursuant to the covenant described under "*Description of Notes—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*");
- in the case of a Subsidiary Guarantor, the designation of any restricted subsidiary that is a Subsidiary Guarantor as an unrestricted subsidiary in compliance with the applicable provisions of the Indenture or the occurrence of any event following which the Subsidiary Guarantor is no longer a restricted subsidiary in compliance with the applicable provisions of the Indenture;
- upon the merger, amalgamation or consolidation of any Guarantor with and into the Issuer or another Guarantor or upon the liquidation of such Guarantor, in each case, in compliance with the applicable provisions of the Indenture;
- in the case of a Subsidiary Guarantor, the occurrence of a Covenant Suspension Event (as defined under "*Description of Notes*");
- the exercise by the Issuer of its legal defeasance option or covenant defeasance option as described under "*Description of Notes—Legal Defeasance and Covenant Defeasance*" or the discharge of the Issuer's obligations under the Indenture in accordance with the terms of the Indenture;
- in the case of Midco, if Midco ceases to be the direct parent of the Issuer, subject to the assumption of all of the obligations of Midco under the Indenture, in each case, pursuant to supplemental indentures or other applicable documents or instruments by the entity that directly owns 100 per cent. of the issued and outstanding Equity Interests (as defined under "*Description of Notes*") in the Issuer;
- upon the delivery by such Guarantor to the Trustee of an officer's certificate of such Guarantor or the Issuer and an opinion of counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction or release and discharge have been complied with;
- by written notice from the Issuer to the Trustee upon the Notes achieving Investment Grade Status (as defined under "*Description of Notes*");
- in the case only of the Parent Guarantee, pursuant to the provisions described under "*Description of Notes—IPO Pushdown*"; or
- as otherwise permitted in accordance with the Indenture.

In addition, the Collateral and the Guarantees will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The security interests in the Collateral will be granted to the Security Agent (other than security interests in the Escrow Charges, which will be granted in favour of the Trustee) rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The security interests that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees thereof have not been, and will not be, granted directly to the holders of the Notes but to the Security Agent (other than security interests in the Escrow Charges, which will be granted in favour of the Trustee), and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the security documents or to exercise any rights or powers arising under the security documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document are validly secured. In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement provides for the creation of "parallel debt" obligations in favour of the Security Agent ("*Parallel Debt*") mirroring the obligations of the Issuer and the Guarantors owed to holders of the Notes under or in connection with the Indenture, as applicable ("*Principal Obligations*"). All or part of the pledges and other security interests in such jurisdictions have been, or will be, granted to the Security Agent as security interests for the Parallel Debt and do not, or will not, directly secure the Principal Obligations. Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Collateral created under the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

Insolvency laws and other limitations on the Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

Our obligations under the Notes will be guaranteed by the Guarantors. The Guarantors are organised under the laws of Denmark, England and Wales, Germany, the Grand Duchy of Luxembourg, Italy and the United States. The insolvency laws of these jurisdictions may not be as favourable to your interests as the laws of the United States or other jurisdictions with which you are familiar. Although laws differ amongst these jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and, in the case of the Guarantees, limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Guarantee against a Guarantor. The court may also in certain circumstances void the Guarantee where a Guarantor is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the Guarantees, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- void or invalidate or declare ineffective all or a portion of a Guarantor's obligations under its Guarantee;

- direct that holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee is found to be a fraudulent transfer or conveyance or an improper transfer of assets or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability. Also, there is a possibility that the entire Guarantee may be set aside, in which case, the entire liability may be extinguished.

In order to initiate any of these actions under fraudulent or improper transfer or other applicable principles, courts may need to make findings that, at the time the Guarantees were issued, a Guarantor:

- issued such Guarantee with the intent or knowledge of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- was aware of the fact that some creditors were disadvantaged over other creditors by these actions;
- issued such Guarantee in a situation where a prudent businessman as a shareholder of such Guarantor would have contributed no equity to such Guarantor; or
- received less than reasonably equivalent value for incurring the debt represented by the Guarantee on the basis that the Guarantee was incurred for the Issuer's benefit, and only indirectly for the Guarantor's benefit, or some other basis and (1) was insolvent or rendered insolvent by reason of the issue of the Guarantee, or subsequently became insolvent for other reasons, (2) was engaged, or about to engage, in a business transaction for which the Guarantor's assets were unreasonably small or (3) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

However, less-stringent requirements may be provided under the laws of certain jurisdictions.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor generally may, in different jurisdictions, be considered insolvent at the time it issued a Guarantee if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we are solvent, and will be so after giving effect to the Offering and the use of proceeds therefrom, there can be no assurance which standard a court would apply in determining whether a Guarantor was "insolvent" as of the date the Guarantees were issued or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

In the event that any one or more of the Issuer, the Guarantors or any other of our subsidiaries experience financial difficulty, it may not be possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. For an overview of the enforceability issues as they relate to the Guarantees, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*" with respect to certain of the jurisdictions mentioned above.

Enforcing your rights as a holder of the Notes or under the guarantees or in the Collateral across multiple jurisdictions may be difficult.

The Notes will be issued by the Issuer, a company which is incorporated under the laws of Ireland, and guaranteed by the Guarantors, which are incorporated under the laws of Denmark, England and Wales, Germany, the Grand Duchy of Luxembourg, Italy and the United States. Security interests to secure the

Notes and the Guarantees will be granted in Collateral located in certain of these jurisdictions. Your rights under the Notes and the guarantees will therefore be subject to the laws of multiple jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in the jurisdictions mentioned above, in the jurisdiction of incorporation or organisation of a future guarantor, or in other jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights in multiple bankruptcy, insolvency and other similar proceedings. Your rights under the Notes, the security granted in respect of the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative, examinership and other laws of the Issuer's and the non-U.S. Guarantors' jurisdictions of organisation may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict amongst them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights and collect payment in full under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*" and "*Enforcement of Civil Liabilities*" with respect to some of the jurisdictions mentioned above.

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral gives the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on the Collateral. In addition, the Intercreditor Agreement provides that the Security Agent will serve as a common security agent for the secured parties under the Intercreditor Agreement. The Security Agent will act with respect to the Collateral only at the direction of the relevant Instructing Group (as defined in the Intercreditor Agreement) and in accordance with the enforcement principles set out in the Intercreditor Agreement. As such, all recoveries shall be turned-over to the Security Agent and applied to the liabilities in respect of the Senior Facilities prior to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors are organised or incorporated outside the United States, and their business is substantially conducted outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, as substantially all of the assets of the Issuer and the Guarantors and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The interests of our principal shareholders may be inconsistent with the interests of holders of the Notes.

Following the Acquisition Completion Date, the Consortium will indirectly control the Target Group. See "*Principal Shareholders.*" As a result, the Consortium will have, directly or indirectly, the power to affect, amongst other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. In addition, the

Consortium will have control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of shareholders regardless of whether our management believes that any such transactions are in our own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement so permit. The incurrence of additional or more expensive indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect us. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders who have the power, following the Acquisition Completion Date, to effect compliance with such covenants. The interests of the Consortium and its affiliates could conflict with the interests of holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The Consortium may also have an interest in pursuing divestitures, financings or other transactions that in their judgment could enhance their equity investments, although such transactions might involve risks to holders of the Notes. In addition, the Consortium or its affiliates may, in the future, own businesses that directly compete with ours or do business with us. The Consortium may also pursue via different portfolio companies acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. The impact of the Consortium's control on the Target Group's existing plans and strategy cannot be predicted at this time, and may differ from those previously publicly reported, and may change from time to time. So long as investment funds associated with or designated by the Consortium continue to own a significant amount of our capital stock, the Consortium will continue to be able to strongly influence or effectively control our decisions.

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a Change of Control Triggering Event (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding respective Notes at a price equal to 101 per cent. of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Senior Facilities Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a Change of Control Triggering Event, as defined in the Indenture, would constitute a default under the Indenture, which would, in turn, constitute a default under the Senior Facilities Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganisations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control Triggering Event.

In addition, the occurrence of certain events that might otherwise constitute a Change of Control Triggering Event will be deemed not to be a Change of Control Triggering Event, provided that upon consummation thereof, a certain consolidated net leverage ratio of the Issuer and its restricted subsidiaries is met.

In addition, in connection with certain tender offers for the Notes, if holders of not less than 90 per cent. in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of Notes—Optional Redemption*."

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a Change of Control Triggering Event under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "*change of control*" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "*all or substantially all*," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a Change of Control Triggering Event has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's or a rating of BBB− or better from Standard & Poor's or Fitch and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the Indenture will not apply to the Notes:

- "*Description of Notes—Repurchase at the Option of Holders—Asset Sales*";
- "*Description of Notes—Certain Covenants—Limitation on Restricted Payments*";
- "*Description of Notes—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified and Preferred Stock*";
- "*Description of Notes—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";
- "*Description of Notes—Certain Covenants—Limitation on Transactions with Affiliates*";
- "*Description of Notes—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*"; and
- clause (3) of the first paragraph and the entire fourth paragraph of the covenant described under "*Description of Notes—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets.*"

Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 or BBB−, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline. If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, without restrictions under the Notes which may conflict with the interests of the holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "TIA").

The Indenture with respect to the Notes offered hereby is not required to be, nor will it be, qualified under the TIA and will not incorporate or include or be subject to any of the provisions of the TIA. Consequently, the holders of the Notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the Trustee or conflicting interests of the Trustee. See "*Description of Notes*".

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes have not been, will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered and sold in the United States except to QIBs in accordance with Rule 144A, to non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes comply with applicable securities laws. See "*Notice to Investors*" and "*Description of Notes—Transfer and Exchange*."

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

The Notes will be a new issue of securities for which there is currently no established trading market. Accordingly, we cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, amongst other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market-making activities at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes may not become, or remain, listed on the Official List of the Exchange.

Although the Issuer will agree to use its commercially reasonable efforts to have the Notes listed on the Exchange and admitted to dealing on the Official List thereof and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Exchange and the admission to dealing on the Official List thereof, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Exchange, provided that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another "*recognised stock exchange*" (within the meaning of Section 1005 of the U.K. Income Tax Act 2007 and Section 69 of the TCA), although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognised listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The Notes will initially be held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through DTC (with respect to the Dollar Notes) and Euroclear and Clearstream (with respect to the Euro Notes). Interests in the Global Notes will trade in book-entry form only, and Notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The nominee for DTC will be the sole registered holder of the Global Notes representing the Dollar Notes and the common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Euro Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the relevant paying agent, which will make payments to DTC or Euroclear and Clearstream, as applicable. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the nominee for DTC and the common depositary for Euroclear and Clearstream, as applicable, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of DTC or Euroclear and Clearstream, as applicable, and if investors are not participants in DTC or Euroclear and Clearstream, as applicable, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from DTC or Euroclear and Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes (as defined herein) are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through DTC or Euroclear and Clearstream, as applicable. The procedures to be implemented through DTC or Euroclear and Clearstream, as applicable, may not be adequate to ensure the timely exercise of rights under the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies have assigned and may in the future assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

Our financial reporting obligations for the period between H1 2019 and the date of our first annual report following the Acquisition Completion Date will be limited.

The Existing 2022 Indenture and Existing 2026 Indenture permit the Target to satisfy all of its reporting obligations under the respective indenture by making available to the Trustee such annual reports, information, documents and other reports that the Target is required to make publicly available under the requirements of the London Stock Exchange. In accordance with such requirements, the Target Group currently reports its financial results on a semi-annual basis and provides trading updates on the Target Group's operations or performance following the end of the first and third quarter of each financial year rather than quarterly reports. The Target Group has most recently reported its financial results for H1 2019. Under the Indenture governing the Notes, Midco intends to provide to the Trustee and the holders of the Notes an annual report within 120 days after the end of Midco's financial year (other than the first financial year after the Acquisition Completion Date, for which period Midco will provide the relevant report within 150 days), a quarterly report within 60 days after the end of Midco's first and third financial quarters (other than the first applicable financial quarter after the Acquisition Completion Date, for which period Midco will provide the relevant report within 90 days) and a semi-annual report within 75 days after the end of Midco's second financial quarter (other than the first second financial quarter after the Acquisition Completion Date, for which period Midco will provide the relevant report within 90 days), in each case, in respect of Midco and its consolidated subsidiaries, including the Target Group. As a result, Midco does not currently intend to report its consolidated financial results for the period between 29 June 2019 and the date of its first annual report following completion of the Acquisition since, in accordance with the terms of the Indenture, Midco will not have an obligation to report any of its financial results on a consolidated basis until 150 days after the end of the 2019 financial year, assuming the Acquisition Completion Date occurs during the fourth financial quarter of the 2019 financial year.

Investors in the Notes may have limited recourse against our independent auditors.

See "*Independent Auditors*" for a description of the independent auditors' reports, including language limiting the accountants' scope of responsibility in relation to such reports and the financial statements to which they relate. In particular, in respect of the audit reports relating to the 2016 financial year, the 2017 financial year and the 2018 financial year reproduced herein, KPMG LLP has stated such reports were made solely to our members as a body and are subject to important explanations and disclaimers regarding KPMG LLP's responsibilities, which are incorporated into the independent auditors' reports as if set out in full and should be read to provide an understanding of the purpose of the reports, the work KPMG LLP has undertaken and the basis of its opinions. A description of KPMG LLP's responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Investors in the Notes should understand that in making these statements, KPMG LLP confirmed that it does not accept or assume any liability to parties, such as the purchasers of the Notes, other than our members as a body, with respect to the reports and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court, or any other court, were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited.

Investors may face foreign exchange risks by investing in the Notes.

The Dollar Notes will be denominated and payable in U.S. dollars and the Euro Notes will be denominated and payable in euro. An investment in the Notes denominated in a currency other than the currency by reference to which you measure the return on your investments will entail foreign exchange-related risks due to, amongst other factors, possible significant changes in the value of the U.S. dollar and/or the euro relative to other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar or the euro against other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. In addition, an investment in the Notes by U.S. investors may have significant tax consequences. See "*Tax Considerations—Certain United States Federal Income Tax Considerations*."

THE TRANSACTIONS

We refer to the following collectively as the "*Transactions*."

The Acquisition

On 28 June 2019, Bidco, a newly incorporated company controlled by the Consortium, announced its agreement with the Target on the terms of a recommended cash offer to be made by Bidco for the entire issued and to be issued share capital of the Target (other than the shares of the Target owned or controlled by KIRKBI) (the "*Acquisition*"). It is intended that the Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the 2006 Act (the "*Scheme*"). However, subject to certain conditions, Bidco has the right to effect the Acquisition by way of a takeover offer (as defined in section 974 of the 2006 Act, the "*Takeover Offer*") on the same terms as the Scheme (subject to appropriate amendments).

The Scheme was approved on 3 September 2019, at the Court Meeting, by a majority in number of those Scheme Shareholders present and voting (and eligible to vote) and not less than 75 per cent. in value of the shares voted by such Scheme Shareholders. Following the Court Meeting, a general meeting of the Target Shareholders was held on 3 September 2019, at which meeting a special resolution authorising the directors to take certain actions to facilitate the Scheme and to amend the Target's articles of association was duly passed. A sanction hearing is expected to be held during the fourth quarter of 2019, at which time the court is expected to sanction the Scheme. The Acquisition is expected to complete during the fourth quarter of 2019, subject to receipt of the relevant competition clearances and regulatory approvals.

Pursuant to the terms of the Acquisition as set forth in the Scheme Document, and subject to adjustments in the sole discretion of Bidco for any declaration or payment of dividends or other distributions to shareholders of the Target prior to the Acquisition Completion Date, all Scheme Shareholders will receive cash consideration equal to 455 pence per share (the "*Offer Price*"), implying an equity value of the Target on a fully diluted basis equal to approximately £4,693 million. At the time the Scheme was launched, Bidco did not directly hold any shares in the Target. However, as at 27 June 2019, KIRKBI held a beneficial interest in shares representing approximately 29.58 per cent. of Merlin's issued share capital and CPPIB had previously entered into cash settled swaps related to the Target representing approximately 0.09 per cent. of the Target's issued share capital. It is expected that, upon the Acquisition becoming effective, KIRKBI will transfer the shares it holds in the Target to Bidco.

Following the completion of the Acquisition, we expect that Bidco will hold 100 per cent. of the shares in the Target Group.

The notional sources and uses necessary to consummate the Acquisition are shown in the table below. The proceeds from each of these funding sources will be contributed or on-lent to Bidco, in certain instances for further distribution by Bidco to the Target, and used to pay transaction costs. Actual amounts will vary from the notional amounts presented here depending on several factors, including fluctuations in the exchange rates amongst the U.S. dollar, the euro and the pound sterling, differences between our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date, the Acquisition Completion Date and the timing of the actual Escrow Release Date. Amounts in the table below are notionally converted at a EUR:USD FX rate of 1.1373 and a EUR:GBP FX rate of 0.8958.

Sources of Funds	(£ in millions)	Uses of Funds	(£ in millions)
Senior Facilities[1]	2,193	Acquisition of share capital of the Target[4]	4,693
Dollar Notes offered hereby[2]	317.5	Refinancing certain existing net indebtedness of the Target[5]	661
Euro Notes offered hereby[2]	317.5	Cash to the balance sheet of the Target[6]	133
Equity Contribution[3]	2,899	Transaction fees and expenses[7]	240
Total Sources	**5,727**	**Total Uses**	**5,727**

(1) Represents the pounds sterling-equivalent of amounts expected to be drawn under the Senior Facilities in connection with the Acquisition on or about the Acquisition Payment Date. Amounts committed in pounds sterling but denominated in a different currency (which includes the USD Term Loan B, the EUR Term Loan B and the Delayed Draw Term Loan) will be redenominated on the syndication or allocation date in respect of the Senior Facilities, together with entry into a deal

contingent currency swap. On the utilisation date of the Senior Facilities, such amounts will, to the extent required for the uses thereof, be converted back to pounds sterling.

(2) Represents the pounds sterling-equivalent of the principal amount of the Dollar Notes and the Euro Notes offered hereby, respectively. On the date of pricing, the Issuer intends to enter into deal contingent currency swaps. Upon utilisation of the proceeds from the Notes on or about the Acquisition Payment Date, such amounts will be exchanged for pounds sterling.

(3) Represents (i) the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective and (ii) the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions.

(4) Represents the estimated aggregate purchase price for 100 per cent. of the Target Shares on a fully diluted basis as at 29 June 2019 in connection with the Scheme or the Takeover Offer, as applicable, assuming a purchase price per share equal to the Offer Price.

(5) Represents (i) the redemption of the aggregate principal amount outstanding of the Existing 2022 Notes, on or about the Acquisition Payment Date, but excluding redemption premia and accrued and unpaid interest thereon, and (ii) the repayment of amounts outstanding under, and the cancellation of commitments in respect of, the Existing Senior Facilities as at 29 June 2019, on or about the Acquisition Payment Date, but excluding accrued and unpaid interest thereon, net of the cash and cash equivalents of the Target Group as at 29 June 2019 and excluding the mark-to-market valuation of existing derivatives. Certain existing indebtedness of the Target excludes the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder.

(6) Represents an amount of cash provided to the Target by Bidco in connection with the Transactions, based on our estimated normalised level of working capital for the Target Group.

(7) Represents estimated fees and expenses associated with the Transactions, including negative interest on proceeds of the Notes while in escrow, redemption premia in respect of the Existing 2022 Notes, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees and estimated fees payable to holders of the Existing 2026 Notes in connection with the Consent Solicitation. 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 Transactions. 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 our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date and the timing of the actual Escrow Release Date.

Prior to the Acquisition Completion Date, Bidco will not have control over the board of directors of the Target. The board of directors of the Target will be required, prior to the Acquisition Completion Date, to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. See "*Risk Factors—Risks Related to the Transactions—Bidco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Acquisition Completion Date*."

The Consent Solicitation

On 9 May 2018, the Target issued $400 million in aggregate principal amount of 5¾% Senior Notes due 2026 (the "*Existing 2026 Notes*") pursuant to an indenture, dated as at 9 May 2018, between, *inter alios*, the Target, the Existing 2026 Note Guarantors and Deutsche Trustee Company Limited as the trustee (the "*Existing 2026 Indenture*"). Under the Existing 2026 Indenture, in the event of a Change of Control Repurchase Event (as defined therein), holders of the Existing 2026 Notes may have had, following the Acquisition Completion Date, the right to require the Target to repurchase all or any part of their Existing 2026 Notes at a purchase price equal to 101 per cent. of the principal amount of the Existing 2026 Notes repurchased, plus accrued and unpaid interest to, but excluding, the date of purchase. In connection with the Acquisition, the Target solicited the consent of holders of the Existing 2026 Notes to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder (the "*Consent Solicitation*"). The requisite consents in respect of the Consent Solicitation were received on 17 September 2019 and the amendments to the Existing 2026 Indenture became effective on 18 September 2019. Such amendments to the Existing 2026 Indenture will become operative upon payment of a consent fee to consenting holders of the Existing 2026 Notes in connection with the Consent Solicitation on or about the Acquisition Payment Date.

The Delisting

As at the date of this Offering Memorandum, the Target's Shares are listed and admitted to trading on the regulated market of the London Stock Exchange. Upon completion of the Acquisition, the London Stock Exchange and the FCA will be requested respectively to cancel trading in the Target's Shares on the London Stock Exchange's market for listed securities and the listing of the Target's Shares from the London Stock Exchange on or shortly after the Acquisition Completion Date. It is expected that the last day of dealings in Merlin Shares on the Main Market of the London Stock Exchange will be the business day following the Scheme Court hearing and no transfers will be registered after 6:00 p.m. (London time) on that date.

Following the Acquisition Completion Date, Merlin's ADS programme will be terminated and the depositary in respect of the Merlin ADS programme will cancel all Merlin ADSs on behalf of all Merlin ADS Holders.

It is intended that Merlin be re-registered as a private limited company as part of the Scheme and for this to take effect as soon as practicable on or following the Acquisition Completion Date.

Escrow Accounts

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into the Dollar Escrow Account and the Euro Escrow Account, as applicable, in the name of the Issuer. The Escrow Accounts will be controlled by the Escrow Agents and will be pledged on a first-priority basis in favour of the Trustee on behalf of the holders of the respective series of the Notes. See "*Summary—The Offering—Collateral*."

The release of the Escrowed Property from the Escrow Accounts is subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Acquisition will be required promptly (and in any event within two business days) and the conditions precedent under the Senior Facilities Agreement shall have been satisfied or waived in all material respects. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*." If these conditions are not satisfied on or before the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption. The Special Mandatory Redemption Price for the Notes will be equal to 100 per cent. of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of such Special Mandatory Redemption. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco*."

In the event of a Special Mandatory Redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balances and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such Special Mandatory Redemption Date pursuant to an escrow equity commitment delivered to the Issuer by Midco (the "*Escrow Equity Commitment*"). The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco*."

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USE OF PROCEEDS

We estimate the gross proceeds of the Notes will be £635 million (equivalent). On or about the Escrow Release Date, the proceeds of the Offering will be on-lent by the Issuer to Midco for further distribution to Bidco for use, together with amounts drawn under the Senior Facilities and the Equity Contribution, to (i) acquire 100% of the share capital of the Target (other than the KIRKBI Shares, which will be transferred to Bidco upon the Acquisition becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions.

The notional sources and uses necessary to consummate the Acquisition are shown in the table below. Actual amounts will vary from the notional amounts presented here depending on several factors, including fluctuations in the exchange rates amongst the U.S. dollar, the euro and the pound sterling, differences between our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date, the Acquisition Completion Date and the timing of the actual Escrow Release Date. Amounts in the table below are notionally converted at a EUR:USD FX rate of 1.1373 and a EUR:GBP FX rate of 0.8958.

Sources of Funds	(£ in millions)	Uses of Funds	(£ in millions)
Senior Facilities(1)	2,193	Acquisition of share capital of the Target(4)	4,693
Dollar Notes offered hereby(2)	317.5	Refinancing certain existing net indebtedness of the Target(5)	661
Euro Notes offered hereby(2)	317.5	Cash to the balance sheet of the Target(6)	133
Equity Contribution(3)	2,899	Transaction fees and expenses(7)	240
Total Sources	**5,727**	**Total Uses**	**5,727**

(1) Represents the pounds sterling-equivalent of amounts expected to be drawn under the Senior Facilities in connection with the Acquisition on or about the Acquisition Payment Date. Amounts committed in pounds sterling but denominated in a different currency (which includes the USD Term Loan B, the EUR Term Loan B and the Delayed Draw Term Loan) will be redenominated on the syndication or allocation date in respect of the Senior Facilities, together with entry into a deal contingent currency swap. On the utilisation date of the Senior Facilities, such amounts will, to the extent required for the uses thereof, be converted back to pounds sterling.

(2) Represents the pounds sterling-equivalent of the principal amount of the Dollar Notes and the Euro Notes offered hereby, respectively. On the date of pricing, the Issuer intends to enter into deal contingent currency swaps. Upon utilisation of the proceeds from the Notes on or about the Acquisition Payment Date, such amounts will be exchanged for pounds sterling.

(3) Represents (i) the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective and (ii) the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions.

(4) Represents the estimated aggregate purchase price for 100 per cent. of the Target Shares on a fully diluted basis as at 29 June 2019 in connection with the Scheme or the Takeover Offer, as applicable, assuming a purchase price per share equal to the Offer Price.

(5) Represents (i) the redemption of the aggregate principal amount outstanding of the Existing 2022 Notes, on or about the Acquisition Payment Date, but excluding redemption premia and accrued and unpaid interest thereon, and (ii) the repayment of amounts outstanding under, and the cancellation of commitments in respect of, the Existing Senior Facilities as at 29 June 2019, on or about the Acquisition Payment Date, but excluding accrued and unpaid interest thereon, net of the cash and cash equivalents of the Target Group as at 29 June 2019 and excluding the mark-to-market valuation of existing derivatives. Certain existing indebtedness of the Target excludes the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder.

(6) Represents an amount of cash provided to the Target by Bidco in connection with the Transactions, based on our estimated normalised level of working capital for the Target Group.

(7) Represents estimated fees and expenses associated with the Transactions, including negative interest on proceeds of the Notes while in escrow, redemption premia in respect of the Existing 2022 Notes, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees and estimated fees payable to holders of the Existing 2026 Notes in connection with the Consent Solicitation. 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 Transactions. 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 our estimates of fees and expenses and the actual fees and expenses as at the Acquisition Payment Date and the timing of the actual Escrow Release Date.

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CAPITALISATION

The following table sets forth (i) the cash and cash equivalents and the consolidated capitalisation for the Target as at 29 June 2019 on an actual basis and (ii) the cash and cash equivalents and the consolidated capitalisation for Midco as at 29 June 2019 on an as adjusted basis to give effect to the Transactions as if they had occurred on 29 June 2019. The information provided on an actual basis was extracted from our unaudited condensed consolidated financial statements as at 29 June 2019 and should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Certain Financing Arrangements" and the financial statements and notes thereto included elsewhere in this Offering Memorandum.

The amounts shown in the following table are presented excluding adjustments to unamortised financing costs, accrued and unpaid interest and any fees or issue costs, if applicable.

	The Target	Midco	
	As at 29 June 2019 Actual	Transactions Adjustments[(1)]	As at 29 June 2019 As Adjusted
		(£ in millions)	
Cash and cash equivalents[(2)]	**134**	**(1)**	**133**
Senior Indebtedness:			
Existing 2022 Notes[(3)]	627	(627)	—
Existing 2026 Notes[(4)]	315	—	315
Existing Senior Facilities[(5)]	168	(168)	—
Senior Facilities[(6)]	—	2,193	2,193
Junior Indebtedness:			
Notes offered hereby[(7)]	—	635	635
Total Indebtedness (excluding leases)[(8)]	**1,110**		**3,143**
Issued capital and reserves attributable to owners of the Target[(9)]	1,650	1,249	2,899
Non-controlling interest[(10)]	5	—	5
Total equity	**1,655**		**2,904**
Total capitalisation	**2,765**		**6,047**

(1) The Transactions Adjustments column represents the effects of the Transactions on the capitalisation of Midco and its consolidated subsidiaries, including the Target. See "*The Transactions—The Acquisition*."

(2) The actual column represents the cash and cash equivalents of the Target and its consolidated subsidiaries as at 29 June 2019. The Transactions Adjustments column represents the cash provided to the Target by Bidco in connection with the Transactions, based on the estimated normalised level of working capital for the Target and its subsidiaries. This assumes that on the Acquisition Completion Date, the cash balance of the Target is nil following the refinancing of certain net indebtedness of the Target.

(3) The actual column represents the pounds sterling-equivalent of the €700 million aggregate principal amount of the Existing 2022 Notes outstanding as at 29 June 2019. The Transactions Adjustments column reflects the redemption in full of the Existing 2022 Notes in connection with the Transactions on or about the Acquisition Payment Date. See "*The Transactions*."

(4) The actual column represents the pounds sterling-equivalent of the $400 million aggregate principal amount of the Existing 2026 Notes outstanding as at 29 June 2019, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder. See "*The Transactions*."

(5) The actual column represents the pounds sterling-equivalent of the £168 million outstanding under the Target's Existing Senior Facilities as at 29 June 2019. The Transactions Adjustments column reflects the repayment of amounts outstanding under, and the cancellation of commitments in respect of, the Target's Existing Senior Facilities on or about the Acquisition Payment Date in connection with the Transactions. See "*The Transactions.*"

(6) The Transactions Adjustments column represents the pounds sterling-equivalent of the amounts drawn under the Senior Facilities in connection with the Acquisition. See "*The Transactions—The Acquisition*" and "*Use of Proceeds*." In addition, the Senior Facilities provides for borrowings of up to £400 million (equivalent) under the Revolving Facility and $172.5 million under the Delayed Draw Term Loan. The Senior Facilities, including the Revolving Facility, and the Notes will replace the facilities provided under the Interim Facilities Agreement.

(7) The Transactions Adjustments column represents the pounds sterling-equivalent of the aggregate principal amount of the Dollar Notes and the Euro Notes offered hereby. The Senior Facilities, including the Revolving Facility, and the Notes will replace the facilities provided under the Interim Facilities Agreement.

(8) 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, we reported £1,139 million of lease liabilities as non-current liabilities and £38 million of lease liabilities as current liabilities as at 29 June 2019.

(9) The actual column represents the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective. The Transaction Adjustments column represents the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions. See "*Use of Proceeds*."

(10) Non-controlling interests represent a percentage of controlled and consolidated subsidiaries that are owned by third parties. The actual column represents third-party interests in Ronchi del Garda S.p.A., Ronchi S.p.A and SEA LIFE Centre Scheveningen B.V. See note 5.8 to the audited consolidated financial statements for the 2018 financial year included elsewhere in this Offering Memorandum.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set forth our selected historical consolidated financial information for the periods ended and as of the dates indicated below. Except as otherwise noted, we have extracted the selected historical consolidated financial information for the 2016 financial year, the 2017 financial year and the 2018 financial year from the audited consolidated financial statements of the Target and its subsidiaries, which are included elsewhere in this Offering Memorandum. In addition, we have extracted the historical consolidated financial data as at and for the 26 weeks ended 29 June 2019 from the unaudited condensed consolidated financial statements of the Target and its subsidiaries which are included elsewhere in this Offering Memorandum.

We prepare our financial statements on the basis of a 52-week or 53-week financial period. The 2017 financial year and the 2018 financial year were 52-week periods, however the 2016 financial year was a 53-week financial period. Consequently, unless otherwise indicated, our results for the 2016 financial year include an additional week of trading, which affects the comparability of our results of operations between these periods.

In addition, our results of operations between the periods presented below may not be comparable due to the application of IFRS 16 and the impact of discontinued operations. The financial statements for the 26 weeks ended and as at 29 June 2019 presented below have been prepared in accordance with IFRS 16, but the financial statements for the other periods presented below were not, and were not required to be, prepared in accordance with IFRS 16. In order to facilitate a comparison of our results of operations and financial condition for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019, we include below, a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 (which were not originally prepared in accordance with IFRS 16 and did not originally give effect to the impact of the sales of our Australian ski resorts as discontinued operations), in each case, giving effect to (1) the application of IFRS 16, where applicable and (2) the impact of discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. We refer to our results of operations for H1 2018, as restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations, as information presented "on a restated basis" and have included such financial information in certain financial tables in this Offering Memorandum under the columns titled "Restated."

The following selected financial information set forth below should be read in conjunction with "Use of Proceeds," "Capitalisation," "Summary—Summary Historical Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto, included elsewhere in this Offering Memorandum.

Consolidated Income Statement

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018 (As originally reported)	For the 26 weeks ended 30 June 2018 (Restated)	For the 26 weeks ended 29 June 2019
			(£ in millions)			
Revenue	**1,457**	**1,594**	**1,688**	**709**	**706**	**763**
Cost of sales	(227)	(255)	(298)	(127)	(126)	(139)
Gross profit	**1,230**	**1,339**	**1,390**	**582**	**580**	**624**
Staff expenses	(382)	(420)	(448)	(211)	(208)	(223)
Marketing	(75)	(85)	(84)	(47)	(47)	(51)
Rent	(93)	(104)	(105)	(50)	(10)	(11)
Other operating expenses(1)	(229)	(256)	(263)	(131)	(127)	(150)
Depreciation, amortisation and impairment	(131)	(151)	(167)	(80)	(100)	(112)
Operating profit	**320**	**323**	**323**	**63**	**88**	**77**
Finance income	3	3	10	5	5	5
Finance costs	(46)	(55)	(48)	(25)	(50)	(50)
Profit before tax	**277**	**271**	**285**	**43**	**43**	**32**
Taxation	(66)	(62)	(55)	(10)	(10)	(8)
Discontinued operations(2)	—	—	—	—	(5)	42
Profit for the year/ period	**211**	**209**	**230**	**33**	**28**	**66**

(1) Other operating expenses include repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

(2) Discontinued operations represent operations, and in the 26 weeks ended 29 June 2019 also the profit on disposal, of our Australian ski resorts at Mount Hotham and Falls Creek, which we sold to Vail Resorts Inc. on 5 April 2019 for total cash consideration of A$174 million pursuant to an agreement with Vail Resorts Inc. dated as of 21 February 2019.

Consolidated Statement of Financial Position

	As at 31 December 2016	As at 30 December 2017	As at 29 December 2018	As at 30 June 2018 (As originally reported)	As at 30 June 2018 (Restated)	As at 29 June 2019
			(£ in millions)			
Total non-current assets	2,958	3,213	3,482	3,337	4,167	4,368
Total current assets	340	451	285	313	310	365
Total assets	**3,298**	**3,664**	**3,767**	**3,650**	**4,477**	**4,733**
Total non-current liabilities	1,518	1,738	1,607	1,638	2,536	2,543
Total current liabilities	352	359	416	459	488	535
Total liabilities	**1,870**	**2,097**	**2,023**	**2,097**	**3,024**	**3,078**
Net assets	1,428	1,567	1,744	1,553	1,453	1,655
Total equity	**1,428**	**1,567**	**1,744**	**1,553**	**1,453**	**1,655**

Consolidated Statement of Cash Flows

	For the 53 weeks ended 31 December 2016	For the 52 weeks ended 30 December 2017	For the 52 weeks ended 29 December 2018	For the 26 weeks ended 30 June 2018 (As originally reported)	For the 26 weeks ended 30 June 2018 Restated	For the 26 weeks ended 29 June 2019
			(£ in millions)			
Net cash inflow from operating activities	433	413	450	199	242	208
Net cash outflow from investing activities	(287)	(343)	(317)	(190)	(190)	(70)
Net cash (outflow)/inflow from financing activities	(106)	20	(335)	(198)	(241)	(108)
Net (decrease)/increase in cash and cash equivalents	**40**	**90**	**(202)**	**(189)**	**(189)**	**30**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations is based upon, and should be read in conjunction with, the audited consolidated financial statements as at and for the 52 weeks ended 29 December 2018 (the "2018 financial year"), 52 weeks ended 30 December 2017 (the "2017 financial year") and the 53 weeks ended 31 December 2016 (the "2016 financial year") and the unaudited condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019 ("H1 2019") and the 26 weeks ended 30 June 2018 ("H1 2018") and, in each case, the related notes thereto included elsewhere in this Offering Memorandum.

We prepare our financial statements on the basis of a 52-week or 53-week financial period. The 2018 and 2017 financial years were 52-week periods. However, the 2016 financial year was a 53-week financial period. Consequently, unless otherwise indicated, our results for the 2016 financial year include an additional week of trading, which affects the comparability of our results of operations between these periods.

In addition, our results of operations between the periods presented below may not be comparable due to the application of IFRS 16. Unlike the historical financial information for the 2016 financial year, 2017 financial year, 2018 financial year, which was not and was not required to be prepared in accordance with IFRS 16, included in the following discussion, the financial information for the 26 weeks ended and as at 29 June 2019 presented below has been prepared in accordance with IFRS 16. Furthermore, we treat our two Australian ski resorts at Mount Hotham and Falls Creek, which we entered into an agreement to sell on 21 February 2019 and sold on 5 April 2019, as discontinued operations in our financial statements for H1 2019.

In order to facilitate a comparison of our results of operations and financial condition for H1 2018 and H1 2019, we include in the following discussion, a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 (which were not originally prepared in accordance with IFRS 16 and did not originally give effect to the impact of the sales of our Australian ski resorts as discontinued operations), giving effect to (i) the application of IFRS 16, where applicable and (ii) the impact of discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. We refer to our results of operations for H1 2018, as restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations, as information presented "on a restated basis" and have included such financial information in certain financial tables in this Offering Memorandum under the columns titled "Restated." Unless otherwise indicated, the financial information presented below for H1 2018 has been restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations.

The following discussion also contains trend information and forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Forward-Looking Statements" and "Risk Factors."

Overview

We are a global leader in branded, location-based family entertainment. As at 29 June 2019, we operated 133 Attractions in 25 countries across four continents, and in the 52 weeks ended 29 June 2019, we welcomed approximately 68 million visitors to our Attractions. We are 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. We are 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. We believe we own and/or operate 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 our extensive technical and creative expertise.

Since our creation in 1999, our strategic vision has been the creation of a high growth, high return, family entertainment business, naturally balanced against the pressures of the macroeconomic environment in which we operate. Our portfolio of assets and brands is highly diversified across geography, attraction type, brand and customer demographic and our 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). We believe our footprint across 25 countries provides us with a favourable platform to benefit from the global growth in spending on travel and tourism, by allowing us to attract both international tourists and domestic visitors, and providing us with a buffer in the event of macroeconomic and currency risks. Our operating groups offer our visitors diverse entertainment options, including both indoor Attractions within city centres as well as outdoor theme parks offering multi-day visits. We estimate that in 2018, 72 per cent. of visitors to our Attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of our visitors. In the 2018 financial year, excluding the impact of IFRS 15, 62 per cent. of our revenues were generated by outdoor Attractions and 38 per cent. by indoor Attractions, providing a natural hedge against weather disruptions.

We have established a diverse portfolio of nationally and internationally recognised premium brands focused on delivering memorable experiences to millions of visitors around the world. We 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. We generated *pro forma* EBITDA of £506 million for the 52 weeks ended 29 June 2019. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

We are organised into three operating groups:

	Midway Attractions	**LEGOLAND Parks**	**Resort Theme Parks**
Description	• Branded, predominantly indoor visitor attractions, located in city centres, resorts or shopping malls, typically with up to two hour visitor duration	• Interactive outdoor theme parks offering multi-day visits targeted at families with children aged two to 12 • All open LEGOLAND Parks (except LEGOLAND Dubai) have themed on-site accommodation	• National destination outdoor theme parks offering multi-day visits in densely populated European markets • With themed on-site accommodation across all parks
Attractions/parks (as at 29 June 2019)	119 Attractions(1)	8 parks(2)	6 parks
Hotels/Holiday Villages . . .	—	10 hotels/3 holiday villages	10 hotels/3 holiday villages
Countries where present . .	22	7	3
Visitors (m) (for the 52 weeks ended 29 December 2018)(3) . . .	40.4	15.6	11.0
Revenue (£m) (for the 52 weeks ended 29 December 2018)(4) . . .	677	637	367
Segment EBITDA (£m) (for the 52 weeks ended 29 December 2018)(5) . . .	210	242	88
Rooms (as at 29 June 2019)	—	2,581	1,909
Selection of key brands: . . .	SEA LIFE, the Dungeons, Merlin Entertainments The Eye Brand, Madame Tussauds, LEGOLAND Discovery Centre	LEGOLAND	Alton Towers, Heide Park Resort, Warwick Castle, Gardaland Resort, Thorpe Park, Chessington World of Adventures Resort

(1) Includes seven "*second gates*," which are visitor attractions at an existing resort with a separate entrance and for which additional admission fees are charged. These have been reduced to six second gates with the closure of The Jurassic Skyline that was announced in August 2019. Since 29 June 2019, we have closed, sold or otherwise transferred three Midway Attractions, comprising SEA LIFE Chongqing, The Jurassic Skyline and Wild Life Hamilton Island.

(2) Includes LEGOLAND Malaysia and LEGOLAND Dubai, which we operate under management contracts and LEGOLAND Japan, which we operate under our "*leased and operated*" model.

(3) Visitor numbers include visitors to Attractions operated under management contracts (which, during the periods under review, included LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye) and visitors to Attractions operated as joint ventures.

(4) Includes revenue from discontinued operations.

(5) Segment EBITDA excludes the impact of (i) other items in the amount of £46 million, including Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable operating groups and (ii) exceptional items in the amount of £4 million, which comprise certain one-off operational costs that have been incurred in 2018 as part of our productivity agenda initiatives, which are expected to continue through to 2021, as well as exit costs in respect of certain small, non-core Midway sites. Exceptional items are separately presented as they are not part of our underlying operating expenses. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

Our three operating groups are supported by our 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 our group and creating high-class, compelling propositions for our 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 our 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 our Peppa Pig-themed Attractions, including our "*in park*" Peppa Pig Lands at Gardaland Resort and Heide Park Resort and our first Peppa Pig World of Play Attraction in Shanghai. We believe these Attractions continue to broaden our appeal in different markets and geographies, and reflect the increasing volume and strength of our relationships with third-party intellectual property holders who seek to leverage their content through location-based entertainment. We 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 and SEA LIFE Centres in Shenyang and Malaysia and re-launched the Colossos roller coaster at Heide Park Resort. Merlin Magic Making is also working on a number of Attractions expected to be launched in 2020, including our development of LEGOLAND New York and the LEGOLAND Waterpark at Gardaland Resort.

Our senior management is also supported by our 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.

Our strategy and performance is underpinned by our 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. Our strong financial returns are also the result of our efficient and strategic deployment of capital expenditure across the Existing Estate and new Attractions.

We have demonstrated the strength of our diversified business model through our historical financial track record. The drivers of this performance are:

- investment in our Existing Estate to improve customer satisfaction, increase capacity and provide compelling new propositions to guests in order to drive organic growth through visitations and pricing power;
- rolling out new Midway Attractions under our 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 our geographic diversification;
- developing 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, we announced that we 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 our Theme Parks into destination resorts by adding a broad range of themed accommodation and new Attractions at our 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.

Factors Affecting our Results of Operations

Admissions

Visitor attendance levels are the primary driver of our revenue and one of the primary drivers of our profitability. From 2012 to 2018, visitor attendance grew by a CAGR of 3.6 per cent. Most of our revenue is generated by visitors through admission fees and commercial spend such as on food and beverages and retail opportunities. For the 2018 financial year, excluding the impact of IFRS 15, 56 per cent. of our revenue was generated by admissions, 28 per cent. by commercial spend and 12 per cent. by accommodations.

Visitor attendance is primarily driven by, and dependent upon, the appeal of our Attractions, and we believe that the sustainability of visitor attendance at the Attractions is contingent upon maintaining high visitor satisfaction levels. We measure visitor satisfaction through monitoring guest feedback on a daily basis by both local and central monitoring teams. This process assists management in pricing and directing capital investment and resources to improve our product offering, including through updating and refreshing the Attractions on a regular basis. We target an overall satisfaction level of over 90 per cent. at each of the Attractions, and most of our Attractions consistently achieve scores above 90 per cent. Our average guest satisfaction score across our group in 2018 was 95 per cent. We also monitor the propensity for our guests to recommend our Attractions, having raised our "*Net Promoter*" score to 57 per cent. in the 2018 financial year. We consider a Net Promoter score of 50 per cent. or more to be "*world class.*" Our "Net Promoter" score was 47, 50, 53, 55 and 55 for the financial years 2013, 2014, 2015, 2016 and 2017, respectively.

Visitor attendance is also impacted by our pricing and marketing strategies. The effectiveness of these strategies is dependent upon their alignment with the appropriate target audience, which requires management to implement and deliver brand clarity in respect of each Attraction's proposition. Visitor attendance is also influenced by economic conditions, conditions of the tourism industry and external factors beyond our control.

The factors affecting growth in visitor attendance may vary amongst our operating groups. We believe the slight decrease to overall growth in visitor attendance during the periods under review for the Midway Attractions operating group has been driven largely by the impact of terror attacks, particularly in London (for example, the temporary shutdown of the London Eye following the Westminster Bridge attack in London in 2017), partially offset by the roll-out of new Attractions. We believe the growth in overall visitor attendance at our LEGOLAND Parks operating group has been driven by a combination of capital expenditure on the Existing Estate, new accommodation facilities and the development of new Attractions underpinned by the strength of the LEGO brand. Visitor attendance at the Resort Theme Parks operating group increased slightly during the period under review due to the continuing roll-out of accommodation and new product development, offset partly by the impact of terror attacks and unfavourable weather in continental Europe. The breadth and scale of our portfolio help limit the impact of external events, including terrorist attacks and severe weather patterns, in a specific jurisdiction and operating group.

The following table sets out visitor numbers and percentage change in visitor numbers by operating group and in total for the 2016, 2017 and 2018 financial years:

	Financial Year			2016 – 2017	2017 – 2018
	2016	2017	2018	Increase/ (decrease)	Increase/ (decrease)
	(in millions)			(per cent.)	
Midway Attractions	41.7	40.7	40.4	(2)	(1)
LEGOLAND Parks	12.9	15.3	15.6	19	2
Resort Theme Parks	10.5	10.0	11.0	(5)	10
Total Visitors	**65.1**	**66.0**	**67.0**	1	2

Visitor attendance at the Midway Attractions operating group declined slightly from 2016 to 2017, primarily due to the impact of terror attacks, particularly in London, partially offset by the positive impact of the roll-out of new Attractions. Visitor attendance at the LEGOLAND Parks increased in 2017 due to the opening of LEGOLAND Japan and the successful delivery of new rides, Attractions and accommodation. Visitor attendance for the Resort Theme Parks operating group fell in the 2017 financial year as compared with the 2016 financial year, as poor weather in Italy and Germany affected trading in Gardaland Resort and Heide Park Resort and the impact of terror attacks on U.K. Attractions offset the opening of new accommodation.

Visitor attendance at the Midway Attractions operating group declined slightly from 2017 to 2018 but has started to recover from the impacts of terrorism that had affected 2017 performance. During the 2018 financial year, we delivered pilot openings of new intellectual property based Attraction formats, Peppa Pig World of Play and The Bear Grylls Adventure, which are aimed at the pre-school and adventure seeker markets, respectively. Visitor attendance at the LEGOLAND Parks increased during this time with the expansion of the LEGOLAND Japan Resort by adding a hotel and SEA LIFE Centre to the park, which had opened in 2017, with themed accommodation expansion in other parks also driving organic growth. Visitor attendance for the Resort Theme Parks increased due to the growing attraction of the major resorts at Alton Towers Resort and Gardaland Resort, reflecting ongoing product investment and favourable weather.

Visitor numbers, as used in this Offering Memorandum, represent the number of individual visits to an Attraction, as measured by our admissions systems, for the period indicated. Unless otherwise specified, visitor numbers include visitors to Attractions operated under management contracts (which, during the periods under review, included LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye), in respect of which we earn revenues through management fees rather than directly through visitor admission fees and visitors to Attractions operated as joint ventures, which, during a portion of the periods under review, included, for example, SEA LIFE Helsinki Oy and Pirate Adventure Golf Limited. We purchased the remaining shares of SEA LIFE Helsinki during the 2016 financial year, such that it is now a wholly owned company. We purchased the remaining shares of Pirate Adventure Golf Limited during the 2017 financial year, such that it is now a wholly owned company.

Management of Capital Investments

Our success is dependent upon the appeal of the Attractions, which impacts visitor attendance and our results of operations. Maintaining the appeal of our Attractions requires prudent capital investment in both our Existing Estate as well as in connection with New Business Development.

We expect to spend approximately £400 million of capital expenditure in 2019, of which approximately £160 million to £180 million relates to Existing Estate capital expenditure. In the 26 weeks ended 29 June 2019, we have spent £162 million in total capital expenditure of which £81 million related to Existing Estate capital expenditure. See "—*Capital Expenditure*."

Existing Estate

Part of our growth strategy is to make targeted investments to update and refresh our Existing Estate on a regular basis. We seek 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 our revenue growth and profitability. For example, accommodation not only continues to increase the duration of our 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. We also make capital investments to improve back office and IT efficiency.

The percentage of revenue invested in Existing Estate capital expenditure 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.

We establish targeted returns for all capital expenditure incurred in respect of projects expected to make a positive contribution to EBITDA, and we build these targeted returns into our annual budgets. While it is not possible to accurately ascertain returns for individual investments, we believe that the launch of new features at the Attractions following capital investments are a key contributing factor in increasing visitor attendance numbers, particularly during the year of launch.

In H1 2019, our significant capital investments in the Resort Theme Parks and LEGOLAND Parks operating groups included the re-launch of the iconic Colossos roller coaster at Heide Park Resort and the first of our LEGO Movie World investments in LEGOLAND Florida. In the Midway Attractions operating group, we made significant capital investments in SEA LIFE Sydney Aquarium, 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, our 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, we did not make significant capital investments with respect to the Midway Attractions operating group or with respect to the LEGOLAND Parks, although we have invested longer term in developing new LEGOLAND parks, primarily LEGOLAND New York.

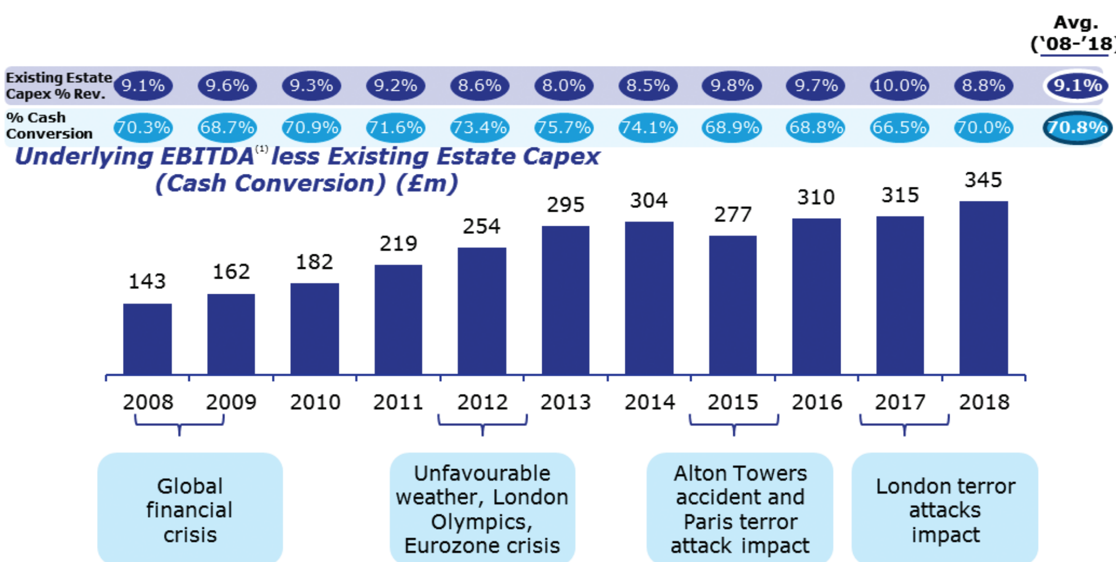
In the 2017 financial year, our significant capital investments in the Resort Theme Parks and LEGOLAND Parks operating groups were the development of a NINJAGO World in each of LEGOLAND Windsor, Germany and Florida and a Gruffalo River Adventure ride at Chessington World of Adventures Resort. In the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

In the 2016 financial year, our 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, our significant capital investments included a "*Ghostbusters*" feature at Madame Tussauds New York and a penguin feature at SEA LIFE Sydney Aquarium.

During the 2016, 2017 and 2018 financial years, we invested an average of 9.5 per cent. of our total revenue each financial year in capital expenditure relating to the development of our Existing Estate.

Our Existing Estate capital expenditure was 10 per cent., 10 per cent. and 9 per cent. of revenue in the 2016, 2017 and 2018 financial years, respectively. We broadly anticipate investment in capital expenditure in our Existing Estate to be approximately £160 million to £180 million in 2019. During the periods under review, we have funded our Existing Estate capital expenditure from our operating free cash flow and we expect to continue to do so going forward.

The table below presents the evolution of our Existing Estate capital expenditure and Existing Estate capital expenditure as a percentage of EBITDA for the 2008 through 2018 financial years:



Source: Company information.

(1) Underlying EBITDA reflects adjustments to EBITDA to exclude the impact of certain one-off and non-trading items that, by their nature, can be classified as exceptional items. See "*Presentation of Financial Information—Non-IFRS Financial Information*." No exceptional items were recognised for the 2016 and 2017 financial years, but exceptional costs of £4 million were incurred in delivering on our productivity agenda in the 2018 financial year. Exceptional items, if any, are set out in the notes of our consolidated financial statements for the relevant period.

In respect of the Midway Attractions, we aim to consistently update and refresh our entertainment offerings through the rotation of themed exhibitions across the SEA LIFE Centres; the annual addition of new wax figures at each Madame Tussauds Attraction; the addition of a new ride, feature or new 4D film at each LEGOLAND Discovery Centre approximately once every five years; and the regular introduction of new story lines at The Dungeons sites. Additionally, we expect to periodically undertake a refurbishment of the capsules of the London Eye, which takes three to four years to complete, in order to update and improve the visitor experience. The last capsule refurbishment was completed between the 2008 and 2012 financial years at a cost of approximately £13 million in aggregate.

Historically, capital investments were managed in cycles, determined based on periodic low, medium and high levels of investment, for each individual Attraction across our business. We benefit from an ability to defer capital expenditure, which when combined with an efficient net working capital profile and increased cash flow visibility from pre-bookings and our accommodation strategy, supports sustainable cash flow conversion.

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

New Business Development

We also focus on a New Business Development 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.

In 2018, our New Business Development capital expenditure was £183 million, which increased from £177 million in 2017. Spend on New Business Development in 2018 included £88 million related to developing new accommodation across the existing theme park estate opening in 2018 or 2019, £60 million related to new Midway Attractions that either opened in 2018 or for a 2019 opening and £35 million related to the longer term investments of developing new LEGOLAND parks, primarily LEGOLAND New York.

We continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated at the time we published our results for H1 2019 on 1 August 2019, this is a complex project and we now expect to spend approximately $400 million, of which approximately $100 million had been spent as at 29 June 2019.

At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. 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.

Roll-Out of Midway Attractions

Our business development and growth strategy has historically involved the roll-out of Midway Attractions in new locations and countries. The costs we incur to roll out a new site and the anticipated maturity profile of each new site vary by brand.

During the 2016, 2017 and 2018 financial years and the 26 weeks ended 29 June 2019, we opened 26 new Midway Attractions, as set out in the following table:

	Midway Attractions opened			
	2016	2017	2018	H1 2019
SEA LIFE Centres	—	1	1	2
Madame Tussauds	2	2	—	—
Dungeons	—	—	1	1
LEGOLAND Discovery Centres	3	2	2	3
Little BIG City	—	1	1	—
The Bear Grylls Adventure	—	—	1	—
Peppa Pig World of Play	—	—	1	2
Total Number of Midway Attractions Opened	**5**	**6**	**7**	**8**
Total New Business Development Capital Expenditure for Midway Attractions (£ in millions)[(1)]	**36**	**52**	**60**	**26**

(1) Represents New Business Development capital expenditure spent on Midway Attractions during the respective financial period. Accordingly, amounts presented may not be attributable to each of, or only, the Attractions opened in that period.

Of the 18 new Midway Attractions opened during the 2016, 2017 and 2018 financial years, nine were net contributors to our EBITDA during the period from 2016 to 2018 (taking into account site revenues, site costs and the allocation of certain overhead and central management costs). Of the eight new Midway Attractions opened during the 26 weeks ended 29 June 2019, two were net contributors to our EBITDA during 2016 to 2019 (taking into account site revenues, site costs and the allocation of certain overhead and central management costs). During the 2018 financial year, seven new Midway Attractions were opened: 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, a second gate Midway Attraction to LEGOLAND Japan. The development costs on each of these sites varied depending on the nature and size of the Attraction. In addition, we (i) closed Manly SEA LIFE Centre, in Australia, in January 2018, (ii) transferred the Seal Sanctuary in Gweek, United Kingdom, to the SEA LIFE Trust in March 2018, (iii) ceased to operate the Orlando Eye, United States, in May 2018 and (iv) closed SEA LIFE Oban Sanctuary, United Kingdom, in October 2018.

In H1 2019, we opened eight new Midway Attractions, which comprised the Alton Towers Dungeon, LEGOLAND Discovery Centres in Beijing, San Antonio and Shenyang, SEA LIFE Attractions in Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan. The development costs on each of these sites varies depending on the nature and size of the Attraction. For example, Peppa Pig World of Play Attractions require less capital investment, reflecting the size and the nature of the Attraction.

In connection with the Midway Attractions that we have recently rolled out, we strategically created "*clusters*," developing multiple Attractions in one city or region to capitalise on costs, cross-selling and marketing opportunities. Clustering Attractions also allows us to achieve logistical benefits, including the sharing of management and administrative functions across Attractions and, in some cases, the sharing of premises, which helps reduce costs and improve EBITDA margins.

Development of LEGOLAND Parks

Another significant factor affecting our results of operations is the development of new LEGOLAND Parks. Given the strength of the LEGO and LEGOLAND brands and the success of our existing LEGOLAND Parks, we recognise significant scope for new LEGOLAND Parks, particularly in the Asian market. Our LEGOLAND Parks are operated under one of our three operating models: (i) "*owned and operated*," (ii) "*leased and operated*" and (iii) "*manage and operate*" under management contracts. Of the parks currently in operation, five are "*owned and operated*," two, LEGOLAND Malaysia and LEGOLAND Dubai, are operated under a management contract, and one, LEGOLAND Japan, is operated under our "*leased and operated*" model.

We opened LEGOLAND Florida, the first LEGOLAND Park launched under our ownership, in October 2011. LEGOLAND Florida is owned and operated by us, with admissions fees reflected directly in revenues for the LEGOLAND Parks operating group.

LEGOLAND Malaysia opened in September 2012 and is managed by us pursuant to a management contract with Malaysian partners. The resort was developed with funds provided by the Malaysian government. As part of an agreement for the development and operation of LEGOLAND Malaysia, we contributed fees earned during the development and operating phase back to IDR Resorts Sdn. Bhd. ("*IDR*") which, together with its subsidiaries, owns LEGOLAND Malaysia until we held 20 per cent. of the share capital in IDR. That level has been reached and thus we own 20 per cent. of the company that owns the park and no longer contribute management fees to IDR. We believe this operating model enables us to enter certain new markets, while reducing our risk in those markets. Under the management contract model, we typically receive development and management fees in return for the provision of design, construction and ongoing operational management services; however, we do not own the underlying assets or fund the site's capital expenditure requirements. The management fee is included in revenues for the LEGOLAND Parks operating group. We have an agreement with LL Theme Parks LLC, which is a wholly owned subsidiary of DXB Entertainments, to operate LEGOLAND Dubai under this management contract model, with no investment in equity. LEGOLAND Dubai opened in 2016.

We opened a LEGOLAND Park in Nagoya, Japan in 2017, developed under our "*leased and operated*" model, whereby we invested in the park with a partner from which we lease unowned assets in exchange for rent. Under this model, we invested approximately one-third of the total park development expenditure, with the balance of the assets, primarily park infrastructure assets, owned by one of KIRKBI's subsidiaries and funded through a combination of equity and external debt provided by Sumitomo Mitsui Banking Corporation. We lease the park and associated assets on arm's length commercial terms, paying a turnover-based rent with an annual floor on a 50 year lease. See "*Certain Relationships and Related Party Transactions*." During the 2018 financial year, we opened SEA LIFE Nagoya, as well as a 252-room hotel at LEGOLAND Japan.

In October 2017, we announced plans to open LEGOLAND New York in New York State, U.S. with a targeted opening in 2020. We continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated at the time we published our results for H1 2019 on 1 August 2019, this is a complex project and we now expect to spend approximately $400 million, of which approximately $100 million had been spent as at 29 June 2019. LEGOLAND New York will be developed under our "*owned and operated*" model, consistent with all our U.S. and European LEGOLAND Parks.

At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. 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.

In addition, we have also identified tangible opportunities to open new LEGOLAND Parks in China with a focus on operating these parks under management contracts. We have entered into discussions with the local governments and private parties with respect to these development opportunities. See "*Business—Material Contracts*." In September 2019, we announced that we 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.

We intend to consider LEGOLAND Park development opportunities and the operating models for these opportunities on a case-by-case basis in light of our strategic objectives.

Development of New Resort Hotels and Other Accommodation Facilities

Besides contributing to overall revenues through direct accommodation fees, our hotels and holiday villages are a key component of our strategy of transforming our LEGOLAND Parks and Resort Theme Parks into destination resorts to attract a broader customer base and encourage multi-day visits, thereby increasing overall visitor attendance and satisfaction while reducing the impact of short-term weather conditions. Accommodation also allows greater cross-selling opportunities and leads to increases in pre-bookings, revenue visibility and positive working capital. During the 2016, 2017 and 2018 financial years and the 26 weeks ended 29 June 2019, we launched twelve new accommodation developments.

During 2016, we opened the 100 room "*Adventure Hotel*" at Gardaland Resort in May, the 35 room "*Chessington Explorer Glamping*" at Chessington World of Adventures Resort on 16 May and "*Knight's Village*" at Warwick Castle, which had 69 lodges and "*glamping tents*" (subsequently reduced to 65 rooms) in July.

During 2017, we opened the 166 room "*Beach Retreat*" holiday village at LEGOLAND Florida in April, the 61 room "*Castle Hotel*" at LEGOLAND Windsor in July and the 76 room "*CBeebies Land Hotel*" at Alton Towers Resort in July. In addition, the holiday village at LEGOLAND Billund was expanded in 2017 to include a further 80 rooms.

During 2018, we significantly increased our accommodation offering, adding 644 new rooms through the opening new hotels at three resorts in Germany, Japan and the United States, 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. Combined with the rooms opened in 2017, this resulted in accommodation revenue growth of 39.7 per cent. within the LEGOLAND Parks operating group, without giving effect to the impact of IFRS 15, and on a constant currency basis. Our aggregate room capacity was over 4,000 rooms as at 29 December 2018. Room capacity within our LEGOLAND Parks and Resort Theme Parks operating groups was 2,439 and 1,679, respectively as at 29 December 2018.

During H1 2019, we opened 372 rooms, including the Magic Hotel at Gardaland Resort, "stargazing pods" at Alton Towers Resort and the Castle Hotel at LEGOLAND Billund.

Strategic Acquisitions and Disposals

In addition to the roll-out and development of new Attractions, our revenue growth and profitability are affected by strategic acquisitions and disposals. During the periods under review, we acquired a minority interest in BIG BUS Tours in 2016 and entered into co-promotion agreements with them in a number of city centre locations. We believe that by working more closely with BIG BUS Tours, we can increase cross-promotion and drive visitor traffic to our Attractions. In addition, as part of our overall growth strategy, we proactively manage the composition of our portfolio and have occasionally disposed of certain of our businesses and assets to increase efficiencies, profit and cash flows or to reduce liabilities. On 21 February 2019, we entered into an agreement to sell our Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. We completed the sale on 5 April 2019 for a total cash consideration of A$174 million. These Attractions formed part of the Midway Attractions operating group. In 2018, revenue and underlying EBITDA for the two sites were £35 million and £11 million, respectively.

Variations in Weather

Our portfolio is diversified across outdoor and indoor Attractions and multiple geographies, which provides a degree of natural hedging against the financial impact of certain external factors such as variations in weather. In the 2018 financial year, excluding the impact of IFRS 15, 62 per cent. of our revenues were generated by outdoor Attractions and 38 per cent. by indoor Attractions mitigating the impact of adverse weather. However, unfavourable weather and forecasts of unfavourable weather, especially during our peak opening period and on or for weekend days, can adversely affect visitor attendance at the Attractions and, consequently, our financial performance, particularly at our LEGOLAND and Resort Theme Parks Attractions.

The Midway Attractions operating group can also be impacted by weather conditions. Unlike our Resort Theme Parks and our LEGOLAND Parks, almost all of our Midway Attractions are located indoors and thus hot weather can have a negative impact on visitor numbers as potential visitors are diverted to outdoor Attractions, such as theme parks.

We believe that in 2017, the weather negatively impacted the trading performance at Gardaland Resort as well as at Heide Park Resort and LEGOLAND Florida. We believe that in 2018, very favourable weather in both the United Kingdom and Continental Europe allowed for a more positive market backdrop to attract visitors, particularly to our Resort Theme Parks, including the major resorts at Alton Towers Resort and Gardaland Resort.

We seek to reduce the risk to our operations imposed by unfavourable weather conditions through the use of an advance purchase pricing model for online ticket sales, providing a discount to customers who book in advance, as well as sales of Merlin Annual Passes, Merlin Pass Monthly Memberships and individual Attraction season passes. We also seek to draw trade visitors, such as coach tours and school visits, to the Attractions, and the vast majority of these trade visitors book tickets in advance. Our strategy of transforming our Resort Theme Parks and LEGOLAND Parks into destination resorts, chiefly by the development of accommodation facilities, further supports pre-booked ticket sales by encouraging visitors to plan multi-day trips further in advance. In the 2018 financial year, approximately 62 per cent. of our revenue from admissions was pre-booked, of which 10 per cent. came through Merlin passes.

Seasonality

Our operations are subject to seasonal factors. The majority of our revenue is generated between mid-March and November due to a variety of factors affecting the northern hemisphere, where the majority of the Attractions are located. Such factors include school holiday periods, with the longest peak during July and August and shorter peaks during the Easter and (in the United Kingdom) October school holiday periods, and generally favourable weather conditions. The timing of the Easter holiday each year may affect our results of operations because when the Easter holiday occurs later in the year, it is more likely to coincide with periods of favourable weather. In the 2018 financial year, excluding the impact of IFRS 15, 24 per cent. of our revenue was generated between January and April, 18 per cent. of our revenue was generated between May and June, 38 per cent. of our revenue was generated between July and September, and 20 per cent. of our revenue was generated between October and December. These results are representative of the effect of seasonal variation on our revenue during the periods under review. During the winter months (November to mid-March in the northern hemisphere), our revenue reduces substantially and, in particular, our seasonal Attractions (including most of the Resort Theme Parks and the European LEGOLAND Parks) are either closed or open for more limited hours during certain periods. Even at the Attractions that are open year-round, including LEGOLAND Florida, LEGOLAND California and all of our Midway Attractions, attendance patterns have historically experienced significant seasonality, driven by, amongst other factors, tourism patterns and school holidays. We typically incur capital expenditure during the winter months (which vary depending on the location of the Attractions) in carrying out maintenance and refurbishment work and the addition of new rides to the Resort Theme Parks and LEGOLAND Parks.

We seek to manage our expenses to match this seasonality in revenue by the use of seasonal employees during the peak months. Additionally, our recent expansion in the United States, Asia and Australia has created some variance in peak seasons between our Attractions. This increasing geographical diversification is a part of our growth strategy that we believe will, over time, reduce the effects of seasonality on our business.

The seasonality of our business may also, from time to time, cause our results to be affected disproportionately by any significant "*one-off*" events that occur in our principal trading markets during the peak seasons of operation. Such "*one-off*" events may impact particular financial years and may make comparability across different financial years more difficult. For example, in 2017, two terror attacks in London impacted visitor attendance at some of our Attractions in the peak season that followed the attacks.

Macroeconomic Conditions

As an operator of leisure attractions, our success depends to an extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Low economic growth in many of the countries in which we operate, coupled with future economic uncertainty, has had and continues to have an adverse effect on consumers' discretionary spending and consumer confidence. Our business has historically demonstrated resilience during periods of economic slowdown. We believe our resilience in adverse economic conditions is due to, amongst other reasons, consumer spending on family visitor Attractions tending to be more resistant to cutbacks than many other forms of discretionary spending during periods of economic downturn. Additionally, the Attractions may represent a less expensive holiday or leisure alternative compared to overseas travel holidays for domestic customers in the countries in which we operate.

Following the U.K. referendum on Brexit in June 2016, sterling weakened considerably relative to other world currencies. As 67, 69 and 69 per cent. of our revenue in the 2016, 2017 and 2018 financial years, respectively, was derived from other countries, notably the United States and continental Europe, we saw positive translation effects that benefitted our results for the 2016, 2017 and 2018 financial years. In the medium term, we believe a more competitive pound could increase in-bound tourism to London and drive more "*staycations*" on the part of U.K. residents. As over two-thirds of our visitors were domestic visitors in 2018, we are not reliant upon the "*fly-in*" markets.

Notwithstanding this general resilience to economic downturns, significant macroeconomic events in the countries in which we operate may have an adverse effect on our performance, and unemployment may also play a significant role in the level of discretionary consumer spending and, in particular, the unemployment level amongst our target demographics may affect visitor attendance levels and revenues at certain Attractions. For example, the performance of THORPE PARK Resort, another of our largest Attractions by visitor numbers, is subject to movements in the employment rate of its key target customers in the 16-24 age group.

Geographical Expansion and Diversification

One of our key strategies is geographical expansion and diversification. We believe we own and operate a unique portfolio of chainable iconic assets and brands, which possess a strong heritage within their original markets, and which are globally scalable and supported by our extensive technical and creative expertise. Our success implementing this strategy is a key driver of our growth and financial performance. The geographic scope of our business has expanded significantly since our inception, and now includes a portfolio of Attractions across Europe, North America and the Asia Pacific region. Our long-term goal is to evenly split our revenue between Europe, North and South America and the Asia-Pacific region. Expanding into new cities and countries allows us to continually increase the number of Attractions in our portfolio, which in turn helps to increase visitor numbers and revenues. This also provides us with some opportunities to create "*clusters*," developing multiple Attractions in one city or region to capitalise on operational, marketing and cross-selling advantages.

Geographical diversification can also reduce the effects of seasonality. With Attractions in different cities, countries and hemispheres, there is some variance in peak seasons between Attractions.

The Asia Pacific region, in particular, represents an area of increasing strategic focus for us, with a growing number of Midway Attractions and LEGOLAND Parks located in the region. By the end of the 2018 financial year, we operated 36 Attractions in ten countries across the Asia Pacific region (including the Australian ski resorts at Mount Hotham and Falls Creek). We have opened four new Midway Attractions in the Asia Pacific region in 2019, comprising LEGOLAND Discovery Centres in Beijing and Shenyang and SEA LIFE Attractions in Malaysia and Shenyang. In addition, in the coming years, we plan to open a LEGOLAND Park in South Korea, additional Midway Attractions throughout the region and have identified potential sites for LEGOLAND Parks in China with a focus on operating these parks under management contracts. We have a number of study agreements in China in progress. For further information, see "*—Development of LEGOLAND Parks*."

Geographical diversification also provides us with a degree of natural hedging against certain external factors, such as variations in weather, localised economic downturns and other localised events that may have a temporary or sustained impact on visitor numbers at particular Attractions.

This geographical expansion and diversification requires careful strategic planning and active management as we enter jurisdictions with different legal, political and economic circumstances, such as Madame Tussauds Delhi, which we opened in 2017. We may enter a new jurisdiction in multiple ways. In addition to launching new sites on our own, we may enter a new jurisdiction by acquiring and rebranding existing leisure attractions, as demonstrated by our acquisitions of the Sydney Attractions Group and Living and Leisure Australia, or by entering into partnership with local governments or third parties, as reflected by LEGOLAND Malaysia, LEGOLAND Dubai and LEGOLAND Korea. We consider entering into new jurisdictions, including the method of entering into such jurisdictions, on a case-by-case basis in light of our strategic objectives.

Volume and Yield Strategies

Although visitor volumes are the primary driver of our revenue growth and profitability, profitability is also a function of the admissions revenue per capita. We define "*admissions revenue per capita*" as the amount of revenue each visitor provides by way of admission fees. Admissions revenue per capita is a function of the lead price (being the full price for visitors), excluding VAT and other sales taxes, and any promotional discounts we provide. To maximise total revenue and profit, we continuously monitor both visitor volumes and admissions yield, being the admissions revenue per capita divided by the lead price, for each of the Attractions. Our revenue per capita has increased from approximately £18 for each of the 2012, 2013, 2014 and 2015 financial years to approximately £20, £21 and £21 in 2016, 2017 and 2018, respectively.

Decisions about volume and yield strategies for each Attraction are made weekly, monthly, quarterly and annually by central and local management. In making these decisions, management seeks to respond to changing patterns of demand, taking into account a wide variety of factors, including prevailing economic circumstances, the time of year, the age of an Attractions and the Attractions' propositions, customer ratings of "*value for money*" and target audience. Both volume and yield strategies rely on our ability to implement effective pricing and marketing strategies.

We can achieve higher volumes for an individual Attraction through the use of entry promotions and admission fee discounts. We can use such promotions and discounts to distribute visitor attendance across an Attraction's opening hours or opening period. For example, we may offer discounts for off-peak times of day or off-peak days, thereby improving visitor volumes during those times. We may also use promotions to help establish Attractions in local markets, typically using promotions in the second year after opening once the initial heightened visitor volumes associated with a new launch have subsided.

We can also affect the admissions revenue per capita for an individual Attraction by incrementally increasing an Attraction's lead price and/or changing the quantum or level of discounts offered in respect of an Attraction's admission fee. We seek to increase revenue and profit generated during an Attraction's periods of peak demand and by high-demand Attractions by increasing the admissions revenue per capita during those periods and for those Attractions.

Similar to decisions about volume and yield strategies for individual Attractions, decisions about volume and yield strategies for Merlin Annual Passes, Merlin Pass Monthly Memberships and individual Attraction seasonal passes are made regularly by central management to respond to changing patterns of demand and use.

Impact of the 53rd Week in the 2016 Financial Year

The 2016 financial year was a 53-week financial period. The impact of the 53rd week on the key income statement lines was as follows:

	Financial Year		
	2016 52 weeks	**2016 Week 53**	**2016 53 weeks**
	(£ in millions unless otherwise stated)		
Revenue	1,428	29	1,457
Operating profit	302	18	320
Profit before tax	259	18	277
Profit for the year	197	14	211
Other Financial Information:			
EBITDA	433	18	451
Visitor numbers (in millions)	64	1	65

Impact of Exchange Rates

Our presentational currency is pounds sterling, but our operations outside the United Kingdom use currencies other than pounds sterling, principally the euro, the Danish Kroner and the U.S. dollar, as well as other currencies including the Australian dollar, the Japanese Yen, the New Zealand dollar, the Canadian dollar and various currencies in Asia. For example, in the 2017 financial year, 31 per cent. of our revenue was generated in pounds sterling, 24 per cent. in euro and Danish Kroner and 27 per cent. in U.S. dollars. Our financial performance is therefore subject to fluctuations as a result of foreign currency exchange rate movements whenever financial information is translated from non-pounds sterling currencies.

To eliminate the impact of foreign exchange movements on our reported revenue and EBITDA, management uses revenue and EBITDA on a constant currency basis to evaluate business performance. We also seek to structure our indebtedness in currencies that help reduce translational foreign exchange exposure by drawing debt denominated in our major currencies of operation.

In addition to the translational impact of exchange rate fluctuations, we are exposed to transactional exchange rate risk. Certain operating expenses and capital expenditures are from time to time denominated in foreign currencies, though in general, most payments and revenues are denominated in the same local currencies used in the countries in which we have Attractions. Additionally, we seek to limit our exposure to foreign currency fluctuations through the use of derivative instruments under an approved control framework. See "*Description of Certain Financing Arrangements—Hedging Agreements*" and "*—Disclosure about Market and Credit Risks—Currency Risk*" for a further description of our foreign currency hedging activities and certain risks related thereto.

Staff Expenses

Staff expenses represent the largest portion of our operating expenses. Staff expenses include compensation and benefits for our employees and change over time based on changes in the number of personnel employed and the compensation level per employee. Staff expenses increased by £28 million or 7 per cent. to £448 million in the 2018 financial year from £420 million in the 2017 financial year, and increased by £38 million or 10 per cent. to £420 million in the 2017 financial year from £382 million in the 2016 financial year, representing 27 per cent., 26 per cent. and 26 per cent. of revenues for the financial years 2018, 2017 and 2016, respectively. Staff expenses as a percentage of revenues have therefore remained broadly stable over the periods under review, with expenses increasing in line with revenues primarily as a result of the roll-out and development of new Attractions.

Due to the seasonality of our business, employee headcount varies significantly throughout the year. We manage our employment costs by hiring a substantial number of workers on a flexible, seasonal basis, which is typical for operators of seasonal attractions in the leisure industry. Depending on the Attraction, and subject to the relevant laws and regulations of the jurisdiction in which the Attraction is located, seasonal employees are hired for the entire summer season or on a periodic basis, in each case with flexible arrangements, enabling us to vary the hours worked as we deem necessary. Although the use of seasonal employees provides us with a certain amount of flexibility on our cost base, our ability to make substantial savings through headcount reduction of seasonal employees during the opening period is constrained by the limited advance visibility of visitor numbers and for some Attractions, such as Gardaland Resort, certain restrictions imposed by local employment laws.

Our average number of permanent employees for the 2016, 2017 and 2018 financial years was 8,515, 8,781 and 8,909, respectively. Our average number of total employees for the 2016, 2017 and 2018 financial years was 19,489, 19,871 and 21,123, respectively, with the difference reflecting seasonal or temporary employees.

Hedging of Interest Rate and Currency Exposures

We hold derivative financial instruments primarily to hedge our interest rate and foreign currency exposures. In general, we endeavour to implement hedging arrangements that will qualify for hedge accounting treatment, but we are not always able to do so. To the extent we hold hedges that do not qualify for hedge accounting treatment, we determine the fair value of those hedges at the end of each accounting period and recognise the changes in fair value as finance income or finance cost. See note 4.3 to the audited consolidated financial statements for the 2016, 2017 and 2018 financial years, included elsewhere in this Offering Memorandum. In connection with the Transactions, we expect to enter into new derivative financial instruments.

Impact of Operating Leases

We lease and pay rent on a substantial portion of our Attractions. As at 29 December 2018, our future minimum lease payments under non-cancellable operating leases amounted to £1,852 million (2017: £1,897 million) on an undiscounted basis. In the 2018 financial year, we recognised an expense of £107 million in our income statement with respect to operating leases. Our operating leases typically have a duration of between 10 and 60 years. As at 30 December 2018, we adopted IFRS 16 (Leases). As a consequence of adopting IFRS 16, which does not distinguish between operating and finance leases, rental expense will be replaced with new depreciation and interest charges. See "*—Additional Factors Affecting Comparability of Results of Operations—Changes to Accounting Standards—IFRS 16.*"

Our Midway Attractions are predominately leasehold properties, with the exception of three freehold SEA LIFE sites, Madame Tussauds Blackpool and the Blackpool Tower complex, which we operate pursuant to a management agreement and the London Eye, which we hold pursuant to a licence. 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. See "*Business—Property*" and "*Business—Material Contracts*" and "*Description of Certain Financing Arrangements*." In general, we have historically held freehold interests in our LEGOLAND Parks, however we operate LEGOLAND Malaysia under a management contract, although we hold an equity interest in the project company that owns the park assets. We operate LEGOLAND Dubai pursuant to a management contract and operate LEGOLAND Japan under our "*leased and operated*" model with other third party investors. In addition, we lease parts of LEGOLAND Florida, LEGOLAND Billund, LEGOLAND Windsor and LEGOLAND California. See "*Business—Property*" and "*Business—Material Contracts*." In our Resort Theme Parks operating group, we lease the Alton Towers Resort, Heide Park Resort, THORPE PARK Resort and Warwick Castle sites pursuant to a sale and leaseback arrangement with Secure Income REIT plc. See "*Business—Property*" and "*Description of Certain Financing Arrangements*." As we expand our existing portfolio with new Attractions, we may enter into further leases, which may increase our operating costs thereby impacting our results of operations.

Additional Factors Affecting Comparability of Results of Operations

Financial Periods

We prepare our financial statements on the basis of a 52-week financial period (as was the case for the 2018 and 2017 financial years) or a 53-week financial period (as was the case for the 2016 financial year). Results for financial years that include 53 weeks are not directly comparable to results from financial years that include 52 weeks. Accordingly, the historical results presented may not be directly comparable to results from other financial periods.

Changes to Accounting Standards

IFRS 16

Our consolidated financial statements are prepared and presented in accordance with IFRS. On 13 January 2016, the IASB published IFRS 16 (Leases), and the European Union adopted IFRS 16 on 9 November 2017. IFRS 16 replaced IAS 17 and the related IFRIC and SIC interpretations, and resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is eliminated. Under the new standard, the lessee recognises an asset (the right to use the leased asset) and a financial liability to pay lease payments. The only exceptions are short-term and low-value leases. IFRS 16 is effective for fiscal years commencing on or after 1 January 2019.

We adopted IFRS 16 initially on 30 December 2018, using the fully retrospective approach. The cumulative effect of adopting IFRS 16 is therefore recognised, in line with IAS 8 (Accounting policies, changes in accounting estimates and errors), by restating the 52 week period ending 29 December 2018 and making an opening equity adjustment as at 31 December 2017. We are not required to make any adjustment for leases in which we are a lessor except where we are an intermediate lessor in a sub-lease. We have applied the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 16 has an impact on our reported assets, liabilities and income statement. In particular, as a consequence of IFRS 16 our total assets and liabilities are expected to increase as the right of use asset associated with leases, and the corresponding liability, previously treated as operating leases are recognised on the balance sheet. In addition, rent expense will be replaced with new depreciation and interest charges, and as a result, we expect our EBITDA to increase.

As at 29 December 2018, our future minimum lease payments under non-cancellable operating leases amounted to £1,852 million (2017: £1,897 million) on an undiscounted basis. Of these commitments, an insignificant value relates to short term and low value leases which will continue to be recognised on a straight-line basis as an expense within the income statement. Based on results for the 2018 financial year, the impact on EBITDA of adopting IFRS 16 would have been an increase of approximately £85 million. Due to our most significant leases being in their earlier stages, the "*front loading*" impact of the finance costs results in an initial reduction in reported earnings. We estimate that there would therefore have been a decrease in reported profit before tax of £15 million for the 52 weeks ended 29 December 2018. As at 29 June 2019, we expect to recognise right of use ("*ROU*") assets of £993 million, including ROU assets in respect of existing finance leases and asset retirement provisions on leased properties, both previously classified under property, plant and equipment as at 30 December 2018. We expected to recognise total lease liabilities of £1,183 million, including existing finance lease liabilities of £200 million as at 30 December 2018 and we estimated that the impact of adopting IFRS 16 on net debt would therefore be £983 million as at 30 December 2018. A net adjustment to accruals, prepayments and provisions will reduce liabilities by £27 million, primarily resulting from the derecognition of balances in relation to IAS 17 lease accounting where leases were expensed to the income statement on a straight-line basis as at 30 December 2018. An increase in deferred tax assets of £33 million. Based on information available as 29 June 2019, the adjustments will in aggregate result in a decrease in net assets of £105 million as at 30 December 2018. These analyses have involved reviewing the historic values of leased assets at inception and their treatment under IFRS 16 in subsequent periods on an asset by asset basis and are estimates. This information may not be indicative of the impact of the adoption of IFRS 16 on our total assets, total liabilities and EBITDA for the next financial year or any future period.

In order to facilitate a comparison of our results of operations and financial condition for H1 2018 and H1 2019, we include in the following discussion, a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 (which were not originally prepared in accordance with IFRS 16 and did not originally give effect to the impact of the sales of our Australian ski resorts as discontinued operations), giving effect to (1) the application of IFRS 16, where applicable and (2) the impact of discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. See "*—Discontinued Operations*."

IFRS 15

IFRS 15 (Revenue from contracts with customers) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 (Revenue), IAS 11 (Construction contracts) and related interpretations. We have adopted IFRS 15 using the cumulative effect method (without practical expedients). This approach requires the effect of applying this standard to be recognised at the date of initial application, on 31 December 2017. There is no impact to retained earnings on transition because the timing of recognition of each category of our revenue under the transfer of risks and rewards principles in IAS 18 matches the timing under the control principles in IFRS 15.

IFRS 15 requires us to make an assessment, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent. Under IAS 18, this assessment was made based on which entity had the exposure to the significant risks and rewards associated with the transaction. We have reviewed how this change affects situations where a third party is involved with us in providing visitors to the Attractions with admission tickets and/or accommodation, or commercial offerings such as photos and games services once inside an Attraction. There is no difference in the pattern of revenue recognition arising from this change.

There was no material impact on our statement of financial position, statement of cash flows or statement of comprehensive income in the 2018 financial year.

In the 2018 financial year, the application of IFRS 15 created an increase in revenue of £35 million and an equal and opposite increase in cost of sales. This primarily results from revenue derived from third-party arrangements such as tickets purchased through online travel agents. Under IFRS 15, and depending on the terms of the relevant contractual arrangements, we record revenue at the higher amount paid by the visiting customer rather than the lower amount received from the intermediary third-party. In addition, we partner with third parties in the operation of in-Attraction offerings such as photo operations and games, where there are some small changes in revenue, depending on the role of each party in the operation of those offerings. We have not made any adjustments to our reported results for the 2017 financial year, and the application of IFRS 15 has had a negligible impact on EBITDA.

Under IFRS 15, the following categories of revenue (all excluding VAT and similar taxes) have been disaggregated:

- Visitor revenue, which represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside an Attraction. Ticket revenue is recognised at point of entry. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.
- Accommodation revenue, which represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at our accommodations.
- Other revenue, which represents sponsorship, function, management and service contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. Management and service contract revenue is recognised in line with the performance obligations in the specific contract.

Discontinued Operations

In 2019, we sold our two Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. As at 29 December 2018, the potential sale process was at an early stage and in line with IFRS 5, the ski resorts were not classified as held-for-sale or as discontinued operations. On 21 February 2019, we entered into an agreement to sell the resorts to Vail Resorts Inc. for a cash consideration of A$174 million. The transaction was subject to the completion of relevant regulatory filings and completed on 5 April 2019. We show the operations of these Attractions as discontinued operations in our financial statements for H1 2019 but originally not for any prior period presented. The condensed consolidated financial statements as at and for the 26 weeks ended 29 June 2019 have been prepared, and the consolidated financial statements as at and for the 26 weeks ended 30 June 2018 have been restated, to exclude from our results the impact of discontinued operations.

In order to facilitate a comparison of our results of operations and financial condition for H1 2018 and H1 2019, we include in the following discussion, a restatement of the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 30 June 2018 (which were not originally prepared in accordance with IFRS 16 and did not originally give effect to the impact of the sales of our Australian ski resorts as discontinued operations), giving effect to (i) the application of IFRS 16, where applicable and (ii) the impact of discontinued operations, as described in, and extracted from, the unaudited condensed consolidated financial statements of the Target and its subsidiaries as at and for the 26 weeks ended 29 June 2019. We refer to our results of operations for H1 2018, as restated to give effect to the impact of IFRS 16 and remove from our results the impact of discontinued operations, as information presented "*on a restated basis*" and have included such financial information in certain financial tables in this Offering Memorandum under the columns titled "*Restated*."

The Transactions

The Issuer will issue the Notes on the Issue Date. On or about the Escrow Release Date, it is expected that the gross proceeds of the Offering will be on-lent by the Issuer to Midco for further distribution to Bidco for use, together with amounts drawn under the Senior Facilities and the Equity Contribution, to (i) acquire 100% of the share capital of the Target (other than the KIRKBI Shares, which will be transferred to Bidco upon the Acquisition becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."

The indebtedness we expect to prepay in connection with the Offering was initially recognised at fair value less attributable fees, and these fees were to be amortised over the life of the relevant term loans. Upon prepayment, we will release the unamortised portion of these fees.

Accordingly, our financial condition and results of operations may differ from the historical financial condition and results of operations presented in this discussion as a result of the Transactions.

Key Components of Our Income Statement

The key components of certain line items of our consolidated income statement are described below.

Revenue

Revenue primarily represents the amounts (excluding VAT and similar taxes) received from visitors for admission fees and priority ride access passes, amounts generated from hotel and holiday village operations and additional commercial spend by visitors, including food and beverages, merchandise, souvenir photography, games, car parking and guide book sales. Revenue is also generated from private functions and sponsorship arrangements. Revenue also includes development and management fees received under development and management agreements for certain LEGOLAND Parks (including with respect to the development and management of LEGOLAND Dubai and the management of LEGOLAND Malaysia) during the periods under review. Revenue is also generated from private functions and sponsorship arrangements.

Admissions revenue is recognised at point of entry. Revenue from the sale of Merlin Annual Passes, Merlin Pass Monthly Memberships, individual Attraction season passes and multi-Attraction tickets is recognised by the Attraction that sold the pass and, in the case of Merlin Annual Passes, Merlin Pass Monthly Memberships and individual Attraction season passes, evenly over the period that the pass is valid. Where Merlin Annual Passes for the United Kingdom have been sold through our central webstore, revenue has been allocated to the applicable Attractions visited.

In many locations across our estate, photography and game operations are operated with partners that provide specialist knowledge under revenue sharing arrangements.

Cost of Sales

Cost of sales represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activity. The expense of food and beverages, accommodation-related expenses and retail merchandise are the principal expenses recognised in cost of sales.

Royalty payments made to the KIRKBI Group are also recognised in cost of sales. We make a royalty payment to the KIRKBI Group for the use of the LEGOLAND trademark and ancillary use of the LEGO trademark, content and other intellectual property rights, pursuant to the LCA. See "*Business—Material Contracts—Intellectual Property*" for further details of the LCA.

Staff Expenses

Staff expenses are the principal component of our operating expenses. Staff expenses primarily comprise wages and salaries, social security costs and pension costs, as well as any expenses arising from share-based payments and profit related bonuses.

Marketing

Costs relating to marketing include expenditures on advertising, e-commerce and in connection with third-party promotions for our Attractions.

Rent

Following the adoption of IFRS 16, rent comprises turnover rent and rentals in relation to low value and short term leases. The latter two are accounted for on a straight-line basis over the life of the lease, as exemptions excluding these balances from IFRS 16 lease accounting requirements have been adopted. Turnover rent relates to a number of our leasehold properties (particularly within the Midway Attractions operating group), and additional rents may be payable to landlords where the turnover from operations at such properties exceeds relevant thresholds for qualifying periods. The calculation of these turnover-based rents is subject to various thresholds, limitations and deductions.

Prior to the adoption of IFRS 16, rent also included those rents that are now accounted for under the revised approach taken by IFRS 16.

Other Operating Expenses

Other operating expenses include repairs and maintenance, displays (including displays relating to SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

Depreciation, Amortisation and Impairment

Depreciation, amortisation and impairment relates to the on-going depreciation of property, plant and equipment ("*PPE*") over the estimated applicable useful lives, amortisation of intangible assets over their applicable estimated useful lives and impairment charges where the value of such assets do not prove to be recoverable in full. When separate components of an item of PPE have different useful lives, those components are accounted for separately.

Finance Income

Finance income is primarily comprised of interest income, foreign exchange gains and gains on hedging instruments, which are recognised as they accrue. Finance income also includes gains generated on the termination of certain derivative financial instruments.

Finance Costs

Finance costs comprise the interest paid by us on our bank debt including the amortisation of financing costs in respect of bank facilities, together with financing charges on our finance leases, foreign exchange losses and losses on hedging instruments, which are recognised as they accrue. Finance costs also include losses generated on the closing out of certain derivative financial instruments.

Taxation

Taxation represents the corporation tax charge or credit on our profit or loss for the year, and includes both current and deferred taxation. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted in each jurisdiction at the end of the reporting period, and any adjustments in respect of previous periods. Deferred tax is provided on certain temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and taxation purposes at the end of each reporting period. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted in each jurisdiction at the end of the reporting period.

Our gross effective tax rate for any financial year is equal to total taxation divided by our consolidated profit before tax. See "*Certain Relationships and Related Party Transactions—Contingent Liabilities*."

Results of Operations

26 Weeks Ended 29 June 2019 Compared with 26 Weeks Ended 30 June 2018

The following tables set out certain income statement items and percentage change in those items from our unaudited condensed consolidated financial statements for H1 2018 and H1 2019 on an actual currency basis:

	Financial Year		
	H1 2018 Restated	H1 2019	Increase/ (decrease)
	(£ in millions)		(per cent.)
Revenue	**706**	**763**	**8**
Cost of sales	(126)	(139)	10
Gross Profit	**580**	**624**	**8**
Staff expenses	(208)	(223)	7
Marketing	(47)	(51)	9
Rent	(10)	(11)	10
Other operating expenses(1)	(127)	(150)	18
Depreciation and amortisation	(100)	(112)	12
Operating profit	**88**	**77**	**(13)**
Finance income	5	5	0
Finance costs	(50)	(50)	0
Profit before tax	**43**	**32**	**(26)**
Taxation	(10)	(8)	(20)
Discontinued operations(2)	(5)	42	940
Profit for the period	**28**	**66**	**136**
Other Financial Information:			
EBITDA(3)	188	189	1
Underlying EBITDA(3)	188	191	2

(1) Other operating expenses include repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

(2) Discontinued operations represent operations, and in the 26 weeks ended 29 June 2019 also the profit on disposal, of our Australian ski resorts at Mount Hotham and Falls Creek, which we sold to Vail Resorts Inc. on 5 April 2019 for total cash consideration of A$174 million pursuant to an agreement with Vail Resorts Inc. dated as of 21 February 2019.

(3) See "*Presentation of Financial Information—Non IFRS Financial Information,*" "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA and Underlying EBITDA as well as a discussion as to other considerations with respect to using EBITDA and Underlying EBITDA to assess our financial performance.

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 our 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 our sites, together with marketing initiatives relating to our 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 ongoing cost pressures across our group, partially offset by savings generated by our 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.

Depreciation and Amortisation

The following table sets out depreciation and amortisation and percentage change for H1 2018 and H1 2019:

	H1 2018 Restated	H1 2019	Increase/ (decrease)
	(£ in millions)		(per cent.)
Depreciation	99	111	12
Amortisation	1	1	—
Total Depreciation and Amortisation	**100**	**112**	**12**

Depreciation and amortisation amounted to £112 million for H1 2019, an increase of £12 million, or 12 per cent., from £100 million in H1 2018. This increase was primarily due to the continued investment in our Existing Estate and the roll-out of new Attractions and accommodation at our sites. Depreciation and amortisation represented 15 per cent. and 14 per cent. of our revenue in each of H1 2019 and H1 2018, respectively. On a restated basis, depreciation and amortisation include adjustments of £(22) million relating to the application of IFRS 16 and £2 million relating to discontinued operations for the 26 weeks ended 30 June 2018.

Operating Profit

Operating profit decreased by £11 million, or 13 per cent., to £77 million for H1 2019 from £88 million in H1 2018. This decrease was driven primarily by the factors discussed above. On a restated basis, operating profit includes adjustments of £19 million relating to the application of IFRS 16 and £6 million relating to discontinued operations for the 26 weeks ended 30 June 2018.

Finance Income

Finance income was £5 million in H1 2019 and H1 2018. Finance income in H1 2019 was primarily attributable to net foreign exchange gains. Finance income in H1 2018 was primarily attributable to cash flow hedges reclassified to profit and loss.

Finance Costs

Finance costs were £50 million in H1 2019 and H1 2018. Finance costs in H1 2019 were largely unchanged from H1 2018, during which period we refinanced our debt facilities. On a restated basis, finance costs include an adjustment of £(25) million relating to the application of IFRS 16 for the 26 weeks ended 30 June 2018.

Taxation

Taxation decreased by £2 million, or 20 per cent., to £8 million for H1 2019 from £10 million in H1 2018. This decrease was driven primarily by an increase in the effective tax rate as a result of changes to U.S. tax legislation, partly offset by a decrease in our operating profit.

Profit for the Period

Profit increased by £38 million, or 136 per cent., to £66 million for H1 2019 from £28 million in H1 2018. This increase was primarily driven by the factors discussed above as well as the profit on sale of the discontinued operations.

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.

Please see "*Presentation of Financial Information—Non-IFRS Financial Information*," "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA, as well as a discussion as to other considerations with respect to using EBITDA to assess our financial performance.

26 Weeks Ended 29 June 2019 Compared with 26 Weeks Ended 30 June 2018 by Operating Group

In H1 2019, our EBITDA was £189 million, of which £108 million was attributable to the Midway Attractions operating group, £91 million was attributable to the LEGOLAND Parks operating group and £16 million was attributable to the Resort Theme Parks operating group. However, a net expense of £24 million was attributable to Central costs, partially offset by £2 million of exceptional items, which are not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage change in those items for the Midway Attractions operating group along with the number of visitors for the H1 2018 and H1 2019:

	Midway Attractions		
	H1 2018 Restated	H1 2019	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	297	324	9
Segment EBITDA	107	108	1
Visitors (millions)	18.8	19.6	4

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. Our London division, the largest of our 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 the weaker Sterling. Our performance was also impacted by the re-opening of the LEGOLAND Discovery Centre in Shanghai, following its temporary closure last year.

Our 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

The following table sets out certain financial measures and percentage change in those items for the LEGOLAND Parks operating group along with the number of visitors for the H1 2018 and H1 2019:

	LEGOLAND Parks		
	H1 2018 Restated	**H1 2019**	**Increase/ (decrease)**
	(£ in millions except visitors)		**(per cent.)**
Revenue	274	296	8
Segment EBITDA	89	91	2
Visitors (millions)	6.9	6.9	—

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

Due to the nature and location of the Attractions in the Resort Theme Parks operating group, this operating group is generally impacted more by seasonality than our other two operating groups. The majority of revenue generated at the Resort Theme Parks typically occurs in the second half of each financial year, in particular, during the peak months of July and August.

The following table sets out certain financial measures and percentage change in those items for the Resort Theme Parks along with the number of visitors for the H1 2018 and H1 2019:

	Resort Theme Parks		
	H1 2018 Restated	**H1 2019**	**Increase/ (decrease)**
	(£ in millions except visitors)		**(per cent.)**
Revenue	133	137	3
Segment EBITDA	15	16	7
Visitors (millions)	4.2	4.3	2

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, 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.

52 Weeks Ended 29 December 2018 Compared with the 52 Weeks Ended 30 December 2017

The following tables set out certain income statement items and percentage change in those items from our audited consolidated financial statements for the 2017 and 2018 financial years on an actual currency basis:

	Financial Year		Increase/ (decrease)
	2017	2018	
	(£ in millions)		(per cent.)
Revenue[1]	**1,594**	**1,688**	**6**
Cost of sales	(255)	(298)	17
Gross Profit	**1,339**	**1,390**	**4**
Staff expenses	(420)	(448)	7
Marketing	(85)	(84)	(1)
Rent	(104)	(105)	1
Other operating expenses[2]	(256)	(263)	3
Depreciation and amortisation	(151)	(167)	11
Operating profit	**323**	**323**	**—**
Finance income	3	10	233
Finance costs	(55)	(48)	(13)
Profit before tax	**271**	**285**	**5**
Taxation	(62)	(55)	(11)
Profit for the year	**209**	**230**	**10**
Other Financial Information:			
EBITDA[3]	474	490	3
Underlying EBITDA[3]	474	494	4

(1) Revenue for the 52 weeks ended 29 December 2018 gives effect to the impact of IFRS 15.

(2) Other operating expenses include repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

(3) See "*Presentation of Financial Information—Non IFRS Financial Information*," "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA and Underlying EBITDA as well as a discussion as to other considerations with respect to using EBITDA and Underlying EBITDA to assess our financial performance.

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, we 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 our 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 our 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 our 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 our revenue in the 2018 financial year, a slight decrease from 7 per cent. in the 2017 financial year.

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 our revenue in both the 2018 and 2017 financial years.

Depreciation and Amortisation

The following table sets out depreciation and amortisation and percentage change for the 2017 and 2018 financial years:

	2017	2018	Increase/ (decrease)
	(£ in millions)		(per cent.)
Depreciation	(149)	(165)	11
Amortisation	(2)	(2)	—
Total Depreciation and Amortisation	**(151)**	**(167)**	**11**

Depreciation and amortisation amounted to £167 million for the 2018 financial year, an increase of £16 million, or 11 per cent., from £151 million in the 2017 financial year. This increase was primarily due to the continued investment in Attractions and accommodation and, in particular, the opening of LEGOLAND Japan. Depreciation and amortisation represented 10 per cent. of our revenue in the 2018 financial year, a slight increase of 1 per cent. from 9 per cent. in the 2017 financial year.

Operating Profit

Operating profit remained stable at £323 million for the 2018 and 2017 financial years. Our operating profit represented 19 per cent. of our revenue in the 2018 financial year, a slight decrease of 1 per cent. from 20 per cent. in the 2017 financial year.

Finance Income

Finance income increased by £7 million to £10 million for the 2018 financial year from £3 million in the 2017 financial year. This increase was driven primarily by the closing of derivative positions as part of the refinancing which took place during the 2018 financial year, together with the benefit of foreign exchange movements.

Finance Costs

Finance costs decreased by £7 million, or 13 per cent., to £48 million for the 2018 financial year from £55 million in the 2017 financial year. This decrease was primarily due to a change in 2017 that arose due to the accounting impact of reassessing the refinancing date of our existing banking facilities.

Taxation

Taxation decreased by £7 million, or 11 per cent., to £55 million for the 2018 financial year from £62 million in the 2017 financial year. This decrease was primarily due to the impact of changes in the tax legislation in the United States. The tax charge of £55 million represents an effective tax rate of 19.2 per cent. of underlying profit before tax, which has fallen from 22.9 per cent. in 2017, primarily due to the impact of changes in tax legislation in the United States. Excluding prior year adjustments, which related primarily to these legislative changes, our effective tax rate would have been 23.5 per cent.

Profit for the Year

Profit increased by £21 million, or 10 per cent., to £230 million for the 2018 financial year from £209 million in the 2017 financial year, as a result of the factors discussed above.

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 our 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 our results of operations by operating groups as described below. Organic growth at a constant currency increased by 6 per cent.

Please see "*Presentation of Financial Information—Non-IFRS Financial Information*," "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA, as well as a discussion as to other considerations with respect to using EBITDA to assess our financial performance.

52 Weeks Ended 29 December 2018 Compared with the 52 Weeks Ended 30 December 2017 by Operating Group

In the 2018 financial year, our EBITDA was £490 million, of which £210 million was attributable to the Midway Attractions operating group, £242 million was attributable to the LEGOLAND Parks operating group and £88 million was attributable to the Resort Theme Parks operating group. However, a net expense of £46 million was attributable to Central costs not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage change in those items for the Midway Attractions operating group along with the number of visitors for the 2017 and 2018 financial years:

	Midway Attractions		
	2017	2018	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	656	677	3
Segment EBITDA	220	210	(5)
Visitors (millions)	40.7	40.4	(1)

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 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

The following table sets out certain financial measures and percentage change in those items for the LEGOLAND Parks operating group along with the number of visitors for the 2017 and 2018 financial years:

	LEGOLAND Parks		
	2017	2018	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	609	637	5
Segment EBITDA	230	242	5
Visitors (millions)	15.3	15.6	2

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

Due to the nature and location of the Attractions in the Resort Theme Parks operating group, this operating group is generally impacted more by seasonality than our other two operating groups. The majority of revenue generated at the Resort Theme Parks typically occurs in the second half of each financial year, in particular, during the peak months of July and August. During the 2018 financial year, the Resort Theme Parks operating group has enjoyed strong trading throughout the peak summer season and the Halloween period, which is now one of the most important trading periods of the year, due to successful product offerings such as "*Scarefest*" at Alton Towers Resort.

The following table sets out certain financial measures and percentage change in those items for the Resort Theme Parks along with the number of visitors for the 2017 and 2018 financial years:

	Resort Theme Parks		
	2017	2018	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	329	367	12
Segment EBITDA	72	88	22
Visitors (millions)	10.0	11.0	10

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 our 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.

52 Weeks Ended 30 December 2017 Compared with the 53 Weeks Ended 31 December 2016

The following tables set out certain income statement items and percentage change in those items from our audited consolidated financial statements for the 2016 and 2017 financial years on an actual currency basis:

	Financial Year		Increase/ (decrease)
	2016	2017	
	(£ in millions)		(per cent.)
Revenue	**1,457**	**1,594**	**9**
Cost of sales	(227)	(255)	12
Gross Profit	**1,230**	**1,339**	**9**
Staff expenses	(382)	(420)	10
Marketing	(75)	(85)	13
Rent	(93)	(104)	12
Other operating expenses[(1)]	(229)	(256)	12
Depreciation, amortisation and impairment	(131)	(151)	15
Operating profit	**320**	**323**	**1**
Finance income	3	3	—
Finance costs	(46)	(55)	20
Profit before tax	**277**	**271**	**(2)**
Taxation	(66)	(62)	(6)
Profit for the year	**211**	**209**	**(1)**
Other Financial Information:			
EBITDA[(2)]	451	474	5
Underlying EBITDA[(2)]	451	474	5

(1) Other operating expenses include repairs and maintenance, displays (including SEA LIFE aquariums), utilities, travel costs, office costs, insurance and IT costs.

(2) See "*Presentation of Financial Information—Non IFRS Financial Information,*" "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA and Underlying EBITDA as well as a discussion as to other considerations with respect to using EBITDA and Underlying EBITDA to assess our financial performance.

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 our 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 our 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 our 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 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 our 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 our 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 our revenue in the 2017 financial year, a slight increase from 6 per cent. in the 2016 financial year.

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 our revenue in both the 2017 financial year and the 2016 financial year.

Depreciation, Amortisation and Impairment

The following table sets out depreciation, amortisation and impairment and percentage change for the 2016 and 2017 financial years:

	2016	2017	Increase/ (decrease)
	(£ in millions)		(per cent.)
Depreciation	(129)	(149)	16
Amortisation	(2)	(2)	—
Impairments and Goodwill Reduction	—	—	—
Total Depreciation, Amortisation and Impairment	**(131)**	**(151)**	**16**

Depreciation, amortisation and impairment amounted to £151 million for the 2017 financial year, an increase of £20 million, or 16 per cent., from £131 million in the 2016 financial year. Depreciation, amortisation and impairment represented 9 per cent. of our revenue in each of the 2017 and 2016 financial years.

Operating Profit

Operating profit increased by £3 million, or 1 per cent., to £323 million for the 2017 financial year from £320 million in the 2016 financial year. Operating profit, and the increase thereof, is a function of the movements in revenue and costs described above. Our operating profit represented 20 per cent. of our revenue in the 2017 financial year, a slight decrease of 2 per cent. from 22 per cent. in the 2016 financial year, as a result of the factors discussed above.

Finance Income

Finance income was £3 million in the 2017 financial year and the 2016 financial year. Finance income in the 2017 financial year was primarily attributable to interest receivable. Finance income in the 2016 financial year was primarily attributable to interest receivable and foreign exchange gains.

Finance Costs

Finance costs increased by £9 million, or 20 per cent., to a cost of £55 million for the 2017 financial year from a cost of £46 million in the 2016 financial year. This increase in finance costs reflects the issuance of €200 million of additional Existing 2026 Notes in March 2017 (net of bank debt repayments), new finance lease liabilities at LEGOLAND Japan, the accounting impact of reassessing the refinancing date of our existing bank facilities, and the impact of movements in exchange rates.

Taxation

Taxation decreased by £4 million, or 6 per cent. to £62 million for the 2017 financial year from £66 million in the 2016 financial year. This decrease was primarily due to the impact of changes in tax legislation in the United States. Our effective tax rate for the 2017 financial year was 22.9 per cent.

Profit for the Year

Profit decreased by £2 million, or 1 per cent., to £209 million for the 2017 financial year from £211 million in the 2016 financial year, as a result of the factors discussed above as well as the extra week of trading in the 53 weeks ended 31 December 2016.

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.

Please see "*Presentation of Financial Information—Non-IFRS Financial Information*," "*Presentation of Financial Information*" and footnote (2) under the caption "*Summary—Summary Historical Consolidated Financial and Other Data—Other Operating, Financial and Pro forma Financial Information*" for a discussion as to how we define and calculate EBITDA, as well as a discussion as to other considerations with respect to using EBITDA to assess our financial performance.

52 Weeks Ended 30 December 2017 Compared with the 53 Weeks Ended 31 December 2016 by Operating Group

In the 2017 financial year, our EBITDA was £474 million, of which £220 million was attributable to the Midway Attractions operating group, £230 million was attributable to the LEGOLAND Parks operating group and £72 million was attributable to the Resort Theme Parks operating group. However, a net expense of £48 million was attributable to Central costs not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage change in those items for the Midway Attractions operating group along with the number of visitors for the 2016 and 2017 financial years:

	Midway Attractions		
	2016	2017	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	638	656	3
Segment EBITDA	236	220	(7)
Visitors (millions)	41.7	40.7	(2)

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 our 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

The following table sets out certain financial measures and percentage change in those items for the LEGOLAND Parks operating group along with the number of visitors for the 2016 and 2017 financial years:

	LEGOLAND Parks		
	2016	2017	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	495	609	23
Segment EBITDA	193	230	19
Visitors (millions)	12.9	15.3	18

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

Due to the nature and location of the Attractions in the Resort Theme Parks operating group, this operating group is generally impacted more by seasonality than our other two operating groups. The majority of revenue generated at the Resort Theme Parks typically occurs in the second half of each financial year, in particular, during the peak months of July and August.

The following table sets out certain financial measures and percentage change in those items for the Resort Theme Parks along with the number of visitors for the 2016 and 2017 financial years:

	Resort Theme Parks		
	2016	2017	Increase/ (decrease)
	(£ in millions except visitors)		(per cent.)
Revenue	322	329	2
Segment EBITDA	70	72	3
Visitors (millions)	10.5	10.0	(4)

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.

Liquidity and Capital Resources

Our principal sources of liquidity for the periods under review have been, and following the Offering will be, our cash flows from operating activities and our borrowings under our banking facilities. The principal variations in our borrowing requirements and our principal uses of funds have been in respect of investments in our Existing Estate, the roll-out and development of new Attractions and the acquisition of new businesses.

Our business is highly cash generative during our main trading period (mid-March to November), with additional cash generation occurring in December and January with respect to certain of our year-round Attractions and our Attractions located in the southern hemisphere. Our revenue is primarily driven by visitor attendance at the Attractions. Receivables from trade debtors do not constitute a significant portion of our current assets, as the majority of our customers pay either in advance or at the time of their visit. During the winter months in the northern hemisphere, when our seasonal Attractions (including most of the Resort Theme Parks and European LEGOLAND Parks) are generally closed or have reduced opening hours and generate substantially lower revenue than during our main trading period, we generate losses and typically incur capital expenditure in carrying out maintenance and refurbishment work and investments to upgrade and refresh our Existing Estate. Reflecting this seasonality and the historical payment of a final dividend to our shareholders, our cash low point is typically in May or June. We did not have to draw down on the revolving credit facility in the 2017 financial year. We did not have to draw down on the revolving credit facility in the 2017 or 2016 financial year. During 2018, we successfully refinanced a significant portion of our debt facilities. The issuance of a U.S. dollar-denominated bond, enlarging the revolving credit facility to £600 million from £300 million and utilising surplus cash on the balance sheet enabled us to repay the existing term loans which were due to mature in March 2020. At 29 December 2018, £148 million of the revolving credit facility was drawn down.

Following the Transactions, our primary debt service obligations and those of our parent entities will consist primarily of interest payments on the Notes, the Existing 2026 Notes and borrowings under the Senior Facilities. See "*Description of Certain Financing Arrangements*." After giving effect to the Transactions, as at 29 June 2019, we would have had £133 million of cash and cash equivalents and a £400 million revolving credit facility and a Delayed Draw Term Loan in the amount of $172.5 million under our Senior Facilities, among other facilities.

Although we believe our cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations for the next twelve months, we cannot assure that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to funds our liquidity needs, including making payments on the Notes or other debt when due.

Cash Flows

The following tables set out certain cash flow statement items from our audited consolidated financial statements for the 2016, 2017 and 2018 financial years:

	Financial Year			H1 2018	H1
	2016	**2017**	**2018**	**Restated**	**2019**
	(£ in millions)				
Net cash inflow from operating activities	433	413	450	242	208
Net cash outflow from investing activities	(287)	(343)	(317)	(190)	(70)
Net cash (outflow)/inflow from financing activities	(106)	20	(335)	(241)	(108)
Net (decrease)/increase in cash and cash equivalents	**40**	**90**	**(202)**	**(189)**	**30**

Net Cash Inflow from Operating Activities

The primary source of our cash flow is funds generated by operating activities. Net cash from operating activities primarily reflects our EBITDA, as well as working capital movements, changes in provisions and other non-current liabilities and tax paid.

Net cash from operating activities in H1 2019 amounted to a net cash inflow of £208 million, a decrease of £34 million, or 14 per cent., from a net cash inflow of £242 million in H1 2018. The decrease was primarily attributable to lower inflows as a result of working capital changes and changes in provisions and other non-current liabilities, combined with increased tax payments. On a restated basis, net cash inflow from operating activities includes an adjustment of £43 million relating to the application of IFRS 16 for the 26 weeks ended 30 June 2018. The adjustment to the net cash inflow from operating activities includes the impact to profit for the period, being a reduction in profit of £5 million. Adjustments made to add back additional depreciation of £22 million and finance costs of £25 million were offset by a tax adjustment of £1 million as a result of the application of IFRS 16 for the period. Working capital movements increased by £2 million for the period.

Net cash from operating activities in the 2018 financial year amounted to a net cash inflow of £450 million, an increase of £37 million, or 9 per cent., from a net cash inflow of £413 million in the 2017 financial year. The increase was primarily attributable to increased EBITDA and lower cash tax payments.

Net cash from operating activities in the 2017 financial year amounted to a net cash inflow of £413 million, a decrease of £20 million, or 5 per cent., from a net cash inflow of £433 million in the 2016 financial year. The decrease was primarily attributable to an increase in EBITDA, offset by a decrease in net working capital changes and an increase in tax paid.

Net Cash Outflow from Investing Activities

Net cash outflow from investing activities primarily includes cash used for payments to acquire businesses, net of cash acquired, capital expenditure in our Existing Estate and investment in new Midway Attractions, new LEGOLAND Parks and new accommodation offerings, net of cash received from proceeds on the disposal of property, plant and equipment and interest received.

Net cash outflow from investing activities in H1 2019 amounted to a net cash outflow of £70 million, a decrease of £120 million, or 63 per cent., from a net cash outflow of £190 million in H1 2018. The decrease was primarily attributable to inflows relating to the disposal of our Australian ski resorts, combined with a decrease in capital expenditure investment on our Existing Estate Attractions and on New Business Development.

Net cash outflow from investing activities in the 2018 financial year amounted to a net cash outflow of £317 million, a decrease of £26 million, or 8 per cent., from a net cash outflow of £343 million in the 2017 financial year. The decrease was primarily attributable to local government support through direct funding for LEGOLAND Korea and a decrease in Existing Estate capital expenditure, partially offset by increased capital expenditure on New Business Development and the roll-out of new Midway Attractions.

Net cash outflow from investing activities in the 2017 financial year amounted to a net cash outflow of £343 million, an increase of £56 million, or 20 per cent., from a net cash outflow of £287 million in the 2016 financial year. The increase was primarily attributable to increased Existing Estate capital expenditure, increased capital expenditure on the roll-out of new Midway Attractions, developing new LEGOLAND Parks and new accommodation offerings and an investment in the hotel being developed at LEGOLAND Dubai.

Net Cash Outflow from Financing Activities

Net cash outflow from financing activities primarily includes any form of long-term debt financing raised or repaid, interest paid, cash used for payments to acquire available-for-sale financial assets and dividends paid.

Net cash outflow from financing activities in H1 2019 amounted to a net cash outflow of £108 million, a decrease of £133 million, or 55 per cent., from a net cash outflow of £241 million in H1 2018. The decrease was primarily attributable to the successful refinancing of a significant portion of our debt facilities in the 2018 financial year, including by using surplus cash on our balance sheet to pay down our revolving credit facility under the Existing Senior Facilities. On a restated basis, net cash outflow from financing activities includes an adjustment of £(43) million relating to the application of IFRS 16 for the 26 weeks ended 30 June 2018. Net cash outflow from financing activities increased by £17 million in relation to capital repayment of lease liabilities recognised as a result of the transition and £26 million of interest paid for the period.

Net cash outflow from financing activities in the 2018 financial year amounted to a net cash outflow of £335 million, a decrease of £355 million, from a net cash inflow of £20 million in the 2017 financial year. The decrease was primarily attributable to the successful refinancing of a significant portion of our debt facilities. The issuance of the Existing 2026 Notes, upsizing our revolving credit facility under the Existing Senior Facilities to £600 million from £300 million and utilising surplus cash on the balance sheet enabled us to repay term loans which were due to mature in March 2020, and additional surplus cash enabled us to subsequently pay down this revolving credit facility.

Net cash inflow from financing activities in the 2017 financial year amounted to a net cash inflow of £20 million, an increase of £126 million, or 119 per cent., from a net cash outflow of £106 million in the 2016 financial year. The increase was primarily attributable to new borrowings partly offset by dividends, debt repayments and interest payments.

Capital Expenditure

Our capital expenditure was £259 million, £336 million and £332 million for the 2016, 2017 and 2018 financial years, respectively. Existing Estate capital expenditure was £141 million, £159 million and £149 million for the 2016, 2017 and 2018 financial years, respectively. Our capital expenditure was £149 million, £88 million, £60 million and £35 million for the Existing Estate, accommodation, roll-out of Midway Attractions and the development of LEGOLAND Parks, respectively, for the 52 weeks ended 29 December 2018, in each case including any capital expenditure attributable to discontinued operations, which amounts we do not believe are significant.

We continuously plan expenditure for the development of our estate, both in respect of (i) upgrading and refreshing our Existing Estate and (ii) new business. Our capital expenditure relating to the development of new business is primarily focused on the roll-out of Attractions into new locations and countries, including the development of "*second gates*," up-selling our existing Theme Parks and new accommodation offerings and transforming our Theme Parks into short break destinations. Our new business capital expenditure is principally in respect of the development of new sites but can also be in respect of acquired sites.

Our capital expenditure was £190 million and £162 million for H1 2018 and H1 2019, respectively. Existing Estate capital expenditure was £85 million and £81 million, capital expenditure for the development of accommodation was £65 million and £23 million, capital expenditure for the roll-out of Midway Attractions was £31 million and £26 million and capital expenditure for the development of new LEGOLAND Parks was £9 million and £31 million for H1 2018 and H1 2019, respectively, which in the case of H1 2018 includes capital expenditure attributable to discontinued operations, which amounts we do not believe are significant. A significant portion of annual Existing Estate capital expenditure represents discretionary capital expenditure that can in time be deferred in the sole discretion of management.

During the 2016, 2017 and 2018 financial years, we invested an average of 9.5 per cent. of our total revenue each financial year in capital expenditure relating to the development of our Existing Estate. Existing Estate capital expenditure typically includes (i) adding new rides and Attractions, (ii) replacing old features with new, more up-to-date ones and (iii) general maintenance and refurbishment of existing Attractions (including ensuring health and safety standards are met or exceeded). Such investments are intended to maintain or improve product appeal and guest experience, which is key to increasing visitor attendance levels and length of stay, and support increases in admission fees (above inflation) and commercial spend. We typically benefit from increased visitor numbers and revenue from an Attraction in the year of opening a new ride or other significant product investment at the site. For further details regarding our planned approach with regard to upgrading and refreshing our Existing Estate, see "*—Factors Affecting our Results of Operations—Management of Capital Investments*."

For details of the average investment costs in respect of Midway Attractions opened during the periods under review, see "*—Factors Affecting our Results of Operations—Roll-Out of Midway Attractions*" and "*—Factors Affecting our Results of Operations—Development of LEGOLAND Parks*."

The following tables summaries our capital expenditures during the 2016, 2017 and 2018 financial years, respectively:

	Capital Expenditure				
	2016	2017	2018	Per cent. change (2016 – 2017)	Per cent. change (2017 – 2018)
	(£ in millions unless otherwise stated)			(per cent.)	
Existing Estate					
Midway Attractions	47	51	50	9	(2)
LEGOLAND Parks	39	45	45	15	0
Resort Theme Parks	42	44	36	5	(18)
Central	13	19	18	46	(5)
Total Existing Estate Capital Expenditure	**141**	**159**	**149**	**13**	**(6)**
% Revenue	9.7%	10.0%	8.8%		
New Business Development					
Accommodation	51	90	88	76	(2)
Midway Attractions	36	52	60	44	15
LEGOLAND Parks	31	35	35	13	0
Total New Business Development Capital Expenditure	**118**	**177**	**183**	**50**	**3**
Total Capital Expenditure	**259**	**336**	**332**	**30**	**(1)**

Our capital expenditure in the 2018 financial year of £332 million was allocated to the development of LEGOLAND New York, to new accommodations at certain LEGOLAND Parks and Resort Theme Parks and other investments, such as LEGOLAND Discovery Centre Birmingham, SEA LIFE Centre Japan, Peppa Pig Lands at Gardaland and Heide Park Resorts, Little BIG City Beijing, LEGOLAND Discovery Centre Columbus, Bear Grylls Adventure in Birmingham, Peppa Pig World of Play in Shanghai and the Shanghai Dungeon. We also made investments in the Wicker Man roller coaster in Alton Towers Resort and LEGO City: Deep Sea Adventure at LEGOLAND California. Capital expenditure further included new accommodation developments such as Pirate Island Hotel in LEGOLAND Deutschland. Our Central Capital Expenditure decreased to £18 million in the 2018 financial year from £19 million in the 2017 financial year.

Our capital expenditure in the 2017 financial year of £336 million included investments in new Attractions such as the development of LEGOLAND Japan, LEGOLAND Discovery Centres in Philadelphia and Melbourne, SEA LIFE Centre Chongqing, Little BIG City Berlin and Madame Tussauds in New Delhi and Nashville, all of which opened in 2017. We also made investments in SEA LIFE Centres in Japan and Shenyang, a Dungeon Attraction in Shanghai, LEGOLAND Discovery Centres in Birmingham (U.K.) and Shenyang and The Bear Grylls Adventure in Birmingham (U.K.), for opening in subsequent years. Capital expenditure further included new accommodation developments such as the "*LEGOLAND Florida Beach Resort*," which opened in 2017, the LEGOLAND Deutschland Pirate Island Hotel, which opened in March 2018, the LEGOLAND California Castle Hotel, which opened in April 2018, and the LEGOLAND Japan Hotel, which opened in April 2018. Our Central Capital Expenditure increased to £19 million in the 2017 financial year from £13 million in the 2016 financial year.

Our capital expenditure in the 2016 financial year of £259 million included investments in new Attractions such as the development of LEGOLAND Discovery Centres in Michigan, Arizona and Shanghai, and Madame Tussauds in Chongqing and Istanbul, all of which opened in 2016. Capital expenditure further included new developments such as the "*Adventure Hotel*" at Gardaland Resort, which opened in 2016 and investments in our Existing Estate such as the "*Derren Brown's Ghost Train*" at THORPE PARK, the exclusive movie short "*The LEGO Movie 4D*" across the LEGOLAND Parks and the Ghostbusters feature at Madame Tussauds, New York.

We expect to spend approximately £400 million of capital expenditure in 2019, of which approximately £160 million to £180 million relates to Existing Estate capital expenditure. In the 26 weeks ended 29 June 2019, we have spent £162 million in total capital expenditure of which £81 million related to Existing Estate capital expenditure.

In H1 2019, we opened eight new Midway Attractions, which comprised the Alton Towers Dungeon, LEGOLAND Discovery Centres in Beijing, San Antonio and Shenyang, SEA LIFE Attractions in Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan.

In 2019, major investments have included the re-launch of the iconic Colossos roller coaster at Heide Park Resort while LEGOLAND Florida has seen the first of our "*LEGO Movie World*" investments. At SEA LIFE Sydney Aquarium, visitors can experience the world's largest Great Barrier Reef exhibit in the interactive 'Day and Night on the Reef'. Construction on LEGOLAND New York has been ramping up during 2019 in line with our schedule to open the park in 2020. We continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated at the time we published our results for H1 2019 on 1 August 2019, this is a complex project and we now expect to spend approximately $400 million, of which approximately $100 million had been spent as at 29 June 2019. At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. 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.

Accommodation continues to drive improved levels of guest satisfaction and increases in pre-bookings. In 2018, accommodation revenue represented 21 per cent. of revenue across our 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. In 2018, we opened 644 rooms across three LEGOLAND parks. In H1 2019, we opened 372 rooms, including the Magic Hotel at Gardaland Resort, "stargazing pods" at Alton Towers Resort and the Castle Hotel at LEGOLAND Billund.

Contractual Commitments

The following table summarises our long-term debt obligations as at 29 December 2018 (other than capital commitments and liabilities under defined benefit pension schemes, which are described below), on a *pro forma* basis, as adjusted for the Transactions and without giving effect to IFRS 16, as adopted from 30 December 2018:

	Payments due by period			
Contractual Commitments	**Total**	**Less than 1 year**	**1 – 4 years**	**5 years and over**
		(£ in millions)		
Long-term debt obligations(1)	3,143	—	36	3,107
Total	**3,143**	**—**	**36**	**3,107**

(1) Giving effect to the Transactions, our long-term debt obligations, including of our parent entities after consummation of the Acquisition, will comprise the Notes offered hereby, the Existing 2026 Notes and amounts drawn under the Senior Facilities. Long-term debt obligations does not include estimated interest payments.

The following table summarises our remaining contractual obligations, commercial commitments and principal payments scheduled as at 29 December 2018 (other than capital commitments and liabilities under defined benefit pension schemes, which are described below), which are unaffected by giving effect to the Transactions and thus are presented on an as reported basis, as extracted from our consolidated financial statements as at and for the 52 weeks ended 29 December 2018:

Contractual Commitments	Payments due by period Total	Less than 1 year	1 – 4 years	5 years and over
	(£ in millions)			
Finance lease liabilities[1]	360	10	42	308
Operating lease liabilities[1]	1,852	92	367	1,393
Derivatives	(1)	—	—	(1)
Trade payables	47	47	—	—
Total	**2,258**	**149**	**409**	**1,700**

(1) As a result of the adoption of IFRS 16 from 30 December 2018, we reported £1,139 million of lease liabilities as non-current liabilities and £38 million of lease liabilities as current liabilities as at 29 June 2019.

In addition, the LCA requires us to develop the LEGOLAND business and the extension of the term of the LCA on an exclusive basis is subject to the development of a certain number of LEGOLAND Parks or LEGOLAND Discovery Centres. See "*Business—Material Contracts—Intellectual Property*" and "*Risk Factors—Risks Related to Our Market and Our Business—Our use of the LEGOLAND and LEGO trademarks, content and other intellectual property rights are subject to the terms and conditions of the LCA*."

As at 29 June 2019, we have a number of outstanding capital commitments in respect of capital expenditure at our Existing Estate (including accommodation), as well as for Midway Attractions and LEGOLAND Parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date and amounted to £138 million as at 29 June 2019 (£142 million as at 29 December 2018) for which no provision has been made.

We continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated at the time we published our results for H1 2019 on 1 August 2019, this is a complex project and we now expect to spend approximately $400 million, of which approximately $100 million had been spent as at 29 June 2019.

At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. 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.

We expect to spend approximately £400 million of capital expenditure in 2019, of which approximately £160 million to £180 million relates to Existing Estate capital expenditure. In the 26 weeks ended 29 June 2019, we have spent £162 million in total capital expenditure of which £81 million related to Existing Estate capital expenditure.

Pensions

We operate a number of defined contribution pension schemes as well as a closed defined benefit scheme for certain former U.K. employees of The Tussauds Group, which was acquired in 2007, and a closed defined benefit scheme for certain employees of Gardaland Resort in Italy. The Tussauds Group scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The entitlement of the retired employees under the Gardaland scheme is dependent on the state laws in place at the date employment commenced and is subject to a certain minimum period of service. The total expense relating to our defined contribution pension schemes in the 2018 financial year was £13 million (*2017*: £13 million). For further information with respect to the expenses relating to the defined contribution schemes and the assets and liabilities in respect of the defined benefit schemes, see note 5.2 to the audited consolidated financial statements for the 2018 financial year, included elsewhere in this Offering Memorandum.

As with all employers in the United Kingdom, we enrol all eligible U.K. jobholders (which includes all employees aged between 22 and the state pension age who earn over £10,000 in the tax year 2016 – 2017) into a defined contribution pension scheme automatically (a process known as auto-enrolment). Auto-enrolment requires us to make contributions to each participating jobholder's defined contribution pension (based on "*qualifying earnings*" (as defined below)) with effect from our staging date, which was 26 November 2013. We have adopted the qualifying earnings ("*QE*") basis of contributions. Qualifying earnings (for the purposes of the 2017 – 2018 tax year) are earnings between £5,876 and £45,000. Compulsory employer contributions amount to 3 per cent. of a participating employee's QE as at 6 April 2019. However, we also allow eligible U.K. employees, depending on grade entitlement, to increase their contributions based on basic salary, in which case our matching employer contributions are based on the relevant employees' entire basic salaries rather than QE.

Dividend Policy

We have historically adopted a progressive dividend policy whilst maintaining an appropriate level of dividend cover.

The interim dividend for the 2018 financial year was 2.5 pence per share. At the Annual General Meeting held on 3 May 2019, the Target Shareholders approved a final dividend of 5.5 pence per share for the 2018 financial year, bringing the total dividend for 2018 to 8.0 pence per share. As at 1 August 2019, our board of directors announced it is not recommending an interim dividend payment during the 2019 financial year. The Consortium does not intend to distribute dividends in the near term, but we may revise our dividend policy from time to time. There are no guarantees that we will pay dividends or regarding the level of any such dividends.

Disclosure about Market and Credit Risks

We are exposed to market risks, including interest rate, credit and liquidity risks, as well as adverse changes in currency exchange rates. Our risk management policies are determined by our board of directors and managed by our finance department in accordance with documented internal control procedures. All significant transactions are authorised by either our executive committee or by the board of directors according to the scale of commitment.

Currency Risk

As we operate internationally, the performance of our business is sensitive to movements in foreign exchange rates. Our potential currency exposures comprise transaction and translation exposures.

We aim to ensure that net exposure to foreign currency balances is kept to a minimal level by using foreign currency swaps to exchange balances back into sterling or by buying and selling foreign currencies at spot rates when necessary. The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates. At 29 December 2018 the fair value of foreign currency swap assets was less than £1 million and the foreign currency swap liabilities was £4 million, none of which are hedge accounted.

Transaction Exposures

Our revenue and costs of operations are denominated primarily in the currencies of the relevant local territories. Any significant cross-border trading exposures are hedged by the use of forward foreign exchange contracts.

Translation Exposures

Our results, as presented in sterling, are subject to fluctuations as a result of exchange rate movements. We do not hedge this translation exposure to our earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of our operating units or by using forward foreign exchange contracts.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the year (that have been accounted for in the consolidated income statement at average rates) at closing rates. Gains or losses also arise on the retranslation of foreign currency denominated borrowings designated as effective net investment hedges of overseas net assets. These are offset in equity by corresponding gains or losses arising on the retranslation of the related hedged foreign currency net assets. We also treat specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of our net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

Sensitivity Analysis on Foreign Currency Risk

Gains or losses in the income statement and equity are offset by the retranslation of the related foreign currency net assets or specific intercompany loan balances. As at 29 December 2018, a 10 per cent. strengthening of all currencies against sterling would increase net debt by £111 million (2017 financial year: £105 million). In connection with the Transactions, we intend to redeem the Existing 2022 Notes and repay the Existing Senior Facilities, in each case in full.

For the financial year ended 29 December 2018, a 10 per cent. strengthening of all currencies against sterling would reduce the fair value of foreign exchange contracts and result in a charge to the income statement of £9 million (2017 financial year: £6 million).

Interest Rate Risk

We are exposed to interest rate risk on both our interest-bearing assets and interest-bearing liabilities, including in connection with our fixed and floating rate indebtedness. To manage our risk exposure on our long-term indebtedness, we enter into interest rate swap arrangements.

On a *pro forma* basis, giving effect to the Transactions, approximately 30 per cent. of our long-term indebtedness is expected to be fixed rate over the next five years.

Credit Risk

The majority of our customers pay in advance or at the time of their visit. We are subject to credit risk in respect of trade counterparties, such as tour companies and other businesses that sell tickets as part of a package offering, which represents a smaller proportion of our business, and larger function bookings. We manage our credit risk by implementing policies that require appropriate credit checks on potential trade counterparties before sales commence and dealing with creditworthy counterparties. Credit evaluations are performed on customers requiring credit over a certain amount. We manage and monitor the credit rating of our counterparty exposures including any exposure arising from bank deposits, cash held at bank and derivative transactions. Our group treasury will only place funds and transact derivatives with banks with a minimum investment grade credit rating of Baa3 or BBB− (from Moody's or Standard and Poors, respectively) or better. In practice, however, we deposit the majority of our cash with banks or money funds with an investment grade credit rating of A−/A3 or better. We do not believe we have any material concentrations of credit risk, as its exposure is spread over a large number of customers and counterparties. Some Attractions maintain local bank accounts with banks which have lower credit ratings than Baa3 or BBB−. In these circumstances, the Attractions are subject to tight limits as to the cash balances they may hold with those banks. We also appraise investments to ensure the associated credit risk is acceptable. Performance of investments is monitored to ensure returns are in-line with expectations and that credit risk is acceptable.

Liquidity Risk

Liquidity risk is the risk that we will not have sufficient funds to meet our financial obligations as they fall due. Our policy on liquidity risk is to maintain flexibility in funding by keeping a minimum specific amount of liquid resources available. We produce short-term and long-term cash forecasts to identify our liquidity requirements and we manage our exposure to liquidity risk through maintaining a diversity of funding resources including cash and committed bank facilities. Surplus cash is actively managed across our bank accounts to cover local shortfalls or invested in bank deposits or liquidity funds in line with our policies on counterparty exposure. In some jurisdictions bank cash pooling arrangements are in place to optimise the use of cash. As at 29 June 2019, we had £134 million of cash and cash equivalents and a £600 million revolving credit facility, of which £168 million was drawn down. We intend to repay in full the Existing Senior Facilities, including such revolving credit facility, in connection with the Transactions. After giving effect to the Transactions, as at 29 June 2019, we would have had £133 million of cash and cash equivalents and a £400 million revolving credit facility and a Delayed Draw Term Loan in the amount of $172.5 million under our Senior Facilities, among other facilities.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of these financial statements requires management to exercise judgement in applying our accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

We consider the following policies to be the most significant policies that require management to make subjective and complex judgements or to consider matters that are inherently uncertain, which may cause actual results to differ from the estimated and assumptions we use in applying the critical accounting policies described below.

Lease Liability

IFRS 16 became effective for reporting periods in 2019 and introduces a single, on-balance sheet lease accounting model for lessees. The discount rate used in the calculation of the lease liability involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of our lease portfolio, this results in two approaches. For a small volume of high value leases, the rate implicit in the lease can be calculated and is therefore adopted. Otherwise, for the majority of leases, the rate used is based on estimates of incremental borrowing costs. These will depend on the territory of the relevant lease and hence the currency used, the date of lease inception and the lease term. As a result, reflecting the breadth of our lease portfolio, the transition approach adopted which has required estimation of historic discount rates and estimations as to lease lives, there are a large number of discount rates within a wide range.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for us to extend the lease term, we make a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, current trading, future trading forecasts as to the ongoing profitability of the Attraction and the level and type of planned future capital investment. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Revenue Recognition

IFRS 15 (Revenue from contracts with customers) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 (Revenue), IAS 11 (Construction contracts) and related interpretations. IFRS 15 requires us to make an assessment, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent. Under IAS 18, this assessment was made based on which entity had the exposure to the significant risks and rewards associated with the transaction. We have reviewed how this change affects situations where a third party is involved with us in providing visitors to the Attractions with admission tickets and/or accommodation, or commercial offerings such as photos and games services once inside an Attraction. There is no difference in the pattern of revenue recognition arising from this change.

Under IFRS 15, the following categories of revenue (all excluding VAT and similar taxes) have been disaggregated:

- Visitor revenue, which represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside an Attraction. Ticket revenue is recognised at point of entry. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.

- Accommodation revenue, which represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at our accommodations.
- Other revenue, which represents sponsorship, function, management and service contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. Management and service contract revenue is recognised in line with the performance obligations in the specific contract.

Recognition of Deferred Tax Assets

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Business Combinations

When a business combination takes place, management consider the rights and intentions of the management of both entities and the overall controlling parties before and after acquisition to determine who the acquiring party is, and then account for business combinations by applying the purchase method. Having determined the acquiring party, any individually identifiable assets and contingent liabilities acquired are valued. These include the property, plant and equipment and any intangible assets which can be sold separately or which arise from legal rights regardless of whether those rights are separable, with any remaining balance being assigned to goodwill.

Given the specialised nature of the property, plant and equipment acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out in note 3.1 to the audited consolidated financial statements for each of the 2016, 2017 and 2018 financial years, included elsewhere in this Offering Memorandum. Residual values are based on industry specific indices.

Goodwill and Useful Life of Brands

Goodwill represents the difference between the cost of an acquisition and the fair value of the net identifiable assets acquired and any contingent liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including amounts into perpetuity. Certain brands are regarded as having indefinite useful economic lives. This is based upon the strong historical performance of the brands over a number of economic cycles, the demonstrable "*chaining*" of brands, and managements' intentions regarding the future use of brands. We believe this is a suitable policy for a brands business which invests in and maintains the brands, and foresee no technological developments or competitor actions which would put a definite life on the brands.

Impairment Testing

The carrying amounts of our goodwill, intangible assets and property, plant and equipment ("*PPE*") are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, or in respect of indefinite lived assets, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount.

The level at which the assets concerned are reviewed varies as follows: Goodwill is reviewed at an operating group level, being the relevant grouping of cash generating units ("*CGUs*") at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, which are our individual Attractions. Brands are reviewed individually. PPE is reviewed at the Attraction level. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Our management judges the recoverable amount of an asset as the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. Our internally approved five year business plans or more recent best estimates are used as the basis for these calculations, with cash flows beyond the five year business plan horizon then extrapolated using a long-term growth rate.

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values as their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from our businesses include growth in EBITDA, the timing and quantum of future capital expenditure and maintenance expenditure, long-term growth rates and discount rates to reflect the risks involved. These assumptions and estimates are described further in note 3.3 to the audited consolidated financial statements for the 2016, 2017 and 2018 financial years included elsewhere in this Offering Memorandum.

Recognition of Provisions

Provisions are recognised when we have legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at management's best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Accounting for Interest-bearing Loans and Borrowings

Interest-bearing loans and borrowings are initially recognised at fair value, being consideration received less any directly attributable transaction costs. Thereafter, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. To calculate this effective interest rate, we estimate the date of repayment, expected future gearing during the life of the facility based on our business plans and forecasts, and expected future interest rates. This includes the amortisation of all transaction costs over the same period. We assess whether the terms of the borrowings provide a clear commercial incentive or a contractual commitment to repay them over a specific period that is shorter than the contractual life of the facility. If this is the case, we adopt the short period as the period used for the purposes of the effective interest rate calculations. If neither of these conditions exist, we calculate our effective interest rate and hence amortises transaction costs based on the contractual term of the facility. If we determine that a different date should be adopted for the purposes of the effective interest rate calculations, the resulting adjustment is recognised as a gain or loss on re-measurement and presented separately in the income statement.

If we modify our debt arrangements, we consider how substantive the change is in determining the appropriate accounting. This includes both qualitative analysis, and quantitative analysis of the level of change in the cash flows of the new and old arrangements.

Fair Value of Derivative Financial Instruments

We hold derivative financial instruments primarily to hedge our foreign currency and interest rate exposures.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Thereafter changes in fair value are recognised immediately in the income statement, except in specific circumstances where we adopt hedge accounting, as described below.

The fair value of interest rate swaps are determined by reference to market rates at the end of the accounting period. It is the estimated amount that we would receive or pay to exit the swap at the end of the reporting period, taking into account current interest rates, credit risks and bid/ask spreads.

The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates at the end of the accounting period.

The fair value of derivative provisions for committed share issues is determined by reference to contractually agreed amounts and the value of the shares to be issued, which management assesses based on the value attributed in recent transactions of our shares.

We have designated certain derivatives as hedges against variable cash flows resulting from fluctuations in interest rates. On initial designation of the hedge, we formally document the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship. We make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the life of the hedge. Effectiveness testing is performed using regression analysis at inception and on a regular basis thereafter. See "*Description of Certain Financing Arrangements—Hedging Agreements*."

The effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss, and under the same line item in the statement of comprehensive income as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the fair value adjustment to the carrying value of the hedged item arising from the hedged risk is amortised to profit and loss from that date.

INDUSTRY OVERVIEW

The market data, economic and industry data and forecasts used in this section have been obtained from the data reports prepared by third-party providers and from our own experience, internal studies, estimates and investigations of market conditions. See "Market and Industry Data." We cannot assure you that any of the assumptions that we have made, or that the providers of the data reports have made in compiling this data are accurate or correctly reflect our position in the markets. The information and estimates involve risks and uncertainty and are subject to change based on various factors. Please See "Market and Industry Data," "Risk Factors" and "Forward-Looking Statements."

Overview of the Attractions Industry

We are 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 prioritising 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;

We segment 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, we have 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.

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

Theme Parks

We define 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 accommodation has 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 (for example, Disney, Universal Studios and SeaWorld), in Asia (Disney and Universal Studios) and only one in Europe (Disneyland Paris). Global recognisable brands have become increasingly important in attracting visitors to destination parks. We categorise 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.

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 neighbouring countries. We categorise 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. Accommodation 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 U.K., 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. Our 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 neighbouring 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 characterised 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.

We categorise 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. We consider Blackpool Pleasure Beach in the U.K. and the various Six Flags parks in the United States to be examples of regional amusement parks.

Smaller Visitor Attractions

We define 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 centre or coastal environments or close to other significant population centres. They can be standalone buildings or part of shopping malls or other entertainment centres.

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. Our Midway Attractions predominantly fall into this category.

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 centre attractions, targeting tourists and local residents, and standalone wildlife centres, 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

We also classify 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 U.K., and Six Flags and Cedar Point in the United States. Certain visitor attractions, such as our "*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;
- ***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, we believe that 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.

Market Trends

Global Trends

We believe that trends in tourism activity as a whole are an important component of attendance and overall spend at our portfolio of Attractions. Increasing globalisation, urbanisation 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, which was the ninth consecutive year of sustained growth, according to the UN World Tourism Organisation (UNWTO). On a regional basis, the Middle East was the fastest growing region, increasing by ten per cent., followed by Africa increasing by seven per cent. and Asia and Europe increasing by six per cent. The Americas recorded combined growth of three 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, after taking into account exchange rate fluctuations and inflation, representing an increase of four per cent. over 2017.

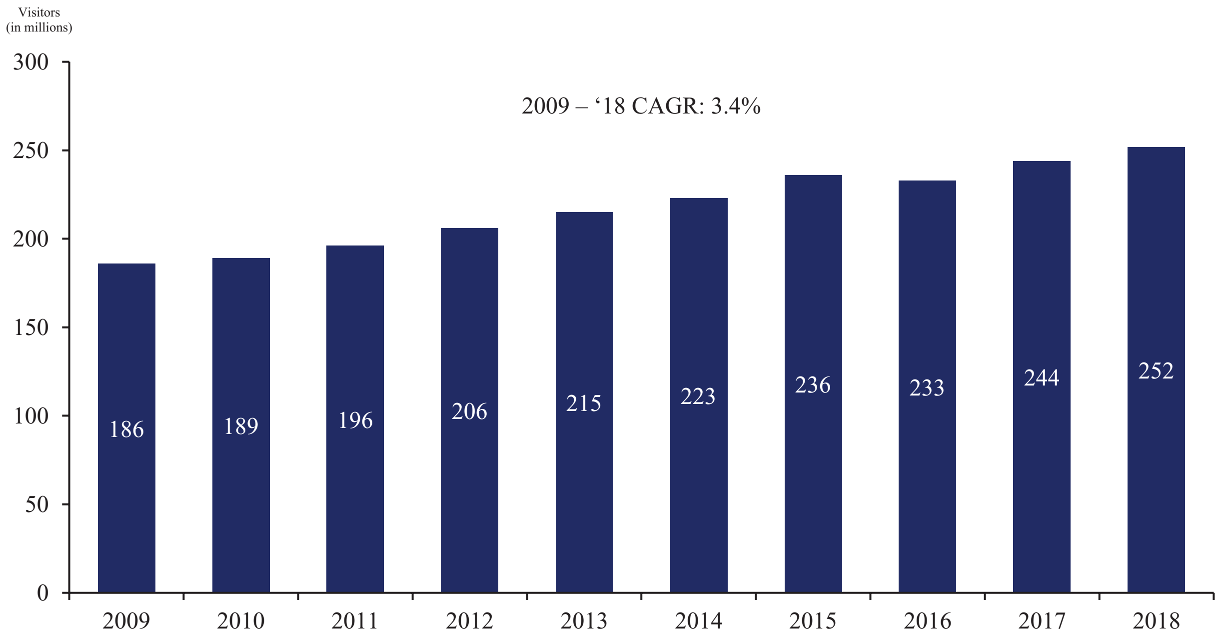
By region, Europe generated the largest share of international tourism revenue in 2017 at 39 per cent., while the Asia Pacific region generated 29 per cent. and the rest of the world collectively generated 32 per cent. We have Attractions in nine of the top ten countries ranked by international tourism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

The U.K. continues to be a popular holiday destination. According to data reported by VisitBritain, 37.9 million visitors came to the U.K. in 2018, and spend by in-bound tourists in 2018 was approximately £23 billion. The U.K. was the fourth most popular tourist destination in Europe in 2017. U.K. 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 sterling which has made the U.K. a more affordable destination for many consumers from abroad. In 2018, U.K. in-bound tourism numbers contracted by 3.3 per cent. but they remained above levels seen in 2016. The drop in U.K. 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 U.K., 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 gross domestic product ("*GDP*") growth is expected to hold up well in 2019 and beyond, with VisitBritain forecasting 38.9 million visitors coming to the U.K. in 2019, a 2.4 per cent. increase compared to 2018, and forecasting spend by in-bound tourists to be £24.5 billion in 2019, which would be the largest annual spend by in-bound tourists ever recorded.

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 as 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 intellectual property and the building of resort hotels adjacent to park properties. Theme park attendance grew by roughly 4 per cent. from 2009 to 2018 across all major markets.

Attendance at the Top 25 Global Theme Parks



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

We have 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 U.K. parks, such as Alton Towers Resort and Chessington World of Adventures Resort. We believe these global trends support our international growth and diversification strategy and reduce our reliance on individual Attractions or locations.

Short Break Trends

We believe that the short break market, typically composed of one to three day stays, is growing in many of the countries and regions in which we operate and, in particular, in key destination cities, such as London, Berlin, Sydney and Shanghai. In the U.K., short breaks have grown at twice the rate of longer holidays over the past 20 years. We believe we are increasingly well positioned to meet this demand through our growing offering of themed, on-site accommodation and second gate Attractions to incentivise longer time spent at our locations.

Further, domestic holiday attractions, including short break attractions, in the U.K. 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*," we aim to capitalise on the growing short break market and encourage customers to increase both the duration of their stay at our Attractions and also their overall spend.

Competitive Landscape

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

Attendance at Top 10 Theme Parks Worldwide

RANK	GROUP NAME	% CHANGE	ATTENDANCE 2018	ATTENDANCE 2017
1	WALT DISNEY ATTRACTIONS	4.9%	157,311,000	150,014,000
2	MERLIN ENTERTAINMENTS GROUP	1.5%	67,000,000	66,000,000
3	UNIVERSAL PARKS AND RESORTS	1.2%	50,068,000	49,458,000
4	OCT PARKS CHINA	15.1%	49,350,000	42,880,000
5	FANTAWILD	9.3%	42,074,000	38,495,000
6	CHIMELONG GROUP	9.6%	34,007,000	31,031,000
7	SIX FLAGS INC.	5.3%	32,024,000	30,421,000*
8	CEDAR FAIR ENTERTAINMENT COMPANY	0.7%	25,912,000	25,723,000*
9	SEAWORLD PARKS & ENTERTAINMENT	8.6%	22,582,000	20,798,000*
10	PARQUES REUNIDOS	1.5%	20,900,000	20,600,000
	TOP 10 ATTENDANCE GROWTH 2017–18	5.4%	501,228,000	475,767,000*

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

According to the TEA/AECOM Report for 2018, we were the second largest Theme Park Group worldwide by number of visitors in 2018 and own seven of Europe's top 20 theme parks (including LEGOLAND Parks). Located in 25 countries, we have a large international presence in the industry, driven by the proven roll-out of LEGOLAND Parks. Our 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 U.K.; 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, we compete with Disney, Universal Studios, Six Flags, Cedar Point and SeaWorld Parks and Resorts. LEGOLAND Malaysia competes with Universal Studios on Sentosa Island, Singapore.

Our 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 U.K., 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.

BUSINESS

Overview

We are a global leader in branded, location-based family entertainment. As at 29 June 2019, we operated 133 Attractions in 25 countries across four continents, and in the 52 weeks ended 29 June 2019, we welcomed approximately 68 million visitors to our Attractions. We are 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. We are 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. We believe we own and/or operate 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 our extensive technical and creative expertise.

Since our creation in 1999, our strategic vision has been the creation of a high growth, high return, family entertainment business, naturally balanced against the pressures of the macroeconomic environment in which we operate. Our portfolio of assets and brands is highly diversified across geography, attraction type, brand and customer demographic and our 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). We believe our footprint across 25 countries provides us with a favourable platform to benefit from the global growth in spending on travel and tourism, by allowing us to attract both international tourists and domestic visitors, and providing us with a buffer in the event of macroeconomic and currency risks. Our operating groups offer our visitors diverse entertainment options, including both indoor Attractions within city centres as well as outdoor theme parks offering multi-day visits. We estimate that in 2018, 72 per cent. of visitors to our Attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of our visitors. In the 2018 financial year, excluding the impact of IFRS 15, 62 per cent. of our revenues were generated by outdoor Attractions and 38 per cent. by indoor Attractions, providing a natural hedge against weather disruptions.

We have established a diverse portfolio of nationally and internationally recognised premium brands focused on delivering memorable experiences to millions of visitors around the world. We 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. We generated *pro forma* EBITDA of £506 million for the 52 weeks ended 29 June 2019. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

We are organised into three operating groups:

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks
Description	• Branded, predominantly indoor visitor attractions, located in city centres, resorts or shopping malls, typically with up to two hour visitor duration	• Interactive outdoor theme parks offering multi-day visits targeted at families with children aged two to 12 • All open LEGOLAND Parks (except LEGOLAND Dubai) have themed on-site accommodation	• National destination outdoor theme parks offering multi-day visits in densely populated European markets • With themed on-site accommodation across all parks
Attractions/parks (as at 29 June 2019)	119 Attractions[1]	8 parks[2]	6 parks
Hotels/Holiday Villages	—	10 hotels/3 holiday villages	10 hotels/3 holiday villages
Countries where present	22	7	3
Visitors (m) (for the 52 weeks ended 29 December 2018)[3]	40.4	15.6	11.0
Revenue (£m) (for the 52 weeks ended 29 December 2018)[4]	677	637	367
Segment EBITDA (£m) (for the 52 weeks ended 29 December 2018)[5]	210	242	88
Rooms (as at 29 June 2019)	—	2,581	1,909
Selection of key brands:			

(1) Includes seven "*second gates*," which are visitor attractions at an existing resort with a separate entrance and for which additional admission fees are charged. These have been reduced to six second gates with the closure of The Jurassic Skyline that was announced in August 2019. Since 29 June 2019, we have closed, sold or otherwise transferred three Midway Attractions, comprising SEA LIFE Chongqing, The Jurassic Skyline and Wild Life Hamilton Island.

(2) Includes LEGOLAND Malaysia and LEGOLAND Dubai, which we operate under management contracts and LEGOLAND Japan, which we operate under our "*leased and operated*" model.

(3) Visitor numbers include visitors to Attractions operated under management contracts (which, during the periods under review, included LEGOLAND Malaysia, LEGOLAND Dubai and (until we exited the management contract in May 2018) the Orlando Eye) and visitors to Attractions operated as joint ventures.

(4) Includes revenue from discontinued operations.

(5) Segment EBITDA excludes the impact of (i) other items in the amount of £46 million, including Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable operating groups and (ii) exceptional items in the amount of £4 million, which comprise certain one-off operational costs that have been incurred in 2018 as part of our productivity agenda initiatives, which are expected to continue through to 2021, as well as exit costs in respect of certain small, non-core Midway sites. Exceptional items are separately presented as they are not part of our underlying operating expenses. See "*Presentation of Financial Information—Non-IFRS Financial Information*."

Our three operating groups are supported by our 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 our group and creating high-class, compelling propositions for our 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 our 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 our Peppa Pig-themed Attractions, including our "*in park*" Peppa Pig Lands at Gardaland Resort and Heide Park Resort and our first Peppa Pig World of Play Attraction in Shanghai. We believe these Attractions continue to broaden our appeal in different markets and geographies, and reflect the increasing volume and strength of our relationships with third-party intellectual property holders who seek to leverage their content through location-based entertainment. We 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 and SEA LIFE Centres in Shenyang and Malaysia and re-launched the Colossos roller coaster at Heide Park Resort. Merlin Magic Making is also working on a number of Attractions expected to be launched in 2020, including our development of LEGOLAND New York and the LEGOLAND Waterpark at Gardaland Resort.

Our senior management is also supported by our 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.

Our strategy and performance is underpinned by our 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. Our strong financial returns are also the result of our efficient and strategic deployment of capital expenditure across the Existing Estate and new Attractions.

We have demonstrated the strength of our diversified business model through our historical financial track record. The drivers of this performance are:

- investment in our Existing Estate to improve customer satisfaction, increase capacity and provide compelling new propositions to guests in order to drive organic growth through visitations and pricing power;
- rolling out new Midway Attractions under our 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 our geographic diversification;
- developing 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, we announced that we 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 our Theme Parks into destination resorts by adding a broad range of themed accommodation and new Attractions at our 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.

Our Competitive Strengths

Unique Portfolio of Strong Brands and Iconic Assets

We believe we own and/or operate 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 our Midway Attractions operating group, LEGOLAND California and LEGOLAND Windsor in our LEGOLAND Parks operating group and Gardaland Resort and Alton Towers Resort in our Resort Theme Parks operating group. We believe the strength and breadth of our iconic brand portfolio enable us 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. Our

LEGOLAND Parks also benefit from a mutually synergistic relationship with the LEGO Group. Our 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*." Our portfolio of brands enables us to differentiate our Parks and Attractions from unbranded operators and to attract visitors to our Attractions.

Midway Attractions

Our 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. We believe the strength of our brands allows us to maximise economies of scale and synergies. As at 29 June 2019, our Midway Attractions 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 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 Dungeon, 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 eight countries, including LEGOLAND Discovery Centres in each of Beijing, San Antonio and Shenyang which opened in 2019.

In 2018, we opened seven new Midway Attractions, which included Little BIG City Beijing, our 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 U.K. and Peppa Pig World of Play in Shanghai. In H1 2019, we 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.

Other Attractions include two Treetop Walk experiences in Victoria and New South Wales, Australia, which we acquired as part of the Living and Leisure Australia acquisition in February 2012, one WILD LIFE Australian animal adventure Attractions in Sydney, "*DreamWorks Tours' Shrek's Adventure!*" Midway Attraction in London and two "Little BIG City" Midway Attractions in Berlin and Beijing.

Our scale and portfolio of strong brands has allowed us to leverage a number of strategic synergies. We have 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.

LEGOLAND Resorts and Parks

The LEGO brand is globally recognised and is associated with fun and learning through play. We hold the global, exclusive license to own and operate LEGOLAND Parks until at least 2054. We own and/or operate LEGOLAND Parks in Denmark, Germany, Malaysia, the United Kingdom, Dubai, California, Florida and Japan, all of which 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.

We have expanded our 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. We operate 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 while we funded and built the rides, provided the necessary theming and built the on-site SEA LIFE Centre second gate and the on-site accommodation. We lease the site on a long-term basis and operate the park. In 2017, we 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. We continue to target a 2020 opening for the park, although the timetable and costs are under pressure given the scale and complexity of the project, with accommodation at the park expected to open in 2021. At the start of 2019, we 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. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. This site is also being developed under an "*owned and operated*" model.

We have also identified sites for potential LEGOLAND Parks in the medium and long-term and remain 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. In September 2019, we announced that we 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.

All of our 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. We opened 644 new rooms in 2018, including a 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 our parks, increased the level of pre-booked revenue and improved cross-selling opportunities. For example, we opened 142 rooms at the Pirate Island Hotel at LEGOLAND Deutschland in 2018 and had a guest satisfaction score of 97 per cent. and occupancy of up to 95 per cent. during 2018. We also have plans for additional accommodation at our other parks in future years. We believe these hotels and villages provide an integral contribution to the overall customer experience and help drive increases in multi-day ticket sales.

Resort Theme Parks

Each of our 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 our Resort Theme Parks, certain of which are among the leading theme parks in the U.K., Italy and Northern Germany, enjoys high brand and customer awareness in its local market.

We believe that each of our Resort Theme Parks offers a compelling, coherent proposition and strong theming, with few or no local competitors that can offer the same quality or scale of visitor experience. We aim to implement effective marketing and promotions to ensure that each brand is the strongest in its relevant market. Our Resort Theme Parks are increasingly recognised as destination resorts, attracting short break visits from national and, in certain cases, international visitors, supported by short break marketing campaigns. Each of our Resort Theme Parks has one or more hotels or holiday villages. In 2016, we opened a second hotel at Gardaland Resort and a holiday village at Warwick Castle. We also opened a 76-room CBeebies Land Hotel and 102 "*stargazing pods*" at Alton Towers Resort in 2017 and 2019, respectively. In 2019, we also opened a Magic Hotel at Gardaland Resort and announced the intended opening of a LEGOLAND Waterpark at Gardaland Resort in 2020.

Each of our 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, we have a market-leading position in the United Kingdom, where we own the top four theme parks, as classified by the Themed Entertainment Association, by number of visitors in 2018: LEGOLAND Windsor (part of our LEGOLAND Parks operating group), Alton Towers Resort, THORPE PARK Resort and Chessington

World of Adventures Resort. We also hold strong market positions in Italy and Germany, in each case by number of visitors in 2018.

The scale of our 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.

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 our 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 we are faced with more challenging economic conditions as individuals forego destination holidays in favour of entertainment closer to home. We believe we are increasingly well-positioned to meet this demand for short-term accommodation through our growing offering of themed, on-site accommodation and second gate Attractions aimed at extending the duration of our visitors' stay. In 2018, accommodation revenue represented 21 per cent. of revenue across our 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 our 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.

Intellectual Property Partnerships

Given our global reach and multi-format expertise, we believe we are well-placed to benefit from the growing opportunities to partner with leading owners of intellectual property content. These partnerships provide us with additional means to deliver memorable experiences to visitors of our Attractions and we offer our partners opportunities to increase engagement with their customers. For example, we have multiple intellectual property agreements ranging in scale from local level relationships for specific Attractions, to global, multi-product relationships with some exclusivity, to our core global, multi-product and exclusive relationship with the LEGO Group. We hold the global, exclusive rights to the LEGOLAND brand under the licencing and co-operation agreement signed with KIRKBI A/S. We have 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 Acquisition, will be a 50 per cent. investor, directly or indirectly in Bidco (which will hold 100 per cent. of the shares in the Target Group). See "*—The Transactions—The Acquisition*." We have also established and continue to develop, global, regional and local intellectual property partnerships allowing us to use brands such as Star Wars, Ghostbusters, the Gruffalo, Shrek, Kung Fu Panda and CBeebies, the latter through our partnership with BBC Worldwide. We continue to develop new global intellectual property partnerships and in 2018, we opened a Bear Grylls Adventure Attraction in the United Kingdom and a Peppa Pig Attraction in China. Our 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!*"

Strong Market Positions with High Guest Satisfaction

We are 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 our operating groups commands a strong market share within its market and benefits from competitive advantages. Our ongoing product investment and innovation, and strong focus on creating memorable experiences for our guests, have resulted in continued strong levels of guest satisfaction. In 2018, we delivered an overall guest satisfaction score across our group of 95 per cent. and a "*Net Promoter*" score of 57 per cent. which measures the propensity for our guests to recommend our Attractions and which increased compared to 2017. We consider a Net Promoter score of 50 per cent. or more to be "*world class.*" Our "Net Promoter" score was 47, 50, 53, 55 and 55 for the financial years 2013, 2014, 2015, 2016 and 2017, respectively.

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

We also retain a number of competitive advantages in the Midway Attractions operating group. These advantages include strong brand recognition in connection with our existing brands such as Madame Tussauds, SEA LIFE, the Eye and LEGOLAND/LEGO, our own in-house Merlin Magic Making team which includes wax sculptors, our SEA LIFE marine biologists and our ability to operate our Midway Attractions as part of "*clusters*," where multiple Attractions are situated in one city or region to capitalise on cross-selling, including through our multi-Attraction pass opportunities. We have been able to capitalise on our marketing leverage through ticketing promotions with partners such as Kellogg's and Tesco, amongst others. A popular package amongst customers is the sale of annual passes, which are purchased online or at our 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.

In addition, our scale also allows us to capitalise on operating cost efficiencies, including marketing costs, central management, site development expertise and application of visitor management experiences across our portfolio.

Well-Diversified Portfolio

Through our broad portfolio of Attractions, our overall business is diversified across geography, attraction type, brand and customer demographic. This diversification helps us 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.

We operate 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 our revenue, respectively. 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. Our long-term ambition is for a relatively equal split of revenue across Europe (including the United Kingdom), North America and the Asia Pacific region. Our business is not reliant upon the "*fly-in*" market of international tourism. We estimate that in 2018, 72 per cent. of visitors to our Attractions were domestic visitors and 28 per cent. were international tourists, based on a survey of a sample of our visitors. Domestic visitors enhance the resilience of the underlying business as relatively low-cost local tourism is preferred in a soft macroeconomic environment.

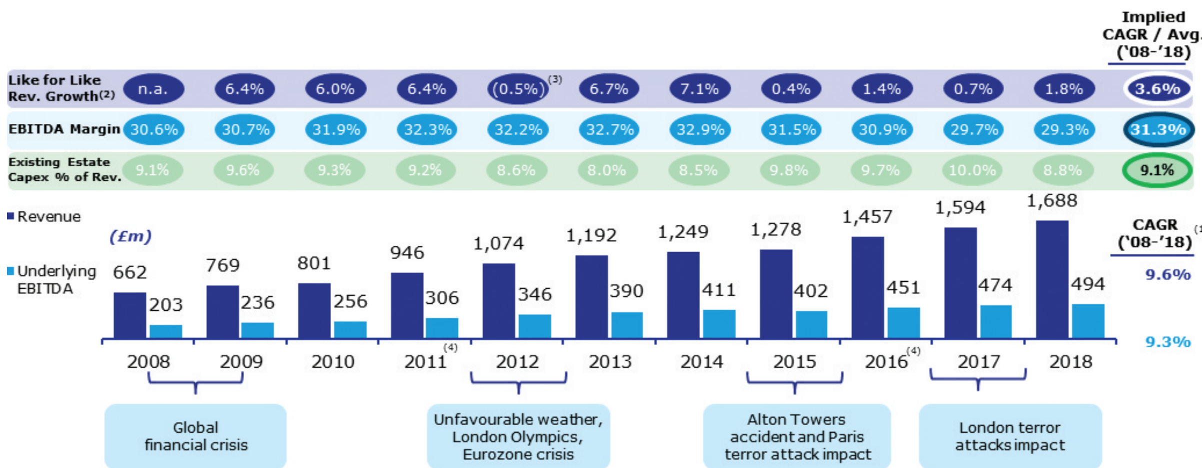
Our Attractions range in format from city centre to destination resorts and coastal Attractions, capturing both the urban and resort-based tourist market and appealing to visitors ranging from families with young children to teenagers and adults. Our Attractions are also partially insulated against extreme weather or seasonal changes through a mixture of formats with approximately 38 per cent. of our 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 our Attractions are open year-round, other than our European Theme Parks, which tend to be closed during the winter. In 2018, 62 per cent. of our 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.

Consistent Financial Track Record with Flexible Cost Base

We have a strong financial track record, with reported revenue growth between 2008 and 2018 reflecting a CAGR of approximately 9.6 per cent., excluding the impact of IFRS 15 for the financial year 2018. We have also demonstrated an ability to improve Underlying EBITDA during periods of macroeconomic volatility, geo-political uncertainty and challenging trading conditions within our operating groups, with reported Underlying EBITDA growth between 2008 and 2018 reflecting a CAGR of approximately 9.3 per cent.

We have a flexible cost base, with an ability to effectively increase and decrease the number of employee hours and scheduling of shifts at our Attractions depending on customer demand levels. There is a lead time required to reduce our costs and our ability to achieve these reductions is greater ahead of peak season. For the 2018 financial year, approximately 18 per cent. of our costs varied directly with revenue, comprising, amongst other things, retail inventory, food and beverage consumables. For the 2018 financial year, we 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.



Source: Company information.

(1) CAGR excludes the impact of IFRS 15, which resulted in an increase in reported revenue of £35 million in 2018.

(2) Like-for-like revenue growth refers to year-on-year growth on a constant currency basis using the prior year's exchange rates and including all businesses owned and operated before the start of the prior year. Revenue for the financial year 2018 includes the impact of IFRS 15, which resulted in an increase 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 was impacted by the 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 the Eurozone crisis.

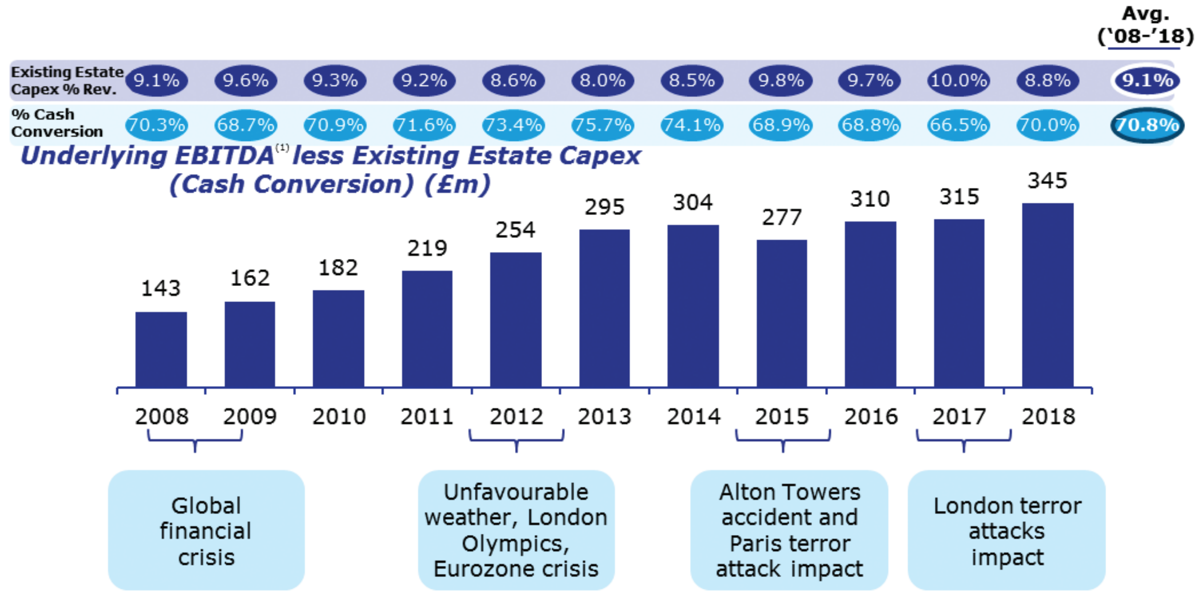
(4) Represents audited financial information for the 53 weeks ended 31 December of the respective year, on an as reported basis. Like-for-like revenue growth is presented for 52 weeks. Revenue for 52 weeks would be £933 million for 2011 and £1,428 million for 2016, and EBITDA would be £296 million for 2011 and £433 million for 2016. Amounts representing Existing Estate capital expenditure for the 52-week periods in 2011 and 2016 are not available.

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

Our 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. We consider Return on Capital Employed ("*ROCE*") to be an important metric for appraising financial performance and for the 2018 financial year, our ROCE was 8.9 per cent. (2017 financial year: 9.1 per cent.). See "*Presentation of Financial Information—Non-IFRS Financial Information*." Further, our 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 our Attractions. We also maximise our marketing spend through targeted campaigns focused on educating prospective customers about new Attractions and rides. Throughout this process, we take advantage of our market leverage and implement 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 we derive from our core competencies, we maintain our 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 our Resort Theme Parks because they are geared towards families with young children and do not require expensive, large format roller coasters. Our 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, we do 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. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure*."

Capital expenditure across our portfolio of Attractions is primarily funded out of our operating free cash flow. Our 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 our Existing Estate. Between the 2008 financial year and the 2018 financial year, we invested on average 9 per cent. of our revenue in Existing Estate capital expenditure. Our successful and flexible capital expenditure programme has translated into consistently positive cash conversion with average cash conversion of greater than 70 per cent. between the 2008 financial year and the 2018 financial year. Further, we benefit from structurally favourable working capital due to a high proportion of pre-bookings by visitors.



Source: Company information.

(1) Underlying EBITDA reflects adjustments to EBITDA to exclude the impact of certain one-off and non-trading items that, by their nature, can be classified as exceptional items. See "*Presentation of Financial Information—Non-IFRS Financial Information*." No exceptional items were recognised for the 2016 and 2017 financial years, but exceptional costs of £4 million were incurred in delivering on our productivity agenda in the 2018 financial year. Exceptional items, if any, are set out in the notes of our consolidated financial statements for the relevant period.

Highly Experienced and Diverse Management Team Backed by Equity Owners with In-depth Knowledge of the Company

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

Our senior management team is supported by local management teams, which run our operating 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. Our senior management team is also supported by the Merlin Magic Making team, which is our unique, creative and project management resource. Merlin Magic Making also provides creative design and production. Merlin Magic Making is supported by our 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 twelve to 18 months of trading before handing over responsibility to the relevant operating group once the Attraction is established. Our strong local management teams are often a result of our culture of training and development, with central and local programmes to develop skills at all levels of the organisation. The commitment of our 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 our engagement score, which measures whether our teams think we are 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*."

Our senior management team is supported by Blackstone and KIRKBI, with whom we have meaningful and successful history. Blackstone had previously been our majority shareholder since a management-backed buy-out investment in 2005. At the same time, we acquired rights to LEGOLAND Parks from KIRKBI A/S, who signed the licensing and co-operation agreement with us, and KIRKBI became one of our shareholders. See "*Business—History—Our Relationship with the KIRKBI Group.*" Blackstone and KIRKBI continued to jointly control Merlin for eight years from 2005 to 2013, during which period we 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. Our senior management team has a strong relationship with Blackstone and KIRKBI, with our current CEO, Nick Varney, having worked closely with Blackstone and KIRKBI during their previous ownership tenure. Blackstone has longstanding experience investing in the visitor attractions industry as well as the broader hospitality, travel and leisure sectors. Blackstone's previous investments include Merlin Entertainments, SeaWorld, Six Flags, Universal Orlando, Center Parcs, Hilton Hotels and The Cosmopolitan Hotel. 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.

Our Strategy

Existing Estate Growth via the Application of Prudent Investment Practices

We continue to invest in our existing Attractions to improve the visitor experience, which we believe is a key driver for increased visitor numbers and revenue growth. To improve our product appeal, maintain our high levels of customer satisfaction and drive organic growth, we have developed prudent investment practices. Investments are planned well in advance, where possible, according to the forecasted potential returns and the capital requirements of the respective Attraction, operating groups and location. Existing Estate capital expenditure is divided between adding new rides or displays and enhancements to our Attractions, replacing old features with newer, more compelling ones and general maintenance, including ensuring health and safety standards are met or exceeded. Our capital expenditure practices are designed to develop the product portfolio over time so as to increase visitor numbers and visitors' length of stay and to support value added increases in admissions fee prices and commercial spend, thereby delivering growth in revenue and profitability.

In addition to major rides and developments, we also make smaller investments at most Attractions to support a continually refreshed marketing message and sustained level of visitor satisfaction. For example, we have developed touring displays of wax work figures which can be rotated around our Madame Tussauds Attractions.

In consultation with the Consortium, we intend to continue maintaining the existing standards of general maintenance and commitments to ensure health and safety standards and making strategic, value-accretive investments in our Existing Estate and in respect of New Business Development in the near term as well as in the medium term to maintain and strengthen our leading positions in the industry in which we operate.

Leveraging Strategic Synergies

We aim to leverage our scale in key markets to maximise our operational, marketing, product and cost synergies. Strategic initiatives we have taken include:

The Merlin Annual Pass and Merlin Pass Monthly Membership

We offer 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, we also allow 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 our 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 pass 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.

Accesso Ticketing

The roll-out of the accesso "*Passport*" ticketing system across our estate is largely complete. Previously, customers had to purchase tickets for our various Attractions separately using a fragmented ticketing system. Accesso helps standardise ticketing across our estate, giving us greater opportunities to up-sell and cross-sell tickets, which we believe will be of particular benefit for cluster Attractions. Accesso provides for benefits in mobile sales and ticketing, Merlin Annual Pass management and queue-busting ticket sales. There is a particular focus on online sales and bookings to improve the customer "*digital journey*." Online pre-bookings help provide a short-term hedge against the impact of poor weather. They also offer opportunities to cross sell commercial spend items, such as overnight accommodation and priority ride passes.

Group Promotions and Marketing

We apply flexible pricing and promotional strategy to manage visitor numbers through peaks and troughs of attendance, to extend the length of stay and to encourage repeat visits and to enhance overall revenue from each Attraction. Such pricing strategies include promotional discounts, such as selling admission through a retailer's loyalty card programme, and wider national marketing campaigns, such as one part of a newspaper advertising promotions and "*on pack*" promotions of major consumer brands. We have conducted successful national promotions in the United Kingdom, including promotions with Tesco, McDonalds and Kellogg's, as well as abroad. We use these methods to strategically drive demand for the Attractions at times when visitor numbers are typically lower, to drive commercial spend and to achieve "*low cost*" advertising to build Attraction and brand awareness. Online channels provide opportunities for more targeted promotions with lower lead times in the future.

Procurement Synergies

Our scale allows us to exploit procurement cost efficiencies within a country or region and across clusters and we seek to achieve benefits from such savings as we increase our global scale.

Productivity Agenda

We have successfully mitigated cost pressures in recent years, resulting from legislative changes, such as the U.K. national living wage, and significant increases in utility and business rates. We are also increasingly seeing the impact of tighter labour markets in many parts of the world, such as Southern California, Southern Germany and the South East of England. To date, our ability to mitigate costs has been achieved largely through Attraction-level savings and tactical efficiency improvements.

Our global productivity agenda gathered pace in 2018, aimed at streamlining and evolving our back office and operations to provide long-term sustainable savings. For example, we are developing our new cloud based finance system, which is scheduled to be rolled out across the business from the fourth quarter of the 2019 financial year, to stimulate better use of technology and the centralisation and standardisation of activities. As a part of "*model evolution,*" we have launched initiatives seeking to simplify and streamline the operations of our smaller Midway Attractions and applied lean continuous improvement principles across our Theme Parks. We have also exited certain non-core smaller Midway Attractions. As this programme accelerates, we expect to incur total one-off costs of approximately £35 million from 2018 through 2021, of which £6 million has been incurred as at 29 June 2019. We initially anticipated that these initiatives will generate up to £35 million of sustainable, annualised savings by 2022, including back office costs savings and operational savings. We expect to generate these savings through a number of initiatives, including the centralization of activities into shared service hubs, the automation of processes, dynamic pricing tools and organisational syndication. In addition, we believe there may be opportunities for cost savings beyond what was initially anticipated. For example, we expect to generate an additional £2 million of annual savings as a result of our delisting from the London Stock Exchange. In addition to delivering financial savings, our agenda seeks to improve productivity, better enabling our Attraction staff and general managers to focus on delivering memorable experiences for our guests.

Transformation of Theme Parks to Destination Resorts

We seek to position our Theme Parks as destination resorts through the addition of a broad range of themed accommodation. We expect our enhanced Theme Parks will benefit from the growing short break tourism market and complement the business generated by our day visit market.

As at 29 June 2019, we had a total of 4,490 themed rooms across our Theme Parks. These include themed on-site accommodation at all of our open LEGOLAND Parks, with the exception of LEGOLAND Dubai, ranging from 61 to 263 rooms. A hotel is scheduled to open at LEGOLAND Dubai in 2020. LEGOLAND Deutschland, LEGOLAND Billund and LEGOLAND Florida each include a holiday village, ranging from 166 to 319 rooms. LEGOLAND Billund opened a 142-room Castle Hotel in 2019. Alton Towers Resort has three hotels, including the 76-room CBeebies Land Hotel, which opened in 2017 and 102 "*stargazing pods*," which opened in 2019. Gardaland Resort has three hotels, including the Magic Hotel which opened in 2019, Chessington World of Adventures Resort has two hotels and THORPE PARK Resort and Heide Park Resort each has one hotel. In addition, Warwick Castle has a 65-room "*Knight's Village*" and Heide Park Resort has a 165-room holiday camp. We believe these hotels and holiday villages provide an integral contribution to the overall customer experience, help drive pre-booking, increase multi-day ticket sales and improve guest satisfaction. We believe that this destination positioning has already extended visitor market reach to over five hours drive time and has enhanced revenues from both primary admissions, including multi-day tickets and second gate admission fees, and commercial spend. The latter is typically comprised of the sale of food and beverages, merchandise and souvenirs as a result of longer average lengths of stay.

We are also continuing our strategy of investing in second gate and up-sell Attractions, where appropriate, to lengthen overall visitor times and enhance revenues. In 2018 and 2019, we opened three second gate Attractions at our Theme Parks in the United Kingdom and Asia. In 2019, we announced the targeted opening of a LEGOLAND Waterpark as a second gate at Gardaland Resort in 2020, in addition to Gardaland Resort's existing second gate, SEA LIFE Aquarium.

LEGOLAND Park Developments

We have a proven track record of developing and operating LEGOLAND Parks globally. We opened new LEGOLAND Parks in Florida in 2011, in Malaysia in 2012, in Dubai in 2016 and in Nagoya, Japan in 2017. LEGOLAND Malaysia and LEGOLAND Dubai are operated under management contracts. LEGOLAND Japan is operated under our "*leased and operated*" model. In October 2017, we announced the development of LEGOLAND New York in Goshen, Orange County, 60 miles north-west of New York City, with a targeted opening of the park in 2020. In 2018, we announced our intention to open a LEGOLAND Park in South Korea by 2022 and we have further development plans in China with a focus on operating these parks under management contracts. Given the strength of the LEGO and LEGOLAND brands and the success of our existing LEGOLAND Parks, we see significant scope for new LEGOLAND Parks, particularly in Asia, and we are committed to ensuring that future expansion is carefully planned and executed in order to maintain core brand values.

We have three operating and investment models with respect to the development of LEGOLAND Parks.

Firstly, in more proven locations, we follow an "*owned and operated*" model. Under this approach, we make the necessary capital investment to secure the land and develop the infrastructure ourselves. We have used this model in our European and North American LEGOLAND Parks and LEGOLAND New York and LEGOLAND Korea are being developed under this model.

Second, in new and unproven locations, we use a low capital commitment model, whereby the capital investment is provided by a third party and we operate the park pursuant to a management agreement arrangement and are paid annual operating fees. We operate LEGOLAND Malaysia under this model. We do not own the park but instead operate it pursuant to a development and management contract with our partners. The Malaysian government provided the funds to develop LEGOLAND Malaysia. We own a 20 per cent. interest in the company that owns LEGOLAND Malaysia. LEGOLAND Dubai is operated under a similar management contract model, whereby LL Dubai Theme Park LLC, a wholly owned subsidiary of DXB Entertainments, owns the assets and we operate the park. We do not have an equity interest in LEGOLAND Dubai. See "*Business—Material Contracts.*"

Third, we can operate parks under a "*leased and operated*" model. Under this approach, the acquisition of the park site, the development of the infrastructure and the basic construction is funded by a third-party partner. We fund and build the rides and the necessary theming, lease the site on a long-term basis, and operate the LEGOLAND Park. LEGOLAND Japan, for example, was developed using this approach with a subsidiary of KIRKBI as the lessor.

Strategic Acquisitions

We continue to consider acquisitions of, or investments in, visitor attractions, sites and brands that could strategically enhance our portfolio and enable us to grow into new geographies. We have demonstrated a track record of identifying, implementing and integrating both large and small acquisitions and delivering significant value uplift through improving the acquired operations. Examples of this strategy include the original acquisition of LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland and LEGOLAND Windsor as well as the acquisitions of Gardaland, the Tussauds Group, the Sydney

Attractions Group and Living and Leisure Australia. In 2016, we acquired a minority interest in BIG BUS Tours and entered into co-promotion agreements with them in certain city centre locations. We made no acquisitions during financial years 2017 and 2018, as we continue to assess opportunities where potential targets can complement our organic growth plans and meet our strict investment return criteria. We believe that there remain further attractive acquisition opportunities that would meet our investment criteria in the future.

History

Overview

Since our formation in 1999, our 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. Our company was formed in 1999 when Nick Varney, our Group Chief Executive Officer, led a management buy-out from Vardon Attractions Limited ("*Vardon Attractions*") to form Merlin Entertainments. At that time, our 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, we undertook a major expansion of our SEA LIFE and Dungeons brands, which continue to be important brands in our business today. As a result of subsequent growth and acquisitions, we now have a mixture of brands and Attractions that range from small visitor attractions to national theme parks. Our ownership has changed a number of times since our 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, we completed our initial public offering and listing of the Target Shares on the London Stock Exchange. We intend to apply for delisting of the Target Shares from the London Stock Exchange in connection with the Acquisition. See "*The Transactions—The Delisting.*"

Acquisitions and Strategic Development

From May 2005 to May 2007, we completed a number of acquisitions, including the LEGOLAND Parks from the KIRKBI Group in August 2005 and Gardaland Resort, Italy's largest theme park, together with its accompanying hotel, in November 2006. We further strengthened our portfolio of assets in May 2007 by acquiring The Tussauds Group from Dubai International Capital. As part of the acquisitions of the LEGOLAND Parks and The Tussauds Group, each of KIRKBI and Dubai International Capital, respectively, became shareholders.

Since January 2011, we have completed the following strategic acquisitions or developments across our brands:

- in March 2011, we acquired the Sydney Attractions Group, adding six Attractions to our portfolio. These Attractions have since been rebranded. We have now exited from two of these six Attractions, the small Attractions of SEA LIFE Manly and WILD LIFE Hamilton Island;
- in October 2011, we opened LEGOLAND Florida, built on the site of the former Cypress Gardens theme park;
- in February 2012, we acquired Living and Leisure Australia, adding a further nine Attractions to our portfolio (of which the Australian ski resorts at Mount Hotham and Falls Creek were sold in April 2019). These Attractions have since been rebranded;
- in September 2012, we opened our first Theme Park in Asia with the opening of LEGOLAND Malaysia, which we operate under a management contract, although we hold a minority equity interest in IDR Resorts Sdn. Bhd., which, together with its subsidiaries, owns the park;
- in October 2016, we opened LEGOLAND Dubai Resort, which is being operated under a management contract, although we hold a minority equity interest in the hotel scheduled to open at the site in 2020;
- in 2016, we acquired a minority interest in BIG BUS Tours and entered into co-promotion agreements with them in a number of city centre locations;
- in 2017, we opened LEGOLAND Japan, which is "*leased and operated*";
- in 2018, we opened seven new Midway Attractions, which comprised 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; and

- in H1 2019, we opened eight new Midway Attractions, which comprised the Alton Towers Dungeon, LEGOLAND Discovery Centres in Beijing, San Antonio and Shenyang, SEA LIFE Attractions in Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan.

We also continue to invest in the Existing Estate with a number of new rides and features at Attractions. In 2016, this included the "*Derren Brown's Ghost Train*" at THORPE PARK Resort, themed areas at Gardaland Resort and Heide Park Resort based around DreamWorks' "*Kung-Fu Panda*" and "*How to Train Your Dragon*," respectively, the launch "*The LEGO Movie 4D—A New Adventure*" for the LEGOLAND Parks, a Sherlock Holmes feature at Madame Tussauds London, a number of NINJAGO-branded "*Laser Training Camps*" at our LEGOLAND Discovery Centres and NINJAGO rides at LEGOLAND Billund and California. In 2017, this included a NINJAGO World at each of LEGOLAND Windsor, Germany and Florida, the Gruffalo River Adventure Ride at Chessington World of Adventure Resort and Ocean Invaders at SEA LIFE London Aquarium. In 2018, this included Wicker Man roller coaster in Alton Towers Resort, a new "*Justice League*" feature at Madame Tussauds in Orlando and Sydney and the first "*intelligent"* wax figure at *Madame Tussauds*, Shanghai as well as the launch of "*LEGO City: Deep Sea Adventure*" at LEGOLAND California. In 2019, this includes "*LEGO Movie World*" at LEGOLAND Florida, the re-launch of the Colossos roller coaster at Heide Park Resort, "*Day and Night on the Reef*" at SEA LIFE Sydney Aquarium and the launch of "*The LEGO Movie 2 Experience*," "*The LEGO Movie City 4D—Officer in Pursuit*" and The Haunted House Monster Party ride at LEGOLAND Windsor.

In addition, we have made significant investments in accommodation to increase the number of short break and multi-day visitors, and in 2015 we opened the LEGOLAND Florida Hotel and the "*Enchanted Village*" at Alton Towers Resort, including 120 lodges and 5 premium tree houses. In 2016, we opened the 100-room Gardaland Adventure Hotel and a Knight's Village at Warwick Castle, including 69 lodges and "*glamping*" tents (later reduced to 67 rooms). In 2017, we opened a 61-room "*Castle Hotel*" at LEGOLAND Windsor, a 166-room LEGOLAND Florida Beach Retreat and in partnership with BBC Worldwide a CBeebies Land Hotel at Alton Towers Resort. In 2018, this included a 142-room "*Pirate Island*" themed hotel at LEGOLAND Deutschland, a 252-room hotel at LEGOLAND Japan and a 250-room "*LEGO Castle*" hotel at LEGOLAND California. In 2019, we opened 372 rooms, including the Magic Hotel at Gardaland Resort, "*stargazing pods*" at Alton Towers Resort and the Castle Hotel at LEGOLAND Billund. We intend to continue this investment in themed accommodation on a selective basis to further our strategic goals.

Our Relationship with the KIRKBI Group

We have the right to use the LEGOLAND trademark and to the ancillary use of the LEGO trademark to develop and operate LEGOLAND Parks, as well as other visitor attractions, on an exclusive and worldwide basis until at least 2054 in return for the payment of a royalty, subject to a licencing and co-operation agreement with KIRKBI A/S. The license is subject to certain termination rights, though our Directors believe that such termination is highly unlikely. See "*—Material Contracts—Intellectual Property*" and "*Risk Factors—Risks Related to Our Market and Our Business—Our use of the LEGOLAND and LEGO trademarks, content and other intellectual property rights are subject to the terms and conditions of the LCA*." The strength of the LEGOLAND and LEGO brands, combined with our expertise in operating branded Attractions, has led to a successful relationship with the KIRKBI Group. This is reflected in continued investment in and development of the existing LEGOLAND Parks and associated accommodation since acquisition, the currently planned Acquisition and the profitable growth delivered across the LEGOLAND Parks since acquisition. Average like-for-like revenue at the LEGOLAND Parks between the 2016 financial year and the 2017 financial year and between the 2017 financial year and the 2018 financial year grew by 5 per cent. and decreased by 0.3 per cent., respectively. 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 and £495 million in the 2016 financial year. In addition, we have successfully developed the LEGOLAND Discovery Centre brand with the opening of 23 Attractions under this brand since 2007. We have also actively promoted the LEGOLAND Parks with the development and opening of LEGOLAND Florida in October 2011, LEGOLAND Malaysia in September 2012, LEGOLAND Dubai in 2016 and LEGOLAND Japan in 2017, with LEGOLAND New York targeted to open in 2020 (we continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021) and LEGOLAND Korea targeted to open by 2022. We believe our relationship and arrangements with KIRKBI are of mutual benefit to us and to the KIRKBI Group due to the broader global exposure of the LEGOLAND and LEGO brands and the benefit of the continued success of our market-leading Attractions.

The relationship with the KIRKBI Group has enabled us to develop and operate uniquely branded, interactive family theme parks. For example, the development of a LEGOLAND Park in Japan has been funded through a "*leased and operated*" model whereby we invested approximately one-third of the value of the park and lease the balance of the assets from a property company which is a subsidiary of KIRKBI, paying a turnover-based rent. See "*—Material Contracts*" and "*Certain Relationships and Related Party Transactions*."

KIRKBI A/S holds a 75 per cent. ownership share in the LEGO Group and a 100 per cent. ownership of the LEGO and LEGOLAND trademarks. As at 27 June 2019, KIRKBI, a wholly owned subsidiary of KIRKBI A/S, holds 29.58 per cent. of the shares in our company. Following completion of the Acquisition, Bidco (in which KIRKBI will be a 50 per cent. investor, directly or indirectly) will hold 100 per cent. of the shares in our company.

Our Brands and Attractions

Midway Attractions

We have recognisable and well-regarded brands in the industry, including SEA LIFE, Madame Tussauds, The Dungeons, LEGOLAND Discovery Centre and the Eye. The Midway Attractions operating group consists of chainable, branded, predominantly city centre and coastal visitor attractions, which draw tourists as well as visitors from the local markets. As at 29 June 2019, we operated 119 Midway Attractions across 22 countries.

Each individual Midway Attraction is a self-contained, mainly indoor facility, ranging from 10,000 to 100,000 square feet and averaging 30,000 square feet, requiring a much lower initial investment than in the Resort Theme Parks and LEGOLAND Parks operating groups.

Midway Attractions are also typically less reliant on repeat visitors than our Theme Parks, require lower ongoing capital expenditure to maintain guest satisfaction and require lower marketing expenditure to attract visitors, as a result of their locations in city centres, coastal towns and destination malls that experience high levels of foot traffic from both tourists and visitors from the local markets. The integrated nature of each Midway Attraction and resulting ability to control visitor flow also contribute to each Midway Attraction's low ongoing operating costs. With relatively low visitor length of stay of generally up to two hours, each Midway Attraction can accommodate a high turnover of visitors each day, enhancing their revenue generating potential.

Midway Attractions generate revenue at both the start and conclusion of each visit, through admission fees and merchandise sales, respectively, and tend to generate a relatively high cash spend given the short length of stay. In 2018, 96 per cent. of our revenue at our Midway Attractions comprised visitor revenue. In 2018, 79 per cent. of our visitor revenue at our Midway Attractions was generated by admissions, with 21 per cent. generated by commercial spend. At larger sites, we offer evening corporate events and functions to increase site usage. In aggregate, our Midway Attractions attracted 40.4 million visitors in the 2018 financial year. In 2018, the revenue per capita at a Midway Attraction was £15.56.

In the 2018 financial year, we opened seven Midway Attractions across North America, Europe, and Asia, comprising LEGOLAND Discovery Centre Birmingham, the Shanghai Dungeon, LEGOLAND Discovery Centre Columbus, Peppa Pig World of Play Shanghai, The Bear Grylls Adventure Birmingham, Little BIG City Beijing and SEA LIFE Nagoya and we closed four Midway Attractions, comprising Manly SEA LIFE Sanctuary, the Orlando Eye, the Cornish Seal Sanctuary and SEA LIFE Oban Sanctuary. Since 30 December 2018, we have closed, sold or otherwise transferred five Midway Attractions, comprising Hotham Ski Field, Falls Creek Ski Field, SEA LIFE Chongqing, The Jurassic Skyline and Wild Life Hamilton Island. In H1 2019, we opened eight new Midway Attractions, which comprised the Alton Towers Dungeon, LEGOLAND Discovery Centres in Beijing, San Antonio and Shenyang, SEA LIFE Attractions in Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan.

SEA LIFE

SEA LIFE is our most visited Midway Attraction brand and has historically generated greater revenue than any of our other Midway Attraction brands. SEA LIFE combines theming and marine biology expertise to provide an educational and entertaining family experience. The first SEA LIFE Centre (now closed) was opened in Oban, Scotland in 1979. Our next SEA LIFE Centre was opened in 1983 and still operates today. As at 29 June 2019, there were 48 SEA LIFE Attractions across the globe. This included one operated as a second gate at Gardaland Resort as part of the Resort Theme Parks operating group. Within the LEGOLAND Parks operating group, three such Attractions are operated as second gates at each of LEGOLAND California, LEGOLAND Japan and LEGOLAND Malaysia. In August 2019, we announced the closure of The Jurassic Skyline Attraction, a second gate at SEA LIFE Weymouth.

SEA LIFE Centres are able to attract repeat visitors by refreshing their displays and by regularly opening new displays which can be rotated across all of our SEA LIFE Centres. We are also continuously improving our existing SEA LIFE Centres with new Attractions such as our "*Ocean Invaders*" feature at SEA LIFE London Aquarium, which we launched in 2018 and our launch of "*Day and Night on the Reef*" at SEA LIFE Sydney Aquarium.

SEA LIFE Centres typically target families with young children and schools and we believe their easily communicated concept is ideal for entering new markets through new developments and infill acquisitions. For example, we opened a new SEA LIFE Centre in Shenyang, China in 2018.

SEA LIFE champions the cause of marine conservation through education and awareness. This is emphasised by the "*Breed, Rescue, Protect*" programme that is at the heart of SEA LIFE business models across the estate and demonstrates to visitors the conservation values of the brand.

Madame Tussauds

Madame Tussauds is one of our most famous brands and has provided entertainment through the display of life-size wax figures to visitors for over 200 years. Madame Tussauds has strong relevance to today's popular culture in both mature and emerging markets and is frequently endorsed by celebrities, providing significant public relations opportunities. The first Madame Tussauds was established in London in 1835 and it has been at its present location since 1884. It has become an iconic London tourist attraction. There are now 23 Madame Tussauds Attractions in twelve countries worldwide, of which fourteen have been opened since our acquisition of the Tussauds Group in 2007, including Madame Tussauds Nashville and Madame Tussauds Delhi, which opened in 2017. In 2019, we announced the opening of our first Madame Tussauds franchise in Prague in collaboration with Wax Museum—Svet Zabavy, s.r.o. Madame Tussauds are currently located in Amsterdam, Bangkok, Beijing, Berlin, Blackpool, Hollywood, Hong Kong, Istanbul, London, Las Vegas, Nashville, New Delhi, New York, Orlando, San Francisco, Shanghai, Singapore, Sydney, Tokyo, Vienna, Washington and Wuhan.

Madame Tussauds' Attractions typically target a broad visitor demographic, in particular females (with a particular trend towards 30 to 40 year olds), teens and young adults. The brand also typically targets discreet audiences, with particular wax figures proving very successful with particular audiences.

The Eye Brand

We currently operate three observation attractions under the Eye brand: the London Eye, situated on the South Bank of the River Thames in central London; the Sydney Tower Eye in downtown Sydney overlooking Darling Harbour and the Sydney Opera House with views to the outlying suburbs; and the Blackpool Tower Eye in the U.K.

Revenue from our Eye brand is generated through ticket sales, as well as sales of a range of value added products such as private capsules to rent for an event or occasion, river cruises, food and beverages, photographic souvenirs and themed merchandise.

The London Eye opened in March 2000 as part of London's millennium building programme. The London Eye consists of a rotating wheel with 32 clear glass capsules, each capable of holding approximately 25 passengers, that turns at a rate of approximately two rotations per hour. The capsules give 360° panoramic views over London and rise over 135 metres above the ground, making it the tallest observation wheel in Europe. The London Eye has become one of the iconic sights of London and has won over 40 awards for national and international tourism and engineering achievement. In addition, each of the three Eye Attractions have 4D pre-shows, which complement the Attractions.

LEGOLAND Discovery Centre

The LEGOLAND Discovery Centre Attractions have a focus on "*playful learning*," offering a combination of indoor LEGO-based rides and activities centred around the main "*Miniland*" attraction, which contains reduced scale models built from LEGO bricks, featuring landmarks from the host country and surrounding countries, typically situated in the middle of the park. These experiences include a factory tour, "*Build and Test*" and 4D cinema, with the overall visitor experience focused on hands-on LEGO play.

The first LEGOLAND Discovery Centre was launched in Berlin in March 2007. LEGOLAND Discovery Centres are typically located in shopping malls and city centres and offer fun and playful learning experiences for children between the ages of three and twelve years. A typical visit to a LEGOLAND Discovery Centre lasts approximately two hours. As at 29 June 2019, there were 23 LEGOLAND Discovery Centres open in Arizona, Atlanta, Birmingham, Berlin, Boston, Chicago, Columbus, Dallas, Istanbul, Kansas City, Manchester, Melbourne, Michigan, New Jersey, Oberhausen, Osaka, Philadelphia, San Jose, Scheveningen, Shanghai, Shenyang, Tokyo, Toronto and Westchester. We opened three new LEGOLAND Discovery Centres in Beijing, San Antonio and Shenyang in H1 2019.

The Dungeons

The Dungeons are themed indoor Attractions with strong historical and irreverent horror references, rides and live entertainment typically targeting teenagers and young adults. As at 29 June 2019, there were eleven Dungeons, located in Amsterdam, Berlin, Blackpool, Edinburgh, Hamburg, London, San Francisco, Shanghai, Staffordshire and York and one at Warwick Castle which is an up-sell attraction. The London Dungeon is the best known in the portfolio and has been in operation since 1976. We relocated the London Dungeon in 2013 to the South Bank, adjacent to the London SEA LIFE and the London Eye Attractions, which has enabled the London Dungeon to benefit from increased cluster sales and synergistic operational savings. We opened a new Dungeon Attraction in Alton Towers Resort in 2019.

Little BIG City

In 2017, we opened a new Midway Attraction brand in Berlin called Little BIG City and in 2018, launched a Little BIG City in Beijing. Little BIG City is our take on a model village with a unique fusion of miniature models and modern technology to make the history of the city come alive.

Other

In 2015, we opened "*DreamWorks Tours' Shrek's Adventure!*," an interactive experience based around DreamWorks characters on the London South Bank site, close to the London Eye.

In 2018, we opened our first "*Peppa Pig World of Play*" Attraction in Shanghai, having established multi-territory exclusivity with Entertainment One (which Hasbro has recently agreed to acquire) to roll out a variety of location-based Attractions based on the Peppa Pig intellectual property.

In 2018, we opened our first pilot "*Bear Grylls Adventure*" Attraction, having secured global exclusivity on the "*Bear Grylls Adventure*" concept.

Following the Living and Leisure Australia acquisition in February 2012, we own and operate two Treetop Walk experiences in Victoria and New South Wales, Australia.

In addition, we acquired two WILD LIFE Australian animal adventure Attractions as part of the Sydney Attractions Group acquisition. We have subsequently exited from one of these Attractions, WILD LIFE Hamilton Island.

LEGOLAND Resorts and Parks

The LEGOLAND Parks operating group consists of eight interactive LEGO-themed parks across seven countries and three continents. Our LEGOLAND Parks are typically targeted at families with children aged two to twelve years. The LEGOLAND Parks benefit from a very high brand awareness level as a result of their affiliation with the LEGO brand, which was announced as the "*World's Most Powerful Brand*" in the Brand Finance Global 500 report in 2017 and the "*World's Most Powerful Toy Brand*" in the Brand Finance Global 500 report in 2019. We use the LEGO and LEGOLAND trademarks to develop and operate the parks pursuant to the LCA with the KIRKBI Group. The KIRKBI Group is a 75 per cent. shareholder of the LEGO Group, has 100 per cent. ownership of the LEGO and LEGOLAND trademarks and through KIRKBI, a 29.58 per cent. shareholder in Merlin Entertainments plc as at 27 June 2019.

We have three business models for our LEGOLAND Parks:

- Our "*owned and operated*" model is used in proven locations and geographies. We own and operate our LEGOLAND Parks in Florida, California, the United Kingdom, Germany and Denmark, and plan to do the same in respect of LEGOLAND Park in New York and Korea;
- Our "*leased and operated*" model is used in markets that are newer to us or in connection with projects that are part of a broader development. Under this model, we have full operational control and ownership of rides and LEGO theming and lease the land and infrastructure form a partner. See "*—Material Contracts*." We "*lease and operate*" our LEGOLAND Park in Nagoya, Japan; and
- Our "*manage and operate*" model is used in new markets and unproven locations and/or in connection with projects that are part of a broader development. We do not own or lease our LEGOLAND Parks in Malaysia and Dubai but manage and operate them pursuant to a management contract. See "*—Material Contracts*."

The LEGOLAND Parks received an aggregate of 15.6 million visitors in the 2018 financial year. Revenue from the LEGOLAND Parks operating group increased by 23 per cent. from the 2016 financial year to the 2017 financial year, and increased by 5 per cent. from the 2017 financial year to the 2018 financial year. Like-for-like revenue for the LEGOLAND Parks increased by 5 per cent. from the 2016 financial year to the 2017 financial year and decreased by 0.3 per cent. from the 2017 financial year to the 2018 financial year. The original LEGOLAND Park was opened in Billund in 1968 to showcase the LEGO brand and provide an enhanced experience to visitors to the LEGO plant. Based on the success of the concept, the LEGOLAND brand was rolled out by the KIRKBI Group into the United Kingdom in 1996, the United States in 1999 and Germany in 2002. We opened a fifth LEGOLAND Park just outside Orlando, Florida, in 2011, a sixth LEGOLAND Park in Malaysia, close to the border with Singapore, in 2012, our seventh in Dubai in 2016 and our eight in Nagoya, Japan in 2017. We have announced plans to develop a LEGOLAND Park in New York State, U.S. with an opening targeted for 2020 (although the timetable and costs are under pressure given the scale and complexity of the project, with accommodation at the park expected to open in 2021) and a LEGOLAND Park in South Korea with an opening targeted for 2022, each of which we plan to own and operate. We have reached an agreement with the local province regarding partial funding, amounting to KRW 80 billion (£56 million) from LL Developments, the investment arm of Gangwon Province. We also have study agreements in place for potential LEGOLAND Parks in China with a focus on operating these parks under management contracts.

The following table sets out certain details of each of our LEGOLAND Parks:

Name	Date Opened	Country	Other Amenities
LEGOLAND Billund	1968	Denmark	Two hotels and holiday Village
LEGOLAND Windsor(1)	1996	U.K.	Two hotels
LEGOLAND California	1999	U.S.	Two hotels, SEA LIFE Centre, LEGOLAND Waterpark
LEGOLAND Deutschland	2002	Germany	Hotel, Holiday village (including hotel accommodation)
LEGOLAND Florida	2011	U.S.	LEGOLAND Waterpark, hotel and holiday village
LEGOLAND Malaysia(2)	2012	Malaysia	Hotel, LEGOLAND Waterpark
LEGOLAND Dubai(3)	2016	UAE	LEGOLAND Waterpark
LEGOLAND Japan(4)	2017	Japan	Hotel, SEA LIFE Centre

(1) LEGOLAND Windsor benefits from two hotels. One hotel is owned by us and the other is "*leased and operated*."

(2) LEGOLAND Malaysia is operated under a management contract and we hold a 20 per cent. equity interest in the project company that owns the park assets. We have no equity interest in the hotel.

(3) LEGOLAND Dubai is operated under a management contract.

(4) LEGOLAND Japan is "*leased and operated*."

All LEGOLAND Parks are based on a similar concept that is adapted to local visitor tastes. Each park comprises a "*Miniland*," reduced scale models built from LEGO bricks, featuring landmarks from the host country and surrounding countries, typically situated in the middle of the park, with four to six themed clusters containing interactive rides, shows and food and beverage facilities surrounding the Miniland.

LEGOLAND Parks generate revenue through both admission fees and commercial spend on priority ride access passes, merchandise, food and beverages, souvenir photography, participation games and parking fees. Each park's LEGOLAND branding permits a high level of cross-promotion with LEGO merchandise and results in correspondingly strong commercial spend with a relatively high revenue per capita of £35.95 in the 2018 financial year and £37.00 in the 2017 financial year. In 2018, 56 per cent. of our visitor revenue at our LEGOLAND Parks was generated by admissions (2017: 56 per cent.), with 44 per cent. generated by commercial spend (2017: 44 per cent.). In 2018, 74 per cent. of our revenue at our LEGOLAND Parks comprised visitor revenue and 22 per cent. comprised accommodation revenue.

The LEGOLAND Parks have been able to capitalise on the growth of the LEGO brand association by using well known LEGO characters and brands, such as the LEGO Star Wars exhibits and LEGO NINJAGO.

The LEGOLAND Parks typically target families with children aged two to twelve years and the majority of visitors to our LEGOLAND Parks fall within this demographic. This demographic does not demand expensive, large format "*thrill*" rides and LEGOLAND Parks enjoy high repeat visitor numbers.

We have targeted 2020 for opening a LEGOLAND Park in Orange County, New York (although the timetable and costs are under pressure given the scale and complexity of the project, with accommodation at the park expected to open in 2021) and LEGOLAND Park in South Korea, each of which will be "*owned and operated*" by us. Further, we have identified sites for potential LEGOLAND Parks in China with a focus on operating these parks under management contracts.

LEGOLAND California

LEGOLAND California is our most visited LEGOLAND Park and is located on a 128 acre site in San Diego County, the United States, close to the Pacific Ocean. Since it opened in 1999, we have added substantial capacity to the park through new rides and Attractions and food, beverage and retail outlets. The park has more than 60 rides, shows and other Attractions and a variety of shops and restaurants. Signature features include "*LEGO NINJAGO The Ride*," "*LEGO® City Deep Sea Adventure*," "*Lost Kingdom Adventure*" and "*LEGO TECHNIC® Coaster*." LEGOLAND California operates year-round, with the park closed on select Tuesdays and Wednesdays in the off-peak season. Combined with Southern California's moderate climate, this provides the park with a smoother seasonality profile, compared to most of the other Theme Parks. In August 2008, we opened a SEA LIFE Centre as a second gate at LEGOLAND California. We have since added the themed LEGOLAND Waterpark, opened in 2010 and expanded in 2014, which can be accessed by park visitors for an additional fee. We also developed a 250 room on-site themed hotel, opened in 2013. We opened a 250-room LEGOLAND California Castle Hotel in 2018.

LEGOLAND Billund

LEGOLAND Billund opened in 1968. It began as a nine acre Miniland which attracted 625,000 visitors in the first year and has since grown to a park of approximately 38 acres with an additional 15 acres owned and 20 acres rented for car parking and support services. LEGOLAND Billund is open from March to October and consists of more than 50 rides, shows and other Attractions and a variety of shops and restaurants. Attractions include "*Atlantis by SEA LIFE*," "*NINJAGO Land*," "*Polar X-plorer*" and "*Flying Eagle*" rides. LEGOLAND Billund has a 142-room Castle Hotel as well as a 223-room hotel, with a conference centre facility and a holiday village, which includes 110 lodges, 48 family rooms, 30 "*barrels*" and a campsite, which we lease and manage. Also located at the Billund resort is a chalet-style holiday village with 850 lodges and a Waterpark, each of which is managed by Lalandia.

LEGOLAND Billund is located in the middle of Jutland on the mainland of Denmark and benefits from good transport links being close to Billund International Airport. In the 2018 financial year, domestic Danish visitors accounted for more than 46 per cent. of the total visitors, with the remainder visiting mostly from Germany, Norway, Sweden and The Netherlands, and increasing numbers from Finland, Poland and other Eastern European countries.

LEGOLAND Windsor

LEGOLAND Windsor, the United Kingdom's most visited theme park in 2017 according to the TEA/AECOM Report for 2018, opened in 1996 as the first LEGOLAND Park outside Denmark. The park is located close to Windsor, United Kingdom and is open from March to late October or early November.

The park has more than 55 rides, shows and other Attractions and a variety of shops and restaurants. Signature rides and Attractions include the "*Miniland*," "*Atlantis by SEA LIFE*," "*Laser Raiders*," "*LEGO City Driving School*" and the "*Dragon coaster*." In 2017, "*NINJAGO World*" was launched, which includes a LEGO interactive family signature ride, which has been rolled out across other LEGOLAND Parks too. In 2019, "*The LEGO Movie 2 Experience*," "*The LEGO Movie City 4D—Officer in Pursuit*" and The Haunted House Monster Party ride were launched in selected LEGOLAND Parks.

In March 2012, we opened a 150-room LEGO-themed hotel and conference centre to enhance the resort's appeal to the short break market and it achieved in excess of 95 per cent. occupancy rates for the 2017 peak season (being July and August). A second hotel, the LEGOLAND Windsor Castle Hotel was opened in July 2017, which includes 61 fully themed premium rooms.

We have also recently built the Sensory Space in Heartlake City at LEGOLAND Windsor. Sensory Space has been specifically designed for those with additional sensory needs, and is the first dedicated sensory facility of its kind in our theme parks and is an open space full of interactive sensory experiences, with vibrating bean bags, soft seating, interactive projections, bubble tubes, infinity tunnels, tactile panels and soft lighting, designed to create a calm space to relax.

LEGOLAND Windsor is located within a one hour drive from London and benefits from good transport links.

LEGOLAND Deutschland

LEGOLAND Deutschland opened in May 2002 in Günzburg, Bavaria, Germany. LEGOLAND Deutschland has more than 60 rides, shows and Attractions in ten themed areas, and a variety of shops and restaurants, and is open from the end of March to early November. Signature rides and Attractions include "*The Great LEGO Race*," a LEGO NINJAGO 4D ride, "*Temple X-pedition*," "*Jungle X-pedition*" and "*LEGOLAND Atlantis by SEA LIFE*" and MINILAND, nationally and internationally recognised buildings being rebuilt out of more than 25 million LEGO bricks on a 1:20 scale.

Approximately 64 per cent. of visitors in the 2018 financial year were German. The park is serviced by good transport links and is within 1.5 hours' drive from both Munich and Stuttgart.

In 2008, we opened our first holiday village at LEGOLAND Deutschland, initially with 48 chalets, a refectory, a playground and a 177-space campsite. Since then, there have been further phases of development, including the addition of a Knight's Castle and a King's Castle extension, additional chalets and barrel-style accommodations. At the end of the 2018 financial year, the park had 72 chalets (144 rooms), 136 rooms in the castle hotels, 39 barrels and a 165-space campsite. In March 2018, we opened a 142-room "Pirate Island" themed hotel at LEGOLAND Deutschland.

LEGOLAND Florida

LEGOLAND Florida was built on the site of the former Cypress Gardens theme park and opened to the public in October 2011. It exceeded its business case visitor numbers in the first full year of operation. Due to the site's history and pre-existing infrastructure, we believe the development cost was substantially below the standard cost to develop a comparable theme park.

The park is located on a 150-acre site on the shores of Lake Eloise in the city of Winter Haven, Florida and is an approximately 45 minute drive from Orlando and downtown Tampa. The park has more than 50 rides, shows and Attractions, restaurants, shopping, and a botanical garden, and is based on thirteen themed zones, including Miniland USA, the Imagination Zone, LEGO City, "*Heartlake City*" and NINJAGO. LEGOLAND Florida operates all year round, with the park closed on some Tuesdays and Wednesdays during off-peak periods. In May 2012, we added a themed LEGOLAND Waterpark which can be accessed by park visitors for an additional fee. In 2015, we opened a 152-room LEGOLAND Florida hotel and in 2017 we opened a 166-room holiday village.

LEGOLAND Malaysia

LEGOLAND Malaysia was developed on a 76-acre greenfield site in southern Malaysia close to the Singapore border and the park was opened in 2012. In 2013, a 249-room LEGOLAND Hotel (which has since been expanded to 263 rooms) and a LEGOLAND Waterpark were built. We do not own the Park but instead operate it pursuant to a development and management agreement with Malaysian partners, with funds provided by the Malaysian government under which we were paid an initial development fee and receive an annual operating fee based on the revenue and EBITDA of the Resort and an annual management fee based on yearly inflationary consumer price index increases. We hold 20 per cent. of the issued share capital of the project company that owns the Park. The park has more than 70 interactive rides, slides, shows and Attractions. The Attractions are grouped into themed areas of which the centrepiece is MINILAND, where Asian landmarks have been recreated using more than 30 million LEGO bricks. LEGOLAND Waterpark has over 20 slides and water-based Attractions. LEGOLAND Malaysia operates year-round. We manage the park and the hotel pursuant to management contracts. See "*—Material Contracts*."

LEGOLAND Dubai

LEGOLAND Dubai opened in 2016. The park is located between Dubai and Abu Dhabi on Sheikh Zayed Road as an integral component of Dubai Parks and Resorts. We do not own the park but instead operate it pursuant to a management agreement with LL Dubai Theme Park LLC, a subsidiary of DXB Entertainments. The park has more than 40 interactive rides, shows and Attractions, grouped into six themed areas with approximately 15,000 LEGO model structures, including a 17-metre tall Burj Khalifa LEGO model. Adjacent to LEGOLAND Dubai is LEGOLAND Waterpark with over 20 slides and Attractions. LEGOLAND Dubai and LEGOLAND Waterpark operate all year round. We plan to open a hotel, which we will operate pursuant to a management contract and in which we will hold a 40 per cent. interest.

LEGOLAND Japan

LEGOLAND Japan opened in 2017. The park is located at Kinjofuto, Minato-ku, Nagoya, Japan. We developed the park under our "*leased and operated*" model, whereby we invested in the park with a partner from which we lease unowned assets in exchange for rent. Under this model, we invested approximately one third of the total park cost, with the balance of the assets, primarily park infrastructure assets, funded and owned by one of KIRKBI's subsidiaries through a combination of equity and external debt provided by Sumitomo Mitsui Banking Corporation. We lease the park and associated assets on arm's length commercial terms, paying a turnover-based rent with an annual floor on a 50 year lease. The park has more than 40 interactive rides, shows and Attractions, grouped into eight themed areas such as Miniland, Bricktopia and Knights' Kingdom, with approximately 10,000 LEGO models and 17 million LEGO bricks. In 2018, we opened a SEA LIFE Centre, a second gate Attraction, and a 252-room LEGOLAND Hotel at the site.

Resort Theme Parks

The Resort Theme Parks operating group consists of six national Resort Theme Parks each of which has at least one on-site accommodation offering. They typically target large populations in European markets, generally catering to the domestic market where each site is located, but with an increasing international audience at certain of the parks, particularly Gardaland Resort. All six Resort Theme Parks have associated accommodation offerings, including hotels, holiday villages, lodge accommodation or "glamping" which enable those parks to attract a wider range of visitors who live further from the parks. Resort Theme Parks generate revenue through both admission fees and commercial spend on sales of priority ride access passes, food and beverages, merchandise and souvenir photographs, participation games and car parking. For the 52 weeks ended 29 December 2018, 79 per cent. of our revenue at our Resort Theme Parks comprised visitor revenue and 18 per cent. comprised accommodation revenue. For the 52 weeks ended 29 December 2018, 58 per cent. of our visitor revenue at our Resort Theme Parks was generated by admissions (2017: 59 per cent.), with 42 per cent. generated by commercial spend (2017: 41 per cent.). Multi-day stays by visitors at attached and off-site hotels increase this commercial spend and targeting such stays has been a growing part of the operating group's strategy. Certain Resort Theme Parks have "*second gates*," a concept that management plans to continue developing at other Resort Theme Parks.

The Resort Theme Parks received an aggregate of 11 million visitors in the 2018 financial year. Revenue per capita in 2018 was £25.82. Like-for-like revenue for the Resort Theme Parks increased by 9 per cent. between the 2018 financial year and the 2017 financial year due in part to very favourable weather in the United Kingdom and Continental Europe compared to the difficult conditions which impacted performance in 2017, and decreased by two per cent. between the 2016 financial year and the 2017 financial year, due in part to the impact of terror attacks in the United Kingdom and unfavourable weather in Italy and Northern Germany.

The following table sets out the location, target demographic and facilities of each of our Resort Theme Parks:

Name	Date Opened	Country	Key Target Demographic	Other Amenities
Alton Towers Resort	1980	U.K.	Families, Teens and Young Adults	Three hotels, indoor
Chessington World of Adventures Resort	1931	U.K.	Families	Waterpark, conference centre, lodge accommodation, "*Tree Top Quest*" and spa
Thorpe Park	1979	U.K.	Teens, Young Adults and Older Families	Two hotels, conference centre, "*Go Ape*" Attraction, camping facilities and spa
Warwick Castle	1978	U.K.	Families and Tourists	Hotel, conference facilities
Gardaland Resort	1975	Italy	Families, Teens and Young Adults	The Castle Dungeon, camping facilities and lodge accommodation
Heide Park Resort	1978	Germany	Families, Teens and Young Adults	Hotel, conference centre and holiday village

Each Resort Theme Park offers a range of rides and activities, attracting stays of between one and three days, with multi-day stays encouraged by unique "*resort-style*" hotel and holiday village accommodation on-site and partner hotels off-site. The ability to plan multi-day stays increases the pool of potential visitors, as visitors are generally more likely to drive further distances for a multi-day visit compared to a typical single day visit due to time constraints. The target visitor demographic ranges from families with young children to teenagers and young adults to adults and families.

Alton Towers Resort

Alton Towers Resort was the United Kingdom's second most visited theme park in 2017 according to the TEA/AECOM Report for 2018. The attraction is close to the Peak District National Park, Birmingham and the West Midlands to the south and Manchester/Liverpool and Leeds/Sheffield to the north. The park, originally the seat of the Earl of Shrewsbury, was opened as a theme park in 1980, attracts all ages and is open from late March until early November. The park includes over 40 rides and Attractions arranged in themed areas with a variety of restaurants, bars and shops. Signature Attractions include the "*CBeebies land*," a combination of rides, Attractions and live entertainment based on BBC Worldwide's "*CBeebies*" television shows aimed at the pre-school demographic and opened in 2014, "*TH13TEEN*," "*Galactica*," "*Nemesis*," "*Oblivion*," "*Rita*" and "*Wicker Man*," which was launched in March 2018. The grounds also include the Grade II listed Towers building and the Grade I listed historic landscaped gardens. Second gates include a themed Waterpark and an Alton Towers Resort-themed "*Extraordinary Golf*" course. In 2019, we opened a new Dungeon at Alton Towers Resort.

Alton Towers Resort attracts visitors from across the United Kingdom including local and regional residents and domestic tourists. It benefits from good transport links, being close to rail links with Derby, Nottingham and Stoke-on-Trent, and is within one hour's drive of two major roadways.

The Alton Towers Resort also contains the Alton Towers hotel, a 175-room Alton Towers-themed hotel and spa, Splash Landings Hotel, a 216-room hotel, Waterpark, and a conference centre for 500 delegates, an "*Enchanted Village*" comprised of 120 lodges and five premium tree houses and a further second gate "*high ropes*" attraction, located close to the "*Enchanted Village*." In 2017, it added a 76-room "*CBeebies*" Hotel with theming based on BBC Worldwide's "*CBeebies*" television shows. In 2019, we opened 102 "*stargazing pods*" at Alton Towers Resort.

Chessington World of Adventures Resort

Chessington World of Adventures Resort, the United Kingdom's fourth most visited theme park in 2017 according to the TEA/AECOM Report for 2018 and is situated 12 miles from central London in approximately 130 acres of land in Chessington, Surrey. Chessington World of Adventures Resort originally opened in 1931 as Surrey Zoological Gardens incorporating a variety of animals as its main attraction. The site was converted into a theme park in 1987. Chessington World of Adventures Resort is focused on quality family Attractions primarily targeting younger families and offering a mix of ride and animal experiences. The park is fully open from March to October and open for "*Zoo only*" days in the off season during weekends and school holidays. The park includes over 40 rides and Attractions and in excess of 1,000 exotic and endangered animals, a number of themed areas, as well as a variety of restaurants, bars and shops. Signature Attractions include "*Tiger Rock in Land of the Tiger,*" "*Zufari: Ride into Africa,*" "*Vampire*" and "*The Gruffalo River Ride Adventure,*" as well as the zoo and a SEA LIFE Centre.

Chessington World of Adventures Resort benefits from good transport links, is close to a major London motorway and is within 40 minutes of London Waterloo train station.

The Chessington World of Adventures Resort also contains a 150-room Chessington Safari Hotel, with views of the Zoo's Wanyama Village and Reserve, in which guests are able to see zebra, giraffe and antelope roam freely, a 69-room Chessington Azteca Hotel, opened in 2014 and a 35-tent "*Explorer Glamping*" experience, which was launched in 2016.

THORPE PARK Resort

THORPE PARK Resort is primarily aimed at teenagers, young adults and older families and is located in Chertsey, Surrey. It opened in 1979 and was the United Kingdom's third most visited theme park in 2017 according to the TEA/AECOM Report for 2018. It is open from March to October. The site includes several lakes and covers 425 acres and is located 25 miles from central London. The park itself covers approximately 124 acres, comprising over 25 thrill and family rides and a variety of restaurants and shops. Signature Attractions include "*Derren Brown's Ghost Train*," "*The Swarm*," "*Colossos*," "*Nemesis Inferno*," "*SAW—the Ride*" and "*Stealth*." The resort includes the 90-room "*THORPE SHARK Hotel*," which was opened in 2014.

THORPE PARK Resort benefits from good transport links and is close to two major London motorways. To support the resort positioning, a calendar of club nights and evening entertainment extends THORPE PARK's offering into the evening and night during certain weekends.

Warwick Castle

Warwick Castle is a Grade I listed building and a scheduled ancient monument, whose grounds are a Grade I registered park comprising 104 acres, designed by the renowned landscape gardener Capability Brown, which are open all year round. The primary attraction is the castle itself, with a focus on "*historical escapism and fun learning*," interactive family activities and themed entertainment such as the "*War of the Roses*" jousting show and the "*Falconers Quest*" birds of prey show.

Themed Attractions include the "*Castle Dungeon*," "*Princess Tower*," "*Horrible Histories Maze*," the "*Time Tower*," the "*State Rooms*" and seasonal themed events such as the evening "*Dragon Slayer*" re-enactment and projection mapping show.

The castle rooms contain a variety of exhibits and artefacts, many using wax figures that have been produced by the Merlin Magic Making team depicting aspects of the castle's history. The grounds surrounding the castle are also popular due to the gardens and scenic walks which connect the castle with the River Avon.

There are three restaurants on the site with a combined seating capacity of around 250 people. Warwick Castle also hosts private events including corporate hospitality functions, and up to 2,000 people can be accommodated within marquees and the banqueting hall. In recent years, we introduced guest accommodation into the castle and grounds. This includes the Tower Suites in the castle itself, lodge accommodation in the 65-room Knight's Village and seasonal medieval glamping.

The site is located close to the town centre of Warwick, just north of Stratford-upon-Avon and south of Birmingham and Birmingham International Airport. It is an approximately two-hour drive from London. Warwick Castle is popular with domestic and international visitors.

Gardaland Resort

Gardaland Resort was Italy's most visited theme park in 2017, according to the TEA/AECOM Report for 2018. It is set within a 231 acre site in the region of Veneto, Italy, approximately a 30-minute drive from Verona and Brescia and within two hours' drive of Milan and Piacenza. Built on the southeastern shore of Lake Garda at Castelnuovo del Garda, the park opened in 1975. The park has a mix of "*thrill*" rides and family experiences, attracting a broad range of demographic groups. Gardaland Resort is open from March to October and during weekends and Christmas weeks in December. The park comprises over 30 rides and twelve shows including characters and brands such as Kung Fu Panda and San Andreas 4D, and a variety of restaurants, bars and shops. Signature Attractions include "*Raptor*," "*Blue Tornado*," "*Fuga da Atlantide*," "*Mammut*" and "*Oblivion*." We also operate a Gardaland SEA LIFE Aquarium as a second gate close to Gardaland Resort.

Gardaland Resort benefits from good transport links, being just over one mile from a major Milan Venice Highway, and within 18 miles of Valerio Catullo airport. The nearest theme park of a similar scale to Gardaland Resort is Europa Park, south west Germany, over five hours' drive away. In the summer the park opens for night admissions from 6:00 pm to 11:00 pm to take advantage of the warm weather. The resort includes the 247-room Gardaland Hotel, which opened in 2006 and the 100-themed room Gardaland Adventure Hotel, which opened in 2016, which collectively include restaurants, bars, conference facilities and an outdoor pool. In 2019, we opened a 128-room Magic Hotel at Gardaland Resort.

Heide Park Resort

Heide Park Resort, which was opened in 1978, is located just outside the town of Soltau, in the Lower Saxony region of Germany and is within approximately 50 miles of both Hanover and Hamburg. The park's visitors are primarily local, as opposed to foreign, tourists. Heide Park Resort provides large, exciting thrill rides and family Attractions, attracting a broad mix of families, teenagers and young adults. Signature Attractions include the new "*Flight of Demons*" winged coaster, "*Krake*," "*Desert Race*," "*Limit*" and "*Swiss Bob Ride*." The park includes over 40 Attractions in four themed areas with restaurants, bars and shops. Heide Park Resort is open from March to October. The park consists of 490 acres of land in total, with 198 acres used for the theme park and the remainder a combination of woodland and farmland.

Heide Park Resort is in Lower Saxony, a popular tourist destination within Germany due to the appeal of the northern coastline as a domestic holiday location. Heide Park Resort benefits from good transport links.

Heide Park Resort includes two accommodation offerings: a Holiday Camp with 81 chalets of varying sizes with a total capacity of 158 rooms and primarily targets schools and families, and a 164-room Adventure Hotel with wedding and conference facilities.

Material Contracts

LCA

We license the LEGOLAND and LEGO trademarks pursuant to a licencing and co-operation agreement dated 24 August 2005 (as subsequently amended and restated on 11 March 2011) with KIRKBI A/S. See "*—Intellectual Property*."

LEGOLAND Malaysia

We operate LEGOLAND Malaysia pursuant to a development and management agreement with Malaysian partners with funds provided by the Malaysian government. Under the agreement, we were paid an initial development fee and receive an annual operating fee and other fees based on the revenue and EBITDA of the LEGOLAND Malaysia. We were required to contribute half of our initial development fee to the capital of the project company (IDR) that owns the park assets and were required to contribute future revenue and EBITDA related fees to the capital of IDR until we held 20 per cent. of the issued share capital of that company. That level has now been reached and thus we are no longer required to contribute management fees to IDR. The Malaysian government has invested in the development of LEGOLAND Malaysia. See "*Certain Relationships and Related Party Transactions*." We have also signed a development and management agreement to operate a SEA LIFE aquarium on land owned by LEGOLAND Malaysia.

LEGOLAND Dubai

We operate LEGOLAND Dubai pursuant to a development and management contract. Our local partner, LL Dubai Theme Park LLCs and Resorts, a subsidiary of DXB Entertainments, owns the assets and we operate the park. Under the contract, we were paid an initial development fee and receive an annual operating fee and other fees based on the revenue and EBITDA of LEGOLAND Dubai. We have also signed a joint venture agreement for a hotel at the same location as LEGOLAND Dubai.

LEGOLAND Japan

LEGOLAND Japan, which opened in 2017, was funded through a "*leased and operated*" model, in which we invested approximately one third of the value of the park, with the balance of the assets, primarily park infrastructure assets, funded and owned by one of KIRKBI's subsidiaries, through a combination of equity, and external debt provided by Sumitomo Mitsui Banking Corporation. We lease the park and associated assets on arm's length commercial terms, paying a turn-over based rent with an approximate £5 million (equivalent) annual floor on a 50 year fully repairing and insuring lease. See "*Certain Relationships and Related Party Transactions*."

LEGOLAND New York

In October 2017, we announced plans to open LEGOLAND New York in New York State, U.S. with a targeted opening in 2020. We continue to target a 2020 opening for the LEGOLAND New York park with accommodation expected to open in 2021. As stated at the time we published our results for H1 2019 on 1 August 2019, this is a complex project and we now expect to spend approximately $400 million, of which approximately $100 million had been spent as at 29 June 2019. LEGOLAND New York will be developed under our "*owned and operated*" model, consistent with all our U.S. and European LEGOLAND Parks.

LEGOLAND Korea

In connection with the development of LEGOLAND Korea, we entered into a development agreement with, amongst others, the Gangwon provincial government in December 2018. Under the terms of this agreement, we have agreed to develop and construct LEGOLAND Korea's on-site facilities, at our cost and responsibility, and the Gangwon government has agreed to develop and construct all off-site facilities and infrastructure required for the operation of LEGOLAND Korea, at their cost and responsibility. In addition, we entered into a construction contract with Hyundai Engineering & Construction in June 2019, which authorised us to start the construction of LEGOLAND Korea on Hajungdo Island from 2 September 2019.

London Eye

We hold the property on which the London Eye Attraction is located pursuant to three lease agreements and a River Works licence agreement. The main ticket hall and 4D cinema are in the sub-basement, basement and ground floor of the County Hall on London's South Bank and held pursuant to a lease dated 30 December 2003, valid until 31 December 2051. The main paved landscape and queue line area adjoining Jubilee Gardens, next to the London Eye, is held under a lease dated 30 December 2003, valid until 31 December 2101. We also hold a third lease for further land at Jubilee Gardens, dated 8 February 2006, which is valid for 26 years from 1 January 2005.

Further, part of the London Eye site is operated pursuant to a River Works licence granted to us by the Port of London Authority, dated 10 August 1999. The licence does not have a contractual expiry date but can be revoked by the Port of London Authority on three months' notice, subject to the right of appeal to the U.K. Government. Circumstances for cancellation include an unremedied breach of the licence, the insolvency of the licensee or if the Port of London Authority exercises its statutory powers for navigational or river regime reasons. We have recently agreed a deed of variation to fix the mechanism for the annual fee paid to the Port of London Authority through to 2039.

Peppa Pig World of Play

We operate Peppa Pig World of Play Attractions pursuant to an exclusive multi-territory licensing agreement with Entertainment One ("*eOne*") (which Hasbro has recently agreed to acquire), owner of the Peppa Pig brand. Pursuant to this agreement, we opened the first Peppa Pig World of Play Attraction in Shanghai at the end of 2018 and rolled out two additional Peppa Pig World of Play Attractions in Dallas and Michigan in 2019. Peppa Pig World of Play is an indoor Attraction that gives pre-school children an opportunity to step into the exciting world of Peppa Pig in an immersive play environment packed full of family-inclusive activities. The license under the agreement confers exclusivity, with the exception of the U.K. and China. In China, we have non-exclusive rights and have the right to be notified in advance of any third-party deals. In China, we receive local exclusivity for all Peppa Pig World of Play Attractions once opened, with the distance and exclusivity varying depending on the type of Attraction.

Sale and Leaseback Transactions

In July 2007, we entered into sale and leaseback arrangements with the predecessor in title of Secure Income REIT plc in respect of substantially all land, buildings and rides at Alton Towers Resort, Heide Park Resort, Madame Tussauds London, THORPE PARK and Warwick Castle. Secure Income REIT plc subsequently sold the freehold interest of Madame Tussauds London to Fubon MTL Property (Jersey) Ltd. with no change to the terms of the lease. In May 2012, we entered into a sale and leaseback arrangement with Richie Properties in respect of the LEGOLAND Windsor Hotel. The lease for LEGOLAND Windsor Hotel was subsequently transferred to Aberdeen Standard Investments.

We do not have any other sale and leaseback arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, operating results, liquidity, capital expenditures or capital resources that is material to investors. See "*Description of Certain Financing Arrangements—Sale and Leaseback Transactions*."

Intellectual Property

Our principal intellectual property rights are the various trademarks comprising the Key Brands. With the exception of the LEGOLAND and LEGO trademarks, which are licensed to us under an agreement with KIRKBI A/S, we have pursued a programme of registering trademarks relevant to the Key Brands in those territories in which we operate under the Key Brands, including the United Kingdom, member states of the European Union, the United States and various countries in the Asia Pacific region.

Pursuant to the LCA, we have an exclusive and worldwide right to use: (i) certain LEGOLAND registered trademarks, including the word "*LEGOLAND*" and LEGOLAND-associated logos; and (ii) various LEGO-related registered trademarks, until at least 2054 for the purpose of operating and promoting the LEGOLAND Parks and LEGOLAND Discovery Centres and for use in the construction, operation and promotion of new LEGOLAND Parks and LEGOLAND Discovery Centres including in connection with hotels and other accommodation facilities and smaller LEGOLAND Attractions such as merchandise.

We pay KIRKBI A/S a royalty, calculated as a percentage of gross qualifying revenue generated by the operation of the LEGOLAND Parks and Attractions. The royalty rates are, in normal circumstances, fixed but can (i) reduce if the LEGO Group's worldwide turnover falls below specified levels and (ii) increase, (a) in relation to any LEGOLAND Park whose qualifying revenue falls below a specified floor (being a percentage of that LEGOLAND Park's first year's qualifying revenue) and (b) if, but only for so long as, the number of LEGOLAND Parks that we operate falls below three. If an increase in royalty is triggered by a fall in qualifying revenue at a particular LEGOLAND Park, this increase applies to the qualifying revenue of the affected LEGOLAND Park only and continues only until the required revenue is achieved again. The amount we currently pay is approximately a low single digit percentage of revenue.

The LCA requires us to develop the LEGOLAND business and the extension of the term of the LCA on an exclusive basis is subject to the development of a certain number of LEGOLAND Parks or LEGOLAND Discovery Centres. Our opening of three LEGOLAND Parks (Florida, Dubai, Japan and Malaysia) and LEGOLAND Discovery Centres since 2007, confer worldwide exclusivity until at least the end of 2054. We also have a right of first refusal under the LCA to open a new LEGOLAND Park in any country or U.S. state that becomes non-exclusive. Once the new park opens, our exclusive rights under the LCA are restored for the country or U.S. state in question. No new LEGOLAND Attractions are permitted within 100 miles of the Disneyland Resort at Anaheim in California before 31 December 2020. The LCA also includes certain operational requirements for the operation of the LEGOLAND Attractions, confirming their family orientation, the requirement of a LEGO theme, a list of minimum components for each attraction, requirements for any new rides or Attractions at any LEGOLAND venue and a requirement to monitor customer satisfaction and maintain it at above pre-determined levels, as well as to include a retail area to sell LEGO merchandise.

The LCA includes rights for each party to terminate the agreement in specified circumstances. For example, if visitor satisfaction survey results fall below a specified level for a park, the relevant park may lose its license, subject to a two year grace period, during which the park must to improve its performance to avoid losing its license. Guest satisfaction levels are currently significantly above the minimum levels required. The LCA also specifies that we may lose the right to operate the LEGOLAND brands if we are acquired by a competitor of the LEGO Group or an "*inappropriate*" person.

Following the Acquisition, 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. Amongst others, these changes include introducing a new global, exclusive perpetual license agreement to use the LEGO trademark for the purpose of the LEGOLAND Discovery Centres, which license agreement will be subject to separate fixed term license agreements of 20 years individually agreed for each LEGOLAND Discovery Centre. Furthermore, the Consortium has agreed to a review of the current format of the LEGOLAND Discovery Centres, as well as 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 finalised following the Acquisition. Further information in relation to the proposed amendments can be found on our website at: https://www.merlinentertainments.biz/recommended-offer/.

We also leverage third-party intellectual property such as "*The Ghostbusters Experience*" at Madame Tussauds, New York, BBC Worldwide's "*CBeebies*" at Alton Towers Resort, and "*Horrible Histories*" at Warwick Castle. We used third-party intellectual property as part of our joint development with DreamWorks Animation at "*DreamWorks Tours' Shrek's Adventure!*" in London, which opened in 2015. We have also secured global exclusivity on the "*Bear Grylls Adventure*" concept and rolled out our pilot attraction in 2018 in Birmingham, United Kingdom. In addition, we have established multi-territory exclusivity with Entertainment One (which Hasbro has recently agreed to acquire) to roll out a variety of location-based Attractions based on the Peppa Pig intellectual property, with the first "*Peppa Pig World of Play*" Attraction having opened in China in late 2018.

Industry Expertise and Commitment to Visitor Satisfaction

Merlin Annual Passes and Merlin Pass Monthly Membership

We use a number of channels to sell and distribute tickets, many attracting discounts from the advertised "*lead*" price, including a Merlin Annual Pass that is purchased for a one-off price that enables our customers to visit all Attractions within a particular country for one year for no additional admission fee. Merlin Annual Passes are currently available in the United Kingdom, Germany, the United States and Australia. We plan to launch Merlin Annual Passes in other jurisdictions where we own or operate multiple Attractions. In the United Kingdom, we also allow 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 our Attractions in the United Kingdom. Merlin Pass Monthly Memberships are offered at two price points to offer customers either standard or premium amenities. We use the Merlin Annual Pass and Merlin Pass Monthly Membership to drive visitor loyalty and brand awareness, to provide us with revenue visibility, to secure cash flows in advance and to increase levels of commercial spending at the Attractions.

Merlin Magic Making

Merlin Magic Making ("*MMM*") is a specialist group within Merlin which consists of over 400 people. With the exception of new LEGOLAND Parks and some maintenance projects, all projects with a cost of over £1 million is managed by MMM project managers. In particular, MMM provides the following services:

- "*Creating the Magic*": driving innovation across our group and creating high-class, compelling propositions for our Attractions;
- "*Developing the Magic*": developing new concepts into commercially-viable Attractions;
- "*Producing the Magic*": producing compelling content such as wax figures and Attraction theming; and
- "*Delivering the Magic*": constructing new Attractions and investment projects, including new hotels and rides.

With respect to our ride-based Attractions, MMM sources new rides from established third-party manufacturers, generally buying proven rides which are in operation in other Attractions as opposed to higher risk prototypes. In each case, MMM works with the established third-party manufacturer to add content, theming and technology to give the ride its distinctiveness.

Continuing Commitment to Deliver the Highest Quality Experience for Customers

Our focus on guest experiences and visitor satisfaction is key to generating growth in visitor numbers and extending the length of stay across all our Attractions. Visitor satisfaction is an important determinant of repeat visits and customer loyalty and also forms part of our employee incentive arrangements. We measure visitor satisfaction levels through daily monitoring processes, which assist management in identifying opportunities to support pricing and to help direct capital investment to improving or replacing our product offering. We have a target overall guest satisfaction level and a target value for money level of over 90 per cent. at each of the Attractions, and most of our Attractions consistently achieve scores above this target. Our overall average guest satisfaction across our group was 95 per cent. in 2018. Historically our guest satisfaction was 90, 90, 90, 92, 93, 93, 93 and 94 for the financial years 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, respectively. We also target the propensity for our guests to recommend our Attractions through social media. Our Group Product Excellence Director, who reports directly to our Chief Executive Officer, is tasked with ensuring that our quality of service key performance indicators remain high across the portfolio. We have implemented specific and sophisticated processes at each Attraction to measure visitor satisfaction and give performance feedback on a daily basis. Touch-screen machines have been installed in most Attractions and these provide instant feedback to the relevant visitor attraction and the Group Product Excellence Director. We conduct regular mystery shopper visits to test each Attraction against key metrics and to gauge visitor satisfaction. We also carry out regular mystery shopper visits on our key competitors to ensure our own Attractions competitive and of a high standard.

We regularly use league tables to encourage further improvement and we view complaints, where they occur, as a real opportunity to exceed visitor expectations through effective resolution. Product Excellence Managers at most Attractions are tasked (under the leadership of their respective Divisional Directors or General Managers) with resolving the sources of visitor complaints.

Employees

Our average number of permanent employees for the 2016, 2017 and 2018 financial years was 8,515, 8,781 and 8,909, respectively. Our 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. Our workforce increased to almost 28,000 employees during the peak season in the 2018 financial year.

Employee Engagement

Every summer we run our online employee survey, "*The Wizard Wants to Know*," to assess how engaged our staff are. In 2018, we had a 95 per cent. response rate, of which 94 per cent. responded that "*they enjoy working here*." Our employee engagement score is one of Merlin's Key Performance Indicators, measuring whether our teams think we are a "*great place to perform*," "*a great place for customers*" and a "*great place to work*." In 2018, our engagement score was 86 per cent., which is above the global average for this type of survey. 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*."

Diversity

Diversity is a crucial part of our people strategy and we are committed to offering an inclusive working environment where difference is valued and diverse groups are fully and properly represented at all levels of our organisation. We strive to ensure we have the best people for every role, regardless of gender, race, disability, sexual orientation or any other factor. In recent years one of our primary aims has been to increase gender diversity through our "*Women at Merlin*" initiative and to support recruiters and line managers through our "*Managing Inclusively*" programme. We have increased the percentage of female permanent employees by 2 per cent. to 50 per cent. in 2018, from 4,182 female permanent employees in 2017 to 4,532 in 2018.

Talent and Development

Our future growth depends on recruiting and developing the Team Merlin of the future. We seek out people who have a genuine love of fun and a natural ability to inject magic into the lives of our guests whenever they visit one of our Attractions and once recruited, we commit to develop and promote people within Merlin by offering promising careers by encouraging employees to move across disciplines and brands. In 2017, we launched several development initiatives to support our business growth including programmes in "*Attraction Management*" designed for General Managers of the future with a series of global, interactive webinars, projects and activities, "*Marketing the Magic*" to support our Marketing function and "*Mentoring at Merlin*" to enhance our mentoring culture. In 2018, we rolled out apprenticeships in food and beverage, engineering and team leading. In 2019, we plan to continue to promote these core programmes, in addition to launching apprenticeships in department management and marketing and laying the foundations for the launch of apprenticeship degrees in 2020.

Recruitment

We operate in a sector with high employee turnover and so it requires effort to maintain our existing employee base. On top of this, as we grow each year, we need an ever-greater variety of roles and skills and offer an increasingly wide range of opportunities. As a result, we have been working closely with our recruiters to give them the skills, knowledge and creativity they need to find and select candidates who have the right skills and attitudes for long and successful careers with us. Technology plays a key role in our hiring strategy and application process so we continue to put special emphasis on our social media activities and how we present our internal employer brand and values to the outside world.

Training

Our goal is to allow everyone to have the right skills to be the best at what they do and fulfil their potential in their career with us. We provide an abundance of learning opportunities to further enhance their careers, including our fast-track graduate programme, called "*Accelerate*." We recruited 23 graduates in 2017, who have rotated to their final placement in March 2019 and will secure permanent placements with us by the end of the year. With the introduction of the U.K. Government's approach to apprenticeships, our Global Head of Engineering lobbied successfully to set up an apprentice engineering standard for the Leisure and Entertainments industry. In the past, engineers were educated as mechanical or electrical engineers and would then have to do a significant amount of specific on the job training to carry our engineering work we would require. In 2018, we rolled out apprenticeships in food and beverage, engineering and team leading. In 2019, we plan to continue to promote these core programmes, in addition to launching apprenticeships in department management and marketing and laying the foundations for the launch of apprenticeship degrees in 2020.

Compensation and Benefits

In certain markets, we see pressure on the cost line from external factors such as legislation-driven wage pressures. Recognising this, we will seek to drive productivity through resource efficiencies and more motivated, better-rewarded employees.

We also seek to incentivise and reward employees through the payment of periodic performance-related bonuses. Annual bonuses are paid when Attraction or profit targets are achieved and where personal objectives are met.

Property

Our principal real estate interests are as follows:

Midway Attractions . . . .

- SEA LIFE Centres: Our SEA LIFE Centres are predominantly leasehold properties, with three located on a freehold site. We also have second gate SEA LIFE Attractions at LEGOLAND California and Gardaland Resort, which each sit within the freehold of those Attractions;
- Madame Tussauds: We hold 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: We hold leases in respect of all of the Dungeons sites, with the exception of the Blackpool site which we operate under a 20 year management agreement;
- The London Eye: We retain and operate part of London Eye pursuant to an indefinite licence from the Port of London Authority and we hold the remainder pursuant to three leasehold interests. See "—*Material Contracts*." We also operate observation attractions at Sydney under a leasehold arrangement, and Blackpool, as part of the 20 year management agreement;
- LEGOLAND Discovery Centres: We hold leases in respect of all LEGOLAND Discovery Centre sites;
- We hold a lease in respect of "*DreamWorks Tours' Shrek's Adventure!*";
- "Little BIG City,": We hold leases in respect of both Little BIG City sites;
- We operate two treetop walks in Australia. The Treetop walks are freehold sites;
- We lease the WILD LIFE Australian animal adventure Attraction in Sydney Australia;
- "*Bear Grylls Adventure*" in Birmingham, United Kingdom is operated under a lease arrangement; and
- Our Peppa Pig Attractions are operated under lease arrangements.

LEGOLAND Parks . . . .

- We own 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 we lease pursuant to a perpetual lease from the State of Florida; (e) certain parking and back-of-house areas at LEGOLAND Billund, which we lease; (f) the LEGOLAND Billund holiday village, which we lease from the LEGO Foundation; and (g) the initial hotel at LEGOLAND Windsor, which we lease from Aberdeen Standard Investments pursuant to a sale and leaseback arrangement. See "—*Material Contracts*"; and
- We acquired the land allocated for the development of LEGOLAND New York, which we target to open in 2020, with development underway.

Resort Theme Parks . . . .

- We lease 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. See "*Description of Certain Financing Arrangements*"; and
- We own the freehold title to the Gardaland Resort and Chessington World of Adventures Resort sites including their respective hotels.

Other	• We own the freehold of the Merlin Magic Making Studios in Acton, west London; and • We have support offices in several countries, all of which are held under leasehold agreements or occupying space within existing Attractions.

Health, Safety and Security

Our health, safety and security programmes are designed to deliver industry leading health, safety and security ("*HSS*") standards, a rigorous safety culture and a commitment to safety from management and staff. We do this by, amongst other things:

- providing intensive training and instruction, with mandatory new starter training for all employees;
- implementing maintenance systems and procedures, comprising daily, weekly, monthly and annual maintenance programmes across our estate;
- maintaining construction standards across all our global construction projects;
- emphasising fire safety as a core priority;
- our adoption of the Hazard Analysis and Critical Control Point (HACCP) system for food safety and supplier approval programmes designed to ensure full traceability over food products;
- communication of our strategic HSS vision through, for example, the production and distribution of "*Protecting the Magic—a Guide to Health, Safety and Security*" and the launch of "*The Shield*," our HSS magazine, in 2018;
- reinforcement of our safety culture and engagement of employees through events such as "*Merlin Safety Week*" in 2018 and 2019;
- adopting precautionary measures to control the security risks such as terrorism, including bag and guest searches and enhancement of covert security through the use of CCTV; and
- responding to weather risks such as hurricanes and heatwaves.

The Committee in charge of HSS (the "*HSS Committee*") assists the Board in ensuring that HSS risks are managed effectively across our group by overseeing our policies and procedures for HSS, monitoring our processes for identifying and managing risks and monitoring the skills, effectiveness and levels of resource within our HSS teams. The MTC rate captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations. The reduction in our 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.

Performance Monitoring

HSS performance is monitored and regularly reviewed by each attraction, each operating group's senior leadership team and the HSS Committee. Each attraction undergoes three types of routine review, being self-audits, independent internal audits and periodic external audits. Our HSS performance is assessed according to. "*leading indicators,"* (those activities such as inspections and audits we perform to manage risk) and "*lagging indicators*" (incident frequencies like the number of medical treatment case rates).

The Alton Towers Resort Accident

In spite of our approach to HSS, an accident occurred at the Alton Towers Resort in June 2015 when two carriages collided on one of our rides, resulting in the injury of 16 people (the "*Alton Towers Resort Accident*"). This incident received widespread media attention and was followed by a criminal prosecution, in which the Company pled guilty, resulting in a fine of £5 million. During the sentencing hearing, the presiding judge found that there were serious shortcomings in our safety arrangements for this specific ride, but accepted that the Company did generally have a good health and safety record and procedures in place and noted our "*wholly exceptional*" co-operation with the United Kingdom's Health & Safety Executive during their investigation and that "*extensive steps*" had been taken to ensure no such incident occurs again. Our response included a "*root and branch*" review of all our safety procedures and protocols, which resulted in a number of changes to the way that rides are operated, a strengthening of our corporate governance arrangements for HSS and an enhanced programme of inspections and audits across the sector.

Recent Developments and Initiatives

Following the Grenfell Tower fire in the United Kingdom in 2017, a review was undertaken into the suitability of fire safety practices at our hotels. No significant issues were found, but a number of opportunities for improvement are being implemented as a result. Pro-active fire engineering surveys of our hotels have helped ensure that we continue to uphold high physical and procedural controls at all of our hotels.

Information Technology

The primary role of our Information Technology ("*IT*") systems is to ensure that the necessary applications and underpinning infrastructure are available to support our business. We have a specific operating group ("*Merlin Digital*") which is responsible for providing support to the Attractions and delivering IT-related projects. In order to provide a responsive service to our larger Attractions, Merlin Digital is supported locally by on-site staff. Key IT systems used at many of the Attractions have specialist support teams based in the United Kingdom.

We have extensive IT systems which support a wide range of areas of our business, including marketing, sales, admissions, maintenance and retail operations, as well as finance and human resources. Our IT systems comprise a combination of centralised and decentralised technology, with the larger Attractions having their own dedicated IT support resources.

Corporate Social Responsibility

As one of the leading entertainment companies in the world, Merlin defines its values not just by the passionate way we do business but also the way we treat our people, our visitors, our suppliers, the creatures in our charge and the communities and environment in which we operate. We are committed to being a responsible corporate citizen and design our governance structures and operate our business in this regard. Over and above this, we are committed to "*Being a Force for Good*" and making a positive impact on both the planet and people. We focus on making a difference through our two charities: Merlin's Magic Wand and the SEA LIFE Trust.

Sustainability and the Environment

Merlin manages resources responsibly. We recognise that our operations have an impact upon the environment and that effective management of this impact is essential for sustainable business success. We are committed to regular monitoring, auditing and review of our activities and identifying opportunities for sustainable environmental improvement, in line with our strategic business goals and in order to minimise the potentially harmful effects of such activity.

We participate in the U.K. Carbon Reduction Commitment (CRC) energy efficiency scheme, EU Energy Efficiency Directives and other applicable environmental regulations globally. In 2018, we reported a 9 per cent. reduction in our carbon emission intensity compared to 2017 (or 10.3 per cent. reduction on a constant currency basis) and in 2017, we reported an 11.4 per cent. reduction compared to 2016 (or 7.2 per cent. on a constant currency basis).

We have budgets set aside to test and implement environmentally focused initiatives. We have developed group wide sustainability management and carbon reduction plans and a number of water and waste management initiatives that have been developed to encourage sites and build on examples of best practice across our group.

Some examples of environmental initiatives in the 2016 financial year were:

- lighting optimisation at Sydney cluster Harbour Australia;
- pump optimisation at SEA LIFE Blackpool, U.K.; and
- solar Photovoltaic at Gardaland Hotel, Italy.

Some examples of environmental initiatives in the 2017 financial year were:

- installation of LED lighting at Madame Tussauds Singapore;
- a "*chiller optimization*" project at SEA LIFE Blackpool; and
- electricity initiatives at LEGOLAND Billund.

Some examples of environmental initiatives in the 2018 financial year were:

- recycling through Coca-Cola vending machines;
- beach clean at SEA LIFE Porto; and
- ceased using plastic straws within all our owned Attractions.

In 2019, after positive consumer feedback, we announced the return of our partnership with Coca-Cola Great Britain "*reverse*" recycling vending machines, with those who deposit their empty bottles being rewarded a voucher to receive a 50 per cent. discount at 30 of our Attractions.

Our Attractions participate each year in our annual "*We Care about the Planet*" event to support our commitment to sustainability. A wide range of activities were undertaken in 2018, including beach cleans, collecting plastics and staff cycling events.

Marine and Wildlife Conservation

We promote the protection of wildlife across the globe by supporting projects and campaigns that make a real difference. In doing this, we leverage our reputation for the ethical and responsible care, preservation and conservation of animals and the marine environment.

We established the SEA LIFE Trust (the "*Trust*") in 2013, a registered charity dedicated to protecting our oceans and the wildlife within them. We engage our staff across the SEA LIFE estate to support these activities, such as our beach clean events where SEA LIFE teams go out into the local community to keep their local beaches free of litter and we engage our staff and our guests to support the Trust's campaigns.

In 2018, the Trust supported projects and campaigns that protect marine wildlife and habitats, including projects and campaigns against whaling in the EU and worldwide and against beach littering to reduce plastic waste in our oceans, to protect turtles and their habitats, to preserve marine protected areas, to raise awareness of overfishing and destructive fishing and to help people make sustainable choices when buying seafood.

In June 2018, the Trust announced the construction of its second sanctuary, the first of its kind. The SEA LIFE Trust Beluga Whale Sanctuary in Iceland provides for a new, more natural home for two beluga whales that came from an aquarium in China. The funds required to build the sanctuary were in the main part donated to the Trust by Merlin and the sanctuary opened during 2019.

Chessington World of Adventure Resort in the United Kingdom and WILD LIFE Sydney Zoo also help support our long-standing commitment to animal breeding or managed species programmes.

Merlin Magic Wand Children's Charity

We established the Merlin Magic Wand Children's Charity in 2008 to enable children who are disadvantaged through ill health, disability, abuse or poverty to have a memorable experience at one of our Attractions around the world. These trips are made possible by the provision of attraction tickets (which come directly from us at no cost to the charity) and travel grants which are provided by Merlin Magic Wand's fundraising. Since the charity began, we have provided days out to over 600,000 children and their families, launched 46 "*Merlin's Magic Spaces*" projects globally and taken the magic of Merlin "*on tour*" to children in hospitals all over the world. In the 2018 financial year, the charity helped over 100,000 children and their families to enjoy days out. In circumstances that prevent children from having a day out due to the nature of their illness or disability, the charity invests in its *"Merlin's Magic Spaces*" projects, which are local outreach projects within the localities of our Attractions, such as a SEA LIFE themed sensory room at the Royal Alexandra hospital in Brighton or a themed playroom at the Randwick Children's hospital in Sydney. In 2019, we were pleased to announce that we became a member of The Valuable 500, a global movement which puts disability issues on the business leadership agenda.

Accessibility

We aim to provide experiences and environments that are accessible to all. We want to provide industry leading facilities and experiences. The cornerstones of our approach are:

- *Guest Information*—to provide clear, accurate, consistent and accessible information to enable visitors to make informed choices;

- *Accessible Environments*—to make our environments as accessible as possible, continually improving our estate; and
- *Team Engagement*—to ensure employees have the tools and training to deliver memorable experiences to accessibility challenged guests.

We make no differentiation between able-bodied and disabled persons in terms of recruitment, training and career progression. We will make every effort to continue the employment and training of those persons who become disabled while employed by us. Each are of the business works hard to make continual improvements, one example is the launch of the "*Changing Places*" toilets at Alton Towers Resort, which make a real difference to guests who require more than a standard accessible toilet.

Insurance

We maintain 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, we maintain insurance policies at a local level based on legislative requirements. We do not maintain any keyman insurance cover.

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

Legal Proceedings

At any given time, we may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of our business. We do not expect any liability arising from any of these legal proceedings to have a material impact on our results of operations, liquidity, capital resources or financial position. See "*Risk Factors—Risks Related to Our Market and Our Business—We are subject to risks from legal and arbitration proceedings*."

MANAGEMENT

Issuer

The Issuer was incorporated as a designated activity company under the laws of Ireland on 6 September 2019, with registration number 656619. The registered address of the Issuer is 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

The Issuer's board of directors, and their respective ages, are as follows:

Name	Position	Age as at 29 December 2018
David Dunne	Director	30
David Greene	Director	47

Set forth below is a short biography of each member of the Issuer's board of directors.

David Dunne

David Dunne was appointed Director of the Issuer in 2019. Having formerly worked for Deloitte, David is currently a Business Unit Manager at Intertrust. He currently acts as a director for a number of other companies. David is a member of the Institute of Chartered Accountants in Ireland.

David Greene

David Greene was appointed Director of the Issuer in 2019. David is currently a Business Unit Director at Intertrust. David was formerly a finance accountant with Citco Corporate and Rabobank. He currently acts as a director for a number of other companies. David is a member of the Association of Chartered Certified Accountants and the Institute of Directors in Ireland.

Midco

Midco was incorporated as a private company limited by shares under the laws of England and Wales on 30 May 2019, with registration number 12023992. The registered address of Midco is 35 Great St. Helen's, London, United Kingdom, EC3A 6AP.

Midco's board of directors, and their respective ages, are as follows:

Name	Position	Age as at 29 December 2018
Lori Anne Hall-Kimm	Director	42
Jørgen Vig Knudstorp	Director	50
Søren Thorup Sørensen	Director	53
Peter Farrell Wallace	Director	44

Set forth below is a short biography of each member of Midco's board of directors.

Lori Anne Hall-Kimm

Lori was appointed Director of Midco in 2019. Since 2018, Lori has been the Managing Director of Direct Private Equity at CPPIB, where she was previously Senior Principal of Secondaries and Co-Investments from 2016 to 2018. She was a Director of Private Capital at Ontario Teachers' Pension Plan from 2005 to 2015. Lori is currently on the board of 99 Cents Only Stores and Nord Anglia Education. Lori was formerly on the board of Gruppo Coin and OVS SpA from 2013 to 2015 and Alexander Forbes Pty from 2007 to 2014.

Jørgen Vig Knudstorp

Jørgen was appointed Director of Midco in 2019 and was previously appointed observer of the Target. Since May 2017, Jørgen has been the Executive Chairman of LEGO A/S and since January 2017, Jørgen has been the Executive Chairman of LEGO Brand Group. Jørgen is a Member of the Board of Starbucks. Jørgen was formerly President and Chief Executive Officer of the LEGO Group from 2004 to 2016.

Søren Thorup Sørensen

Søren was appointed Director of Midco in 2019 and a Non-Executive Director of the Target in 2013. He is also an observer to the Audit, Remuneration and Nomination Committees of the Target, representing KIRKBI. Søren has over 25 years' experience in finance and is currently the Chief Executive Officer of KIRKBI A/S and director of various entities in the KIRKBI Group. Søren is currently Chairman of the Board of Boston Holding A/S and a Non-Executive Director of Falck A/S and a Non-executive Director of Landis & Gyr. Søren was formerly a Partner, Chief Financial Officer of A.P. Moller—Maersk Group and Managing Partner of KPMG Denmark.

Peter Farrell Wallace

Peter was appointed Director of Midco in 2019. Since January 2010, Peter has been the Senior Managing Director at Blackstone. Peter currently serves on the board of directors of Alight Solutions, Michaels Stores, Outerstuff, Ltd., Service King, Tradesmen International, Vivint and Vivint Solar, among other companies. He was formerly a director of AlliedBarton Security Services and GCA Services.

Target

The Target was incorporated as a public limited company under the laws of England and Wales on 20 September 2013, with registration number 08700412. The registered address of the Target is Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Directors

As of the date of this Offering Memorandum, the board of directors of the Target is composed of nine members, including the Group Chief Executive Officer, the Group Chief Financial Officer and six non-executive directors. It is expected that the majority of the non-executive directors of the Target will change in connection with the Transactions. Set forth below are the names and respective ages of each member of the Target's board of directors who is expected to remain on the Target's board of directors after consummation of the Transactions.

Name	Position	Age as at 29 December 2018
Nick Varney	Group Chief Executive Officer	56
Anne-Françoise Nesmes	Group Chief Financial Officer	47
Søren Thorup Sørensen	Non-Executive Director	53

Set forth below is a short biography, not provided elsewhere in this Offering Memorandum, of each member of the Target's board of directors who is expected to remain on the Target's board of directors after consummation of the Transactions.

Nick Varney

Nick has over 25 years' experience in the visitor attractions industry and was appointed Chief Executive Officer of the Target in 1999. Prior to Merlin, Nick was Managing Director of Vardon Attractions and a main board Director of Vardon plc. In 1999 Nick led the management buyout of Vardon Attractions to form Merlin Entertainments and took the company through rapid expansion to its 2013 Listing on the London Stock Exchange. Before joining Vardon Attractions, Mr. Varney held senior positions within The Tussauds Group (then a part of Pearson plc), including Marketing Director of Alton Towers Resort and Head of Group Marketing. He started his career in FMCG marketing first with Rowntree and then Reckitt & Colman. He is currently Chairman of the British Hospitality Association.

Anne-Françoise Nesmes

Anne-Françoise was appointed Chief Financial Officer of the Target in August 2016. With over 25 years' experience in finance across international organisations, Anne-Françoise brings a strong focus on strategy execution, M&A, process improvement and governance. Anne-Françoise was Chief Financial Officer at Dechra Pharmaceuticals PLC, where she was instrumental in transforming Dechra into a successful pharmaceutical company specialising in animal health. She led the expansion of its international footprint through acquisitions and delivered significant efficiencies through modernising finance and R&D

processes. She was also previously the Senior Vice President of Finance for Vaccines in GlaxoSmithKline. She is currently non-executive director of Compass Group plc.

Senior Managers

The following table sets forth the individuals who serve in the capacity as the Target Group's senior managers:

Name	Position	Age as at 29 December 2018
Nick Varney	Group Chief Executive Officer	56
Anne-Françoise Nesmes	Group Chief Financial Officer	47

In addition to its Chief Executive Officer and Chief Financial Officer, the Target Group has various managerial and administrative roles within its company to assist in overseeing its business operations and implement its strategies.

Board Committees of the Target Group

The Nomination Committee assists the board in discharging its responsibilities relating to the composition of the board. The Committee is responsible for evaluating and providing recommendations to the board regarding the balance of skills, knowledge and experience on the board, the size, structure and composition of the board and retirements, re-elections and appointments of additional and replacement Directors considering succession planning for both Executive and Non-Executive Directors, considering the term required for Directors to fulfil their roles, developing a policy on diversity and reporting progress thereon and making recommendations to the Board in relation to matters within its remit. The Chairman of the Nomination Committee is Sir John Sunderland and consists of the Chairman and three independent Non-Executive Directors.

The Remuneration Committee assists the board in determining its responsibilities in relation to remuneration, including making recommendations to the board on our policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and the fees of the Chairman and recommending and monitoring the remuneration of senior management below the board level. The Committee considers all material elements of our remuneration policy, remuneration and incentives of Executive Directors and senior management with reference to independent remuneration research and professional advice and makes recommendations to the board on the framework for executive remuneration and its cost. The board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors. The Committee is also responsible for making recommendations for the grants of awards under our share incentive plans. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to his own terms and conditions of remuneration. Non-Executive Directors' fees are determined by the full board. The committee consists of four independent Non-Executive directors and the Chairman. The chairman of the Remuneration Committee is Charles Gurassa. The Committee currently receives independent and objective advice on executive remuneration matters from Korn Ferry.

The Audit Committee assists the board in discharging its responsibilities with regard to financial reporting by monitoring the integrity of our financial statements, considering whether the financial statements are "*fair, balanced and understandable*" and considering the processes supporting the assessments that underpin the Viability Statement. It assists the board in relation to external and internal audits, including monitoring and reviewing the effectiveness of the internal audit function and overseeing the performance and independence of external auditors. It also assists the board in matters of risk management and internal controls, including the monitoring and reviewing the effectiveness of our whistleblowing, and fraud policies and our internal control and risk management. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remain with the board. The Committee meets at least three times during the financial year and consists of four Non-Executive directors. In addition, it meets at such other times as the board or the Committee Chairman requires, or if requested by the external auditors. The chairman of the Audit Committee is Trudy Rautio.

The HSS Committee assists the board in governing the safe management of HSS risks effectively and proactively throughout our group. The HSS Committee consists of the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer, the Senior Independent Non-Executive Director and at least two further Non-Executive Directors, the Group Health, Safety and Security Director and the

Managing Directors of the Resort Theme Parks and Midway Attractions operating groups. The Committee's primary areas of focus are to oversee our policies and procedures for ensuring the HHS of guests, employees, contractors and operating assets, to monitor our processes for identifying and managing risks and to monitor the skills, effectiveness and levels of resource within the Company's health, safety and security teams. The chairman of the HSS Committee is Sir John Sunderland.

Service Contracts

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment (other than Non-Executive Directors whose appointment is in respect of their position as representatives of the pre-IPO major shareholders) are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements.

Provision	Policy
Notice Period	Executive Directors—twelve months' notice by either the Company or the Executive Director. Non-Executive Directors—three months' notice by either the Company or the Non-Executive Director or no notice period if terminated by shareholders.
Termination Payment	There is no payment in lieu of notice clause in the Executive Directors' service agreements. Any payments of compensation on termination would be subject to negotiation in line with general principles which include a duty for the individual to mitigate loss. Non-Executive Directors are entitled to receive any fee accruing in respect of their notice period.
Expiry Date	Executive Directors have rolling twelve months' notice periods so have no fixed expiry date. All Non-Executive Directors have rolling three months' notice periods so have no fixed expiry date.
Compensation	In the 2018 financial year, the aggregate compensation paid to our Executive and Non-Executive Directors of the board and the members of the executive committee was £8.8 million. Of this aggregate compensation, £6.7 million was paid as salaries (including social security costs), £0.1 million was paid in pension contributions and £2.0 million was paid in share-based payments or other related payments.

PRINCIPAL SHAREHOLDERS

Topco

Topco is a private company limited by shares incorporated under the laws of England and Wales.

Midco

Midco is a private company limited by shares incorporated under the laws of England and Wales and a wholly owned subsidiary of Topco.

The Issuer

The Issuer is a designated activity company incorporated under the laws of Ireland and a wholly owned subsidiary of Midco. The Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Issuer is indirectly controlled, through wholly owned holding company subsidiaries, by the Consortium.

Bidco

Bidco is a private company limited by shares incorporated under the laws of England and Wales and a wholly owned subsidiary of Midco.

The Target

The Target is a public limited company incorporated under the laws of England and Wales and is listed on the London Stock Exchange as of the date of this Offering Memorandum. As at 30 September 2019, the Target had 1,024,072,449 Target Shares outstanding.

The following table sets forth certain information regarding the holders of five per cent. or more of the Target's share capital as notified to the Target under the U.K. Listing Authority's Disclosure and Transparency Rules, and the number and percentage owned by such shareholders as at 30 September 2019:

Name	Target Shares	Per Cent. Share Capital
KIRKBI Invest A/S	302,971,529	29.58
The Wellcome Trust	51,788,240	5.06

Following the Transactions, Bidco is expected to own all of the share capital of the Target.

The Consortium

Topco, Midco, the Issuer and Bidco were incorporated as holding companies for the purpose of the acquisition of the Target Group and are controlled by the Consortium, with Blackstone owning approximately 31 per cent., CPPIB owning approximately 19 per cent. and KIRKBI owning the remaining 50 per cent. of the share capital of Topco, Midco, the Issuer and Bidco, directly or indirectly, as applicable. The shareholding percentages of Blackstone and CPPIB are indicative and may be subject to minor variations. Following the Transactions, the Consortium is expected to indirectly own all of the share capital of the Target. For a description of the shareholders' agreements, see "*Certain Relationships and Related Party Transactions—Shareholders Agreements.*"

Blackstone

Blackstone is one of the world's leading investment firms. Blackstone seeks to create positive economic impact and long-term value for investors, the companies in which it invests and the communities in which it works. It does this by using extraordinary people and flexible capital to help companies solve problems. Blackstone's asset management businesses, with $545 billion in assets under management as at 30 June 2019, include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis. Blackstone has longstanding experience investing in the visitor attractions industry as well as the broader hospitality, travel and leisure sectors. Blackstone's previous investments include Merlin Entertainments, SeaWorld, Six Flags, Universal Orlando, Center Parcs, Hilton Hotels and The Cosmopolitan Hotel. Blackstone's investment in connection with the Transactions will be made through its long-dated Core Private Equity fund, which invests in high-quality businesses and has the flexibility to hold assets for a longer duration than traditional private equity funds.

CPPIB

CPPIB is a professional investment management organisation that invests the funds not needed by the Canada Pension Plan ("*CPP*") to pay current benefits in the best interests of 20 million contributors and beneficiaries. In order to build a diversified portfolio, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPPIB is governed and managed independently of the CPP and at arm's length from governments. At 30 June 2019, the Fund totalled C$400.6 billion, including approximately C$21.7 billion of assets invested in the United Kingdom, and net investments of C$90 billion in private equity.

CPPIB's private equity team is a committed long-term investor with permanent capital, a focus on sizeable investments alongside aligned partners, the ability to invest across the full spectrum of ownership from minority positions up to full control platforms, and the ability to shape the duration and underwriting approach of investments to support longer-date return on investment initiatives.

KIRKBI

KIRKBI is a wholly owned subsidiary of KIRKBI A/S, the private holding and investment company of the Kirk Kristiansen family, founded to promote a sustainable family ownership of the LEGO brand. The Kirk Kristiansen family's mission is to "*inspire and develop the builders of tomorrow*." The family aims to fulfil the mission, helping children grow and develop to their full potential through play, by dedicated efforts driven by the LEGO branded entities. The KIRKBI Group was established to manage, protect and develop the LEGO brand, its activities and attractions under long-term family ownership. To achieve this purpose, the KIRKBI Group's strategic activities include a 75 per cent. ownership of the LEGO Group, a 100 per cent. ownership of the LEGO and LEGOLAND trademarks, through KIRKBI a 29.58 per cent. ownership of Merlin and investments in renewable energy to off-set the energy consumption of the LEGO Group.

In addition, KIRKBI manages an international, diversified investment portfolio with a long-term investment profile and is a responsible investor with high environmental, social and governance standards. At the end of 2018, KIRKBI's investment portfolio was valued at approximately €8 billion. KIRKBI's long-term investment approach reflects an ambition to build sustainable value across selected asset classes.

A key focus of KIRKBI's investment strategy is long-term equity investments in established and well-run companies. Within long-term equity, KIRKBI seeks significant minority ownership stakes in listed and unlisted companies alongside trusted partners and management teams who share our view on governance, value creation and environmental, social and governance standards.

KIRKBI operates as an active owner through the board of directors and is generally not involved operationally in the companies in the investment portfolio.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Ordinary Course of Business Relationships with Subsidiaries

In the course of our ordinary business activities, we regularly enter into agreements with companies within our group. These agreements mainly relate to intercompany loans and group recharges.

We believe that all transactions with subsidiaries are negotiated and executed on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

Transactions with the Target Shareholders

During the 2016 to 2018 financial years, we entered into transactions with a major shareholder, KIRKBI Invest A/S, the LEGO Group, a related party of KIRKBI Invest A/S, and LLJ Investco K.K, a subsidiary of KIRKBI. Transactions entered into, including the purchase and sale of goods, payment of fees, royalties and rent and trading balances outstanding at the relevant financial year end, are as follows:

	2018			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	(£ in millions)			
KIRKBI Invest A/S	—	—	13	3
LEGO Group	1	2	63	3
LLJ Investco K.K.	—	—	8	—
Total	**1**	**2**	**84**	**6**

	2017			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	(£ in millions)			
KIRKBI Invest A/S	—	—	12	3
LEGO Group	1	1	61	2
LLJ Investco K.K.	—	4	10	—
Total	**1**	**5**	**83**	**5**

	2016			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	(£ in millions)			
KIRKBI Invest A/S	1	2	11	5
LEGO Group	1	1	51	3
LLJ Investco K.K.	—	—	—	—
Total	**2**	**3**	**62**	**8**

For a further description of the LCA with KIRKBI, see "*Trademarks and Trade Names*" and "*Business—Material Contracts—Intellectual Property.*"

As at 29 December 2018, the Executive Directors, Non-Executive Directors, the members of our executive committee and their immediate relatives controlled 1.2 per cent. (2017: 1.2 per cent.) of our voting shares. In the 2018 financial year, compensation to these key managers was £8.8 million.

We will also engage in various financing transactions with our shareholders in connection with the Acquisition.

In addition, from time to time, our shareholders, or affiliates thereof, may buy a portion of the Notes in the open market or otherwise and may become lenders under the Senior Facilities Agreement.

We believe that all transactions with shareholders are negotiated and executed on an arm's-length basis.

Transactions with Other Related Parties

As part of an agreement for the development and operation of LEGOLAND Malaysia, we have subscribed for share capital in IDR Resorts Sdn. Bhd. ("*IDR*") which, together with its subsidiaries, owns LEGOLAND Malaysia and its assets. At 29 December 2018, we held 20 per cent. of the issued share capital of IDR. In the 2018 financial year, we made sales to IDR and its subsidiaries amounting to £4 million (2017: £5 million) and were owed £3 million (2017: £3 million) by IDR and its subsidiaries.

At the start of 2019, we 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. As part of an agreement for the development and operation of LEGOLAND Korea, we entered into transactions with LL Developments, the investment arm of Gangwon Province. We intend to invest approximately £150 million in LEGOLAND Korea with the remaining funding of £56 million coming from LL Developments, the investment arm of Gangwon Province. Of this £56 million, £14 million was received by 29 June 2019 and the balance was received in July 2019. The conditions of the funding require that we complete the construction of LEGOLAND Korea and operate it for a period of time post-opening.

In the course of our ordinary business activities, we may have other related party relationships with our joint ventures and other co-investors. We believe that all transactions with related parties are negotiated and executed on an arm's-length basis.

Contingent Liabilities

The European Commission ("*EC*") published a preliminary decision in November 2017, finding that certain elements of the U.K.'s Controlled Foreign Company rules amount to unlawful State Aid. In April 2019, the EC announced its final decision that certain elements of these rules partially represent State Aid. The U.K. government has made an annulment application against this decision. We are considering our own appeal. If the application and/or appeal is ultimately unsuccessful, then this could result in an increase in our future effective tax rate. We consider the maximum potential liability, excluding penalties and interest, to be up to £36 million, depending on the basis of calculation.

Shareholder Agreements

The Company entered into a relationship agreement with KIRKBI dated 30 October 2013 (the "*KIRKBI Relationship Agreement*"), which remains in force. Under the KIRKBI Relationship Agreement, KIRKBI is entitled to appoint one director to the board and, if it (together with its respective affiliates) holds more than 10 per cent. of the issued share capital of the Target, KIRKBI may appoint an observer (with the right to attend and speak but not vote at board meetings) to the board and each of the Audit Committee, Remuneration Committee and Nomination Committee. The Relationship Agreement will terminate automatically upon the Target's Shares ceasing to be admitted to listing on the official list of the FCA. Therefore, it is expected that the Relationship Agreement will terminate on or prior to the completion date of the Delisting, which is expected to take place on or shortly after the Acquisition Completion Date, as further described in "*The Transactions—The Delisting.*"

In connection with the Transactions, the Consortium are expected to enter into a shareholders' agreement (the "*Shareholders' Agreement*") which will govern their various rights in relation to their direct shareholding in JVco and indirect shareholding in the subsidiaries of JVco, including, after the completion of the Acquisition, the Target Group.

Pursuant to the Shareholders' Agreement, Blackstone, CPPIB and KIRKBI will have the right to nominate two members, one member and three members, respectively, of the board (each an "*Investor Director*") of JVco, the Target and each member of the group comprising JVco and its subsidiaries (the "*Group*") (the "*Boards*"). Each Investor Director appointed by Blackstone and KIRKBI will be entitled to serve as a member of each committee of the Boards. The CEO and CFO of the Target will also be appointed to the board of the Target but will not have voting rights. Blackstone, CPPIB and KIRKBI will have a right to nominate one observer, one observer and two observers, respectively, to the Boards. The observers will be entitled to participate in discussions on the Board but will not have any voting rights or liability. Blackstone and KIRKBI will jointly nominate a non-executive independent chairman to join the Board who will have relevant brand, hospitality and entertainment experience.

Subject to consent rights by Blackstone and KIRKBI, any decision by the Board will require approval of a majority of the directors (provided that one Investor Director appointed by each of Blackstone and

KIRKBI vote in favour of the decision). Certain decisions regarding Bidco and/or the Target Group will require the prior written approval of the Investor Directors appointed by each of Blackstone and KIRKBI. These decisions include, among others, amendments to the organisational documents of Bidco and/or the Target Group, any borrowing or financing that would cause the Target Group to exceed a certain leverage ratio, changes to the capital structure, the appointment and dismissal of key members of management, material changes in the nature or scope of the Target Group's business and the winding up or dissolution of any Target Group company (other than a shelf company). A narrower set of decisions will require the prior written approval of the Investor Director appointed by CPPIB.

The Shareholders' Agreement will contain certain exit rights, including in connection with an initial public offering and the listing of the shares in the Group, and rights to require a dividend recapitalization as well as restrictions on transferring shares in JVco and pursuing acquisition opportunities without first offering the opportunities to the Group, in each case, on specified terms and subject to the occurrence of certain conditions.

Other Relationships

Blackstone Advisory Partners L.P., one of the Initial Purchasers, is an affiliate of Blackstone, and therefore is an affiliate of the Issuer. See "*Plan of Distribution—General—Other Relationships.*"

KIRKBI Invest A/S, an affiliate of the Issuer, intends to purchase from the Initial Purchasers up to 20 per cent. of the Notes on the same terms as the Notes are sold by the Initial Purchasers to other investors. See "*Plan of Distribution—General—Other Relationships.*"

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain of our indebtedness and the material provisions of the documents governing such indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Capitalised terms used but not defined herein have the meanings given to them in the respective underlying documents.

Existing 2026 Notes

On 9 May 2018, the Target issued $400 million in aggregate principal amount of 5¾% Senior Notes due 2026 (the "*Existing 2026 Notes*") pursuant to an indenture, dated as at 9 May 2018, between, *inter alios*, the Target, the Existing 2026 Note Guarantors (as defined below) and Deutsche Trustee Company Limited as the trustee ("*Existing 2026 Notes Trustee*") (the "*Existing 2026 Indenture*"). The interest on the Existing 2026 Notes is payable semi-annually in arrear on each 15 June and 15 December, commencing on 15 December 2015, and the Existing 2026 Notes mature on 15 June 2026.

The Target may redeem all or part of the Existing 2026 Notes at any time prior to 17 March 2026 at a redemption price equal to 100 per cent. of the principal amount of such notes redeemed plus a make whole premium and accrued and unpaid interest to the redemption date. On 17 March 2026 and thereafter, the Target may redeem all or part of the Existing 2026 Notes at a redemption price equal to 100 per cent. of the principal amount of such notes plus accrued and unpaid interest to the redemption date.

The Existing 2026 Notes are general, senior unsecured obligations of the Target and (i) rank *pari passu* in right of payment with all of the Target's existing and future senior unsecured obligations that are not subordinated in right of payment to the Existing 2026 Notes, (ii) rank senior in right of payment to all of the Target's existing and future obligations that are expressly subordinated in right of payment to the Existing 2026 Notes, if any, (iii) are effectively subordinated to all existing and future secured obligations of the Target to the extent of the value of the property and assets securing such obligations, (iv) are structurally subordinated to all obligations of the Target's subsidiaries that do not guarantee the Existing 2026 Notes and (v) are structurally senior to the Notes offered hereby.

Certain subsidiaries of the Target jointly and severally guarantee the Existing 2026 Notes. These subsidiaries include Madame Tussauds Touring Exhibition Limited, Merlin Attractions Operations Limited, Merlin Entertainments (Dungeons) Limited, Merlin Entertainments Group Holdings Limited, Merlin Entertainments (SEA LIFE) Limited, LEGOLAND ApS, Dungeon Deutschland GmbH, Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Madame Tussauds Deutschland GmbH, Sea Life Deutschland GmbH, Gardaland S.r.l., LEGOLAND California, LLC, LEGOLAND Discovery Centre US, LLC, Madame Tussaud Las Vegas LLC, Madame Tussaud's New York LLC, Merlin Entertainments Group Florida LLC, Merlin Entertainments Group U.S. Holdings Inc., Merlin Entertainments North America LLC, Sea Life Minnesota LLC and Sea Life US LLC (the "*Existing* 2026 *Note Guarantors*" and their guarantees of the Existing 2026 Notes, the "*Existing 2026 Note Guarantees*"). The Existing 2026 Note Guarantees are senior unsecured obligations of the Existing 2026 Note Guarantors and (i) rank *pari passu* in right of payment with all of the existing and future senior unsecured obligations of such Existing 2026 Note Guarantor that are not subordinated in right of payment to such Existing 2026 Note Guarantor's Existing 2026 Note Guarantee, (ii) rank senior in right of payment to all existing and future obligations of such Existing 2026 Note Guarantor that are expressly subordinated in right of payment to such Existing 2026 Note Guarantee, if any and (iii) are effectively subordinated to all existing and future secured obligations of such Existing 2026 Note Guarantor to the extent of the value of the property and assets securing such obligations. The Existing 2026 Note Guarantees are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the Existing 2026 Notes including limitations on liens, payments, incurrence of indebtedness and guarantees and mergers and consolidations. In case of a change of control (including if all or substantially all of the properties or assets of the Target and its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, if the Target adopts a plan relating to its liquidation or dissolution or if any person acquires the majority of voting power of the Target, subject to certain limitations, in each case), holders of the Existing 2026 Notes have the right to require the Target to repurchase all or any part of their Existing 2026 Notes at a purchase price equal to 101 per cent. of the principal amount of the Existing 2026 Notes repurchased, plus accrued and unpaid interest to, but excluding, the date of purchase. Accordingly, holders of the Existing 2026 Notes may have had, following the Acquisition Completion Date, the right to require the Target to repurchase all or any part of their

Existing 2026 Notes at a purchase price equal to 101 per cent. of the principal amount of the Existing 2026 Notes repurchased, plus accrued and unpaid interest to, but excluding, the date of purchase. In connection with the Acquisition, the Target solicited the consent of holders of the Existing 2026 Notes to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined thereunder. The requisite consents in respect of the Consent Solicitation were received on 17 September 2019 and the amendments to the Existing 2026 Indenture became effective on 18 September 2019. Such amendments to the Existing 2026 Indenture will become operative upon payment of a consent fee to consenting holders of the Existing 2026 Notes in connection with the Consent Solicitation on or about the Acquisition Payment Date. See "*The Transactions—The Consent Solicitation*."

It is expected that the Target and certain of its subsidiaries will, to the extent required under the Existing 2026 Indenture, grant equal and ratable security in favour of the Existing 2026 Notes at the same time security is granted by such entities in favour of the obligations under the Senior Facilities Agreement.

The Existing 2026 Notes contain various events of default, including, among others, non-payment, a continuing breach of other terms of the Existing 2026 Indenture following notice and a 60 day cure period, a cross default in relation to non-payment of principal at final maturity of certain indebtedness aggregating £50 million or more at any time outstanding prior to the expiration of the grace period provided in such indebtedness or any default under such indebtedness that results in it becoming due and payable before its specified maturity, and certain events of bankruptcy and insolvency, the occurrence of which, with respect to certain events of default, would result in the Existing 2026 Notes becoming due and payable or, with respect to certain other events of default, would allow holders of the Existing 2026 Notes to declare the Existing 2026 Notes due and payable.

The 9 May 2018 offering of the Existing 2026 Notes was not registered under the Securities Act or any U.S. state securities laws. The Existing 2026 Notes were initially offered and sold within the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Existing 2026 Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

Senior Facilities Agreement

Overview and Structure

Bidco (the "*Company*") is expected on or prior to the Issue Date to enter into a senior facilities agreement between, among others, the Company, Bank of America Merrill Lynch International Designated Activity Company as Agent and Deutsche Bank AG, London Branch as Security Agent (each as defined therein) (the "*Senior Secured Facilities Agreement*").

The following term facilities will be made available under the Senior Secured Facilities Agreement: (i) a term loan facility comprised of (a) a direct Euro tranche in an aggregate principal amount of €770,000,000 and (b) a Euro tranche in an aggregate principal amount of £562,000,000 to be redenominated to Euro on or prior to the Initial Closing Date (together, the "*Facility B (EUR)*"); (ii) a term loan facility comprised of (a) a USD tranche in an aggregate principal amount of £925,000,000 to be redenominated to USD on or prior to the Initial Closing Date and (b) a direct USD tranche in an aggregate principal amount of $20,000,000 (together, the "*Facility B1 (USD)*"); and (iii) a delayed draw term loan facility in an aggregate principal amount of $172,500,000, which is fungible with the Facility B1 (USD) at the end of the first interest period ("*Facility B2 (USD)*" and, together with Facility B EUR and Facility B1 (USD), the "*Original Senior Secured Term Facilities*").

In addition a multi-currency revolving credit facility in a principal amount equal to £400,000,000 (the "*Original Senior Secured Revolving Facility*" and, together with the Original Senior Secured Term Facilities, the "*Original Senior Secured Facilities*") will also be made available under the Senior Secured Facilities Agreement.

Incremental facilities may also be established under the Senior Secured Facilities Agreement from time to time (including by way of an increase to any existing facilities or the establishment of new facilities) ("*Incremental Senior Secured Facilities*" and, together with the Original Senior Secured Facilities, the "*Senior Secured Facilities*").

Purpose

All amounts borrowed under the Original Senior Secured Term Facilities (other than Facility B2 (USD)) shall be applied in or towards (including, without limitation, by way of on lending to the Company, the Target or any their restricted subsidiaries (together, the "*Senior Secured Group*") (i) the consideration payable for the Acquisition (including in respect of the acquisition of any Target Shares to be acquired after the Initial Closing Date (including pursuant to a Squeeze-Out or the Target's amended articles of association) or in respect of any proposals made or to be made in connection with the Acquisition under Rule 15 of the Takeover Code), (ii) the payment of transaction costs in connection with the Acquisition, (iii) the refinancing, discharge and/or acquisition of existing indebtedness of the Target and its subsidiaries (the "*Target Group*") and paying any breakage costs, redemption premium and other fees, costs and expenses payable in connection with such refinancing, discharge and/or acquisition and/or (iv) the general corporate purposes of the Senior Secured Group.

All amounts borrowed under Facility B2 (USD) shall be applied in or towards (including by way of on lending to any member of the Senior Secured Group) the general corporate purposes of the Senior Secured Group, including funding of capital expenditure, restructuring costs, acquisitions, investments, joint ventures, operational restructuring and reorganisation requirements of the Senior Secured Group and any original issue discount and fees, costs, expenses and taxes (including stamp duty) (including drawing the proceeds thereof onto the balance sheet to fund such items), other than working capital requirements of the Group and making of certain restricted payments (other than permitted investments).

All amounts borrowed under the Original Senior Secured Revolving Facility shall be applied in or towards (i) the same purposes as the Original Senior Secured Term Facilities and (ii) the general corporate purposes and working capital purposes of the Senior Secured Group (including the Target Group on and from the Initial Closing Date), including funding of capital expenditure, restructuring costs, acquisitions, investments, joint ventures, operational restructuring and reorganisation requirements of the Senior Secured Group, any working capital related and foreign exchange purchase price adjustments for the Acquisition, any original issue discount and fees, costs, expenses and taxes (including stamp duty) and backstopping and/or replacing existing letters of credit (or similar instruments) of the Target Group (including drawing the proceeds thereof onto the balance sheet to fund such items).

Borrowers

The Original Senior Secured Term Facilities may be utilised by Motion Finco S.à r.l. ("*Lux FinCo*"), Motion Finco, LLC ("*US FinCo*") and certain other restricted subsidiaries of the Company that may become borrowers of the Original Senior Secured Term Facilities in accordance with the terms of the Senior Secured Facilities Agreement.

The Original Senior Secured Revolving Facility may be utilised by the Company, Lux FinCo, US FinCo, Motion Finco 2 S.à r.l. ("*Lux FinCo 2*") and certain other restricted subsidiaries of the Company that may become borrowers of the Original Senior Secured Revolving Facility in accordance with the terms of the Senior Secured Facilities Agreement.

Utilisations

The Original Senior Secured Term Facilities may be utilised in their base currency by way of cash loans.

The Original Senior Secured Revolving Facility may be utilised in its base currency (being pounds sterling) or any agreed optional currency (being euros, U.S. dollars and Danish krone on the date of this Offering Memorandum) by way of cash loans, letters of credit or ancillary facilities.

Availability

The Original Senior Secured Term Facilities (other than the Facility B2 (USD)) are available to be utilized from (and including) the date of the Senior Secured Facilities Agreement to (and including) 30 March 2020 or, if later, the date falling 3 months after the Initial Closing Date (subject to customary exceptions in the event that the Acquisition has been terminated or the Original Senior Secured Term Facilities have been utilized in full prior to such date).

Facility B2 (USD) is available to be utilized from (and including) the date of the Senior Secured Facilities Agreement to (and including) the earlier of (i) the date falling 24 months after the Initial Closing Date and (ii) the date on which Facility B2 (USD) has been utilised in full.

The Original Senior Secured Revolving Facility is available to be utilized from and including) the date of the Senior Secured Facilities Agreement to (and including) the termination date of the Original Senior Secured Revolving Facility (as set out below in the section entitled "*Repayments*").

Utilizations of the Original Senior Secured Facilities are subject to customary conditions precedent.

Interest and Fees

Loans under the Original Senior Secured Facilities will initially bear interest at rates per annum equal to LIBOR (or EURIBOR or CIBOR in respect of loans denominated in euros or Danish krone (respectively)) plus an applicable margin, which in each case will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured debt indebtedness to LTM EBITDA (each as defined in the Senior Secured Credit Facilities Agreement) (the "*Consolidated Senior Secured Debt Ratio*").

If LIBOR (or EURIBOR or CIBOR as applicable) is less than zero, LIBOR (or EURIBOR or CIBOR as applicable) shall be deemed to be zero for the purpose of calculating the interest payable on loans under the Original Senior Secured Facilities.

A commitment fee will be payable on the aggregate undrawn and uncancelled commitments under the Original Senior Secured Revolving Facility from the Initial Closing Date to the end of the availability period applicable to the Original Senior Secured Revolving Facility at a rate equal to 30% of the applicable margin for the Original Senior Secured Revolving Facility. Such commitment fees will be payable quarterly in arrears on such undrawn and uncancelled commitments and (i) on any cancelled commitments under the Original Senior Secured Revolving Facility on the date of their cancellation and (ii) on the last day of the availability period applicable to the Original Senior Secured Revolving Facility.

A commitment fee will be payable on the aggregate undrawn and uncancelled commitments under Facility B2 (USD) from the Initial Closing Date to the end of the availability period applicable to Facility B2 (USD) at a rate (i) determined pursuant to an increasing ratchet based on the number of days that have elapsed from the Initial Closing Date and (ii) between zero and the interest rate applicable to a drawn loan under Facility B2 (USD). Such commitment fees will be payable quarterly in arrears on such undrawn and uncancelled commitments and (i) on any cancelled commitments under Facility B2 (USD) on the date of their cancellation and (ii) on the last day of the availability period applicable to Facility B2 (USD).

Any letter of credit issued under the Original Senior Secured Revolving Facility shall be subject to such issuing bank and fronting fees as may be agreed between the Company and the applicable issuing bank and a letter of credit fee equal to the margin that would have been applicable to a cash drawn under the Original Senior Secured Revolving Facility in the applicable currency.

Default interest will be calculated as an additional 1% on the defaulted amount.

Repayments

The loans made under Facility B1 (USD) and Facility B2 (USD) will be repaid in instalments by repaying on each Quarter Date (commencing with the first Quarter Date falling one full Financial Quarter following the Initial Closing Date) an amount which reduces the principal amount such loans drawn during the availability period by 0.25 per cent of their outstanding principal amount from time to time, with the balance to be repaid in full on the date that is seven years from the Initial Closing Date.

The loans made under Facility B (EUR) will be repaid in full on the date that is seven years from the Initial Closing Date.

The aggregate principal amount of any loans made under the Original Senior Secured Term Facilities still outstanding on the date that is seven years from the Initial Closing Date shall be repaid in full on that date. Amounts repaid by the borrowers on loans made under the Original Senior Secured Term Facilities may not be reborrowed.

In respect of the Original Senior Secured Revolving Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Original Senior Secured Revolving Facility will be repaid on the date falling six and a half years from the Initial Closing Date. Amounts repaid by the borrowers on loans made under the Original Senior Secured Revolving Facility may be reborrowed, subject to certain conditions.

Mandatory Prepayment

The Senior Secured Facilities Agreement will permit voluntary prepayments to be made (subject to *de minimis* amounts) and require mandatory prepayment in full or in part in from, for each financial year (commencing with the first full Financial Year ending after the Final Closing Date), a percentage of excess cash flow in the event that excess cash flow exceeds a minimum threshold amount, which percentage decreases as the Consolidated Senior Secured Debt Ratio decreases (an "*Excess Cash Flow Prepayment*").

At the election of the Company and subject to certain conditions, amounts required to be prepaid pursuant to an Excess Cash Flow Prepayment may instead be applied in repayment of certain other indebtedness of the Senior Secured Group.

Upon the occurrence of a change of control (as defined in the Senior Secured Facilities Agreement and which follows terms substantially similar to the Notes as described in the section entitled "*Description of Notes*"), each lender shall be entitled to require prepayment of its commitments within a prescribed time period. A change of control shall include:

- any person or group becoming the beneficial owner of more than 50% of the voting power of the Company, subject to certain conditions;
- subject to certain exclusions, the Parent ceasing to own 100% of the capital stock of the Company; and
- a disposal of all or substantially all the assets of the Senior Secured Group.

Guarantees and Security

Guarantor Coverage Test

The Senior Secured Facilities will be guaranteed by each borrower of the Senior Secured Facilities (the "*Borrowers*") and the Guarantors (other than the Parent) (together, the "*Senior Secured Obligors*").

The Senior Secured Facilities will be secured by (i) share security granted by the holding company of each Senior Secured Obligor or Material Subsidiary (as defined below) over its shares in the capital of that Senior Secured Obligor or Material Subsidiary (as applicable), (ii) security over material, structural intercompany loan receivables owed by the Company, Lux FinCo, Lux FinCo 2 or US FinCo (each an "*Original Senior Secured Obligor*") to other Original Senior Secured Obligors, (iii) security over the material bank accounts (if any) of each Original Senior Secured Obligor (without control over use), (iv) security over the business and assets of the Company pursuant to a floating charge and (v) security over the assets of each Senior Secured Obligor that is incorporated or organised under the laws of the United States or any state thereof (or the District of Columbia) (A) which are located in the United States or any state thereof (including the District of Columbia) and (B) over which security is capable of being registered and perfected solely by customary UCC-1 filings in its jurisdiction of incorporation or formation.

Subject to certain adjustments and agreed security principles in the Senior Secured Facilities Agreement, the Company is required to ensure that members of the Senior Secured Group (i) that generate at least 80% of Consolidated EBITDA (as defined in the section entitled "*Description of Notes*") of the Group within certain agreed jurisdictions, namely, Australia, Denmark, Germany, Italy, Luxembourg, the Netherlands, the United Kingdom, the United States and the jurisdiction of incorporation of any borrower (the "*Guarantor Coverage Test*") and (ii) that individually generate 5% or more of LTM EBITDA of the Group (a "*Material Subsidiary*"), in each case, are guarantors under the Senior Secured Facilities Agreement within 120 days of the date on which the annual financial statements of the Company are required to be delivered to the agent under the Senior Secured Facilities Agreement.

In addition, subject to the Agreed Security Principles in the Senior Secured Facilities Agreement, the Company is required to ensure that members of the Target Group that have issued or guaranteed the Existing 2026 Notes as described in the section entitled "*—Existing 2026 Notes*" above become guarantors under the Senior Secured Facilities Agreement within 120 days of the Final Closing Date (to the extent that the such members of the Target Group remain the issuer or a guarantor of the Existing 2026 Notes at such time.

Release of Guarantees and Security

In addition to the circumstances described below under "*—Intercreditor Agreement—Distressed Disposals*" and "*—Intercreditor Agreement—Non-Distressed Disposals,*" the Company may, subject to certain conditions, request the release of a guarantor from its guarantee under the Senior Secured Facilities

Agreement if (i) such guarantor is the subject of a third party disposal or other permitted activity under the Senior Secured Facilities Agreement pursuant to which such guarantor will cease to be a member of the Group, (ii) on a pro forma basis taking into account such release, the Guarantor Coverage Test will continue to be satisfied or (iii) the lenders whose commitments under the Senior Secured Facilities Agreement aggregate greater than 50% of the total commitments under such facilities consent to such release. Upon the effectiveness of a release pursuant to the foregoing sentence, the applicable guarantor would have no further obligations under the Senior Secured Facilities Agreement, including any obligations to grant Security in any Collateral owned by such guarantor.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Intercreditor Agreement and the Senior Secured Facilities Agreement.

Representations and Warranties

The Senior Secured Credit Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including: (i) status, (ii) binding obligations, (iii) non-conflict with other obligations, (iv) power and authority, (v) validity and admissibility in evidence, (vi) governing law and enforcement, (vii) insolvency, (viii) filing and stamp taxes, (ix) no default, (x) information memorandum and base case model, (xi) financial statements, (xii) no litigation, (xiii) consents, filings and laws applicable to operations, (xiv) tax liabilities, (xv) *pari passu* ranking, (xvi) legal and beneficial ownership, (xvii) shares, (xviii) intellectual property, (xix) holding company, (xx) pensions, (xxi) centre of main interests, (xxii) sanctions, (xxiii) US investment company status and (xiv) US federal reserve regulations.

Certain representations and warranties were made on the date of the Senior Secured Facilities Agreement and will be repeated on the date of each utilization, on the first day of each interest period and at certain other times.

Springing Financial Covenant

Solely for the benefit of the lenders participating in the Original Senior Secured Revolving Facility (and any Incremental Senior Secured Facility that is a revolving credit facility (together with the Original Senior Secured Revolving Facility, the "*Senior Secured Revolving Facilities*") and is elected by the Company to benefit from such provision), the Senior Secured Facilities Agreement requires that, in the event that the aggregate amount of all cash loans drawn under the Senior Secured Revolving Facilities (excluding any amounts utilized to fund any original issue discount, market flex or acquisition costs and net of cash and cash equivalent investments held by the Senior Secured Group) exceeds 40 per cent of the total revolving facility commitments on the relevant testing date or, if higher, the total revolving facility commitments as at the original date of the Senior Secured Facilities Agreement (the "*Revolving Facility Financial Covenant Condition*"), the Consolidated Senior Secured Debt Ratio does not exceed 10.00 to 1.00 (the "*Financial Covenant*"). The Consolidated Senior Secured Debt Ratio is based on the definitions and adjustments in the Senior Secured Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this offering memorandum.

The Senior Secured Facilities Agreement contains an equity cure provision enabling the shareholders of the Company to make shareholder injections by way of subordinated shareholder funding and/or equity to the Company to (i) increase the consolidated pro forma EBITDA under the Senior Secured Facilities Agreement (an "*EBITDA Cure*"), (ii) decrease consolidated senior secured debt indebtedness as defined in the Senior Secured Facilities Agreement (a "*Net Debt Cure*"), or (iii) prepay the Senior Secured Revolving Facilities so that the Revolving Facility Financial Covenant Condition is no longer satisfied. The EBITDA Cure and Net Debt Cure rights may not be exercised on more than five occasions after the Final Closing Date in aggregate and may not be exercised on more than two occasions in any four consecutive financial quarters.

Any failure to comply with the Financial Covenant shall be automatically cured if the Financial Covenant is complied with (or is not required to be tested as a result of the Revolving Facility Financial Covenant Condition not being satisfied) on the following testing date, unless the requisite super majority lenders under the Senior Secured Revolving Facilities have exercised their acceleration rights to declare all or part of the loans under the Senior Secured Revolving Facilities to be immediately due and payable.

General Undertakings

The Senior Secured Facilities Agreement contains certain of the incurrence covenants, information undertakings and related definitions (with, in each case, certain adjustments), including (i) limitation on indebtedness and issuance of disqualified stock and preferred stock; (ii) limitation on restricted payments; (iii) liens; (iv) dividend and other payment restrictions affecting restricted subsidiaries; (v) asset sales; (vi) transactions with affiliates; (vii) merger, consolidation or sale of all or substantially all assets; (viii) successor persons substituted; (ix) limited condition acquisition and irrevocable payment and (x) additional intercreditor agreements.

In addition, the Senior Secured Facilities Agreement also requires the Company and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to: (i) authorizations and consents; (ii) *pari passu* ranking; (iii) pension schemes; (iv) centre of main interests; (v) corporate ratings; (vi) taxes; (vii) maintenance of insurance; (viii) compliance with laws; (ix) holding company; (x) persons with significant control regime; (xi) conduct of offer and/or scheme, (xii) covenant to guarantee obligations and give security and further assurances and (xiii) post-closing date undertakings.

The Senior Secured Facilities Agreement also required the Company to comply with certain customary information undertakings, including delivery of quarterly and annual financial statements and accompanying compliance certificates, provided that the obligation to deliver financial information may differ from similar requirements in the Indenture and as described in this offering memorandum.

It is intended that certain agreed covenants and other provisions of the Senior Secured Facilities Agreement will fall-away on the satisfaction of certain release conditions, being (i) the Senior Secured Facilities have obtained a rating equal to or higher than Baa3 (or the equivalent) by Moody's Investor Services Limited and BBB− (or the equivalent) by Standard & Poor's Rating Services or Fitch Ratings Ltd, or if the applicable securities are not then rated by Moody's Investor Services Limited, Standard & Poor's Rating Services or Fitch Ratings Ltd, an equivalent rating by any other rating agency and (ii) no Default is continuing.

Events of Default

The Senior Secured Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Senior Secured Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) breach of the financial covenant, provided that (A) in the event of such breach, only the requisite super majority of the lenders under the Senior Secured Revolving Facilities (the "*Super Majority Revolving Facility Lenders*") may exercise acceleration rights as a result of such breach and (B) if the Super Majority Revolving Facility Lenders have exercised such acceleration rights as a result of such breach, the remaining lenders shall have a right of cross-acceleration; (ii) misrepresentation; (iii) invalidity and unlawfulness of the Senior Secured Facilities financing documents; and (iv) material failure to comply with the Intercreditor Agreement.

Governing Law

The Senior Secured Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although certain information undertakings, restrictive covenants, events of default and related definitions scheduled to the Senior Secured Facilities Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Senior Secured Facilities Agreement is governed by English law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer and the Issue Date Guarantors are (or will, prior to the release of the proceeds of the Notes from escrow, become) party to an Intercreditor Agreement between, among others, the agent, arrangers and lenders under the Senior Secured Facilities Agreement, the Trustee and the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement will be governed by English law and will set out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor (as defined below) or Third Party Security Provider (as defined below), when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of security.

The following description is a summary of certain provisions to be contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

Priority of Debts

The Intercreditor Agreement will provide that the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the "*Debtors*") shall rank in right of priority and payment in the order, and are postponed and subordinated to any prior ranking liabilities, as set out below.

Primary Creditor Liabilities—Other Than Senior Parent Independent Liabilities

Liabilities (other than any Senior Parent Independent Liabilities, as defined below) owed to the creditors described below (the "*Primary Creditors*") by Debtors (other than a Senior Parent Debt Issuer to the extent relating to Senior Parent Issuer Liabilities (each as defined below)) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) **first**, liabilities owed to:

   (i) the arrangers, agents, trustees, lenders, issuing banks, ancillary lenders and the Security Agent in relation to the Senior Secured Facilities Agreement and any future senior secured loans, notes or other indebtedness borrowed and/or issued by any of the Company or its Restricted Subsidiaries (collectively, the "*Senior Secured Group*"), other than any Operating Facility (as defined below) ("*Permitted Senior Financing Debt*"), such liabilities together being the "*Senior Secured Liabilities*";

   (ii) the arrangers, agents, trustees, lenders, issuing banks, ancillary lenders and the Security Agent in relation to any future second lien loans, notes or other indebtedness borrowed and/or issued by a member of the Senior Secured Group ("*Second Lien Debt*"), such liabilities together being the "*Second Lien Liabilities*";

   (iii) the hedge counterparties in relation to any hedging agreements, such liabilities together being the "*Hedging Liabilities*";

   (iv) the creditors in relation to any cash management or other facility which is designated as an "*Operating Facility*" under the Intercreditor Agreement (an "*Operating Facility*"), such liabilities together being the "*Operating Facility Liabilities*"; and

   (v) the agents, trustees and the Security Agent (in each case for their own account and not on behalf of the applicable lenders and/or noteholders) in relation to the Notes and any future loans, notes or other indebtedness ("*Permitted Parent Financing Debt*" and, together with the Notes, "*Senior Parent Debt*"), borrowed and/or issued by the Issuer or any other member of the Senior Parent Group, which is designated as an issuer of Senior Parent under the Intercreditor Agreement (a "*Senior Parent Debt Issuer*"), such liabilities together being the "*Senior Parent Agent Liabilities*,"

   pari passu and without any preference amongst them; and

(b) **second**, liabilities owed to the arrangers, agents, trustees, lenders and Security Agent in respect of the Notes and any Permitted Parent Financing Debt and in each case (A) including, without limitation, liabilities in respect of any proceeds loan (a "*Senior Parent Debt Proceeds Loan*") pursuant to which the proceeds of the Notes and any Permitted Parent Financing Debt are on-lent to a member of the Senior Secured Group ("*Senior Parent Debt Proceeds Loan Liabilities*") and (B) excluding any Senior

Parent Agent Liabilities and any Senior Parent Independent Liabilities, such liabilities together being the "*Senior Parent Shared Guarantee Liabilities*," *pari passu* and without any preference amongst them.

Primary Creditor Liabilities—Senior Parent Issuer Liabilities

Liabilities owed to the Primary Creditors by a Senior Parent Debt Issuer (to the extent that such liabilities relate to the Senior Parent Debt borrowed / issued by such Senior Parent Debt Issuer) (the "*Senior Parent Issuer Liabilities*") will rank *pari passu* and without any preference amongst them with the Senior Secured Liabilities, the Second Lien Liabilities, the Hedging Liabilities, the Operating Facility Liabilities and the Senior Parent Agent Liabilities owed by such Senior Parent Debt Issuer.

Primary Creditor Liabilities—Senior Parent Independent Guarantee Liabilities

The Intercreditor Agreement will not rank or restrict the payment by any person which is a guarantor of the Notes or any Permitted Parent Financing Debt but is not a member of the Senior Secured Group, has not guaranteed any Senior Secured Liabilities, Second Lien Liabilities, Hedging Liabilities or Operating Facility Liabilities and is not a Senior Parent Debt Issuer (a "*Senior Parent Independent Guarantor*") of any liabilities of any such person in respect of the Notes or any Permitted Parent Financing Debt (the "*Senior Parent Independent Guarantee Liabilities*," together with the Senior Parent Issuer Liabilities, the "*Senior Parent Independent Liabilities*" and together with the Senior Parent Issuer Liabilities, the Senior Parent Agent Liabilities and the Senior Parent Shared Guarantee Liabilities, the "*Senior Parent Liabilities*") or any other liabilities of any such person.

Intra-Group and Investor Liabilities

The Intercreditor Agreement will provide that any intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Parent Debt Proceeds Loan Liabilities) (the "*Intra-Group Liabilities*") and any liabilities (the "*Investor Liabilities*") owed by a member of the Senior Parent Group to a holding company or the Senior Parent Group or to any other person who becomes party to the Intercreditor Agreement as an Investor (an "*Investor*"), will be subordinated to the liabilities owed to the Primary Creditors by the Debtors in respect of the Senior Secured Liabilities, the Second Lien Liabilities, the Hedging Liabilities, the Operating Facility Liabilities and the Senior Parent Liabilities (together, the "*Secured Liabilities*").

The Issuer and the Parent will be party to the Intercreditor Agreement as Investors.

The Intercreditor Agreement will not purport to rank any of the Investor Liabilities or the Intra-Group Liabilities as between themselves.

Transaction Security

Each of the parties to the Intercreditor Agreement agrees that the Transaction Security (as defined below) shall secure the liabilities regulated by the Intercreditor Agreement (but only to the extent that such Transaction Security is expressed to secure those liabilities) in the following order:

(a) **first**, the Senior Secured Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the liabilities owed to the agents, trustees and the Security Agent (in each case for their own account and not on behalf of the applicable lenders and/or noteholders) in relation to the Second Lien Liabilities (the "*Second Lien Agent Liabilities*") and the Senior Parent Agent Liabilities *pari passu* and without any preference amongst them;

(b) **second**, the Second Lien Liabilities (other than the Second Lien Agent Liabilities) *pari passu* and without any preference amongst them; and

(c) **third** (to the extent of any Shared Security), the Senior Parent Liabilities (other than the Senior Parent Agent Liabilities) *pari passu* and without any preference amongst them.

Additional Debt

The Intercreditor Agreement will provide, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that may or may not constitute Secured Liabilities (including any of the classes of Secured Liabilities described in the section entitled "*Primary Creditor Liabilities*" above) ("*Additional Debt*"), provided that the incurrence of such Additional Debt is not prohibited by the Senior Secured Facilities Agreement, the Indenture or any other loan agreement, notes indenture or other debt instrument pursuant to which any prior Additional Debt is borrowed or issued (as applicable) (each a "*Debt Financing Agreement*").

Such financing arrangements may be implemented by way of refinancing, replacement, increase or otherwise restructuring in whole or in part under the relevant finance documents.

In connection with and in order to facilitate any Additional Debt, each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Debt Documents (as defined below) (including for the purpose of reflecting the terms and ranking of any Additional Debt) and/or take such other action as is required by the Company in order to facilitate such Additional Debt.

The amendments and replacements in the foregoing paragraph shall extend to any changes to, the taking of, or the release coupled with the retaking of, any guarantee or security interest including granted in respect of any of the Secured Liabilities.

Each lender, noteholder or similar creditor authorises and instructs its respective facility agent, notes trustee or other creditor representative and the Security Agent to (unless such person is required under applicable law to act in its own name, in which case it shall) enter into any such amendment to the Intercreditor Agreement and such other Debt Document required by the Company to reflect, enable and/or facilitate any such arrangements (including as regards the ranking of any such arrangements) to the extent such financing, refinancing, replacement and/or sharing is not prohibited by the Debt Financing Agreements to which the relevant Secured Party is a party.

Priority Revolving Facilities

The Intercreditor Agreement will contain provisions which (i) facilitate the incurrence of revolving facilities ranking, or the elevation of existing revolving facilities to rank, in priority to the other Senior Secured Liabilities (other than any other such revolving facilities incurred or elevated with such ranking) with respect to the right to receive proceeds from an enforcement of the Transaction Security and certain distressed disposals, in each case to the extent not prohibited by the Debt Financing Agreements ("*Priority Revolving Facilities*") and (ii) to the extent that any Priority Revolving Facilities have been incurred, permit certain Hedging Liabilities and Operating Facility Liabilities to be incurred and/or elevated, such that they shall rank *pari passu* with the Priority Revolving Facilities with respect to the right to receive proceeds from an enforcement of the Transaction Security and certain distressed disposals.

To the extent incurred, such Priority Revolving Facilities will not have a more beneficial priority or ranking vis-à-vis the Notes than the other Senior Secured Liabilities, though may have different rights and obligations than the other Senior Secured Liabilities, including with respect to the right to instruct the Security Agent to enforce the Transaction Security. The terms in the Intercreditor Agreement applicable to Priority Revolving Facilities are not described in further detail in this description.

The incurrence of Priority Revolving Facilities will not be permitted by the Senior Secured Facilities Agreement prior to the discharge of the term facilities made available thereunder, unless otherwise agreed by the requisite lenders.

Supplemental Security

The Intercreditor Agreement will permit supplemental security to be granted in favour of any Hedging Liabilities and/or Operating Liabilities in order to ensure that such Hedging Liabilities and/or Operating Liabilities benefit from security interests over the assets subject to the Transaction Security.

Existing Notes

Pursuant to the Intercreditor Agreement, and notwithstanding the terms of any Debt Document to the contrary, the Existing Notes may be designated as notes ranking as Senior Secured Liabilities ("*Senior Notes*") in accordance with the terms of the Intercreditor Agreement, provided that (i) the Company gives prior notice to the Security Agent in writing that the Existing Notes are to be designated as "*Senior Notes*" for the purposes of the Intercreditor Agreement and (ii) the trustee from time to time under the Existing 2026 Indenture (the "*Existing 2026 Notes Trustee*") has agreed to become a party to the Intercreditor Agreement as a Senior Notes Trustee.

If the Existing Notes are designated under the Intercreditor Agreement as Senior Notes and the Existing 2026 Notes Trustee has become a party to the Intercreditor Agreement, then pursuant to the terms of the

Intercreditor Agreement, notwithstanding any other term of any other Debt Document (other than the Existing 2026 Indenture) (i) the liabilities in respect of the Existing Notes existing on the date of the Intercreditor (the "*Existing Notes Pre-existing Liabilities*") may not be released or otherwise compromised pursuant to the provisions of the Intercreditor Agreement and (ii) no requirement to share any payment or distribution of, or on account of or in relation to (including without limitation by way of set off), any of the liabilities from any member of the Senior Secured Group or a Third Party Security Provider (a "*Recoveries*") shall apply to any Recovery by the holders of the Existing Notes or the Existing 2026 Notes Trustee made in respect of the Existing Notes Pre-existing Liabilities, except solely to the extent such Recovery is made under the Transaction Security Documents (as defined below).

If the Existing Notes are designated under the Intercreditor Agreement as Senior Notes and the Existing 2026 Notes Trustee has become a party to the Intercreditor Agreement, to the extent that any applicable Recoveries that are to be distributed to the Existing 2026 Notes Trustee as described in the section entitled "*—Application of Proceeds*" below at a time when and to the extent the relevant accrued liabilities in respect of the Existing Notes are not then due and payable (such amount being the "*Relevant Amount*"), the Relevant Amount shall be paid into a holding account for the benefit of the Existing 2026 Notes Trustee and such amount shall be treated as having been applied in satisfaction of the liabilities in respect of the Existing Notes for the purposes of the Intercreditor Agreement.

If the Existing Notes are designated under the Intercreditor Agreement as Senior Notes and the Existing 2026 Notes Trustee has become a party to the Intercreditor Agreement, to the extent that an asset of a member of the Senior Secured Group is permitted (or deemed or required to be permitted) by the other Primary Creditors (other than the Operating Facility Lenders) to be released from the Transaction Security, the Security Agent shall also be authorised to release the such asset from the Transaction Security by the Existing 2026 Notes Trustee.

Nothing in the foregoing paragraph or the provisions of the Intercreditor Agreement relating to distressed disposals shall permit the Security Agent to release the borrowing claims of the Target with respect to the Existing Notes.

If and to the extent the Existing 2026 Notes Trustee requires any amendments to the Intercreditor Agreement in order to become a party thereto and the Company so requests, the Secured Parties are required to (at the cost of the Debtors) co-operate with the Debtors with a view to enabling the Existing 2026 Notes Trustee to become a party to the Intercreditor Agreement and each Secured Party shall be deemed to irrevocably authorise any applicable facility agent, notes trustee or other creditor representative acting on its behalf to execute any amendment to the Intercreditor Agreement and the other Debt Documents required to reflect such arrangements. Other than relation to certain limited matters, the Existing 2026 Notes Trustee and the Existing Notes are excluded from the definition Majority Senior Creditors (as defined below) for the purposes of voting.

Permitted Payments

Permitted Payments—Senior Secured Liabilities, Hedging Liabilities and Operating Facility Liabilities

The Debtors and Third Party Security Providers may make payment in respect of the Senior Secured Liabilities, the Operating Facility Liabilities and (subject to the further conditions below) the Hedging Liabilities at any time, provided that (i) none of the Senior Secured Liabilities have been declared due and payable prior to their scheduled maturity date as a result of an event of default (a "*Senior Secured Acceleration Event*") and (ii) no Insolvency Event (as defined below) has occurred.

Following a Senior Secured Acceleration Event or an Insolvency Event, any payment of Senior Secured Liabilities, Operating Facility Liabilities or Hedging Liabilities (i) shall be paid to the Security Agent, rather than the creditors of such liabilities or their representatives (the "*Applicable Creditors*") and (ii) no such payment made to the Applicable Creditors may be received or retained by them, other than (A) recoveries distributed in the manner described in the section entitled "*—Application of Proceeds*" below or (B) with the consent of the creditors holding greater than 50% of the credit participations in respect of the Senior Secured Liabilities that are in the form of loans or hedging liabilities (the "*Majority Senior Creditors*") and each notes trustee in respect of Permitted Senior Financing Debt in the form of notes (each a "*Senior Secured Notes Trustee*") (or, following the discharge of all Senior Secured Liabilities (the "*Senior Secured Discharge Date*"), the creditors holding greater than 50% of the credit participations in respect of the Second Lien Liabilities (the "*Majority Second Lien Creditors*")).

In addition, the Debtors and Third Party Security Providers will be restricted from making certain payments in respect of Hedging Liabilities without the consent of the Majority Senior Creditors if, among other conditions, such payments do not related to scheduled payments under the applicable hedging agreements, certain agreed mandatory prepayment events, non-credit related close-outs and/or permitted enforcement action.

Permitted Payments—Second Lien Liabilities

Prior to the later of the Senior Secured Discharge Date and the date on which all Operating Facility Liabilities have been discharged (such later date, the "*Senior Discharge Date*"), the Debtors and the Third Party Security Providers and other members of the Senior Secured Group may only make payments directly or indirectly in respect of the Second Lien Liabilities if:

(a) (i) no Second Lien Payment Stop Notice (as defined below) is outstanding, (ii) no payment default has occurred under any Debt Financing Agreement evidencing any Senior Secured Liabilities (a "*Senior Secured Debt Financing Agreement*") for failure to pay principal or interest above an agreed *de minimis* (a "*Senior Secured Payment Default*") and (iii) to the extent constituting a payment of principal amounts of Second Lien Liabilities (including any capitalised interest), such payment is (A) not prohibited by the Senior Secured Debt Financing Agreements or (B) is made on or after the scheduled maturity date of such Second Lien Liabilities (to the extent that such maturity date is itself not prohibited by the Senior Secured Debt Financing Agreements);

(b) if consent to such payment has been obtained under each Senior Secured Debt Financing Agreement (in compliance with the applicable consent thresholds set out therein) (the "*Required Senior Consent*"); or

(c) such payment is (i) in respect of certain customary exceptions for the payment fees, costs, expenses, agency liabilities and the satisfaction of certain mandatory prepayment obligations, (ii) funded from the proceeds of Second Lien Liabilities, Senior Parent Liabilities or agreed equity contributions, (iii) subject to certain conditions, pursuant to a debt for equity swap or (iv) is below an agreed *de minimis* per fiscal year.

On or after the Senior Discharge Date, the Debtors and the Third Party Security Providers and other members of the Senior Secured Group may make any payment directly or indirectly in respect of the Second Lien Liabilities at any time.

Second Lien Payment Stop Notice

Following the occurrence of certain material events of default under a Debt Financing Agreement in respect of Senior Secured Liabilities (a "*Material Event of Default*"), any facility agent, notes trustee or other creditor representative in respect of Senior Secured Liabilities (a "*Senior Secured Agent*") or Second Lien Liabilities (a "*Second Lien Creditor Representatives*" and, together with any Senior Secured Agent, a "*Senior Agent*") may deliver a notice (a "*Second Lien Payment Stop Notice*") specifying the event or circumstance giving rise to the relevant Material Event of Default to the Company, the Security Agent and Second Lien Creditor Representative), and such Second Lien Payment Stop Notice is outstanding from the date falling one business day after such delivery until the first to occur of:

(a) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(b) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period (as defined below) commences after delivery of that Second Lien Payment Stop Notice, the date on which such standstill period expires;

(c) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the applicable Debt Financing Agreement;

(d) the date on which the Senior Agent which delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Company, the Security Agent and the Second Lien Creditor Representatives cancelling the Second Lien Payment Stop Notice;

(e) the Senior Discharge Date; and

(f) the date on which the Security Agent or a Second Lien Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor (see "*—Permitted Second Lien Enforcement*" below).

Unless otherwise agreed by the Second Lien Creditor Representatives (i) no more than one Second Lien Payment Stop Notice may be served in any period of 360 days and (ii) no Second Lien Payment Stop Notice may be delivered by the Security Agent in reliance on a particular relevant event of default more than 120 days after the date that Senior Agent received notice of that Material Event of Default.

No Second Lien Payment Stop Notice may be served by a Senior Agent in respect of a Material Event of Default which had been notified to the Senior Agents at the time at which an earlier Second Lien Payment Stop Notice was issued and no more than one Second Lien Payment Stop Notice may be served with respect to the same event or set of circumstances.

Cure of Second Lien Payment Stop

If:

(a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and

(b) any Debtor then promptly pays to the creditors of the Second Lien Liabilities (the "*Second Lien Secured Creditors*") an amount equal to any payments which had accrued under the finance documents in respect of the Second Lien Liabilities (the "*Second Lien Finance Documents*") and which would have been permitted to be paid but for that Second Lien Payment Stop Notice or Senior Secured Payment Default (as the case may be),

then any event of default (including any cross default or similar provision under any other Debt Document) which may have occurred under a Second Lien Finance Document and any Second Lien Enforcement Notice (as defined below) which may have been issued as a result of that suspension of payments shall be deemed automatically waived without any further action being required.

Permitted Payments—Senior Parent Liabilities

Prior to the later of the Senior Discharge Date and the date on which all Senior Secured Liabilities and all Second Lien Liabilities have been discharged (the "*Second Lien Discharge Date*") (such later date, the "*First/Second Lien Discharge Date*"), the Debtors and the Third Party Security Providers and other members of the Senior Parent Group may only make payments directly or indirectly in respect of the Senior Parent Liabilities (including the Notes) if:

(a) (i) no Senior Parent Payment Stop Notice (as defined below) is outstanding, (ii) no Senior Secured Payment Default has occurred and no payment default has occurred under any Debt Financing Agreement evidencing any Second Lien Liabilities (a "*Second Lien Debt Financing Agreement*") for failure to pay principal or interest above an agreed *de minimis* (a "*Second Lien Payment Default*") and (iii) to the extent constituting a payment of principal amounts of Senior Parent Liabilities (including capitalised interest), such payment is (A) not prohibited by the Senior Secured Debt Financing Agreements or the Senior Lien Debt Financing Agreement or (B) is made on the scheduled maturity date of such Senior Parent Liabilities (to the extent that such maturity date is itself not prohibited by the Senior Secured Debt Financing Agreements or the Second Lien Debt Financing Agreements);

(b) if the Required Senior Consent has been obtained for such payment and consent to such payment has been obtained under each Second Lien Debt Financing Agreement (in compliance with the applicable consent thresholds set out therein) (the "*Required Second Lien Consent*"); or

(c) such payment is (i) in respect of certain customary exceptions for the payment fees, costs, expenses, agency liabilities and the satisfaction of certain mandatory prepayment obligations, (ii) funded from the proceeds of Senior Parent Liabilities or agreed equity contributions, (iii) subject to certain conditions, pursuant to a debt for equity swap or (iv) is below an agreed *de minimis* per fiscal year.

On or after the First/Second Lien Discharge Date, make any payment directly or indirectly in respect of the Senior Parent Liabilities at any time.

Senior Parent Payment Stop Notice

Following the occurrence of an event of default under a Debt Financing Agreement in respect of Senior Secured Liabilities or Second Lien Liabilities (a "*Senior Event of Default*"), any Senior Agent may deliver a notice (a "*Senior Parent Payment Stop Notice*") specifying the event or circumstance giving rise to the relevant Senior Event of Default to the Company, the Security Agent and each facility agent, notes trustee or other creditor representative in respect of any Senior Parent Liabilities (a "*Senior Parent Agent*"), and such Senior Parent Payment Stop Notice is outstanding from the date falling one business day after such delivery until the first to occur of:

(a) the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;

(b) in relation to payments of Senior Parent Liabilities, if a Senior Parent Standstill Period (as defined below) commences after delivery of that Senior Parent Payment Stop Notice, the date on which such standstill period expires;

(c) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the applicable Debt Financing Agreement;

(d) the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Company, the Security Agent and the Senior Parent Agents cancelling the Senior Parent Stop Notice;

(e) the First/Second Lien Discharge Date; and

(f) the date on which the Security Agent or a Senior Parent Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor (see "*—Permitted Senior Parent Enforcement*" below).

Unless otherwise agreed by the Senior Parent Agents (i) no more than one Senior Parent Payment Stop Notice may be served in any period of 360 days and (ii) no Senior Parent Payment Stop Notice may be delivered by the Security Agent in reliance on a particular relevant event of default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Second Lien Payment Stop Notice was issued and no more than one Senior Parent Payment Stop Notice may be served with respect to the same event or set of circumstances.

Cure of Senior Parent Payment Stop

If:

(a) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default that Senior Parent Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(b) any Debtor, Senior Parent Debt Issuer, Third Party Security Provider or member of the Senior Parent Group then promptly pays to the creditors of the Senior Parent Liabilities (the "*Senior Parent Creditors*") an amount equal to any payments which had accrued under the finance documents (including those related to any Senior Parent Debt Proceeds Loan Liabilities) in respect of the Senior Parent Liabilities (the "*Senior Parent Finance Documents*") and which would have been permitted to be paid but for that Senior Parent Payment Stop Notice, Senior Secured Payment Default or Second Lien Payment Default,

then any event of default (including any cross default or similar provision under any other Debt Document) which may have occurred under a Senior Parent Finance Document and any Senior Parent Enforcement Notice (as defined below) which may have been issued as a result of that suspension of payments shall be deemed automatically waived without any further action being required.

Turnover

Subject to certain exceptions, the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the First/Second Lien Discharge Date and the first date on which all of the Senior Parent Liabilities have been fully discharged (the "*Senior Parent Discharge Date*") (such later date, the "*Final Discharge Date*") any creditor in respect of Secured Liabilities, Investor Liabilities or Intra-Group Liabilities (a "*Creditor*") receives or recovers from any member of the Senior Parent Group or (in relation to any security ("*Third Party Security*") granted in respect of any Secured Liabilities by a Third Party Security Provider:

(a) any payment or distribution of, or on account of or in relation to:

  (i) any of the liabilities which is prohibited by the terms of the Intercreditor Agreement; or

  (ii) following the occurrence of an acceleration of any of the Senior Secured Liabilities, Hedging Liabilities or Operating Facility Liabilities notice of which is provided by the applicable Senior Agent (a "*Senior Distress Event*");

(b) subject to any certain exceptions for netting of Hedging Liabilities and permitted payments effected by way of set-off, any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment or distribution not otherwise prohibited by the terms of the Intercreditor Agreement;

(c) notwithstanding paragraphs (a) and (b) above, subject to any certain exceptions for netting of Hedging Liabilities and permitted payments effected by way of set-off, any amount:

  (i) on account of, or in relation to, any of the liabilities after the occurrence of an acceleration of any of the Senior Secured Liabilities, Hedging Liabilities, Operating Facility Liabilities, Second Lien Liabilities or Senior Parent Liabilities which is designated by the applicable Senior Agent or Senior Parent Agent as a distress event (a "*Distress Event*") (including as a result of any litigation or proceedings against a member of the Senior Secured Group or any Third Party Security Provider, other than after the occurrence of an Insolvency Event in respect of that member of the Senior Secured Group or Third Party Security Provider); or

  (ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a Distress Event,

  other than, in each case:

    (A) any amount received or recovered in accordance with the provisions set out below under "*—Application of Proceeds*"; and

    (B) in the case of Intra-Group Liabilities, any amount permitted to be received or recovered notwithstanding that a Senior Secured Acceleration Event is continuing or any of the Second Lien Liabilities or Senior Parent Liabilities have been declared due and payable prior to their scheduled maturity date as a result of an event of default (together with a Senior Secured Acceleration Event, an "*Acceleration Event*");

(d) the proceeds of any enforcement of any Transaction Security except in accordance with the provisions set out below under "*—Application of Proceeds*"; or

(e) subject to any certain exceptions for netting of Hedging Liabilities and permitted payments effected by way of set-off or in connection with the incurrence of Additional Debt, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of the Senior Secured Group or Third Party Security Provider,

that Creditor will (in the case of any receipts and recoveries referred to in paragraph (e) above, if a Distress Event has not occurred, only if required by the Security Agent acting on the instructions of an Instructing Group (as defined below)):

(1) in relation to receipts and recoveries not received or recovered by way of set-off:

  (I) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

  (II) subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(2) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the intercreditor Agreement.

Effect of Insolvency Event

"*Insolvency Event*" is defined as, in relation to any member of the Senior Secured Group or Third Party Security Provider, (a) any resolution is passed or order made for the winding-up, dissolution, examinership, administration or reorganisation of that member of the Senior Secured Group, a moratorium is declared in relation to any indebtedness of that member of the Senior Secured Group or an administrator is appointed to that member of the Senior Secured Group or Third Party Security Provider, (b) any composition, compromise, assignment or arrangement is made with its creditors generally, (c) the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager, examiner or other similar officer in respect of that member of the Senior Secured Group or Third Party Security Provider or any of its material assets or (d) any analogous procedure or step is taken in any jurisdiction, in each case to the extent constituting an Insolvency Event of Default which is continuing and provided that:

(a) if prior to the Senior Discharge Date, that Insolvency Event of Default is an Insolvency Event of Default in respect of Senior Secured Liabilities and the applicable Senior Agent in respect of such Senior Secured Liabilities has declared by written notice to the Security Agent, each other Agent and the Company that an "*Insolvency Event*" has occurred;

(b) if prior to the Second Lien Discharge Date, that Insolvency Event of Default is an Insolvency Event of Default in respect of Second Lien Liabilities and the relevant Second Lien Creditor Representative (to the extent expressly permitted by the relevant Debt Financing Agreement) has declared by written notice to the Security Agent, each other Agent and the Company that an "*Insolvency Event*" has occurred; or

(c) if on or after the First/Second Lien Discharge Date, that Insolvency Event of Default is an Insolvency Event of Default in respect of Senior Parent Liabilities and the applicable Senior Parent Agent in respect of such Senior Parent Liabilities has declared by written notice to the Security Agent, each other Agent and the Company that an "*Insolvency Event*" has occurred.

"*Insolvency Event of Default*" means, in respect of the Notes, an Event of Default described under "*Description of the Notes—Events of Default and Remedies*" or, in respect of any other Secured Liabilities, any substantially equivalent Event of Default under the applicable Debt Financing Agreement.

The Intercreditor Agreement will provide that, after the occurrence of an Insolvency Event or an Acceleration Event which is continuing or any party to the Intercreditor Agreement entitled to receive a distribution out of the assets of a Debtor (or, following an Acceleration Event, any member of the Senior Secured Group) or (to the extent arising from any Third Party Security) Third Party Security Provider in respect of liabilities owed to such party shall (in the case of any Creditor, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out above under "*—Turnover*") and, in all cases if prior to a Distress Event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Senior Secured Group or Third Party Security Provider to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Senior Secured Group, any Creditor which benefited from that set-off shall, subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below.

Subject to certain exceptions as set out in "*—Distressed Disposals*" and "*—Non Distressed Disposals*" below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under a multi-account overdraft facility, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to an Obligor, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Certain Definitions

"*Debt Documents*" means the Secured Debt Documents, any agreement evidencing the terms of the Intra-Group Liabilities or the Investor Liabilities and any other document designated as such by the Security Agent and the Parent.

"*Enforcement Action*" means:

(a) in relation to any liabilities, (i) the acceleration or declaring due payable (other than as a result of certain exceptions for illegality and mandatory and voluntary prepayments under the Debt Documents) of such liabilities, (ii) the making of any declaration that such liabilities are payable on demand, (iii) making of a demand of such liabilities that are on demand, (iv) making of demand under any guarantee in respect of such liabilities, (v) requiring a member of the Senior Parent Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), (vi) exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (ii) suing or commencing proceedings in relation to such liabilities;

(b) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Senior Parent Independent Transaction Security (including the crystallization of any floating charge);

(d) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Senior Parent Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than pursuant to a change of parties pursuant to the terms of the Intercreditor Agreement or any debt buy-backs, tender offers or exchange offers or similar or equivalent arrangement not otherwise prohibited by the Debt Documents); or

(e) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, receiver and manager, interim receiver, trustee, monitor, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any Third Party Security Provider or a member of the Senior Parent Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Senior Parent Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Senior Parent Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action, (A) which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities under the Intercreditor Agreement, including registration of such claims before any courts or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods, (B) demands made by lenders of Intra-Group Liabilities ("*Intra-Group Lenders*") or Investors to the extent they relate to payments permitted under the Intercreditor Agreement, (C) proceedings brought by a Senior Secured Creditor (as defined below) or a creditor of Senior Parent Liabilities (a "*Senior Parent Creditor*") to obtain injunctive relief (or any analogous remedy outside

England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party, obtaining specific performance (other than specific performance of any obligation to make a payment) with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (D) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or, (E) to the extent entitled by law, the taking of any action against any Creditor (or any agent, trustee or receiver acting on behalf of that Creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation, or (F) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Senior Parent Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

"*Instructing Group*" means, subject to certain exception, at any time:

(a) prior to the Senior Discharge Date, those Creditors in respect of Senior Secured Liabilities (**"***First Lien Creditors*") representing more than 66⅔ per cent. of the Senior Secured Liabilities at that time;

(b) on or after the Senior Discharge Date but before the Second Lien Discharge Date, those Creditors in respect of Second Lien Liabilities ("*Second Lien Secured Creditors*" and, together with the First Lien Creditors, the "*Senior Secured Creditors*") representing more than 66⅔ per cent. of the Second Lien Liabilities at that time; and

(c) on or after the later to occur of the First/Second Lien Discharge Date, but before the Senior Parent Discharge Date, those Creditors in respect of Senior Parent Liabilities ("*Senior Parent Creditors*") representing more than 50 per cent. of the total aggregate amount of all Senior Parent Liabilities.

"*Secured Debt Documents*" means the Debt Financing Documents, the Intercreditor Agreement, the Security Documents, any Senior Parent Debt Proceeds Loan and certain other finance documents in respect of the Secured Liabilities.

"*Security*" means a mortgage, charge, pledge, lien, land charge, assignment, (extended) retention of title arrangement, security transfer or other security interest having a similar effect.

"*Security Documents*" means:

(a) each of the Transaction Security Documents and Senior Parent Independent Transaction Security Documents;

(b) any other document entered into at any time by any of the Debtors, Third Party Security Providers or Senior Parent Independent Obligors creating any guarantee, indemnity, Security or other assurance against financial loss in favour of any of the Secured Parties or Senior Parent Secured Parties as security for any of the Secured Obligations or Senior Parent Independent Secured Obligations; and

(c) any Security granted under any covenant for further assurance in any of the documents set out in paragraphs (a) and (b) above.

"*Senior Debt Documents*" means the Debt Financing Documents, the Intercreditor Agreement, the Security Documents and certain other finance documents in respect of the Senior Secured Liabilities and the Second Lien Liabilities.

"*Senior Parent Finance Parties*" means each Senior Parent Agent and each Senior Parent Creditor.

"*Senior Parent Independent Obligor*" means Topco, the Parent, each Senior Parent Debt Issuer and any affiliate thereof (other than a member of the Senior Secured Group) designated as such by the Company (in its discretion).

"*Senior Parent Secured Parties*" means the Senior Parent Finance Parties, the Security Agent, any Receiver and any Delegate.

"*Senior Parent Independent Secured Obligations*" means all liabilities and all other present and future obligations at any time due, owing or incurred by any Senior Parent Independent Obligor to any Senior Parent Secured Party under the Senior Parent Finance Documents (including to the Security Agent under a parallel debt structure pursuant to the Intercreditor Agreement), both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"*Senior Parent Independent Security Property*" means:

(a) any Security expressed to be granted by a Senior Parent Independent Obligor in favour of the Security Agent as agent or trustee for the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) (or pursuant to any joint and several creditorship or parallel debt provisions set out in the Intercreditor Agreement) for the benefit of the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) and all proceeds of that Senior Parent Independent Transaction Security;

(b) all obligations expressed to be undertaken by a Senior Parent Independent Obligor to pay amounts in respect of the Senior Parent Liabilities to the Security Agent as agent or trustee for the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) (or pursuant to any joint and several creditorship or parallel debt provisions set out in the Intercreditor Agreement) and secured by the Senior Parent Independent Transaction Security together with all representations and warranties expressed to be given by a Senior Parent Independent Obligor in favour of the Security Agent as agent or trustee for (or otherwise for the benefit of) the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties);

(c) the Security Agent's interest in any trust fund created pursuant to the provisions described under "*—Turnover*" above; and

(d) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Agent is required by the terms of the Senior Parent Finance Documents to hold as trustee on trust for (or otherwise for the benefit of) the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties),

excluding, for the avoidance of doubt, any asset comprising Transaction Security.

"*Senior Parent Independent Transaction Security*" refers to any Security over any Senior Parent Independent Security Property which, to the extent legally possible and subject to applicable agreed security principles set out in the relevant Senior Parent Finance Documents and the provisions of the Intercreditor Agreement: (a) is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) in respect of the Senior Parent Independent Secured Obligations or (b) in the case of any jurisdiction in which effective Security cannot be granted in favor of the Security Agent as agent or trustee for the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) is created, or expressed to be created in favor of (i) all the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) in respect of the Senior Parent Independent Secured Obligations or (ii) the Security Agent under a parallel debt and/or joint and several creditorship structure for the benefit of all the Senior Parent Secured Parties (or a class of Senior Parent Secured Parties) in respect of the Senior Parent Independent Secured Obligations, in each case which ranks in the order of priority contemplated in the Intercreditor Agreement and which is designated as such by the Parent (in its discretion) by written notice to each Agent who is a party to the Intercreditor Agreement at such time.

"*Senior Parent Independent Transaction Security Documents*" means any document creating or expressed to create any Security over all or any part of the assets of any member of the Senior Parent Group in respect of Senior Parent Independent Secured Obligations granted by a Senior Parent Independent Obligor and in each case designated as such by the Company by written notice to each Agent who is a party to the Intercreditor Agreement at such time.

"*Senior Secured Parties*" means the Secured Parties other than the Senior Parent Finance Parties.

"*Shared Security*" refers to Security at any time which is created, or expressed to be created, over: (a) each of (i) the shares in the Company held by the Parent and (ii) all receivables owed by the Company to the Parent and any other person which has become a party to the Intercreditor Agreement as a senior parent investor (a "*Senior Parent Investor*"), including any Senior Parent Debt Proceeds Loan, (b) to the extent not included in (a), (i) the shares in the Company held by any direct shareholder of the Company, (ii) all receivables owed by the Company to any other holding company or shareholder of the Company (including any Senior Parent Debt Proceeds Loan), (iii) the shares in any Senior Parent Debt Issuer which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Senior Parent Debt Proceeds Loan, (v) any escrow account relating to the proceeds of any Senior Parent Liabilities and, (vi) any other assets, not falling within paragraphs (i) to (v), of a Senior Parent Debt Issuer which is a member of the Senior Secured Group, in each case to the extent provided for by the Senior Parent Finance Documents at any time and in each case designated as Shared Security by the

Parent (in its discretion) by written notice to each Agent who is party to the Intercreditor Agreement at such time.

"*Third Party Security Provider*" means the Parent and any other person that is not a member of the Senior Secured Group that has provided Transaction Security over any or all of its assets (including Shared Security) but is not a Debtor in respect of any of the direct borrowing or guarantee liabilities of the Secured Obligations to which that Transaction Security relates (other than Senior Parent Liabilities) and which is designated as such by the Company (in its discretion).

"*Transaction Security*" refers to any Security from the Senior Secured Group, any Third Party Security Provider and any Shared Security (but excluding, for the avoidance of doubt, Senior Parent Independent Transaction Security), in each case which, to the extent legally possible and subject to any agreed security principles and the provisions of the Intercreditor Agreement: (a) is created, or expressed to be created, in favour of the Security Agent as agent or trustee for the other Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Liabilities or (b), in the case of any jurisdiction in which effective Security cannot be granted in favour of the Security Agent as agent or trustee for the Secured Parties (or a class of Secured Parties), is created, or expressed to be created, in favour of (i) all the Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Liabilities or (ii), the Security Agent under a parallel debt and/or joint and several creditorship structure for the benefit of all the Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Liabilities, and which ranks in the order of priority contemplated in the Intercreditor Agreement.

"*Transaction Security Documents*" means any document entered into by any Debtor or Third Party Security Provider creating or expressed to create Transaction Security.

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by (i) an Instructing Group, (ii) if, prior to the Senior Discharge Date, an Instructing Group has (A) given no instructions or has instructed the Security Agent neither to enforce or cease enforcing and (B) not required any Debtor or Third Party Security Provider to make a Distressed Disposal (as defined below), the Majority Second Lien Creditors to the extent entitled to give the Security Agent instructions as set out in "*—Permitted Second Lien Enforcement*" below or (iii) if, prior to the First/Second Lien Discharge Date, an Instructing Group has (A) given no instructions or has instructed the Security Agent neither to enforce or cease enforcing and (B) not required any Debtor or Third Party Security Provider to make a Distressed Disposal (as defined below) the creditors holding greater than 50% of the credit participations in respect of the Senior Parent Liabilities (the "*Majority Senior Parent Creditors*") to the extent entitled to give the Security Agent instructions as set out in "*—Permitted Senior Parent Enforcement*" below.

Subject to the Transaction Security having become enforceable in accordance with its terms (i), an Instructing Group or (ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Discharge Date pursuant to the Intercreditor Agreement, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the First/Second Lien Discharge Date pursuant to the Intercreditor Agreement, the Majority Senior Parent Creditors, may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit.

The Security Agent shall enforce the Transaction Security in such manner as instructed by the applicable Creditors described above or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions the Security Agent may elect to take no action).

Consultation Period

Subject to the paragraph immediately below, before giving any instructions to the Security Agent to enforce the Transaction Security or refrain or cease from enforcing the Transaction Security or to take any other Enforcement Action, the Agent(s) of the Creditors represented in the Instructing Group concerned (and, if applicable, any relevant hedge counterparties in respect of Hedging Liabilities ("*Hedge Counterparties*")) shall consult with each other Agent, each other Hedge Counterparty, each lender of Operating Facility Liabilities ("*Operating Facility Lenders*") and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than five Business Days (or, in the case of any consultation involving an Agent which is notes trustee or other creditor representative in respect of any high yield notes, debt securities or other similar instruments, 15 days) from the date on which details of the proposed instructions are received by such Agents, Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each Agent, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "*Consultation Period*"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the Transaction Security or refrain or cease from enforcing the Transaction Security or take any other Enforcement Action.

No Agent or Hedge Counterparty shall be obliged to consult in accordance with the paragraph above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Transaction Security Documents) if:

(a) the Transaction Security has become enforceable as a result of an Insolvency Event; or

(b) the Instructing Group or any Agent of the Creditors represented in the Instructing Group determines in good faith (and notifies each other Agent, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security would reasonably be expected to have a material adverse effect on:

   (i) the Security Agent's ability to enforce any of the Transaction Security; or

   (ii) the realisation proceeds of any enforcement of the Transaction Security,

   and, where this paragraph applies:

      (A) any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in paragraphs (A) and (B) above; and

      (B) the Security Agent shall act in accordance with the instructions first received.

Enforcement—Senior Parent Independent Transaction Security

Subject to the Senior Parent Independent Transaction Security having become enforceable in accordance with its terms, the Senior Parent Agent(s) (acting on the instructions of the Majority Senior Parent Creditors) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Senior Parent Independent Transaction Security as they see fit.

The Security Agent shall enforce the Senior Parent Independent Transaction Security in such manner as instructed by the applicable Creditors described above or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions the Security Agent may elect to take no action).

No Independent Power to Enforce

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Senior Parent Independent Transaction Security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Security Held by Other Creditors

If any Transaction Security or Senior Parent Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Senior Parent Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Restrictions on Enforcement by Second Lien Secured Creditors

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group, no Second Lien Secured Creditor shall (i) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security or (ii) take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities, except as set out under "*—Permitted Second Lien Enforcement*" provided, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent is otherwise entitled under the Intercreditor Agreement to direct such action.

Permitted Second Lien Enforcement

The restrictions set out above under "*—Restrictions on Enforcement by Second Lien Secured Creditors*" will not apply if:

(a) an event of default (a "*Second Lien Event of Default*") under any Debt Financing Agreement in respect of Second Lien Liabilities (the "*Relevant Second Lien Default*") is continuing;

(b) each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Creditor Representative;

(c) a Second Lien Standstill Period (as defined below) has elapsed; and

(d) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Event of Default, the relevant Second Lien Creditor Representative may by notice (a "*Second Lien Enforcement Notice*") in writing notify the Senior Agents of the existence of such Second Lien Event of Default.

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period (the "*Second Lien Standstill Period*") beginning on the date (the "*Second Lien Standstill Start Date*") the relevant Second Lien Creditor Representative serves a Second Lien Enforcement Notice on each of the Senior Agents in respect of such Relevant Second Lien Default and ending on the earliest to occur of:

(a) the date falling 120 days after the Second Lien Standstill Start Date;

(b) the date the Senior Secured Parties (other than the Second Lien Secured Creditors) take any Enforcement Action in relation to a borrower (a "*Second Lien Borrower*") or guarantor (a "*Second Lien Guarantor*") of Second Lien Liabilities, provided, however, that if a Second Lien Standstill Period ends pursuant such Enforcement Action, the Second Lien Secured Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower or Second Lien Guarantor as the Enforcement Action taken by the Senior Secured Parties (other than the Second Lien Secured Creditors) against such Second Lien Borrower or Second Lien Guarantor and not against any other member of the Senior Secured Group;

(c) the date of an Insolvency Event in relation to the relevant Second Lien Borrower or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Second Lien Standstill Period outstanding at the date such first-mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Senior Secured Agents (acting on the instructions of the requisite majority of Senior Secured Creditors represented thereby) has been obtained; and

(f) a failure to pay the principal amount outstanding under any Second Lien Debt at the final stated maturity of the amounts outstanding on that Second Lien Debt (provided that, unless otherwise agreed by the Company and the majority lenders under the Senior Secured Facilities Agreement, prior to the Senior Discharge Date, such maturity date or any shortening thereof is permitted by the Debt Financing Agreements in respect of the Senior Secured Liabilities).

Enforcement on behalf of Second Lien Secured Creditors

If the Security Agent has notified the Second Lien Creditor Representatives that it is enforcing Security created pursuant to any Transaction Security Document over shares of a Second Lien Borrower or a Second Lien Guarantor, no Second Lien Secured Creditor may take any action referred to above against that Second Lien Borrower or Second Lien Guarantor (or any subsidiary of that Second Lien Borrower or Second Lien Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Second Lien Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Liabilities, Second Lien Secured Creditors may, by giving not less than ten days' notice, elect to purchase all but not part of the Senior Secured Liabilities and the Operating Facility Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Second Lien Secured Creditors must also elect for the counterparties to Hedging Liabilities ("*Hedge Counterparties*") to transfer their Hedging Liabilities to such Second Lien Secured Creditors in exchange (subject to specified conditions) for the amount that would have been payable under such Hedging Liabilities had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Restrictions on Enforcement by Senior Parent Creditors

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group (i) no Senior Parent Creditor or Senior Parent Investor shall direct the Security Agent to enforce or otherwise require the enforcement of any Shared Security, (ii) no Senior Parent Creditor or Senior Parent Investor shall take or require the taking of any Enforcement Action in relation to the Senior Parent Shared Guarantee Liabilities or (iii) no Senior Parent Creditor, Investor or Senior Parent Debt Issuer shall take or require the taking of any Enforcement Action in relation to the Senior Parent Debt Proceeds Loan Liabilities, except as set out under "*—Permitted Senior Parent Enforcement*" provided, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent is otherwise entitled under the Intercreditor Agreement to direct such action.

Permitted Senior Parent Enforcement

The restrictions set out above under "*—Restrictions on Enforcement by Senior Parent Creditors*" will not apply if:

(a) an event of default (a "*Senior Parent Event of Default*") under any Debt Financing Agreement in respect of Senior Parent Liabilities (the "*Relevant Senior Parent Default*") is continuing;

(b) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the relevant Senior Parent Agent;

(c) a Senior Parent Standstill Period (as defined below) has elapsed; and

(d) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the relevant Senior Parent Agent may by notice (a "*Senior Parent Enforcement Notice*") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period (the "*Senior Parent Standstill Period*") beginning on the date (the "*Senior Parent Standstill Start Date*") the relevant Senior Parent Agent serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Relevant Senior Parent Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Senior Parent Standstill Start Date;

(b) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor (a "*Senior Parent Guarantor*") of Senior Parent Liabilities, provided, however, that if a Senior Parent Standstill Period ends pursuant such Enforcement Action, the Senior Parent Finance Parties or, in respect of Senior Parent Debt Proceeds Loan Liabilities, the relevant Senior Parent Invest may only take the same Enforcement Action in relation to the relevant Senior Parent Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and not against any other member of the Senior Secured Group or (to the extent not a Senior Parent Guarantor) Third Party Security Provider;

(c) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Senior Parent Standstill Period outstanding at the date such first-mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Senior Agents (acting on the instructions of the requisite majority of Senior Creditors represented thereby) has been obtained; and

(f) a failure to pay the principal amount outstanding under any Senior Parent Debt at the final stated maturity of the amounts outstanding on that Senior Parent Debt (provided that, prior to the First/Second Lien Discharge Date, such maturity date or any shortening thereof is permitted by the Debt Financing Agreements in respect of the Senior Secured Liabilities and the Second Lien Liabilities).

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified the Senior Parent Agents or the relevant Senior Parent Investor that it is enforcing Security created pursuant to any Security Document over shares of a Senior Parent Guarantor, no Senior Parent Creditor or that Senior Parent Investor may take any action referred to above against that Senior Parent Guarantor (or any subsidiary of that Senior Parent Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Parent Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Liabilities, Senior Parent Creditors may, by giving not less than ten days' notice, elect to purchase all but not part of the Senior Secured Liabilities, the Second Lien Liabilities and the Operating Facility Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Senior Parent Creditors must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to such Senior Parent Creditors in exchange (subject to specified conditions) for the amount that would have been payable under such Hedging Liabilities had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the Secured Parties) agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any Creditor or Debtor) promptly upon the receipt of a request from the relevant Debtor or the Company:

(a) promptly release (or procure the release) from the Transaction Security or Senior Parent Independent Transaction Security and the Secured Debt Documents:

 (i) any Security (and/or other claim relating to a Debt Document) over any asset which the Parent has confirmed is the subject of:

  (A) a disposal not prohibited by the terms of any Debt Financing Agreement (including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Debt Financing Agreement to provide replacement security); or

  (B) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group;

 (ii) any Security (and/or any other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

 (iii) any Security (and/or any other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased to be a Debtor (or will cease to be a Debtor simultaneously with such release); and

(iv) any Security (and/or any other claim relating to a Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements; and

(b) in the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Senior Parent Group or a Debtor, the Security Agent (on behalf of itself and the Secured Parties) agrees and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) to promptly release (or procure that any other relevant person releases) that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security or Senior Parent Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document and any guarantee liabilities or other liabilities (not being borrower or guarantee liabilities)).

When making any request for a release pursuant to paragraphs (a)(i) or (a)(ii) above, the Company shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement and, for any request for a release pursuant to paragraph (a)(iv) above, the Parent shall confirm in writing to the Security Agent, that the relevant disposal or other action is in accordance with the terms of the Debt Financing Agreements.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Company in accordance with the terms of any of the Debt Financing Agreements (and provided that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors shall (at the cost of the relevant Debtor and/or the Company) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Security Documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorised to execute, and will promptly execute if requested by the Company, without the need for any further consent, sanction, authority or further confirmation from any Creditor, any such release or document on behalf of the Creditors). When making any request pursuant to this paragraph the Company shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and the requested action is not expressly prohibited by any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement or the Debt Financing Agreements (a "*Permitted Action*"). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorised and instructed to do so without any consent, sanction, authority or further confirmation from any party to the Intercreditor Agreement) that it shall (at the request and cost of the relevant Debtor or the Company) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Company in order to complete, implement or facilitate a Permitted Action. In the event that the Company makes any request pursuant to and in reliance on the preceding sentence, the Security Agent shall be permitted to request a confirmation from the Company that the relevant transaction, matter or other step is a Permitted Action and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

Distressed Disposals

Distressed Disposal Definition

"*Distressed Disposal*" means a disposal of an asset or shares of, or shares issued by, a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any asset of a Third Party Security Provider which is subject to Transaction Security, which is (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant Transaction Security Documents, (b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant Transaction Security Documents, or (c) being effected, after the occurrence of a Distress Event, by a Debtor or a Third Party Security Provider to a person or persons which is not a member of the Senior Secured Group.

Release and Transfer of Liabilities

Subject to the provisions of the Intercreditor Agreement dealing with the Existing Notes (see "—*Existing Notes*") and to the following paragraphs, if a Distressed Disposal is being effected the Security Agent is irrevocably authorised (at the cost of the relevant Debtor, Third Party Security Provider or the Company and without any consent, sanction, authority or further confirmation from any Creditor, other Secured Party, Third Party Security Provider or Debtor):

(a) to release the Transaction Security or any other claim over the asset which is the subject of the Distressed Disposal and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities, (ii) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets and (iii) any other claim of any Senior Parent Investor, Investor, Intra-Group Lender or other Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor, on behalf of the relevant Creditors, Third Party Security Providers, Debtors and Agents;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities, (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of any Senior Parent Investor, Investor, Intra-Group Lender or other Debtor over that holding company's assets or over the assets of any Subsidiary of that holding company, on behalf of the relevant Creditors, Debtors, Third Party Security Provider and Agents;

(d) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

    (i) if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "*Transferee*") will be treated as a Primary Creditor (other than an Operating Facility Lender) or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor (other than an Operating Facility Lender) or a Secured Party for the purposes of the Intercreditor Agreement; and

    (ii) if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor (other than an Operating Facility Lender) or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Primary Creditors and all or part of any other liabilities and the liabilities owed to any Debtor ("*Debtor Liabilities*"), on behalf of, in each case, the relevant Creditors, Third Party Security Provider and Debtors;

(e) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "*Disposed Entity*") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "*Receiving Entity*") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or Debtor Liabilities, to execute and deliver or enter into any agreement to:

    (i) transfer all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant creditors of such liabilities and on behalf of the Debtors which owe those obligations; and

    (ii) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Secured Liabilities or Second Lien Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the

Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

Proceeds of Distressed Disposals

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above) shall be paid to the Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below (to the extent that the asset disposed were subject to the Transaction Security, as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities or Debtor Liabilities has occurred, as if that disposal of liabilities or Debtor Liabilities had not occurred).

Market Value

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall have no obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Transfer of Liabilities

Where borrowing, guarantee or other liabilities would otherwise be released pursuant to the paragraphs above, the Creditor or Operating Facility Lender concerned may elect to have those borrowing or guarantee liabilities and/or, as the case may be, other liabilities transferred to the Company in which case the Security Agent is irrevocably authorised (to the extent legally possible and at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any Creditor, other Secured Party or Debtor) to execute such documents as are required to so transfer those borrowing or guarantee liabilities and/or, as the case may be, other liabilities.

Fair Value Protections—Senior Secured Creditors

In the case of a Distressed Disposal (or a disposal of liabilities pursuant to paragraph (d)(ii) of the provisions entitled "*—Release and Transfer of Liabilities*" above) effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent at such time (other than, to the extent the Existing Notes have been designated as Senior Notes in accordance with the Intercreditor Agreement, any Existing 2026 Notes Trustee (see "*—Existing Notes*")), is otherwise obtained, it is a further condition to any release, transfer or disposal under those provisions above that:

(a) the proceeds of such disposal are in cash (or substantially all in cash); and

(b) such sale or disposal is made:

  (i) pursuant to an auction (public or private) or other competitive sale process (a "*Public Auction*") in which more than one bidder participates or is invited to participate, which may or may not be conducted through a court or other legal proceeding, and which is conducted with the advice of an internationally recognised investment bank or internationally recognised accounting firm selected by the Security Agent or, if all of the internationally recognised investment banks and internationally recognised accounting firms are subject to conflicting and client or potential client issues and are unable to act in relation to the relevant matter, any other third party professional firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those subject to the relevant Transaction Security (a "*Financial Adviser*") in respect of which the Primary Creditors (other than the Operating Facility Lenders) are entitled to participate; or

  (ii) where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Fair Value Protections—Second Lien Secured Creditors

If prior to the Second Lien Discharge Date a Distressed Disposal is being effected such that any Second Lien Liabilities will be released or disposed of, or any Transaction Security securing the Second Lien Liabilities will be released, it is a further condition to the release that either:

(a) each Second Lien Creditor Representative has approved the release; or

(b) where shares or assets of a Second Lien Borrower or a Second Lien Guarantor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(ii) all claims of the First Lien Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Senior Secured Group (if any) all of whose shares (other than any minority interest not owned by members of the Senior Secured Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all Security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each of the Senior Secured Agents (acting reasonably and in good faith):

(A) determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and

(B) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

(A) pursuant to a Public Auction in respect of which the Primary Creditors (other than the Operating Facility Lenders) are entitled to participate; or

(B) where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

For the purposes of the Intercreditor Agreement, "*entitled to participate*" shall be interpreted to mean that any offer, or indication of a potential offer, that a holder of any Senior Secured Liabilities, Second Lien Liabilities or Senior Parent Liabilities makes shall be considered by those running the Public Auction against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder. For the avoidance of doubt, if, after having applied those same criteria, the offer or indication of a potential offer made by a holder of any Senior Secured Liabilities, Second Lien Liabilities or Senior Parent Liabilities is not considered by those running the Public Auction to be sufficient to continue in the sale process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise), then the right to participate which a holder of any Senior Secured Liabilities, Second Lien Liabilities or Senior Parent Liabilities under the Intercreditor Agreement shall be deemed to be satisfied.

Fair Value Protections—Senior Parent Creditors

If prior to the Senior Parent Discharge Date a Distressed Disposal is being effected such that the guarantees of any Senior Parent Liabilities or any Shared Security over assets of a Senior Parent Debt Issuer or assets of or shares in any Senior Parent Guarantor will be released and/or any Senior Parent Liabilities will be released or disposed of, it is a further condition to the release that either:

(a) each Senior Parent Agent has approved the release; or

(b) where shares or assets of a Senior Parent Guarantor or assets of a Senior Parent Debt Issuer are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(ii) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Senior Secured Group (if any) all of whose shares (other than any minority interest not owned by members of the Senior Secured Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all Security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each Senior Agent (acting reasonably and in good faith):

(A) determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and

(B) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

(A) pursuant to a Public Auction in respect of which the Primary Creditors (other than the Operating Facility Lenders) are entitled to participate; or

(B) where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Adjustment of Mandatory Prepayments

If the making of any mandatory prepayment by any member of the Senior Secured Group in respect of any of the Senior Secured Liabilities, the Second Lien Liabilities, the Senior Parent Liabilities and/or the Operating Facility Liabilities (an "*Original Mandatory Prepayment*") would directly or indirectly result in a payment (a "*Hedge Reduction Payment*") being made to any Hedge Counterparty as a consequence of any close-out or termination (in whole or in part) which is intended to ensure that the maximum aggregate notional amount of any hedging does not exceed the maximum aggregate amount of any indebtedness or the exposure the subject of that hedging, if elected by the Company, the maximum aggregate amount of the mandatory prepayment required to be made by the Senior Secured Group will be reduced so that the aggregate of (i) the amount of the reduced mandatory prepayment and (ii) each Hedge Reduction Payment which would result from that reduced mandatory payment, is equal to the amount of the Original Mandatory Prepayment.

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions to be set out in the Intercreditor Agreement and to the provisions described below, all amounts received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Senior Parent Independent Transaction Security or in connection with the realization or enforcement of any other Security which is not Transaction Security or any guarantees provided by any holding company of the Parent or any Subsidiary of any holding company of the Parent (other than a member of the Senior Parent Group) in respect of any of the Senior Parent Liabilities or Senior Parent Proceeds Loan Liabilities), or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security

Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the Intercreditor Agreement), in the following order of priority:

(a) in discharging any sums owing to any Senior Agent, any Senior Parent Agent, the Security Agent, any Receiver or any Delegate (in each case in respect of the liabilities owing to it for its own account and not in its capacity as agent, trustee or security agent for any class of lenders or noteholders), on a pro rata and *pari passu* basis;

(b) in payment of all costs and expenses incurred by any Agent or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action substantially similar action taken by a Creditor at the request of the Security Agent;

(c) in payment to:

  (i) each Senior Secured Agent (other than the trustee of the Existing Notes) on its own behalf and on behalf of the relevant arrangers, lenders, noteholders and/or co-managers represented by that Senior Secured Agent;

  (ii) to the extent attributable to Transaction Security, the trustee of the Existing Notes on its own behalf and on behalf of the holders of the Existing Notes to the extent that the Existing Notes have been designated as Senior Notes in accordance with the terms of the Intercreditor Agreement (as described above under "*—Existing Notes*");

  (iii) the Hedge Counterparties; and

  (iv) the Operating Facility Lenders;

  for application towards the discharge of the applicable Senior Secured Liabilities (other than those otherwise described in paragraphs (a) or (b) above), the Hedging Liabilities and the Operating Facility Liabilities on a pro rata and *pari passu* basis (without prejudice to any ordering of payments provided for under any Debt Financing Agreement, Hedging Agreement or Operating Facility Agreement, solely as among the parties to such Debt Financing Agreement, Hedging Agreement or Operating Facility Agreement);

(d) in payment to each Second Lien Creditor Representative on its own behalf and on behalf of the relevant arrangers, lenders, noteholders and/or co-managers represented by that Second Lien Creditor Representative for application towards the discharge of the applicable Second Lien Liabilities (other than those otherwise described in paragraphs (a) or (b) above) on a pro rata and *pari passu* basis (without prejudice to any ordering of payments provided for under any Debt Financing Agreement, solely as among the parties to such Debt Financing Agreement);

(e) to the extent attributable to the Shared Security or the Senior Parent Shared Guarantee Liabilities, in payment to to each Senior Parent Agent on its own behalf and on behalf of the relevant arrangers, lenders, noteholders and/or co-managers represented by that Senior Parent Agent for application towards the discharge of the applicable Senior Parent Liabilities Liabilities (other than those otherwise described in paragraphs (a) or (b) above) on a pro rata and *pari passu* basis (without prejudice to any ordering of payments provided for under any Debt Financing Agreement, solely as among the parties to such Debt Financing Agreement);

(f) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(g) the balance, if any, in payment to the relevant Debtor.

Order of Application—Senior Parent Debt Issuer Liabilities

Subject to certain provisions to be set out in the Intercreditor Agreement and to the provisions described below, all amounts from time to time received or recovered by the Security Agent from or in respect of a Senior Parent Debt Issuer pursuant to the terms of any Debt Document (only to the extent that such Senior Parent Debt Issuer owes any Liabilities to a Secured Party under such Debt Document and other than in connection with the realisation or enforcement of all or any part of the Transaction Security or Senior Parent Independent Transaction Security) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the Intercreditor Agreement), in the following order of priority:

(a) in discharging any sums owing to any Senior Agent, any Senior Parent Agent, the Security Agent, any Receiver or any Delegate (in each case in respect of the liabilities owing to it for its own account and not in its capacity as agent, trustee or security agent for any class of lenders or noteholders), on a pro rata and *pari passu* basis;

(b) in payment of all costs and expenses incurred by any Agent or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action substantially similar action taken by a Creditor at the request of the Security Agent;

(c) in payment of the amounts described in, and in the order of, paragraphs (c) to (e) of the provisions described above under "*—Order of Application—Transaction Security*"), provided that payments will be made on a pro rata basis and *pari passu* between paragraphs (c) and (to the extent relating to liabilities in respect of the Senior Parent Liabilities where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (e) thereof;

(d) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(e) the balance, if any, in payment to the relevant Debtor.

Order of Application—Senior Parent Independent Transaction Security

Subject to certain provisions to be set out in the Intercreditor Agreement and to the provisions described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Senior Parent Finance Document in connection with the realisation or enforcement of any Senior Parent Independent Transaction Security or any guarantees provided by a guarantor (a "*Senior Parent Guarantor*") of any Senior Parent Liabilities (other than a member of the Senior Secured Group) (the "*Senior Parent Recoveries*") shall be held by the Security Agent on trust and applied at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the Intercreditor), in the following order of priority:

(a) in discharging any sums owing to any Senior Parent Agent (in respect of the Senior Parent Agent Liabilities to the extent related to such Senior Parent Recoveries), the Security Agent, any Receiver or any Delegate on a *pari passu* basis;

(b) in payment of all costs and expenses incurred by any Senior Parent Agent or Senior Parent Creditor in connection with any realisation or enforcement of the Senior Parent Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any substantially similar action taken by a Senior Parent Creditor at the request of the Security Agent;

   (i) subject to sub-paragraph (ii) below, in payment to each Senior Parent Agent on its own behalf and on behalf of the Senior Parent Creditors for application towards the discharge of the Senior Parent Liabilities in accordance with the terms of the applicable Senior Parent Finance Documents on a pro rata basis and ranking *pari passu* between themselves;

   (ii) this paragraph (c) shall only apply to any proceeds from the realisation or enforcement of (A) all or any part of the Senior Parent Independent Transaction Security created, or expressed to be created, pursuant to the Senior Parent Independent Transaction Security Documents, and (B) any guarantees provided by a Senior Parent Guarantor (other than a member of the Senior Secured Group) in respect of any of the Senior Parent Liabilities;

(c) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(d) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement will provide that if, for any reason, any Secured Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "*Enforcement Date*") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority described above under "*—Application of Proceeds*").

Amendments and Waivers

Required Consents

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Company, the Investors and the Security Agent; and, to the extent prohibited under the applicable Debt Financing Agreement, the agents and trustees for the Secured Parties under that Debt Financing Agreement, provided that, to the extent that an amendment, waiver or consent only affects only creditors under a particular Debt Financing Agreement and such amendment, waiver or consent does not reasonably be expected materially or adversely to affect the interests of the other creditors, only written agreement from the agent or trustee acting on behalf of the affected creditors shall be required.

Notwithstanding the above, certain of the of the provisions set out below under "*—Existing Notes*" shall not be amended or waived without the consent of the holders of the Existing Notes (or the trustee in respect of the Existing Notes on behalf of such holders) to the extent that the Existing Notes have been designated as Senior Secured Liabilities in accordance with the Intercreditor Agreement.

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement, the Security Agent may, if authorised by an Instructing Group or the Majority Senior Parent Creditors (as applicable), and if the Company consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security Documents or Senior Parent Independent Transaction Security Documents (as applicable) which shall be binding on each party to the Intercreditor Agreement.

Subject to certain exceptions under the Intercreditor Agreement, in case of any amendment or waiver of, or consent under, any Transaction Security Document or Senior Parent Independent Transaction Security Document (as applicable) which would adversely affect the nature or scope of the assets subject to the Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Senior Parent Independent Transaction Security are distributed, that amendment, waiver or consent shall require approval in accordance with the provisions described above under "*—Required Consents*."

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an arranger or co-manager under the Debt Documents or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that arranger, that co-manager or the Security Agent (as the case may be) at such time.

The preceding paragraph and the paragraphs above under "*—Amendments and Waivers—Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, or Senior Parent Independent Transaction Security, claim or liabilities, or (ii) to any consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the enforcement of Senior Parent Independent Transaction Security.

Any term of the Intercreditor Agreement or a Transaction Security Document or Senior Parent Independent Transaction Security Document may be amended or waived by the Company and the Security Agent without the consent of any other party to the Intercreditor Agreement if that amendment or waiver is (i) to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature or (ii) otherwise for the benefit of all or any of the Secured Parties.

Senior Parent Administrative Consents

If the Senior Secured Creditors (or the requisite Senior Secured Creditors) at any time give any consent in relation to any of the Senior Debt Documents of a minor, technical or administrative nature which does not adversely affect the interests of the Senior Parent Creditors or change the commercial terms contained in the Senior Parent Finance Documents then, if that action was approved by the Company and permitted by the terms of the Intercreditor Agreement, the Senior Parent Creditors will (or will be deemed to) (a) give a corresponding Consent in equivalent terms in relation to each of the Secured Debt Documents to which they are a party and (b) do anything (including executing any document) that the Security Agent and the Company may reasonably require by written notice to give effect to this provision.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement will override anything in the Debt Documents to the contrary.

Governing Law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law, except for certain provisions relating to the appointment of the Security Agent in respect of certain Transaction Security governed by German law, which provisions will be governed by German law.

Hedging Agreements

We currently maintain certain derivatives, including interest rate swaps to manage our exposure to interest rate movements on our financial debt. The valuation of our interest rate and foreign exchange hedges as at 29 December 2018 was a net liability of £1 million. On a *pro forma* basis, giving effect to the Transactions, approximately 30 per cent. of our long-term indebtedness is expected to be fixed rate over the next five years.

Lease Liabilities

We reported £1,139 million of lease liabilities as non-current liabilities and £38 million of lease liabilities as current liabilities as at 29 June 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments*."

Sale and Leaseback Transactions

In July 2007, we entered into sale and leaseback arrangements with the predecessor in title of Secure Income REIT plc in respect of substantially all land, buildings and rides at Alton Towers Resort, Heide Park Resort, Madame Tussauds London, THORPE PARK and Warwick Castle. Secure Income REIT plc subsequently sold the freehold of Madame Tussauds to Fubon MTL Property (Jersey) Ltd. with no changes to the terms of the lease. As a result of this arrangement, we have paid rent for these Attractions during the periods under review.

In May 2012, we sold the LEGOLAND Windsor Hotel for £19 million to Richie Properties in a sale and leaseback transaction, resulting in rent being payable on this site. The term of the lease is 35 years with the option, but not the contractual requirement, to extend the lease agreement for two further terms of 35 years, subject to an adjustment to market rates at the time of renewal. The lease for LEGOLAND Windsor Hotel was subsequently transferred to Aberdeen Standard Investments.

DESCRIPTION OF NOTES

Certain terms used in this description are defined under the subheading "*—Certain Definitions*." In this "*Description of Notes*," the term "*Issuer*" refers only to Motion Bondco DAC, a designated activity company incorporated under the laws of Ireland, and any successor obligor to Motion Bondco DAC in respect of the Notes, and not to any of its Subsidiaries or Affiliates, and the term "*Midco*" refers only to Motion Midco Limited, a private company limited by shares incorporated under the laws of England and Wales, and any successor obligor to Motion Midco Limited in respect of its guarantee of the Notes, and not to any of its Subsidiaries or Affiliates. The terms "*we*," "*our*," and "*us*" each refer to Midco and its consolidated Subsidiaries.

The following is a description of the £317.5 million (equivalent) in aggregate principal amount of % senior notes due 2027 denominated in U.S. dollars (the "*Dollar Notes*") and £317.5 million (equivalent) in aggregate principal amount of % senior notes due 2027 denominated in euro (the "*Euro Notes*" and, together with the Dollar Notes, the "*Notes*" and each, a "*Series of Notes*"). The Notes will be issued by the Issuer under an indenture (the "*Indenture*") to be dated as of the Issue Date, between, among others, the Issuer, the Guarantors and Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), in a private transaction that is not subject to the registration requirements of the Securities Act (the "*Offering*"). See "*Notice to Investors*." The terms of the Notes include those stated in the Indenture. The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject, to the U.S. Trust Indenture Act of 1939 (as amended).

Pending satisfaction of the Escrow Conditions, concurrently with the closing of the offering of the Notes, the Initial Purchasers will, on or about the Issue Date, deposit (i) the gross proceeds of the offering of the Dollar Notes in a segregated escrow account (the "*Dollar Escrow Account*") and (ii) the gross proceeds of the offering of the Euro Notes in a separate segregated escrow account (the "*Euro Escrow Account*" and, together with the Dollar Escrow Account, the "*Escrow Accounts*"). If the Escrow Conditions are not satisfied on or prior to the Longstop Date (as defined below) (or such earlier date as the Issuer notifies the Escrow Agents (as defined below) in writing that in its reasonable judgment the Acquisition will not be consummated on or prior to the Longstop Date), each Series of Notes offered hereby will be subject to a Special Mandatory Redemption (as defined herein) at a redemption price of 100% of the issue price of such Series of Notes offered hereby, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, from the Issue Date to, but not including, the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Gross Proceeds; Special Mandatory Redemption*."

On or about the Escrow Release Date (as defined below), the proceeds of the Offering will be on-lent by the Issuer to Midco for further distribution to Motion Bidco Limited ("*Bidco*") for use, together with amounts drawn under the Senior Facilities and the Equity Contribution, to (i) acquire 100% of the share capital of Merlin Entertainments plc (the "*Target*") (other than the shares of the Target owned or controlled by KIRKBI and each of its subsidiary undertakings (the "*KIRKBI Shares*"), which will be transferred to Bidco upon the Acquisition becoming effective), (ii) refinance certain net existing indebtedness of the Target (excluding the Existing 2026 Notes, for which we have obtained the noteholders' consent to amend the Existing 2026 Indenture with the effect that the Acquisition would not result in a Change of Control Repurchase Event as defined therein), (iii) fund cash to the balance sheet of the Target and (iv) pay the fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."

Upon the issuance of the Notes on the Issue Date, the Notes will be senior obligations of the Issuer. On the Issue Date, the Notes will be guaranteed (i) (x) on a senior basis by Midco (the "*Parent Guarantor*", and such Guarantee, the "*Parent Guarantee*") and (y) on a senior subordinated basis by Bidco, Motion Finco S.à r.l. ("*Lux Finco*"), Motion Finco 2 S.à r.l. ("*Lux Finco 2*") and Motion Finco LLC (the "*U.S. Co-Borrower*") (collectively, the "*Issue Date Subsidiary Guarantors*" and together with the Parent Guarantor, the "*Issue Date Guarantors*") (the guarantees of the Issue Date Subsidiary Guarantors, together with the Parent Guarantee, the "*Issue Date Guarantees*") and (ii) subject to the Agreed Security Principles, within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favor of obligations under the Senior Facilities Agreement, on a senior subordinated basis by the Post-Completion Guarantors (as defined herein) (together with the Issue Date Guarantors, the "*Guarantors*") (and such guarantees together with the Issue Date Guarantees, the "*Guarantees*"). As further described in "*—Certain Covenants—Limitation on Guarantees of Indebtedness by*

Restricted Subsidiaries," in the future, certain additional Restricted Subsidiaries of Midco (other than the Issuer) that guarantee certain Indebtedness of the Issuer or any Guarantor will be required to guarantee the Notes, subject to certain exceptions and subject to release and discharge as described in this "*Description of Notes*."

On the Issue Date, the Notes and the Issue Date Guarantees will be secured (i) on a first-priority basis, by pledges over the Escrowed Property deposited into the Dollar Escrow Account and the Euro Escrow Account (the "*Escrow Charges*"), and, subject to the Agreed Security Principles, (ii)(x) on a first-priority basis, by security interests in the Senior Parent Independent Security Property (as defined herein) and (y) on a second-priority basis, by security interests in the Shared Collateral (as defined herein, and together with the Escrow Charges and the Senior Parent Independent Security Property, and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes or any Guarantee, in each case as may be in existence from time to time, the "*Collateral*"). The Shared Collateral will initially also secure the Senior Facilities, certain hedging obligations and the Existing 2026 Notes on a first-priority basis. Upon the release of the Escrowed Property on the Escrow Release Date, the Escrow Charges will be released. See "*Collateral*."

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below), and in the case of certain conflicts between the terms of the Indenture and the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, the procedures for undertaking enforcement action, and the payment waterfall for amounts received by Deutsche Bank AG, London Branch (the "*Security Agent*"). See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

As of the Issue Date, Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower will each be a "*Restricted Subsidiary*" of Midco for the purposes of the Indenture, and as of the Acquisition Completion Date, we expect that the Target and all of its subsidiaries as of such date will become Restricted Subsidiaries of Midco for the purposes of the Indenture. Prior to the Acquisition Completion Date, the Issuer and Midco will not be able to cause Merlin Entertainments plc and its subsidiaries (together, the "*Target Group*") to comply with the covenants described in this "*Description of Notes*" or other agreements under the Indenture. As such, we cannot assure you that prior to the Acquisition Completion Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants or other agreements been applicable to such entities as of the Issue Date, and any such non-compliance will not constitute a default or Event of Default under the Indenture. See "*Risk Factors—Risks Related to the Transactions—Bidco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Acquisition Completion Date*."

The Issuer is a direct subsidiary of Midco and was incorporated for purposes of facilitating the Transactions and performing certain activities related thereto. As of the Acquisition Completion Date, Midco's only material assets will be its indirect interests in the Target Group. The Issuer has no revenue-generating activities of its own and no business operations. Therefore, after the Issue Date, the Issuer will depend on the receipt of funds from Midco (including payments on the Proceeds Loan (as defined herein)), and Midco in turn will depend on receipt of funds from its Subsidiaries (whether in the form of dividends, other distributions, return on capital or payments with respect to intercompany obligations) to meet its obligations, including its obligations under the Notes. The Notes will be structurally subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Midco's Subsidiaries that are not Guarantors.

The following is a summary of the material provisions of the Indenture and the Notes, and refers to the Intercreditor Agreement and the other collateral documents. This description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture, the Notes, the Intercreditor Agreement and the other collateral documents, respectively. Because this description is a summary, it may not contain all the information that is important to you. You should read the Indenture, the Notes, the Intercreditor Agreement and the other collateral documents in their entirety.

General

The Notes

The Notes will be general obligations of the Issuer and will:

- rank *pari passu* in right of payment with all of the Issuer's future senior obligations that are not subordinated in right of payment to the Notes;
- rank senior in right of payment to all future obligations of the Issuer that are expressly subordinated in right of payment to the Notes, if any;
- be effectively subordinated to all future obligations of the Issuer that are secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all obligations of Midco's subsidiaries that do not guarantee the Notes (other than the Issuer);
- be guaranteed on a senior basis by Midco and on a senior subordinated basis by the Subsidiary Guarantors, subject to limitations under applicable law as set forth below under the caption "*—Guarantees*"; and
- be secured as set forth below under "*—Security*";

The Guarantees

On the Issue Date, the Notes will be guaranteed (i) (x) on a senior basis by Midco and (y) on a senior subordinated basis by the Issue Date Subsidiary Guarantor*s* and (ii) subject to the Agreed Security Principles, within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favor of obligations under the Senior Facilities Agreement and any further guarantees granted in favor of the Existing 2026 Notes, in each case, by the Post-Completion Guarantors (together, with the Issue Date Subsidiary Guarantors, the "*Subsidiary Guarantors*").

The Parent Guarantee will be a general obligation of Midco and will:

- rank *pari passu* in right of payment with all existing and future senior obligations of Midco that are not subordinated in right of payment to the Parent Guarantee;
- rank senior in right of payment to all existing and future obligations of Midco that are expressly subordinated in right of payment to the Parent Guarantee, if any;
- be effectively subordinated to all future obligations of Midco and its subsidiaries that are secured by property and assets that do not secure the Notes (including obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all existing and future obligations of Midco's subsidiaries that do not guarantee the Notes; and
- be secured as set forth below under "*—Security*".

Each Subsidiary Guarantee will:

- be a senior subordinated obligation of the relevant Subsidiary Guarantor;
- be subordinated in right of payment to all existing and future senior obligations of such Subsidiary Guarantor (including such Subsidiary Guarantor's obligations under the Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes);
- rank *pari passu* in right of payment with all future senior subordinated obligations of such Subsidiary Guarantor;
- rank senior in right of payment to all future obligations of such Subsidiary Guarantor that are expressly contractually subordinated to such Subsidiary Guarantor's Guarantee;
- be effectively subordinated to all existing and future secured obligations of such Subsidiary Guarantor that are secured by property and assets that do not secure the Notes (including obligations under the

Senior Facilities Agreement, certain hedging obligations and obligations under the Existing 2026 Notes which will be secured on an equal and rateable basis with obligations under the Senior Facilities Agreement) to the extent of the value of the property and assets securing such obligations;

- be structurally subordinated to all existing and future obligations of the subsidiaries of such Subsidiary Guarantor that do not guarantee the Notes; and
- be secured as set forth below under "*—Security*".

The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such limitations, see "*Risk Factors—Risks Related to the Notes and Our Structure—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

During the 52 weeks ended December 29, 2018, the Target and the other Post-Completion Guarantors accounted for 74 per cent. of the consolidated revenue and 86 per cent. of the consolidated Underlying EBITDA of the Target, and as at December 29, 2018, the Target and the other Post-Completion Guarantors accounted for 61 per cent. of the consolidated assets excluding goodwill, minority equity investments and investments in wholly owned subsidiaries of the Target. As at June 29, 2019, on a *pro forma* basis after giving effect to the Transactions, Midco and the Guarantors would have had £3,143 million (equivalent) in total aggregate principal amount of indebtedness outstanding, consisting of £2,193 million (equivalent) of borrowings under the Senior Facilities, £315 million (equivalent) of the Existing 2026 Notes and £635 million (equivalent) of the Notes, and Midco would have had £400 million (equivalent) of availability to incur additional secured indebtedness under the revolving credit facility under the Senior Facilities.

Principal and Maturity

The Issuer will issue an aggregate principal amount of £317.5 million (equivalent) of Dollar Notes on the Issue Date. The Dollar Notes will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. The Issuer will issue an aggregate principal amount of £317.5 million (equivalent) of Euro Notes on the Issue Date. The Euro Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Dollar Notes and the Euro Notes will constitute separate Series of Notes under the Indenture but, except as otherwise provided herein, will be treated as a single class for all purposes under the Indenture, including for purposes of voting and taking all other actions permitted by Holders of the Notes. The Notes will mature on   , 2027.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of DTC, in respect of the Dollar Notes, and Euroclear and Clearstream, in respect of the Euro Notes. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of such delay.

Interest

Interest on the Dollar Notes will accrue at the rate of   % per annum. Interest on the Euro Notes will accrue at the rate of   % per annum. Interest on the Notes will be payable semi-annually in arrears on each   and   commencing   , 2020 to the Holders of Notes of record on the Business Day immediately preceding the applicable interest payment date, in respect of the Dollar Notes, and the Business Day immediately preceding the applicable interest payment date, in respect of the Euro Notes. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest amount will be calculated by applying the applicable rate to the aggregate principal amount outstanding of the relevant Series of Notes.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and "*—Certain Covenants—Liens*," the Issuer is permitted to issue additional Dollar Notes ("*Additional Dollar Notes*") and additional Euro Notes ("*Additional Euro Notes*" and, together with the Additional Dollar Notes, the "*Additional Notes*"), which shall have terms substantially identical to the Dollar Notes and Euro Notes, respectively, except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered by the Issuer to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued and will mature;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in minimum denominations of (x) $200,000 and integral multiples of $1,000 in excess thereof, in respect of the Dollar Additional Notes, and (y) €100,000 and integral multiples of €1,000, in excess thereof, in respect of the Euro Additional Notes, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of Notes*," references to "Notes" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes.

In order for any Additional Notes to have the same ISIN or Common Code, as applicable, as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined below), if any on the Dollar Notes will be payable at the office or agency of the Issuer maintained for such purpose (the "*Dollar Paying Agent*") or, at the option of the Issuer, cash payment of principal, premium, if any, interest and Additional Amounts on the Notes may be made through the applicable paying agent by check mailed to the Holders of the Notes at their respective addresses set forth in the register of Holders; *provided*, that (i) all cash payments of principal, premium, if any, and interest with respect to the Dollar Notes represented by one or more global notes registered in the name of or held by DTC or its nominee will be made through the Dollar Paying Agent by wire transfer of immediately available funds to the accounts specified by the registered Holder or Holders thereof and (ii) all cash payments of principal, premium, if any, and interest with respect to certificated Dollar Notes may, at the option of the Issuer, be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if the applicable Holder elects payment by wire transfer by giving written notice to the Trustee or the Dollar Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

Principal, premium, if any, interest and Additional Amounts, if any, on the Euro Notes will be payable at the office or agency of the Issuer maintained for such purpose (the "*Euro Paying Agent*" and, together with the Dollar Paying Agent, the "*Paying Agents*") or, at the option of the Issuer, cash payment of principal, premium, if any, interest and Additional Amounts on the Notes may be made through the applicable paying agent by check mailed to the Holders of the Notes at their respective addresses set forth in the register of Holders; *provided*, that (i) all cash payments of principal, premium, if any, and interest with respect to the Euro Notes represented by one or more global notes registered in the name of or held by the common depositary of Euroclear and Clearstream or its nominee will be made through the Euro Paying Agent by wire transfer of immediately available funds to the accounts specified by the registered Holder or Holders thereof and (ii) all cash payments of principal, premium, if any, and interest with respect to certificated Euro Notes may, at the option of the Issuer, be made by wire transfer to a euro account maintained by the payee with a bank in the United Kingdom or Europe if the applicable Holder elects payment by wire transfer by giving written notice to the Trustee or the Euro Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

Until otherwise designated by the Issuer, the Issuer's office or agency will be the office of the Dollar Paying Agent maintained for such purpose in the United States (in the case of the Dollar Notes) and will be the office of the Euro Paying Agent maintained for such purpose in London, United Kingdom (in the case of the Euro Notes).

Paying Agents, Registrar and Transfer Agents for the Notes

The Issuer will maintain one or more paying agents for the Notes. The initial Dollar Paying Agent for the Dollar Notes will be Deutsche Bank Trust Company Americas. The initial Euro Paying Agent for the Euro Notes will be Deutsche Bank AG, London Branch.

The Issuer will also maintain one or more registrars (the "*Registrar*") and transfer agents for the Notes. The initial Registrar and Dollar transfer agent (the "*Dollar Transfer Agent*") will be Deutsche Bank Trust Company Americas and the initial Euro transfer agent ("*Euro Transfer Agent,* and together, the "*Transfer Agents*") will be Deutsche Bank AG, London Branch. The Registrar will maintain a register reflecting ownership of the applicable Series of Notes outstanding from time to time. The applicable paying agent will make payments on, and the applicable transfer agent will facilitate transfer of, the applicable Series of Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, registrar or transfer agent without prior notice to the Holders. Midco or any of its Subsidiaries may act as a paying agent, registrar or transfer agent in respect of the Notes. For so long as the Notes are listed, and dealings in the Notes are permitted on the Official List of The International Stock Exchange (the "*Exchange*"), the Issuer will satisfy any requirement of such exchange as to paying agents, registrars and transfer agents and will comply with any notice requirements required under the Exchange's listing rules in connection with any change of paying agent, registrar or transfer agent.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Issuer and the applicable transfer agent will not be required to transfer or exchange any Note selected for redemption or tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer (each as defined herein). Also, the Issuer and the applicable transfer agent will not be required to transfer or exchange any Note for a period of 15 days before the delivery of a notice of redemption of Notes to be redeemed or between record date and payment date. The registered Holder of a Note will be treated as the owner of the Note for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, Bidco, Lux Finco, Lux Finco 2 and the U.S. Co-Borrower will each be a "*Restricted Subsidiary*" of Midco for the purposes of the Indenture. Immediately after the completion of the Acquisition, the Target and all of its subsidiaries as of such date will become Restricted Subsidiaries of Midco. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," Midco will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted

Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Gross Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, enter into an escrow agreement (the "*Escrow Agreement*") with the Trustee and Deutsche Bank AG, London Branch as dollar escrow agent (the "*Dollar Escrow Agent*") and Deutsche Bank AG, London Branch, as euro escrow agent (together with the Dollar Escrow Agent, the "*Escrow Agents*"), pursuant to which the Initial Purchasers will deposit an amount equal to (x) the gross proceeds of the Dollar Notes sold on the Issue Date into the Dollar Escrow Account and (y) the gross proceeds of the Euro Notes sold on the Issue Date into the Euro Escrow Account. The Escrow Accounts established will each be segregated from the Issuer's other funds and will be controlled by the Escrow Agents (as applicable) (subject to the terms of the Escrow Agreement). The Issuer will assign as security its rights, title and interest in the credit balance in the Escrow Accounts to the Trustee for the benefit of the Holders pursuant to security documents dated the Issue Date between the Issuer and the Trustee (such grant of security, the "*Escrow Charges*"), which Escrow Charges will provide that the funds will be segregated and held for the purposes specified herein. The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property or funds paid to the bank holding the Escrow Accounts as ordinary course charges or fees incurred in connection with the Escrow Account) are referred to, collectively, as the "*Escrowed Property*." See "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Accounts may not have sufficient funds to cover such redemption without relying on an equity investment from Midco.*"

The Issuer will only be entitled to direct the Escrow Agents to release the funds held in the Escrow Accounts in accordance with the terms of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agents will release funds held in the Escrow Accounts (the "*Release*") to, or at the order of, the Issuer (the date of such release being referred to as the "*Escrow Release Date*") upon delivery by the Issuer to the Escrow Agents and the Trustee of an Officer's Certificate addressed to the Escrow Agents and the Trustee on or prior to March 31, 2020 (the "*Longstop Date*"), certifying that the following conditions (collectively, the "*Escrow Conditions*") will be met substantially concurrently with or promptly following the Release on the Escrow Release Date:

(1) the funds required to pay the consideration for the Acquisition will be required promptly (and in any event within two Business Days) following the release of the Escrowed Property; and

(2) the conditions precedent to borrowing under the Senior Facilities (other than any condition precedent relating to the Release or satisfaction of the Escrow Conditions) shall have been, or substantially concurrently shall be, satisfied or waived in all material respects.

Upon the Release, the Escrowed Property may be paid out at the Issuer's discretion and for the purposes described under "*Use of Proceeds*."

In the event that (i) the Acquisition Completion Date does not take place on or prior to the Longstop Date or (ii) in the good faith judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem the entire outstanding aggregate principal amount of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the initial issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Paying Agents, and will provide that the Notes shall be redeemed at least ten Business Days after such notice is given by the Issuer (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Issuer shall pay to the Paying Agents for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and shall be entitled to use the Escrowed Property to make such payments. Notice of such Special Mandatory Redemption shall be given to the Holders of the Notes at least five Business Days before the Special Mandatory Redemption Date.

The Escrow Accounts will not include cash to fund any accrual and unpaid interest owing to Holders of the Notes, which is included in the Special Mandatory Redemption Price. In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Midco will be required to fund, or procure the funding for any funding shortfall, including Escrow Account Fees, negative interest on the Escrow Account balances and costs, the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes (the "*Escrow Equity Commitment*").

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant the Escrow Charges. Receipt by the Trustee from the Issuer of either an Officer's Certificate in connection with the Release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charges.

The Issuer from time to time, but not more than twice, may open one or more replacement or additional accounts at an alternative bank or banks, which in each case must be an Initial Purchaser or one or more of their respective banking affiliates, and may transfer any portion of the Escrowed Property to any such replacement or additional accounts (a "*Transfer*") without such Transfer being deemed a Release, *provided* that the Issuer provides a substantially equivalent security interest to the Trustee for the benefit of the Holders over such replacement or additional account or accounts if such security interest was initially granted in connection with the original Escrow Account and provided that use of the funds from any such account shall be subject to the same conditions as applied to the original Escrow Account. In such an event, any replacement or alternative accounts into which Escrowed Property is transferred shall be deemed to be an Escrow Account. Receipt by the Trustee from the Issuer of an Officer's Certificate in connection with a Transfer shall constitute deemed consent by the Trustee for the transfer of the Escrowed Property from the Escrow Account to a new Escrow Account.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

In addition, the conditions applicable to a Special Mandatory Redemption may be waived by Holders representing a majority in aggregate principal amount of the Notes then outstanding.

The Proceeds Loan

On or about the Escrow Release Date, the Issuer will lend the proceeds of the offering of the Notes issued on the Issue Date to Midco pursuant to one or more proceeds loans (the "*Proceeds Loan*") lent under one or more proceeds loan agreements (the "*Proceeds Loan Agreements*"). The Proceeds Loan will be in a total aggregate principal amount at least equivalent to the net proceeds of the Notes received by the Issuer on the Escrow Release Date. The Proceeds Loan Agreements will provide that, Midco will pay the Issuer interest and principal in an amount sufficient to pay amounts due under the Notes as well as any Additional Amounts due thereunder on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture. The Proceeds Loan will be repaid on the date on which the Notes are repaid, prepaid, redeemed, repurchased or defeased, and Midco may at any time prepay the Proceeds Loan (and shall on demand do so in connection with any proposed repayment, prepayment, redemption, repurchase or defeasance of the Notes).

The Proceeds Loan will be assigned by way of security to the Security Agent for the benefit of the Holders and other secured parties.

Guarantees

On the Issue Date, the Notes will be guaranteed (i) (x) on a senior basis by Midco and (y) on a senior subordinated basis by the Issue Date Subsidiary Guarantors and (ii) subject to the Agreed Security Principles, within 120 days from the Acquisition Completion Date, and substantially simultaneously with the guarantees granted in favor of obligations under the Senior Facilities Agreement and any further guarantees granted in favor of the Existing 2026 Notes, in each case, by the Post-Completion Guarantors (together, with the Issue Date Subsidiary Guarantors, the "*Subsidiary Guarantors*").

During the 52 weeks ended December 29, 2018, the Target and the other Post-Completion Guarantors accounted for 74% of the consolidated revenue and 86% of the consolidated Underlying EBITDA of the Target, and as of December 29, 2018, the Target and the other Post-Completion Guarantors accounted for

61 per cent. of the consolidated assets excluding goodwill, minority equity investments and investments in wholly owned subsidiaries of the Target. As of June 29, 2019, on a *pro forma* basis after giving effect to the Transactions, Midco and the Guarantors would have had £3,143 million (equivalent) in total aggregate principal amount of indebtedness outstanding, consisting of £2,193 million (equivalent) of borrowings under the Senior Facilities, £315 million (equivalent) of the Existing 2026 Notes and £635 million (equivalent) of the Notes, and Midco would have had £400 million (equivalent) of availability to incur additional secured indebtedness under the revolving credit facility under the Senior Facilities.

As further described in "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*," in the future, certain additional Restricted Subsidiaries of Midco (other than the Issuer) that guarantee certain Indebtedness of the Issuer or any Guarantor will guarantee the Notes, subject to certain exceptions and subject to release and discharge as described in this "*Description of Notes*."

Guarantees granted by the Subsidiary Guarantors will also benefit the Senior Facilities and the Existing 2026 Notes. The Indenture will limit the obligation to grant guarantees in favor of obligations under the Notes. The Indenture will include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, thin capitalization rules, retention of title claims and similar principles. The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect these limitations and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*" and "*Risk Factors—Risks Related to the Notes and Our Structure—Insolvency laws and other limitations on the Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

The obligations of each Guarantor under its Guarantee will be limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance under applicable law. This provision may not, however, be effective to protect a Guarantee from being voided under fraudulent transfer law, or may reduce the applicable Guarantor's obligation to an amount that effectively makes its Guarantee worthless. If a Guarantee was rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such indebtedness, a Guarantor's liability in respect of its Guarantee could be reduced to zero. See "*Risk Factors—Risks Related to the Notes and Our Structure—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

In addition, as described below under "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*" and subject to the Intercreditor Agreement, the Agreed Security Principles and limitations described in the immediately preceding paragraph, each Restricted Subsidiary of Midco (other than the Issuer) that guarantees the Senior Facilities, the Existing 2026 Notes or certain other Indebtedness shall also enter into a supplemental indenture as a Guarantor to grant a senior subordinated guarantee of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, capital maintenance rules, liquidity protection rules, fraudulent preference, "earnings stripping," "controlled foreign corporation," "thin capitalization" rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles. Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and Our Structure—Insolvency laws and other limitations on the Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*" and "*Risk Factors—Risks Related to the Notes and Our Structure—Enforcing your rights as a holder of the Notes or under the guarantees or in the Collateral across multiple jurisdictions may be difficult*."

Each Guarantee by a Guarantor will provide by its terms that it will be automatically and unconditionally released and discharged upon:

(1) in the case of a Subsidiary Guarantor, any sale, exchange, issuance, disposition or transfer (by merger, amalgamation, consolidation, dividend, distribution or otherwise) of (i) the Capital Stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) all or substantially all the assets of such Subsidiary Guarantor, in each case if such sale, exchange, issuance, disposition or transfer is made in compliance with the applicable provisions of the Indenture (including any amendments thereof);

(2) the release or discharge of the guarantee by, or direct obligation of, such Guarantor of Indebtedness under the Senior Facilities, or the release or discharge of such other guarantee or direct obligation that resulted in the creation of such Guarantee, except a discharge or release by or as a result of payment under such guarantee or direct obligation (it being understood that a release subject to a contingent reinstatement will constitute a release for the purposes of this provision, and that if any such Guarantee is so reinstated, such Guarantee shall also be reinstated to the extent that such Guarantor would then be required to provide a Guarantee pursuant to the covenant described under "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*");

(3) in the case of a Subsidiary Guarantor, the designation of any Restricted Subsidiary that is a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the applicable provisions of the Indenture or the occurrence of any event following which the Subsidiary Guarantor is no longer a Restricted Subsidiary in compliance with the applicable provisions of the Indenture;

(4) upon the merger, amalgamation or consolidation of any Guarantor with and into the Issuer or another Guarantor or upon the liquidation of such Guarantor, in each case, in compliance with the applicable provisions of the Indenture;

(5) in the case of a Subsidiary Guarantor, the occurrence of a Covenant Suspension Event (as defined herein);

(6) as described under "*—Amendment, Supplement and Waiver*";

(7) the exercise by the Issuer of its legal defeasance option or covenant defeasance option as described under "*—Legal Defeasance and Covenant Defeasance*" or the discharge of the Issuer's obligations under the Indenture in accordance with the terms of the Indenture;

(8) in the case of Midco, if Midco ceases to be the direct parent of the Issuer, subject to the assumption of all of the obligations of Midco under the Indenture, in each case, pursuant to supplemental indentures or other applicable documents or instruments by the entity that directly owns 100% of the issued and outstanding Equity Interests in the Issuer pursuant to the definition thereof;

(9) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

(10) by written notice from the Issuer to the Trustee upon the Notes achieving an Investment Grade Rating; or

(11) in the case only of the Parent Guarantee, pursuant to the provisions described below under "*—IPO Pushdown*."

Notwithstanding clause (5) above, if, after any Covenant Suspension Event, a Reversion Date (as defined herein) shall occur, then the Suspension Period (as defined herein) with respect to such Covenant Suspension Event shall terminate and all actions reasonably necessary to provide that the Notes shall have been unconditionally guaranteed by each Guarantor (to the extent such guarantee is required by the covenant described under "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*") shall be taken within 30 days after such Reversion Date or as soon as reasonably practicable thereafter.

Upon any occurrence giving rise to a release of a Guarantee, as specified above, the Trustee, subject to receipt of an Officer's Certificate from the Issuer, will execute any documents delivered to it by the Issuer in order to evidence or effect such release, discharge and termination in respect of such Guarantee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Substantially all the operations of Midco and the Issuer are conducted through their Subsidiaries. Claims of creditors of Subsidiaries that are not Subsidiary Guarantors, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred shareholders and minority shareholders of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors), preferred shareholders and minority shareholders of Subsidiaries of Midco other than the Issuer and the Guarantors. Although the Indenture will limit the incurrence of indebtedness, Disqualified Stock and Preferred Stock of Midco and the Restricted Subsidiaries of Midco, the limitations will be subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the incurrence by such Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*."

Security

The Collateral

On the Issue Date, the Notes and the Issue Date Guarantees will be secured on a first-priority basis, by the Escrow Charges. Upon the release of the Escrowed Property, the first-priority security interests over the Escrowed Property will be released.

Subject to the Agreed Security Principles, certain perfection requirements and Permitted Collateral Liens, the Notes and the Issue Date Guarantees will be further secured on the Issue Date on a first-ranking basis by:

- a charge over the shares in Midco;
- an assignment of material structural intercompany receivables owed by Midco to Topco;
- a floating charge over substantially all of Midco's assets and undertaking;
- a charge over Midco's material bank accounts;
- a charge over the shares in the Issuer;
- an assignment of material structural intercompany receivables owed to Midco by the Issuer;
- an assignment of material structural intercompany receivables owed by Midco to the Issuer;
- and a charge over the material bank accounts of the Issuer (the "*Senior Parent Independent Security*"), and

on a second-ranking basis by:

- a share charge over the shares in Bidco; and
- an assignment of material structural intercompany receivables owed by Bidco to Midco (collectively, the "*Shared Collateral*" and together with the Senior Parent Independent Security Property, the "*Collateral*").

The Agreed Security Principles embody recognition by all parties that there may be certain legal and practical difficulties in obtaining guarantees and security from the Issuer and all Guarantors in every jurisdiction in which the Issuer and the Guarantors are located. In particular:

- general legal and statutory limitations (including, but not limited to, with respect to the relevant jurisdictions for which guarantee limitation language is set out in the Indenture, such limitations as set out therein), financial assistance, corporate benefit, fraudulent preference, "thin capitalization", "earnings stripping", "controlled foreign corporation", "capital maintenance" and "liquidity impairment" rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Parent and its Restricted Subsidiaries to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise;
- the Liens over the Collateral and extent of their perfection will be agreed taking into account the cost to the Parent and its Restricted Subsidiaries of providing such security (including any increase to the

tax and/or regulatory costs of the Parent and its Restricted Subsidiaries) so as to ensure that it is proportionate to the benefit accruing to the Noteholders and the maximum guaranteed or secured amount may be limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties;

- any assets subject to third party arrangements which are permitted by the Indenture and which prevent those assets from being charged, and any cash constituting regulatory capital or customer cash, will be excluded from the Collateral;
- the Parent and its Restricted Subsidiaries will not be required to give guarantees or enter into security documents if: (1) other than in the case of the Issuer, they are not incorporated in Australia, Denmark, Germany, Italy, Luxembourg, the Netherlands, the United Kingdom and/or the United States (each a "*Security Jurisdiction*"), (2) in the good faith judgment of the directors of the Parent, the creation of security and/or the giving of a guarantee could materially adversely affect the solvency capital requirements, of the Parent or any of its Restricted Subsidiaries pursuant to any applicable law or regulation, (3) if it would conflict with the fiduciary duties of their directors or managers, or (4) contravene any legal, contractual or regulatory prohibition or result in a risk of personal or criminal liability on the part of any officer;
- if there are third party arrangements in place in respect of any asset, business or entity acquired by the Parent or any Restricted Subsidiary (where those third party arrangements were not entered into in contemplation of that acquisition) as a result of which the consent of a third party is required for that acquired entity to provide a guarantee or to secure any acquired asset, such guarantee and/or security will not be required to be granted;
- the granting or perfection of Liens over the Collateral will not be required if it would have a material adverse effect on the ability of the Parent or any of its Restricted Subsidiaries to conduct its operations and business in the ordinary course or as otherwise permitted by the Indenture and the related finance documents (including, without limitation, notification of such security to any third party);
- no perfection action will be required in jurisdictions that are not Security Jurisdictions; and
- the maximum guaranteed or secured amount may be limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties.

The guarantee granted by the Guarantors and security over the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security.*"

The Agreed Security Principles with respect to the Notes will be interpreted and applied in good faith by the Issuer.

Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens,*" Midco is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement.

The Shared Collateral will also secure the relevant security provider's liabilities under the Existing 2026 Notes, the Senior Facilities and may secure its liabilities under certain Hedging Obligations, and other indebtedness (including any Additional Notes); *provided* that, pursuant to the Intercreditor Agreement, lenders under the Senior Facilities, holders of the Existing 2026 Notes, counterparties to certain Hedging Obligations and certain other lenders or creditors with claims secured on a first-priority basis on the Shared Collateral permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" are permitted to be secured on the Shared Collateral in priority to the Notes and will receive proceeds from the enforcement of the Shared Collateral and certain distressed disposals in priority to holders of the Notes. Any proceeds received upon any enforcement over any Shared Collateral, after all liabilities in respect of Priority

Payment Lien Obligations (including liabilities under the Senior Facilities, the Existing 2026 Notes and certain Hedging Obligations) have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of Midco or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral on a *pari passu* basis with the Notes pursuant to the Indenture and the Intercreditor Agreement.

The Senior Parent Independent Security may also secure the relevant security provider's liabilities under the other indebtedness (including any Additional Notes); provided that, pursuant to the Intercreditor Agreement, lenders under the Senior Facilities, holders of the Existing 2026 Notes, counterparties to certain Hedging Obligations and certain other lenders or creditors with claims designated hereunder as Priority Payment Lien Obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" shall not benefit from Liens over the Senior Parent Independent Security Property. Any proceeds received upon any enforcement over any Senior Parent Independent Security Property will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of Midco or its Restricted Subsidiaries permitted to be incurred and secured by the Senior Parent Independent Security Property on a *pari passu* basis with the Notes pursuant to the Indenture and the Intercreditor Agreement.

Administration of Security and Enforcement of Liens

The Shared Collateral will be granted to the Security Agent under the collateral documents, pursuant to the Intercreditor Agreement, for the benefit of all holders of secured obligations. The enforcement of the collateral documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of certain terms of the Intercreditor Agreement, see "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The ability of Holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's, a Guarantor's or the relevant Collateral grantor's or provider's bankruptcy. See "*Risk Factors—Risks Related to the Notes and Our Structure—The security interests in the Collateral will be granted to the Security Agent (other than security interests in the Escrow Charges, which will be granted in favor of the Trustee) rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security*."

In addition, the enforcement of the Collateral may be limited to the maximum amount permitted under applicable law to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligations under its Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security.*"

The collateral documents will be entered into by the relevant security provider and the Security Agent to the extent permitted by applicable laws. The relevant collateral documents or the Intercreditor Agreement may provide for the creation of "*parallel debt*" obligations in favor of the Security Agent, and certain security interests in such jurisdictions may secure the parallel debt (and not the Indebtedness under the Notes, the Guarantees and the other secured obligations). See "*Risk Factors—Risks Related to the Notes and Our Structure—The security interests in the Collateral will be granted to the Security Agent (other than security interests in the Escrow Charges, which will be granted in favor of the Trustee) rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security.*" Subject to the terms of the collateral documents, the Issuer, the Guarantors and the other relevant providers or grantors of the Collateral will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the Collateral, to collect, invest and dispose of any income therefrom and, where applicable, dispose of or use up assets that are Collateral, in each case until such time as the Collateral is enforceable under the terms of the collateral documents.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the Holders. By its nature, some or all of the

Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of certain of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the other collateral documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights and powers that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the other collateral documents), together with any other incidental rights and powers; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below), and each Holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Facilities and other future indebtedness that is secured by the Collateral, (b) the counterparties under certain hedging contracts, (c) the trustee and the noteholders under the Existing 2026 Indenture and (d) the Trustee and the Holders under the Indenture, is established by the terms of the Intercreditor Agreement and the other collateral documents. These provide that the obligations under the Notes will receive proceeds of enforcement of security over the Shared Collateral only after the claims of lenders under the Senior Facilities, the Existing 2026 Notes, certain Hedging Obligations and certain other future indebtedness are satisfied. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*—Release of Liens,*" "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Liens.*"

Release of Liens

The Security Agent will, upon written direction and reasonable request from Midco or the Issuer and at the cost of Midco or the Issuer, take any action required to effectuate any release of Collateral required by a Security Document:

(1) upon release of a Guarantee (with respect to the Liens securing such Guarantee granted by such Guarantor) in accordance with the Indenture;

(2) in connection with any disposition of Collateral (with respect to the Lien on such Collateral), directly or indirectly, to (a) any Person other than Midco or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets*") or (b) Midco or any Restricted Subsidiary consistent with the Intercreditor Agreement, so long as the relevant Collateral becomes subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes; and *provided* that, in the case of each of clauses (a) and (b), such disposition is permitted by the Indenture;

(3) automatically without any action by the Trustee, if the Lien granted in favor of any Indebtedness that gave rise to the obligation to grant the Lien over such Collateral pursuant to the covenant described under "*—Certain Covenants—Liens*" is released (other than pursuant to the repayment and discharge thereof); *provided*, that such release would otherwise be permitted by another clause above;

(4) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets*";

(5) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(6) as otherwise provided in the Intercreditor Agreement or an Additional Intercreditor Agreement;

(7) as described under "*—Amendment, Supplement and Waiver*"*;* or

(8) in connection with an IPO Pushdown, as specified in the Indenture.

Subject to the receipt of certain certifications and opinions, each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the Holders.

The Issuer, Topco and Midco and its Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the collateral documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring, paying off or using up or otherwise disposing of current assets or intercompany receivables in the ordinary course of business; and (iii) any other action not prohibited by the Indenture, the collateral documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

IPO Pushdown

(a) On, in contemplation of, or following a public equity offering (an "*IPO Event*"), Midco shall be entitled to require (by written notice to the Trustee (a "*Pushdown Notice*")) that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant Pushdown Notice) on the basis that: (i) references to Midco and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time; (ii) all financial ratio calculations, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity; (iii) each reference in the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to "*Midco*" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise); and *provided, further*, that nothing in this paragraph, including the deeming construct contemplated by this sub-paragraph (iii) and any action related thereto taken by the IPO Pushdown Entity prior to but in connection with it being deemed to be Midco, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (iv) none of the representations, warranties, undertakings, covenants or Events of Default, as applicable, in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the other collateral documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor in respect of the Notes or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and any security granted by any such Holding Company; (vii) unless otherwise notified by Midco: (A) each Person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an "*Investor*" (as such term is defined in the Intercreditor Agreement) shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by Midco, that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as an Investor; and (viii) in the event that any Person is released from or does not become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor as a consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be an Investor or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any

Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply. A Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee, the Security Agent and any other agents party thereto shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the other collateral documents required by Midco in writing and/or take such other action as is required by Midco in order to facilitate or reflect any of the matters contemplated by the first paragraph of this covenant (collectively, an "*IPO Pushdown*"); *provided*, that such amendment or replacement will not impose any personal obligations on the Trustee, the Security Agent and any other agents party thereto or adversely affect the personal rights, protections, duties, liabilities, indemnifications or immunities of the Trustee, the Security Agent or any other agents party thereto under the Indenture, Intercreditor Agreement or collateral documents. The Trustee, the Security Agent and any other agents party thereto are each irrevocably authorized and instructed by the Holders of the Notes (without any consent by the Holders of the Notes) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the reasonable request of and at the cost of the Midco).

(c) For the purpose of this covenant, the "*IPO Pushdown Entity*" shall be any Restricted Subsidiary of Midco notified to the Trustee by Midco in writing as the Person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event; *provided*, that the IPO Pushdown Entity shall be a Restricted Subsidiary of Midco which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such Restricted Subsidiary) and, prov*ided further*, that Midco may not designate the Issuer or a Subsidiary of the Target as the IPO Pushdown Entity.

(d) If Midco delivers a Pushdown Notice to the Trustee pursuant to the first paragraph of this covenant in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of clauses (i) to (vii) of the first paragraph of this covenant shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, subject to the Agreed Security Principles, Midco or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Security Document in respect of that security; and (iii) if any Person party to the Intercreditor Agreement as an "*Investor*" has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as an Investor.

For the avoidance of doubt: (A) nothing in the immediately preceding paragraph shall prohibit or otherwise restrict Midco from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the incurrence of any Indebtedness by Midco or any of its Restricted Subsidiaries that is permitted to share in the Collateral (and which Midco elects shall share in the Collateral), the Trustee and the Security Agent shall, at the written request of Midco or the Issuer, enter into with Midco, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided*, *that* such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, protections, duties, liabilities, indemnifications or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, Midco or the Issuer shall furnish to the Trustee and the Security Agent such documentation in relation thereto as they may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that, at the written direction of Midco or the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be incurred by Midco or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries as third-party security providers to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for pledges of the Collateral to secure Additional Notes or to implement any Permitted Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. Midco or the Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendment, Supplement and Waiver*" or as permitted by the terms of such Intercreditor Agreement, and Midco or the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, protections, duties, liabilities, indemnifications or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Holder's behalf.

Optional Redemption

Except as set forth below, the Issuer will not be entitled to redeem the Notes at its option prior to , 2022. At any time prior to , 2022, the Issuer may, at its option and on one or more occasions, redeem all or a part of either Series of Notes, upon notice as described under "*—Selection and Notice*," at a redemption price equal to 100% of the principal amount of the applicable Series of Notes redeemed plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption (the "*Redemption Date*"), subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the Redemption Date.

At any time on and after , 2022, the Issuer may, at its option and on one or more occasions, redeem all or a part of either Series of Notes, upon notice as described under "*—Selection and Notice*," at the redemption prices (expressed as percentages of principal amount of the applicable Series of Notes to be redeemed) set forth below, plus accrued and unpaid interest, if any, thereon to, but excluding, the applicable Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the Redemption Date, if redeemed during the twelve-month period beginning on of each of the years indicated below:

Year	Dollar Notes Redemption Price	Euro Notes Redemption Price
2022	%	%
2023	%	%
2024 and thereafter	100.000%	100.000%

In addition, at any time prior to , 2022, the Issuer may, at its option and on one or more occasions, redeem:

an aggregate principal amount of Dollar Notes not to exceed the amount of the Net Cash Proceeds received by Midco from one or more Equity Offerings or a contribution to Midco's common equity capital made with the Net Cash Proceeds of one or more Equity Offerings, upon notice as described under "*—Selection and Notice*," at a redemption price equal to % of the aggregate principal amount of the Dollar Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the Redemption Date, subject to the right of Holders of Dollar Notes of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the Redemption Date; *provided* that

(1) the amount redeemed shall not exceed 40% of the aggregate principal amount of the Dollar Notes issued under the Indenture (including any Additional Dollar Notes);

(2) at least 50% of the aggregate principal amount of the Dollar Notes originally issued under the Indenture on the Issue Date remains outstanding immediately after the occurrence of each such redemption (unless all Dollar Notes are redeemed substantially concurrently); and

(3) each such redemption occurs within 180 days of the date of closing of the applicable Equity Offering; and

an aggregate principal amount of Euro Notes not to exceed the Net Cash Proceeds received by Midco from one or more Equity Offerings or a contribution to Midco's common equity capital made with the Net Cash Proceeds of one or more Equity Offerings, upon notice as described under "*—Selection and Notice*," at a redemption price equal to % of the aggregate principal amount of the Euro Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the Redemption Date, subject to the right of Holders of Euro Notes of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the Redemption Date; *provided* that

(1) the amount redeemed shall not exceed 40% of the aggregate principal amount of the Euro Notes issued under the Indenture (including any Additional Euro Notes);

(2) at least 50% of the aggregate principal amount of the Euro Notes originally issued under the Indenture on the Issue Date remains outstanding immediately after the occurrence of each such redemption (unless all Euro Notes are redeemed substantially concurrently); and

(3) each such redemption occurs within 180 days of the date of closing of the applicable Equity Offering.

Notwithstanding the foregoing, in connection with any tender offer, Change of Control Offer, Alternate Offer (as defined herein) or Asset Sale Offer for either Series of Notes, if Holders of not less than 90% in aggregate principal amount of the then outstanding Notes of such series validly tender and do not validly withdraw such Notes in such offer and the Issuer, or any third party making such offer in lieu of the Issuer, purchases all of the Notes of such series validly tendered and not validly withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 60 days following such purchase date, to redeem all Notes of such series that remain outstanding following such purchase at a price equal to the price offered to each other Holder in such offer (which may be less than par) plus, to the extent not included in the offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the Redemption Date. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes of a series have validly tendered and not validly withdrawn Notes in a tender offer, Change of Control Offer, Alternate Offer or Asset Sale Offer, as applicable, Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer, Change of Control Offer, Alternate Offer or Asset Sale Offer, as applicable.

Notice of any redemption (other than a Special Mandatory Redemption) or offer to purchase, whether in connection with an Equity Offering, Change of Control, Alternate Offer, Asset Sale Offer or other transaction or event or otherwise, may, at the Issuer's discretion, be given prior to the completion or occurrence thereof, and any such redemption, offer to purchase or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion or occurrence of the related Equity Offering, Change of Control, Asset Sale or other transaction or event, as the case may be. The Issuer may redeem Notes pursuant to one or more of the relevant provisions in the Indenture, and a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have different Redemption Dates. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption or repurchase date may be delayed until such time (including more than 60 days after the date the notice of redemption or offer to purchase was sent) as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption or purchase date, or by the redemption or purchase date so delayed, or that such notice may be rescinded at any time in the Issuer's sole discretion if the Issuer determines that any or all of such conditions will not be satisfied or waived. In addition, the Issuer may provide in such notice or offer to purchase that payment of the redemption or purchase price and performance of the Issuer's obligations with respect to such redemption or offer to purchase may be performed by another Person.

The Issuer, Midco, its direct and indirect equityholders, including the Investors, any of its Subsidiaries and their respective Affiliates and members of our management may acquire the Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise. Certain Investors or their Affiliates are expected to invest in the Notes on the Issue Date. See "*Plan of Distribution—General—Other Relationships*."

Mandatory Redemption; Offers to Purchase; Open Market Purchases

Except as described under the caption "*—Escrow of Gross Proceeds*; *Special Mandatory Redemption*," the Issuer will not be required to make any mandatory redemption or sinking fund payment with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the caption "*—Repurchase at the Option of Holders*." As market conditions warrant, we and our equity holders, including the Investors, their respective Affiliates and members of our management, may from time to time seek to purchase our outstanding debt securities or loans, including the Notes, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, including the Senior Facilities, the Existing 2026 Indenture, and the Indenture, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series.

Selection and Notice

If the Issuer is redeeming or purchasing less than all of the Notes issued under the Indenture at any time, selection of the Notes to be redeemed or purchased will be made in accordance with applicable procedures of DTC or of Euroclear or Clearstream, as applicable; *provided* that (i) no Dollar Notes in denominations of $200,000 or less can be redeemed or purchased in part and (ii) no Euro Notes in denominations of €100,000 or less can be redeemed or purchased in part.

Notices of redemption or purchase will be delivered electronically or mailed by first-class mail, postage prepaid, at least 10 days (except as set forth in the seventh paragraph under "*—Optional Redemption*" or in connection with a Special Mandatory Redemption described under "*—Escrow of Gross Proceeds; Special Mandatory Redemption*") but not more than 60 days (except as set forth in the seventh paragraph under "*—Optional Redemption*") before the redemption date to each Holder of the applicable Series of Notes at such Holder's registered address or otherwise in accordance with the procedures of DTC or Euroclear or Clearstream, as applicable, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance or a satisfaction and discharge of the Indenture with respect to such Series of Notes. The Issuer may provide in any redemption or purchase notice that payment of the redemption price and the performance of the Issuer's obligations with respect to such redemption or purchase may be performed by another Person. If any Note is to be redeemed in part only, any notice of redemption that relates to such Note shall state the portion of the principal amount thereof that has been or is to be redeemed.

With respect to Notes represented by certificated notes, the Issuer will issue a new Note in a principal amount equal to the unredeemed portion of the original Note in the name of the Holder upon cancellation of the original Note; *provided* that new Dollar Notes will only be issued in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof and new Euro Notes will only be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes called for redemption or purchase become due on the date fixed for redemption or purchase, unless such redemption or purchase is conditioned on the happening of a future event. On and after the Redemption Date or purchase date, unless the Issuer defaults in the payment of the redemption or purchase price, interest ceases to accrue on the Notes called for redemption or purchase.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes of the applicable series (with a copy to the Trustee and Paying Agent) (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to the redemption date) and all Additional Amounts (see "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer or any Guarantor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official written position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the relevant Payor (as defined below) is, or on the next interest payment date in respect of the Notes of such series would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the relevant Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the relevant series of Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Offering Memorandum, such Change in Tax Law must be publicly announced and become effective after the date of the Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Offering Memorandum, such Change in Tax Law must be publicly announced and become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. If the relevant Payor is a Guarantor, the foregoing provisions shall apply only if neither the Issuer nor any other Guarantor is able to make payments on the Notes without the payment of such Additional Amounts. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice.*" Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which such Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, such Payor will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that such Payor has or would become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee shall accept, and will be entitled to conclusively rely on, such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any successor to the Issuer and to any jurisdiction in which any successor to the Issuer is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (a "*Payor*") in respect of the Notes or with respect to any Guarantees, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note or Guarantee is made, or any political subdivision or taxing authority or agency thereof or therein; or

(2) any other jurisdiction in which the Payor is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any political subdivision or taxing authority or agency thereof or therein

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the relevant Payor will pay to Holders of the Notes (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or disposition of such Note or the receipt of any payment in respect of the Notes or any Guarantee;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice (at least 60 days before any withholding or deduction would be made), to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes, but only to the extent that the Holder or beneficial owner is legally eligible to provide such certification or other evidence;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, transfer, personal property or similar Tax;

(5) any Taxes imposed in connection with a Note presented for payment (where presentation is required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

(6) any Taxes that are imposed or withheld pursuant to (a) Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof, (b) any intergovernmental agreement entered into in connection with the implementation of (a), or (c) any law, regulation or other official guidance enacted in any other jurisdiction relating to an intergovernmental agreement described in (b); or

(7) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficial owner of the payment had presented the Note for payment (where presentation is required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period).

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership (or entity treated as partnership for tax purposes) or other than the beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership (or such other entity treated as partnership for tax purposes) or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The relevant Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Issuer and will provide such certified copies to the Trustee. For the avoidance of doubt, in no event shall the Trustee be required to determine the amount of withholding taxes attributable to any Holder.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture or this "*Description of Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, transfer, issue, registration, court or documentary taxes or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto), that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery or registration of or receipt of payments with respect to, any Notes any Guarantee, the Indenture, the Proceeds Loan, the collateral documents or any other document or instrument in relation thereto, and any such taxes that arise in any jurisdiction from the enforcement of any Notes, the Indenture, the Proceeds Loan, the collateral documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) and (2) and (4) through (6)), and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any jurisdiction from or through which any payment under, or with respect to the Notes or Guarantees thereof is made by or on behalf of such Payor, or, in each case, any political subdivision or taxing authority or agency thereof or therein.

Repurchase at the Option of Holders

Change of Control Triggering Event

The Indenture will provide that if a Change of Control Triggering Event occurs after the Acquisition Completion Date, unless (i) a third party makes a change of control offer as described herein or (ii) the Issuer has previously or concurrently delivered a redemption notice with respect to all the outstanding Notes as described under "*—Optional Redemption*," the Issuer will make an offer to purchase all of the Notes (*provided* that Euro Notes of €100,000 or less and Dollar Notes of $200,000 or less may only be tendered and repurchased in whole and not in part) pursuant to the offer described below (the *"Change of Control Offer"*) at a purchase price in cash (the *"Change of Control Payment"*) equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of purchase, subject to the right of Holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the purchase date. Within 60 days following any Change of Control Triggering Event, the Issuer will deliver (or cause to be delivered) notice of such Change of Control Offer electronically or by first-class mail, with a copy to the Trustee, to each Holder of Notes to the address of such Holder appearing in the security register or otherwise in accordance with the procedures of DTC or Euroclear or Clearstream, as applicable, with the following information:

(1) that a Change of Control Offer is being made pursuant to the covenant entitled "*Change of Control Triggering Event*," and that all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

(2) the purchase price and the purchase date, which will be no earlier than 10 days nor later than 60 days from the date such notice is sent (the "*Change of Control Payment Date*"), except in the case of a conditional Change of Control Offer made in advance of a Change of Control Triggering Event as described below;

(3) that any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed or otherwise in accordance with the procedures of DTC or Euroclear or Clearstream, as applicable, to the paying agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders whose Notes are being purchased only in part will be issued new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered. The unpurchased portion of the Notes must be equal to at least $200,000 or any integral multiple of $1,000 in excess thereof in relation to the Dollar Notes or €100,000 or any integral multiple or €1,000 in excess thereof in relation to the Euro Notes;

(7) if such notice is delivered prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event and shall describe each such condition, and, if applicable, shall state that, in the Issuer's discretion, the Change of Control Payment Date may be delayed until such time (including more than 60 days after the notice is sent) as any or all such conditions shall be satisfied or waived, or that such repurchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the Change of Control Payment Date, or by the Change of Control Payment Date as so delayed, or such notice or offer may be rescinded at any time in the Issuer's sole discretion if the Issuer determines that any or all of such conditions will not be satisfied or waived;

(8) any other instructions, as determined by the Issuer, consistent with this Change of Control Triggering Event covenant, that a Holder must follow; and

(9) that Holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes; *provided* that the applicable paying agent receives, not later than the close of

business on the tenth Business Day prior to the expiration date of the Change of Control Offer, a facsimile transmission or letter setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such Holder is withdrawing its tendered Notes, or a specified portion thereof, and its election to have such Notes purchased.

While the Notes are in global form and the Issuer makes an offer to purchase all of the Notes pursuant to the Change of Control Offer, a Holder may exercise its option to elect for the purchase of the Notes or withdraw such election through the facilities of DTC or of Euroclear or Clearstream, as applicable, subject to the applicable rules and regulations.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached their obligations described in the Indenture by virtue thereof. The Issuer may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law:

(1) accept for payment all Notes issued by it or portions thereof validly tendered pursuant to the Change of Control Offer;

(2) deposit with the applicable paying agent an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered and not validly withdrawn; and

(3) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officer's Certificate to the Trustee stating that such Notes or portions thereof have been tendered to and purchased by the Issuer.

The Senior Facilities will provide, and future credit agreements or other agreements relating to Indebtedness to which Midco (or one of its Affiliates) becomes a party may provide, that certain change of control events with respect to Midco would constitute a default thereunder (including a Change of Control or a Change of Control Triggering Event under the Indenture). In addition, the Existing 2026 Notes contain a change of control provision similar to the provisions described in this "*—Change of Control Triggering Event*" section but do not contain a leverage-based Change of Control Triggering Event feature. If we experience a change of control event that triggers a default under the Senior Facilities or any such future Indebtedness or results in a requirement to offer to repurchase the Existing 2026 Notes, we could seek a waiver of such default or seek to refinance the Senior Facilities, the Existing 2026 Notes and/or such future Indebtedness. In the event we do not obtain such a waiver or do not refinance the Senior Facilities, the Existing 2026 Notes and/or such future Indebtedness, such default or failure to repurchase any tendered Existing 2026 Notes could result in amounts outstanding under the Senior Facilities, the Existing 2026 Notes or such future Indebtedness being declared due and payable and/or cause a Securitization Facility or other financing arrangements to be wound down.

Our ability to pay cash to the Holders of Notes following the occurrence of a Change of Control Triggering Event may be limited by our then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases.

The Change of Control Triggering Event purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and, in the case of Secured Indebtedness, "*—Certain Covenants—Liens*." Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of all the then outstanding Notes. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer or (ii) in connection with or in contemplation of any Change of Control Triggering Event, the Issuer (or any Affiliate of the Issuer) has made an offer to purchase (an "*Alternate Offer*") any and all Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Notes properly tendered in accordance with the terms of the Alternate Offer. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Notwithstanding anything to the contrary herein, a Change of Control Offer or Alternate Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer or Alternate Offer.

A Change of Control Offer or Alternate Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, Notes, Guarantees and/or Security Documents (but the Change of Control Offer may not condition tenders on the delivery of such consents).

The definition of "*Change of Control*" includes a disposition of all or substantially all of the assets of Midco and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Midco and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event, including the definition of "*Change of Control*," may be waived or modified with the written consent of the Holders of a majority in principal amount of all the then outstanding Notes.

Asset Sales

The Indenture will provide that Midco will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale, unless:

(1) Midco or such Restricted Subsidiary, as the case may be, receives consideration (including, but not limited to, by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, in connection with, such Asset Sale) at the time of such Asset Sale at least equal to the fair market value (as determined in good faith by Midco at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration for such Asset Sale, together with all other Asset Sales since the Acquisition Completion Date (on a cumulative basis), received by Midco or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalents; *provided* that the amount of:

    (a) the greater of the principal amount and the carrying value of any liabilities (as reflected on Midco's or such Restricted Subsidiary's most recent consolidated balance sheet or in the footnotes thereto or, if incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been reflected on Midco's or such Restricted Subsidiary's consolidated balance sheet or in the footnotes thereto if such incurrence or increase had taken place on or prior to the date of such balance sheet, as determined by Midco) of Midco or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the Notes, that are (i) assumed by the transferee of any such assets (or a third party in connection with such transfer) pursuant to a written agreement which releases or indemnifies Midco or such Restricted Subsidiary from such liabilities or (ii) otherwise cancelled or terminated in connection with the transaction;

(b) any securities, notes or other obligations or assets received by Midco or such Restricted Subsidiary from such transferee that are converted or reasonably expected by Midco acting in good faith to be converted by Midco or such Restricted Subsidiary into Cash Equivalents (to the extent of the Cash Equivalents received or expected to be received) or by their terms are required to be satisfied for Cash Equivalents within 180 days following the closing of such Asset Sale; and

(c) any Designated Non-cash Consideration received by Midco or such Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (i) £130.0 million and (ii) 25.0% of LTM EBITDA at the time of the receipt of such Designated Non-cash Consideration (or, at Midco's option, at the time of contractually agreeing to such Asset Sale), with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value, shall be deemed to be Cash Equivalents for purposes of this provision and for no other purpose.

Within 530 days after the later of (A) the date of any Asset Sale and (B) the receipt of any Net Proceeds of such Asset Sale, Midco or such Restricted Subsidiary, at its option, may apply an amount not to exceed the Net Proceeds from such Asset Sale,

(1) to reduce Indebtedness (through a redemption, prepayment, repayment or purchase, as applicable) as follows:

(a) Obligations under the Notes;

(b) Obligations under any Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtebtedness, plus accrued and unpaid interest, so long as Midco or such Restricted Subsidiary also makes an offer to the Holders to redeem, prepay, repay or purchase any Notes at a price not less than par, in each case, on a pro rata basis with such other Pari Passu Indebtedness that is redeemed, prepaid or purchased;

(c) Obligations under any Senior Indebtedness, and, in the case of revolving obligations (other than Obligations in respect of any asset-based credit facility, any revolving credit facility used for working capital purposes or the Revolving Facility), to correspondingly reduce any outstanding commitments with respect thereto;

(d) Obligations of a Restricted Subsidiary that is not the Issuer or a Guarantor, other than Indebtedness owed to Midco or any Restricted Subsidiary, and, in the case of revolving obligations (other than Obligations in respect of any asset-based credit facility, any revolving facility used for working capital purposes or the Revolving Facility), to correspondingly reduce commitments with respect thereto; or

(e) to the extent such Net Proceeds are from an Asset Sale of property or assets of a Restricted Subsidiary that is not the Issuer or a Guarantor or of property or assets not constituting Collateral, Obligations of the Issuer or a Guarantor other than Subordinated Indebtedness and other than Indebtedness owed to Midco or any Restricted Subsidiary, and, in the case of revolving obligations (other than Obligations in respect of any asset-based credit facility, any revolving credit facility used for working capital purposes or the Revolving Facility), to correspondingly reduce commitments with respect thereto;

provided that to the extent Midco or any Restricted Subsidiary has elected to purchase any amount of Obligations under the Notes, Senior Indebtedness or Pari Passu Indebtedness or Obligations of a Restricted Subsidiary that is not the Issuer or a Guarantor, in any case at a price of no less than 100% of the principal amount thereof, to the extent the creditors in respect of such Indebtedness (including the Holders) elect not to tender their Indebtedness, Midco will be deemed to have applied an amount of Net Proceeds equal to such amount not so tendered, and such amount shall not increase the amount of Excess Proceeds (such amount, together with the aggregate amount described under the first sentence of the fifth paragraph of this covenant, the "*Declined Proceeds*");or

(2) to make (a) an Investment in any one or more businesses, *provided* that such Investment in any business is in the form of the acquisition of Capital Stock and results in Midco or any of its Restricted Subsidiaries, as the case may be, owning an amount of the Capital Stock of such business such that it constitutes or continues to constitute a Restricted Subsidiary, (b) capital expenditures or

(c) acquisitions of other properties or assets that, in each of (a), (b) and (c), are used or useful in a Similar Business or replace the businesses, properties and/ or assets that are the subject of such Asset Sale; or

(3) any combination of the foregoing;

provided, that a binding commitment or letter of intent entered into not later than such 530th day shall be treated as a permitted application of the Net Proceeds from the date of such commitment or letter of intent so long as Midco, or such Restricted Subsidiary enters into such commitment or letter of intent with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment or letter of intent within the later of such 530th day and 180 days of such commitment or letter of intent (an *"Acceptable Commitment"*) or, in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Proceeds are applied in connection therewith, Midco or such Restricted Subsidiary enters into another Acceptable Commitment (a *"Second Commitment"*) within 180 days of such cancellation or termination; *provided further* that if any Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds shall constitute Excess Proceeds, as the case may be.

Notwithstanding any other provisions of this covenant, (i) to the extent that the application of any or all of the Net Proceeds of any Asset Sale by Midco or a Subsidiary is (x) prohibited or delayed by applicable local law, (y) restricted by applicable organizational documents or any agreement or (z) subject to other organizational or administrative impediments from being repatriated under applicable local law, an amount equal to the portion of such Net Proceeds so affected will not be required to be applied in compliance with this covenant, and such amounts may be retained by Midco or the Selling Subsidiary; *provided* that if at any time within one year following the date on which the respective payment would otherwise have been required, such repatriation of any of such affected Net Proceeds is permitted under the applicable local law, the applicable organizational document or agreement or the applicable other impediment, an amount equal to such amount of Net Proceeds so permitted to be repatriated will be promptly applied (net of any taxes, costs or expenses that would be payable or reserved against if such amounts were actually repatriated whether or not they are repatriated) in compliance with this covenant and (ii) to the extent that Midco has determined in good faith that repatriation of any or all of the Net Proceeds of any Asset Sale could have a material adverse tax consequence with respect to such Net Proceeds (which for the avoidance of doubt, includes, but is not limited to, any prepayment whereby doing so Midco, any Restricted Subsidiary or any of their respective Affiliates and/or their equityholders would incur a tax liability, including as a result of a tax dividend or a withholding tax), the Net Proceeds so affected may be retained by Midco or the applicable Subsidiary and an amount equal to such Net Proceeds will not be required to be applied in compliance with this covenant. The non-application of any prepayment amounts as a consequence of the foregoing provisions will not, for the avoidance of doubt, constitute a Default or an Event of Default. For the avoidance of doubt, nothing in the Indenture shall be construed to require Midco or any Subsidiary to repatriate cash.

Any Net Proceeds from an Asset Sale (other than any amounts excluded from this covenant as set forth in the immediately preceding paragraph) that are not invested or applied as provided and within the time period set forth in the second preceding paragraph, *provided* that only to the extent that the Consolidated Total Debt Ratio exceeds 5.65 to 1.00, an amount not to exceed the Net Proceeds from such Asset Sale (or, (x) if the Consolidated Total Debt Ratio exceeds 5.15 to 1.00 but does not exceeds 5.65 to 1.00, 50% of the Net Proceeds from such Asset Sale; or (y) if the Consolidated Total Debt Ratio does not exceed 5.15 to 1.00, 0% of the Net Proceeds from such Asset Sale) shall will be deemed to constitute *"Excess Proceeds"; provided* that any amount of Net Proceeds offered to Holders of the Notes pursuant to clause (1)(c) of the second preceding paragraph shall not be deemed to be Excess Proceeds without regard to the whether such offer is accepted by any Holders. When the aggregate amount of Excess Proceeds exceeds the greater of (x) £175.0 million and (y) 30.0% of LTM EBITDA (the *"Excess Proceeds Threshold"*), the Issuer shall make an offer (an *"Asset Sale Offer"*) to all Holders of the Notes and, if required or permitted by the terms of any Indebtedness that ranks *pari passu* in right of payment with the Notes (*"Pari Passu Indebtedness"*), to the holders of such Pari Passu Indebtedness, to purchase the maximum aggregate principal amount (or accreted value, as applicable) of the Notes and such Pari Passu Indebtedness that is, with respect to the Notes only, in an amount equal to $1,000, or an integral multiple of $1,000 in excess thereof, in the case of the Dollar Notes or that is equal to €1,000, or an integral multiple of €1,000 in excess thereof, in the case of the Euro Notes, that may be purchased out of the Excess Proceeds at an offer price, in the case of the Notes, in cash in an amount equal to 100% of the principal amount thereof (or accreted value thereof, if less), plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture, and in the case of such Pari Passu Indebtedness, at the offer price required by the terms thereof, in accordance with the procedures set forth in the agreement(s) governing such Pari Passu Indebtedness. The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within 20 Business Days after the date that Excess Proceeds exceed the Excess Proceeds Threshold by delivering to the Holders the notice required pursuant to the terms of the Indenture, with a copy to the Trustee. The Issuer may satisfy the foregoing obligations with respect to any Net Proceeds from an Asset Sale by making an Asset Sale Offer with respect to such Net Proceeds prior to the time period that may be required by the Indenture with respect to all or a part of the available Net Proceeds (the *"Advance Portion"*) in advance of being required to do so by the Indenture (an *"Advance Offer"*).

To the extent that the aggregate amount (or accreted value, if applicable) of Notes and Pari Passu Indebtedness, as the case may be, tendered pursuant to an Asset Sale Offer is less than the amount offered in the Asset Sale Offer (or in the case of an Advance Offer, the Advance Portion), the Issuer may use any remaining Excess Proceeds (or in the case of an Advance Offer, the Advance Portion) for any purposes not otherwise prohibited under the Indenture. If the aggregate principal amount (or accreted value, if applicable) of Notes or the Pari Passu Indebtedness, as the case may be, surrendered by such holders thereof exceeds the amount offered in the Asset Sale Offer (or in the case of an Advance Offer, the Advance Portion), the Issuer shall purchase the Notes (subject to applicable DTC or Euroclear or Clearstream, as applicable, procedures as to global notes) and such Pari Passu Indebtedness, as the case may be, on a pro rata basis based on the aggregate principal amount (or accreted value, if applicable) of the Notes or such Pari Passu Indebtedness, as the case may be, tendered with adjustments as necessary so that no Notes or Pari Passu Indebtedness, as the case may be, will be repurchased in part in an unauthorized denomination. Upon completion of any such Asset Sale Offer (or Advance Offer), the amount of Excess Proceeds that resulted in the requirement to make an Asset Sale Offer shall be reset to zero (regardless of whether there are any remaining Excess Proceeds upon such completion). Upon consummation or expiration of any Asset Sale Offer, any remaining Net Proceeds shall not be deemed Excess Proceeds and the Issuer may use such Net Proceeds for any purpose not otherwise prohibited under the Indenture.

An Asset Sale Offer or Advance Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, Notes and/or Guarantees (but the Asset Sale Offer or Advance Offer may not condition tenders on the delivery of such consents).

Pending the final application of the amount of any Net Proceeds pursuant to this covenant, Midco and its Restricted Subsidiaries may temporarily reduce Indebtedness, or otherwise use such Net Proceeds in any manner not prohibited by the Indenture.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer or an Advance Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified with the written consent of the Holders of a majority in principal amount of all the then outstanding Notes.

The Senior Facilities contain, and future credit agreements or other similar agreements to which the Issuer becomes a party may contain restrictions on the Issuer's ability to repurchase Notes. In the event an Asset Sale occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders to the repurchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing Notes. In such a case, the Issuer's failure to repurchase tendered Notes would constitute a Default under the Indenture which would, in turn, likely constitute a default under such other agreements.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture that will apply to Midco and its Restricted Subsidiaries.

If on any date following the Acquisition Completion Date, (i) a Series of Notes have an Investment Grade Rating from either of the Rating Agencies and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*" and the date thereof being referred to as the "*Suspension Date*"), then, the covenants specifically listed under the following captions in this "*Description of Notes*" section of this offering memorandum will no longer be applicable to such Series of Notes (collectively, the "*Suspended Covenants*") until the occurrence of the Reversion Date (as defined below):

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(4) clause (3) of the first paragraph and the entire fourth paragraph of "*—Merger, Consolidation or Sale of All or Substantially All Assets*";

(5) "*—Transactions with Affiliates*";

(6) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*"; and

(7) "*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*."

During any period that the foregoing covenants have been suspended, Midco may not designate any of its Subsidiaries as Unrestricted Subsidiaries.

If and while Midco and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that Midco and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") the applicable Series of Notes no longer has an Investment Grade Rating or the Rating Agency withdraws its Investment Grade Rating or downgrade the rating assigned to the applicable Series of Notes below an Investment Grade Rating (in each case, to the extent given an Investment Grade Rating by such Rating Agency), then Midco and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "*Suspension Period*." The Guarantees of the Subsidiary Guarantors will be suspended during the Suspension Period. Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from any Asset Sales shall be reset to zero.

During the Suspension Period, Midco and its Restricted Subsidiaries will be entitled to incur Liens to the extent provided for under "— *Liens*" (including, without limitation, Permitted Liens) to the extent provided for in such covenant and any Permitted Liens which may refer to one or more Suspended Covenants shall be interpreted as though such applicable Suspended Covenant(s) continued to be applicable during the Suspension Period (but solely for purposes of the "*—Liens*" covenant and the "*Permitted Liens*" and "*Permitted Collateral*" definitions and for no other covenant).

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by Midco or any of its Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Indenture with respect to the applicable Series of Notes, and no Default or Event of Default will be deemed to exist or have occurred as a result of any failure by Midco or any Restricted Subsidiary to comply with any of the Suspended Covenants during the Suspension Period; *provided*, that (1) with respect to Restricted Payments (as defined herein) made after such reinstatement, the amount available to be made as Restricted Payments will be calculated as though the covenant described under the caption "*—Limitation on Restricted Payments*" had been in effect prior to, but not during, the Suspension Period (including with respect to a Limited Condition Transaction entered into during the Suspension Period); (2) all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period (or deemed incurred or issued in connection with a Limited Condition Transaction entered into during the Suspension Period) will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; (3) any Affiliate Transaction (as defined herein) entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under "*—Transactions with Affiliates*"; (4) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not the Issuer or a Guarantor to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (a) of the second paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*"; (5) no Subsidiary of Midco shall be required to comply with the covenant described under "*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*" after such reinstatement with respect to any guarantee or obligation entered into by such Subsidiary during any Suspension Period; and (6) all Investments made during the Suspension Period (or deemed made in connection with a Limited Condition Transaction entered into during the Suspension Period) will be classified to have been made under clause (5) of the definition of "*Permitted Investments*."

Notwithstanding that the Suspended Covenants may be reinstated after the Reversion Date, (1) no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture, either Series of Notes or the Guarantees with respect to the Suspended Covenants, and none of Midco or any of its Subsidiaries shall bear any liability for any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising during any Suspension Period, in each case as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or, upon termination of the Suspension Period or after that time based solely on any action taken or event that occurred during the Suspension Period), and (2) following a Reversion Date, Midco and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or obligations arising during any Suspension Period and to consummate the transactions contemplated thereby.

There can be no assurance that either Series of Notes will ever achieve or maintain an Investment Grade Rating. The Trustee shall be notified of a Covenant Suspension Event. The Trustee shall have no duty to (i) monitor the ratings of the Notes, (ii) ascertain whether a Covenant Suspension Event or Reversion Date have occurred, or (iii) notify the Holders of any of the foregoing.

Limited Condition Transactions

When calculating the availability under any basket or ratio under the Indenture or compliance with any provision of the Indenture in connection with any Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments and Asset Sales), in each case, at the option of Midco (Midco's election to exercise such option, an *"LCT Election"*), the date of determination for availability under any such basket or ratio and whether any such action or transaction is permitted (or any requirement or condition therefor is complied with or satisfied (including as to the absence of any continuing Default or Event of Default)) under the Indenture shall be deemed to be the date (the *"LCT Test Date"*) either (a) the definitive agreements for such Limited Condition Transaction are entered into (or, if applicable, the date of delivery of an irrevocable notice, declaration of a Restricted Payment or similar event), or (b) solely in connection with an acquisition to which the United Kingdom City Code on Takeovers and Mergers applies, the date on which a "Rule 2.7 announcement" of a firm intention to make an offer in respect of a target of a Limited Condition Transaction (or any substantially equivalent announcement in any other jurisdiction) and, in each case, if, after giving *pro forma* effect to the Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments and Asset Sales) and any related *pro forma* adjustments, Midco or any of its Restricted Subsidiaries would have been permitted to take such actions or consummate such transactions on the relevant LCT Test Date in compliance with such ratio, test or basket (and any related requirements and conditions), such ratio, test or basket (and any related requirements and conditions) shall be deemed to have been complied with (or satisfied) for all purposes (in the case of Indebtedness, for example, whether such Indebtedness is committed, issued or incurred at the LCT Test Date or at any time thereafter); *provided,* that (a) if financial statements for one or more subsequent fiscal quarters shall have become available, Midco may elect, in its sole discretion, to re-determine all such ratios, tests or baskets on the basis of such financial statements, in which case, such date of redetermination shall thereafter be deemed to be the applicable LCT Test Date for purposes of such ratios, tests or baskets, (b) except as contemplated in the foregoing clause (a), compliance with such ratios, tests or baskets (and any related requirements and conditions) shall not be determined or tested at any time after the applicable LCT Test Date for such Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of

Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments and Asset Sales) and (c) Consolidated Interest Expense for purposes of the Fixed Charge Coverage Ratio will be calculated using an assumed interest rate based on the indicative interest margin contained in any financing commitment documentation with respect to such Indebtedness or, if no such indicative interest margin exists, as reasonably determined by Midco in good faith.

For the avoidance of doubt, if Midco has made an LCT Election, (1) if any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date would at any time after the LCT Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in EBITDA or total assets of Midco or the Person subject to such Limited Condition Transaction, such baskets, tests or ratios will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations; (2) if any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the LCT Test Date would at any time after the LCT Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or an Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing); and (3) in calculating the availability under any ratio, test or basket in connection with any action or transaction unrelated to such Limited Condition Transaction following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or date for redemption, purchase or repayment specified in an irrevocable notice for such Limited Condition Transaction is terminated, expires or passes, as applicable, without consummation of such Limited Condition Transaction, any such ratio, test or basket shall be determined or tested giving *pro forma* effect to such Limited Condition Transaction.

Certain Compliance Calculations

If any baskets, thresholds or exceptions determined by reference to a fixed currency amount or a percentage of LTM EBITDA ("*fixed baskets*") are intended to be utilized together with any baskets, thresholds or exceptions determined by reference to the Consolidated Senior Secured Debt Ratio, the Consolidated Total Debt Ratio, the Fixed Charge Coverage Ratio or any other financial ratio or metric (a "*ratio-based basket*") in a single transaction or action or series of related transactions or actions (for the purposes of this paragraph, a "*Relevant Transaction*"): (x) amounts available to be incurred under the applicable ratio-based baskets shall be calculated without giving effect to amounts to be incurred under the applicable fixed baskets in connection with such Relevant Transaction, or amounts previously incurred under such fixed basket and not reclassified that are being repaid in connection with such Relevant Transaction, unless otherwise elected by Midco; (y) full *pro forma* effect shall be given to all increases to LTM EBITDA and repayments or discharges of Indebtedness in connection with such Relevant Transaction in accordance with this Agreement; and (z) *pro forma* effect shall not be given to any incurrence or drawing of any Indebtedness used to finance working capital needs of Midco or any of its Restricted Subsidiaries in connection with the Relevant Transaction (as reasonably determined by Midco).

If any amount is incurred or utilized under any ratio-based basket, such amount shall be permitted notwithstanding any subsequent decline in the Consolidated Senior Secured Debt Ratio, the Consolidated Total Debt Ratio, the Fixed Charge Coverage Ratio or any other financial ratio or metric.

If (x) any restriction, basket, threshold or permission is determined by reference to the greater of a fixed amount (the "*fixed component*") and a percentage of LTM EBITDA (the "*grower component*") and (y) the grower component of the applicable restriction, basket, threshold or permission exceeds the applicable fixed component at any time, the fixed component shall be deemed to be increased to the highest amount of the grower component reached from time to time and shall not subsequently be reduced as a result of any decrease in the grower component.

If (x) a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a fixed basket or the grower component of any other basket and (y) at a later time would subsequently be permitted under a ratio-based basket, unless otherwise elected by Midco, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based basket.

If (x) any transaction is entered into between (A) Midco or any Restricted Subsidiary and (B) any other Person which is not a Restricted Subsidiary on the date of such transaction; (y) such transaction is permitted pursuant to a fixed basket or an incurrence-based basket; and (z) following such transaction, such other Person becomes a Restricted Subsidiary, such transaction shall be deemed to be reallocated to any applicable basket allowing transactions of such type to be entered into on an unlimited basis between Midco and a Restricted Subsidiary or between Restricted Subsidiaries.

If a proposed action, matter, transaction or amount (or a portion thereof) meets the criteria of more than one applicable basket, permission or threshold under this Agreement, Midco shall be entitled to divide or classify or later divide or reclassify (based on circumstances existing on the date of such reclassification) such action, matter or amount (or a portion thereof) between such baskets, permissions or thresholds as it shall elect from time to time.

For purposes of determining compliance with any restriction, basket, threshold or permission under the Indenture: (x) any reference to an amount in a given currency shall be deemed to include reference to its Currency Equivalent in other currencies; (y) no amount incurred or utilized under any restriction, basket, threshold or permission will be deemed to be increased as a result of (A) any change in applicable currency exchange rates after the date on which the Currency Equivalent of such incurrence or utilization was calculated under this Agreement for the purpose of permitting such incurrence or utilization; or (B) any election made from time to time under the definition of "GAAP" after the date on which such incurrence or utilization was calculated under this Agreement for the purpose of permitting such incurrence or utilization; and (z) for the avoidance of doubt, any restriction, basket, threshold or permission which would (but for sub-clause (y) above) be exceeded as a result of (i) any change in applicable currency exchange rates; or (ii) any election made from time to time under the definition of "GAAP," shall be deemed not to have been exceeded and it shall be deemed that no Default, Event of Default or breach of any representation and warranty or undertaking under the Indenture has arisen in connection therewith.

Notwithstanding anything to the contrary herein, in the event an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is committed, incurred or issued, any Lien is committed or incurred or any other transaction is undertaken, in reliance on a ratio-based basket based on the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Debt Ratio or the Consolidated Total Debt Ratio, such ratio(s) shall be calculated without regard to the commitment or incurrence of any Indebtedness under any revolving facility or letter of credit facility (including under any Revolving Facility or ancillary facility).

If (x) any Indebtedness, Disqualified Stock, Preferred Stock or financing liability (a "Refinan*cing Amount*") is or is to be issued or incurred to refinance or replace any existing or previous Indebtedness, Disqualified Stock, Preferred Stock or financing liability; and (y) such refinancing or replacement would otherwise cause any applicable restriction, basket, threshold or permission to be exceeded, such restriction, basket, threshold or permission shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Amount does not exceed the principal amount of the existing or previous Indebtedness, Disqualified Stock, Preferred Stock or financing liability being refinanced or replaced (plus all accrued, paid-in-kind, capitalized or accreted interest, prepayment premia, break costs and other fees, costs, expenses and amounts accrued thereon or incurred in connection with such refinancing or replacement).

Any calculation or measure that is determined with reference to Midco's financial statements (including, without limitation, EBITDA, Consolidated Interest Expense, Consolidated Net Income, Consolidated Senior Secured Debt Ratio, Consolidated Total Debt Ratio, Fixed Charge Coverage Ratio, Fixed Charges, and clause (B)(1) of the first paragraph of the covenant described under "*—Limitation on Restricted Payments*") may be determined with reference to the financial statements of a direct or indirect parent entity of Midco instead, so long as such parent entity does not hold any material assets other than, directly or indirectly, the Equity Interests of Midco (as determined in good faith by Midco).

Limitation on Restricted Payments

Midco will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any payment or distribution on account of Midco's, or any of its Restricted Subsidiaries', Equity Interests (in each case, solely to a holder of Equity Interests in such Person's capacity as a holder of such Equity Interests), including any dividend, payment or distribution payable in connection with any merger, amalgamation or consolidation other than:

    (a) dividends, payments and distributions by Midco payable solely in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of Midco or in options, warrants or other rights to purchase such Equity Interests (other than Disqualified Stock) or in Subordinated Shareholder Funding; or

(b) dividends, payments and distributions by a Restricted Subsidiary so long as, in the case of any dividend, payment or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Subsidiary, Midco or a Restricted Subsidiary receives at least its pro rata share of such dividend, payment or distribution in accordance with its Equity Interests in such class or series of securities;

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of Midco or any direct or indirect parent company of Midco, including any purchase, redemption, defeasance, acquisition or retirement in connection with any merger, amalgamation or consolidation, in each case held by a Person other than Midco or a Restricted Subsidiary;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness, other than:

(a) Indebtedness permitted under clauses (6) and (7) of the second paragraph of the covenant described under *"—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"*; or

(b) the payment, redemption, purchase, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of payment, redemption, purchase, repurchase, defeasance or acquisition or retirement; or

(4) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (5) above (other than any exceptions thereto) being collectively referred to as *"Restricted Payments"*), unless, at the time of such Restricted Payment:

(A) in the case of a Restricted Payment under clauses (1) and (2) above, no Event of Default shall have occurred and be continuing or would occur as a consequence thereof and, in the case of a Restricted Payment under clauses (3) and (4) above, no Event of Default described under clause (1), (2) or (6) of the first paragraph of "*—Events of Default and Remedies*" shall have occurred and be continuing or would occur as a consequence thereof; and

(B) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Midco and its Restricted Subsidiaries after the Acquisition Completion Date (including Restricted Payments permitted by clauses (1) (without duplication) and (6)(c) of the next succeeding paragraph), but excluding all other Restricted Payments permitted by the next succeeding paragraph)), is less than the sum of (without duplication):

(1) 50% of the Consolidated Net Income of Midco for the period (taken as one accounting period and including any predecessor of Midco, including the Target) from the beginning of the fiscal quarter in which the Acquisition Completion Date occurs to the end of Midco's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, *provided that* such amount shall not be less than zero; *plus*

(2) 100% of the aggregate Net Cash Proceeds and the fair market value of marketable securities or other property received by Midco or its Restricted Subsidiaries after the Acquisition Completion Date (other than Net Cash Proceeds to the extent such Net Cash Proceeds have been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (a)(A) of the next succeeding paragraph of clause (10)(a) of the second paragraph of "*—Limitation on*

Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock") from the issue or sale of:

(i) Equity Interests or Subordinated Shareholder Funding of Midco, including Treasury Capital Stock (as defined below), but excluding Net Cash Proceeds and the fair market value of marketable securities or other property received from the sale of:

(x) Equity Interests or Subordinated Shareholder Funding of Midco to any future, present or former employees, directors, officers, managers, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any direct or indirect parent company of Midco or any of Midco's Subsidiaries after the Acquisition Completion Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph; and

(y) Designated Preferred Stock; and

(ii) to the extent such Net Cash Proceeds, marketable securities or other property are actually contributed to Midco or any of its Restricted Subsidiaries, Equity Interests of Midco or any of Midco's direct or indirect parent companies (excluding contributions of the proceeds from the sale of Designated Preferred Stock of any such companies or contributions to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph); or

(iii) Indebtedness of Midco or a Restricted Subsidiary that has been converted into or exchanged for such Equity Interests or Subordinated Shareholder Funding of Midco or a parent company of Midco;

provided, that this clause (B) shall not include the proceeds from (w) Refunding Capital Stock =applied in accordance with clause (2) of the next succeeding paragraph, (x) Equity Interests or convertible debt securities of Midco or a Restricted Subsidiary sold to a Restricted Subsidiary or to Midco, (y) Disqualified Stock or debt securities that have been converted into Disqualified Stock or (z) Excluded Contributions; plus

(3) 100% of the aggregate amount of Cash Equivalents and the fair market value of marketable securities or other property contributed to the capital of Midco or a Restricted Subsidiary (including the aggregate principal amount of any Indebtedness of Midco or a Restricted Subsidiary contributed to Midco or a Restricted Subsidiary for cancellation) or that becomes part of the capital of Midco or a Restricted Subsidiary through consolidation, amalgamation or merger following the Acquisition Completion Date (other than (i) Net Cash Proceeds to the extent such Net Cash Proceeds have been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (10)(a) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," (ii) contributions by a Restricted Subsidiary and (iii) any Excluded Contributions); plus

(4) 100% of the aggregate amount received in Cash Equivalents and the fair market value of marketable securities or other property received by Midco or any Restricted Subsidiary by means of:

(i) the sale or other disposition (other than to Midco or a Restricted Subsidiary) of, or other returns on Investments from, Restricted Investments made by Midco or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from Midco or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments made by Midco or its Restricted Subsidiaries, in each case after the Acquisition Completion Date; or

(ii) the issuance, sale or other disposition (other than to Midco or a Restricted Subsidiary) of the Equity Interests of, or a dividend or distribution (other than an Excluded Contribution) from an Unrestricted Subsidiary (other than, in each case, to the extent the Investment in such Unrestricted Subsidiary was made by Midco or a Restricted Subsidiary pursuant to clause (7) of the next succeeding paragraph or to the extent such Investment constituted a Permitted Investment, but including such Cash Equivalents and fair market value to the extent exceeding the amount of such Investment), in each case, after the Acquisition Completion Date; or

(iii) any returns, profits, distributions and similar amounts received on account of any Permitted Investment or an Investment classified as a Restricted Payment subject to a sterling-denominated or ratio-based basket (to the extent in excess of the original amount of such Investment) and without duplication of any returns, profits, distributions or similar amounts included in the calculation of such basket; plus

(5) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into Midco or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to Midco or a Restricted Subsidiary after the Acquisition Completion Date, the fair market value (as determined by Midco in good faith) of the Investment in such Unrestricted Subsidiary (or the assets transferred) at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation, consolidation or transfer of assets, other than to the extent the Investment in such Unrestricted Subsidiary was made by Midco or a Restricted Subsidiary pursuant to clause (7) of the next succeeding paragraph or to the extent such Investment constituted a Permitted Investment made after the Acquisition Completion Date, but, to the extent exceeding the amount of such Permitted Investment, including such excess amounts of fair market value; plus

(6) the aggregate amount of Declined Proceeds since the Acquisition Completion Date; plus

(7) the greater of (x) £250.0 million and (y) 40.0% of LTM EBITDA.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or other distribution or the giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or other distribution or redemption payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, defeasance, retirement or other acquisition of any Equity Interests (*"Treasury Capital Stock"*), including any accrued and unpaid dividends thereon, Subordinated Shareholder Funding or Subordinated Indebtedness of Midco or any Restricted Subsidiary or any Equity Interests of any direct or indirect parent company of Midco, in exchange for, or in an amount not to exceed the proceeds of, the substantially concurrent sale or issuance (other than to a Restricted Subsidiary) of Equity Interests or Subordinated Shareholder Funding of Midco or any direct or indirect parent company of Midco to the extent contributed to Midco (in each case, other than any Disqualified Stock) (*"Refunding Capital Stock"*), (b) the declaration and payment of dividends on Treasury Capital Stock out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of Midco or to an employee stock ownership plan or any trust established by Midco or any of its Subsidiaries) of Refunding Capital Stock, and (c) if, immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clauses (6)(a) or (b) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of any direct or indirect parent company of Midco) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) the prepayment, defeasance, redemption, repurchase, exchange or other acquisition or retirement of (a) Subordinated Indebtedness of the Issuer or a Guarantor made by exchange for, or in an amount not to exceed the proceeds of the sale of, new Indebtedness of the Issuer or a Guarantor or Disqualified Stock of the Issuer or a Guarantor made within 120 days of such incurrence or issuance of new Indebtedness or Disqualified Stock or (b) Disqualified Stock of the Issuer or a Guarantor made by exchange for, or in an amount not to exceed the proceeds of the sale of, Disqualified Stock of the Issuer or a Guarantor made within 120 days of such issuance of Disqualified Stock, that, in each case, is incurred or issued, as applicable, in compliance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" so long as:

(a) the principal amount (or accreted value, if applicable) of such new Indebtedness or the liquidation preference of such new Disqualified Stock does not exceed the principal amount of (or accreted value, if applicable), plus any accrued and unpaid interest on, the Subordinated

Indebtedness or the liquidation preference of, plus any accrued and unpaid dividends on, the Disqualified Stock being so prepaid, defeased, redeemed, repurchased, exchanged, acquired or retired for value, plus the amount of any premium (including tender premium) paid on the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired, defeasance costs and any fees and expenses incurred in connection with the issuance of such new Indebtedness or Disqualified Stock;

(b) such new Indebtedness is subordinated to the Notes or the applicable Guarantee at least to the same extent as such Subordinated Indebtedness so defeased, redeemed, repurchased, exchanged, acquired or retired;

(c) such new Indebtedness or Disqualified Stock has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired (or, if earlier, a date that is at least 91 days after the maturity date of the Notes); and

(d) such new Indebtedness or Disqualified Stock has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired (or requires no or nominal payments in cash prior to the date that is 91 days after the maturity date of the Notes);

(4) a Restricted Payment to pay for the repurchase, redemption or other acquisition or retirement for value of Equity Interests (other than Disqualified Stock) of Midco or any direct or indirect parent company of Midco held by any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its Subsidiaries or any of its direct or indirect parent companies pursuant to any employee, director, officer, manager, member, partner, independent contractor or consultant equity plan or stock option plan or any other employee, director, officer, manager, member, partner, independent contractor or consultant benefit plan or agreement, or any equity subscription or equityholder agreement or any termination agreement (including, for the avoidance of doubt, any principal and interest payable on any Indebtedness issued by Midco or any direct or indirect parent company of Midco in connection with such repurchase, retirement or other acquisition), including any Equity Interest received or rolled over by any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco, any of its Subsidiaries or any direct or indirect parent company of Midco in connection with the Transactions or any other transaction; *provided,* that the aggregate amount of Restricted Payments made under this clause (4) does not exceed in any calendar year an amount equal to £30.0 million (which shall increase to £60.0 million subsequent to the consummation of an underwritten public Equity Offering by Midco or any direct or indirect parent entity of Midco) (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum (without giving effect to the following proviso) of £60.0 million in any calendar year (which shall increase to £120.0 million subsequent to the consummation of an underwritten public Equity Offering by Midco or any direct or indirect parent entity of Midco)); *provided, further,* that such amount in any calendar year under this clause may be increased by an amount not to exceed:

(a) the cash proceeds from the sale or issuance of Equity Interests (other than Disqualified Stock and other than to a Restricted Subsidiary) or Subordinated Shareholder Funding of Midco and, to the extent contributed to Midco or its Subsidiaries, the cash proceeds from the sale or issuance of Equity Interests or Subordinated Shareholder Funding of any of Midco's direct or indirect parent companies, in each case to any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its Subsidiaries or any of its direct or indirect parent companies that occurs after the Acquisition Completion Date, to the extent the cash proceeds from the sale of such Equity Interests or Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (B) of the preceding paragraph; *plus*

(b) the amount of any cash bonuses otherwise payable to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its Subsidiaries or any of its direct or indirect parent companies that are foregone in exchange for the receipt of Equity Interests of Midco or any of its direct or indirect parent companies pursuant to any compensation arrangement, including any deferred compensation plan; *plus*

(c) the cash proceeds of key man life insurance policies received by Midco or its Restricted Subsidiaries (or any direct or indirect parent company of Midco to the extent contributed to Midco or one of its Subsidiaries) after the Acquisition Completion Date; *less*

(d) the amount of any Restricted Payments previously made with the cash proceeds described in clauses (a), (b) and (c) of this clause (4);

provided that Midco may elect to apply all or any portion of the aggregate increase contemplated by clauses (a), (b) and (c) of this clause (4) in any calendar year;

and *provided, further,* that (i) cancellation of Indebtedness owing to Midco or any Restricted Subsidiary from any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of Midco's direct or indirect parent companies or any of Midco's Restricted Subsidiaries in connection with a repurchase of Equity Interests of Midco or any of its direct or indirect parent companies and (ii) the repurchase, redemption or other acquisition or retirement for value of Equity Interests deemed to occur upon or in connection with the exercise of options, warrants or similar instruments if such Equity Interests represent all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Equity Interests or withholding to pay other taxes payable in connection therewith, in the case of each of clauses (i) and (ii), will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(5) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of Midco or any of its Restricted Subsidiaries or any class or series of Preferred Stock of any Restricted Subsidiary issued in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent such dividends or distributions are included in the definition of "Fixed Charges";

(6) (a) the declaration and payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by Midco after the Acquisition Completion Date;

(b) the declaration and payment of dividends to any direct or indirect parent company of Midco, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by such parent company after the Acquisition Completion Date, *provided* that the amount of dividends paid pursuant to this clause (b) shall not exceed the aggregate amount of cash actually contributed to Midco from the sale of such Designated Preferred Stock; or

(c) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph;

provided, in the case of each of (a) and (c) of this clause (6), that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock or the declaration of such dividends on Refunding Capital Stock that is Preferred Stock, after giving effect to such issuance or declaration on a *pro forma* basis, Midco could incur £1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(7) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (7) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of Cash Equivalents or marketable securities (until such proceeds are converted to Cash Equivalents), not to exceed the greater of (x) £100.0 million and (y) 20.0% of LTM EBITDA at the time of such Investment (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments;

(8) payments made or expected to be made by Midco or any Restricted Subsidiary in respect of withholding or similar taxes payable upon or in connection with the exercise or vesting of Equity Interests or any other equity award by any future, present or former employee, director, officer, member of management or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco or any Restricted Subsidiary or any direct or indirect parent company of Midco and any repurchases or withholdings of Equity Interests in connection with the exercise or vesting of stock options, warrants or the issuance of restricted stock units or similar equity-based awards or payments in lieu of the issuance of fractional Equity Interests with respect to stock options, warrants, restricted stock units or similar equity-based awards;

(9) the declaration and payment of dividends on, or the purchase, redemption, defeasance or other acquisition or retirement for value of, Midco's common equity (or the payment of dividends to any direct or indirect parent company of Midco to fund a payment of dividends on such company's common equity or to fund such company's purchase, redemption, defeasance or other acquisition or retirement for value of such company's common equity), following the first public offering of Midco's common equity or the common equity of any direct or indirect parent company of Midco after the Acquisition Completion Date, in an amount not to exceed the sum of (A) up to 6% per annum of the amount of Net Cash Proceeds received by or contributed to Midco or any of its Restricted Subsidiaries from any such public offering, other than public offerings with respect to Midco's common equity registered on Form S-8, other than issuances to any Subsidiary of Midco and other than any public sale constituting an Excluded Contribution and (B) an aggregate amount per annum not to exceed 7% of the greater of Market Capitalization or IPO Market Capitalization;

(10) Restricted Payments that are made (a) in an amount that does not exceed the aggregate amount of Excluded Contributions received following the Acquisition Completion Date or (b) without duplication with clause (a), in an amount not to exceed the cash proceeds from a sale, conveyance, transfer or other disposition in respect of property or assets acquired after the Acquisition Completion Date, if the acquisition of such property or assets was financed with Excluded Contributions;

(11) Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (11) (i) (in the case of Restricted Investments, at the time outstanding (without giving effect to the sale of an Investment to the extent the proceeds of such sale do not consist of, or have not been converted to, Cash Equivalents)) not to exceed the greater of (x) £250.0 million and (y) 40.0% of LTM EBITDA at such time (in the case of a Restricted Investment, determined on the date such Investment is made, with the fair market value of such Investment being measured at the time made and without giving effect to subsequent changes in value, plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments); and (ii) any Restricted Payments, so long as, after giving *pro forma* effect to the payment of any such Restricted Payment, the Consolidated Total Debt Ratio shall be no greater than 5.25 to 1.00;

(12) distributions or payments of Securitization Fees;

(13) any Restricted Payment made in connection with the Transactions and the fees and expenses related thereto or used to fund amounts owed in connection with the Transactions (including dividends or distributions to any direct or indirect parent company of Midco to permit payment by such parent company of such amounts), including the settlement of claims or actions in connection with the Acquisition or to satisfy indemnity or other similar obligations or any other earnouts, purchase price adjustments or working capital adjustments;

(14) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness, Disqualified Stock or Preferred Stock pursuant to the provisions similar to those described under the captions "*—Repurchase at the Option of Holders—Change of Control Triggering Event*" and "*—Repurchase at the Option of Holders—Asset Sales*"; *provided* that if the Issuer shall have been required to make a Change of Control Offer or Asset Sale Offer, as applicable, to purchase the Notes on the terms provided in the Indenture applicable to Change of Control Offers or Asset Sale Offers, respectively, all Notes validly tendered by Holders of such Notes in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed, acquired or retired for value;

(15) the declaration and payment of dividends or distributions by Midco to, or the making of loans to, any direct or indirect parent company of Midco in amounts required for any direct or indirect parent company of Midco to pay, in each case without duplication:

(a) franchise, excise and similar taxes, and other fees and expenses, required to maintain its corporate or other legal existence;

(b) salary, bonus, severance, indemnity and other benefits payable to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of any direct or indirect parent company of Midco to the extent such salaries, bonuses, severance, indemnity and other benefits are attributable to the ownership or operation of Midco and its Restricted Subsidiaries;

(c) general organizational, operating, administrative, compliance, overhead and other costs and expenses (including, without limitation, expenses related to auditing or other accounting or tax reporting matters) and, following the first public offering of Midco's common equity or the common equity of any direct or indirect parent company of Midco, listing fees and other costs and expenses attributable to being a publicly traded company of any direct or indirect parent company of Midco;

(d) fees and expenses related to any equity or debt offering, financing transaction, acquisition, divestiture, investment or other non-ordinary course transaction (whether or not successful) of such parent entity; *provided* that any such transaction was in the good faith judgment of Midco intended to be for the benefit of Midco and its Restricted Subsidiaries;

(e) amounts payable pursuant to the Support and Services Agreement (including any amendment thereto or replacement thereof so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of Midco to the Holders when taken as a whole, as compared to the Support and Services Agreement as in effect immediately prior to such amendment or replacement), solely to the extent such amounts are not paid directly by Midco or its Subsidiaries;

(f) (i) cash payments in lieu of issuing fractional shares or interests in connection with the exercise of warrants, options, other equity-based awards or other securities convertible into or exchangeable for Equity Interests of Midco or any direct or indirect parent company of Midco and any dividend, split or combination thereof or any transaction permitted under the Indenture and (ii) any conversion request by a holder of convertible Indebtedness and cash payments in lieu of fractional shares or interests in connection with any such conversion and payments on convertible Indebtedness in accordance with its terms;

(g) to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by Midco or its Restricted Subsidiaries; *provided,* that (A) such Restricted Payment shall be made within 180 days of the closing of such Investment, (B) such direct or indirect parent company shall, promptly following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be contributed to the capital of Midco or its Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the Person formed or acquired into Midco or its Restricted Subsidiaries (to the extent not prohibited by the covenant described under the caption "*—Merger, Consolidation or Sale of All or Substantially All Assets*" below) in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than Midco or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent Midco or a Restricted Subsidiary could have given such consideration or made such payment to such direct or indirect parent company in compliance with the Indenture, (D) any property received by Midco shall not increase amounts available for Restricted Payments pursuant to clause (B) of the preceding paragraph and (E) such Investment shall be deemed to be made by Midco or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (10) hereof) or pursuant to the definition of "Permitted Investments" (other than clause (1) thereof);

(h) amounts that would be permitted to be paid by Midco or its Restricted Subsidiaries under clauses (3), (4), (8), (9), (13) and (14) of the covenant described under "*—Transactions with Affiliates*"; *provided,* that the amount of any dividend or distribution under this clause (15)(h) to permit such payment shall reduce, without duplication, Consolidated Net Income of Midco to the extent, if any, that such payment would have reduced Consolidated Net Income of Midco if such payment had been made directly by Midco and increase (or, without duplication of any reduction of Consolidated Net Income, decrease) EBITDA to the extent, if any, that Consolidated Net Income is reduced under this clause (15)(h) and such payment would have been added back to (or, to the extent excluded from Consolidated Net Income, would have been deducted from) EBITDA if such payment had been made directly by Midco, in each case, in the period such payment is made; and

(i) amounts in respect of Indebtedness of such direct or indirect parent company of Midco which is guaranteed by Midco or a Restricted Subsidiary;

(16) the distribution, by dividend or otherwise, of Capital Stock of an Unrestricted Subsidiary (or a Restricted Subsidiary that owns one or more Unrestricted Subsidiaries and no other material assets), or Indebtedness owed to Midco or a Restricted Subsidiary by an Unrestricted Subsidiary (or a Restricted Subsidiary that owns one or more Unrestricted Subsidiaries and no other material assets), in each case, other than Unrestricted Subsidiaries the primary assets of which are Cash Equivalents;

(17) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment so long as the amount of such redemptions are no greater than the amount that constituted such Restricted Payment or Permitted Investment;

(18) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with any Permitted Investment or a consolidation, merger or transfer of assets that complies with, or is not prohibited by, the covenant described under "*—Merger, Consolidation or Sale of All or Substantially All Assets*";

(19) the repurchase, redemption or other acquisition of Equity Interests of Midco or any Restricted Subsidiary deemed to occur in connection with paying cash in lieu of fractional shares of such Equity Interests in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of Midco or any Restricted Subsidiary, in each case, permitted under the Indenture; and

(20) payments by Midco to any direct or indirect parent of Midco for any taxable period in which Midco, the Issuer and/or any of its Subsidiaries is a member of a consolidated, combined or similar national, regional or local income or similar tax group that includes Midco, the Issuer and/or its Subsidiaries and whose common parent is a direct or indirect parent of Midco, to the extent such income or similar Taxes are attributable to the income of Midco, the Issuer and/or its Restricted Subsidiaries and, to the extent of any cash amounts actually received from its Unrestricted Subsidiaries for such purpose, to the income of such Unrestricted Subsidiaries, to pay the portion of such national, regional and/or local income or similar Taxes (as applicable) that are attributable to the taxable income, revenue, receipts, gross receipts, gross profits, capital or margin of Midco, the Issuer and/or its applicable Subsidiaries; *provided* that in each case the amount of such payments in respect of any taxable year does not exceed the amount that Midco, the Issuer and/or its applicable Restricted Subsidiaries (and, to the extent permitted above, its applicable Unrestricted Subsidiaries), as applicable, would have been required to pay in respect of the relevant national, regional or local income or similar Taxes for such taxable year had Midco, the Issuer and/or its applicable Subsidiaries (including its Unrestricted Subsidiaries to the extent described above), as applicable, paid such Taxes separately from any such parent company;

provided, that at the time of, and after giving effect to, (x) any Restricted Payment other than a Restricted Investment permitted under clause (11)(ii) above, no Event of Default shall have occurred and be continuing or would occur as a consequence thereof or (y) any Restricted Investment permitted under clause (11)(ii) above, no Event of Default under clauses (1), (2) or (6) of the first paragraph of "*—Events of Default and Remedies*" shall have occurred and be continuing or would occur as a consequence thereof.

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of clauses (1) through (20) above and/or one or more of the clauses contained in the definition of "Permitted Investments," or is entitled to be made pursuant to the first paragraph of this covenant, Midco will be entitled to divide or classify or later divide or reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or a portion thereof) between such clauses (1) through (20) and such first paragraph and/or one or more of the clauses contained in the definition of "Permitted Investments," in any manner that otherwise complies with this covenant.

As of the Acquisition Completion Date, all of Midco's Subsidiaries will be Restricted Subsidiaries. Midco will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the penultimate sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by Midco and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the penultimate sentence of the definition of "Investments." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, pursuant to this covenant or pursuant to the definition of "Permitted Investments," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

Midco will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, "*incur*" and collectively, an "*incurrence*") with respect to any Indebtedness (including Acquired Indebtedness) and Midco will not issue any shares of Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of Disqualified Stock or any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor to issue Preferred Stock; *provided*, that Midco may incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Indebtedness) and issue shares of Disqualified Stock and any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor may issue shares of Preferred Stock, if (i) the Fixed Charge Coverage Ratio on a consolidated basis of Midco and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00 or (ii) the Consolidated Total Debt Ratio of Midco and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been equal to or less than 6.00 to 1.00, in each case determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The foregoing limitations will not apply to:

(1) Indebtedness incurred pursuant to any Credit Facilities by Midco or any Restricted Subsidiary and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof); *provided* that immediately after giving effect to any such incurrence or issuance (including *pro forma* application of the net proceeds therefrom), the then outstanding aggregate principal amount of all Indebtedness incurred or issued under this clause (1) does not exceed the sum of: (A)(i) £1,487.0 million, *plus* (ii) €770.0 million, *plus* (iii) $592.5 million, *plus* (iv) £400.0 million; *plus* (B) an amount equal to the greater of (x) £505.0 million and (y) 100.0% of LTM EBITDA; *plus* (C) an additional amount after all amounts have been incurred under clause (A) and (B), if after giving *pro forma* effect to the incurrence of such additional amount (including a *pro forma* application of the net proceeds therefrom), the Consolidated Senior Secured Debt Ratio would have been equal to or less than 5.50 to 1.00; *provided* that for purposes of determining the amount that may be incurred under this clause (C) only, all Indebtedness incurred under this clause (C) shall be deemed to be included in clause (a) of the definition of "Consolidated Senior Secured Debt Ratio";

(2) the incurrence by the Issuer and any Guarantor of Indebtedness represented by (A) the Notes and the Guarantees (but excluding any Additional Notes and any guarantees thereof); (B) any Indebtedness (other than Target Senior Debt), Disqualified Stock and Preferred Stock of the Target and its Subsidiaries outstanding as of the Issue Date or incurred under a facility committed and as in effect as of the Issue Date; and any (C) Indebtedness (other than Indebtedness described in clause (1) above, clause 2(A) and clauses (6) and (7) below) of Midco and its Restricted Subsidiaries outstanding on the Issue Date and any Guarantee thereof;

(3) Indebtedness (including, to the extent applicable in accordance with the terms of the Indenture and GAAP, Financing Lease Obligations and Purchase Money Obligations), Disqualified Stock and

Preferred Stock incurred or issued by Midco or any of its Restricted Subsidiaries to finance the purchase, lease, expansion, construction, development, installation, replacement, relocation, renewal, maintenance, upgrade, repair or improvement of property (real or personal), equipment or any other asset, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, in an aggregate principal amount (together with any Refinancing Indebtedness (as defined herein) in respect thereof) not to exceed the greater of (x) £150.0 million and (y) 30.0% of LTM EBITDA (in each case, determined at the date of incurrence or issuance);

(4) Indebtedness incurred by Midco or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit, bank guarantees, banker's acceptances, warehouse receipts, or similar instruments issued or created, or relating to obligations or liabilities incurred, in the ordinary course of business or consistent with past practice, including letters of credit in favor of suppliers or trade creditors or in respect of workers' compensation claims, performance or surety bonds, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims, performance or surety bonds, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance;

(5) Indebtedness, Disqualified Stock and Preferred Stock arising from (a) Permitted Intercompany Activities and (b) agreements of Midco or its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earn-outs or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business (including the Transactions), assets, a Subsidiary or Investment, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets, Subsidiary or Investment for the purpose of financing such acquisition;

(6) Indebtedness, Disqualified Stock and Preferred Stock of Midco owing to and held by a Restricted Subsidiary; *provided* that any such Indebtedness, Disqualified Stock or Preferred Stock owing to a Restricted Subsidiary that is not Midco or a Guarantor, excluding any Indebtedness, Disqualified Stock or Preferred Stock incurred or issued in the ordinary course of business or consistent with past practice, is subordinated in right of payment (to the extent permitted by applicable law) to the Guarantee of the Notes by Midco (for the avoidance of doubt, any such Indebtedness, Disqualified Stock or Preferred Stock owing to a Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor shall be deemed to be expressly subordinated in right of payment to the Guarantee of the Notes by Midco unless the terms of such Indebtedness, Disqualified Stock or Preferred Stock expressly provide otherwise); *provided further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness, Disqualified Stock or Preferred Stock (except to Midco or another Restricted Subsidiary or any pledge of such Indebtedness, Disqualified Stock or Preferred Stock constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness, Disqualified Stock or Preferred Stock (to the extent such Indebtedness, Disqualified Stock or Preferred Stock is then outstanding) not permitted by this paragraph (6);

(7) Indebtedness, Disqualified Stock and Preferred Stock of a Restricted Subsidiary owing to and held by Midco or another Restricted Subsidiary; *provided* that if the Issuer or a Subsidiary Guarantor incurs such Indebtedness, Disqualified Stock or Preferred Stock owing to a Restricted Subsidiary that is not the Issuer or a Guarantor, excluding any Indebtedness, Disqualified Stock or Preferred Stock incurred or issued in the ordinary course of business or consistent with past practice, such Indebtedness, Disqualified Stock or Preferred Stock is subordinated in right of payment (to the extent permitted by applicable law) to the Notes or the Guarantee of the Notes (for the avoidance of doubt, any such Indebtedness, Disqualified Stock or Preferred Stock owing to a Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor shall be deemed to be expressly subordinated in right of payment to the Notes or the Guarantee of the Notes by such Subsidiary Guarantor, as applicable, unless the terms of such Indebtedness, Disqualified Stock or Preferred Stock expressly provide otherwise); *provided further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness, Disqualified Stock or Preferred Stock (except to Midco or another Restricted Subsidiary or any pledge of such Indebtedness, Disqualified Stock or Preferred Stock constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness, Disqualified

Stock or Preferred Stock (to the extent such Indebtedness, Disqualified Stock or Preferred Stock is then outstanding) not permitted by this clause (7);

(8) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);

(9) obligations in respect of self-insurance and obligations in respect of stays, customs, performance, bid, indemnity, appeal, judgment, surety and other similar bonds or instruments and performance, bankers' acceptance and completion guarantees and similar obligations provided by Midco or any of its Restricted Subsidiaries or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with past practice;

(10) (a) Indebtedness or Disqualified Stock of Midco and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference up to 200% of the Net Cash Proceeds received by Midco since immediately after the Acquisition Completion Date from the issue or sale of Equity Interests or Subordinated Shareholder Funding of Midco or cash contributed to the capital of Midco (in each case, other than Excluded Contributions, proceeds of Disqualified Stock or sales of Equity Interests or Subordinated Shareholder Funding to Midco or any of its Subsidiaries) as determined in accordance with clauses (B)(2) and (B)(3) of the first paragraph of "*—Limitation on Restricted Payments*" to the extent such Net Cash Proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments pursuant to the first paragraph of "*—Limitation on Restricted Payments*" or to make Permitted Investments specified in clauses (8), (11), (13), (28) or (29) of the definition thereof, and

(b) Indebtedness or Disqualified Stock of Midco and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference, which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred pursuant to this clause (10)(b), does not at any time outstanding exceed the greater of (x) £250.0 million and (y) 40.0% of LTM EBITDA (in each case, determined on the date of such incurrence);

(11) the incurrence or issuance by Midco or any Restricted Subsidiary of Indebtedness, Disqualified Stock or Preferred Stock which serves to extend, replace, refund, refinance, renew or defease any Indebtedness (or unutilized commitment in respect of Indebtedness), Disqualified Stock or Preferred Stock incurred or issued as permitted under the first paragraph of this covenant and clauses (2), (3) and (10)(a) above, this clause (11) and clauses (12) and (25) below or any Indebtedness, Disqualified Stock or Preferred Stock incurred or issued to so extend, replace, refund, refinance, renew or defease such Indebtedness (or unutilized commitment in respect of Indebtedness), Disqualified Stock or Preferred Stock, including, in each case, additional Indebtedness, Disqualified Stock or Preferred Stock incurred to pay premiums (including tender premiums), defeasance costs, accrued interest or dividends, underwriting or initial purchaser discounts, fees, costs and expenses (including original issue discount, upfront fees or similar fees) in connection therewith and Indebtedness incurred pursuant to a commitment that refinances any Indebtedness or unutilized commitment (the "*Refinancing Indebtedness*") prior to its respective maturity; *provided*, that such Refinancing Indebtedness:

(a) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being extended, replaced, refunded, refinanced, renewed or defeased (or requires no or nominal payments in cash (other than interest payments) prior to the date that is 91 days after the maturity date of the Notes);

(b) to the extent such Refinancing Indebtedness extends, replaces, refunds, refinances, renews or defeases;

(i) Indebtedness subordinated in right of payment to the Notes or any Guarantee thereof, such Refinancing Indebtedness is subordinated in right of payment to the Notes or any Guarantee thereof at least to the same extent as the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased or

(ii) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness must be Disqualified Stock or Preferred Stock, respectively; and

(c) shall not include:

(i) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of Midco that is not the Issuer or a Subsidiary Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer;

(ii) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of Midco that is not the Issuer or a Subsidiary Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of a Guarantor; or

(iii) Indebtedness or Disqualified Stock of Midco or Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

and, *provided*, *further*, that subclause (a) of this clause (11) will not apply to any extension, replacement, refunding, refinancing, renewal or defeasance of any Senior Indebtedness;

(12) (a) Indebtedness, Disqualified Stock or Preferred Stock of Midco or a Restricted Subsidiary incurred or issued to finance an acquisition (or other purchase of assets) or (b) Indebtedness, Disqualified Stock or Preferred Stock of Persons that are acquired by Midco or any Restricted Subsidiary or merged into or consolidated or amalgamated with Midco or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided*, that in the case of clauses (a) and (b), after giving effect to such acquisition, merger, amalgamation or consolidation: (i) the aggregate amount of such Indebtedness. Disqualified Stock or Preferred Stock incurred under this subclause (i), together with any Refinancing Indebtedness in respect thereof, does not exceed the greater of (x) £125.0 million and (y) 20.0% of LTM EBITDA at any time outstanding; plus (ii) either (x) in the case of Indebtedness which is (or once incurred will be) included in the calculation of the Consolidated Senior Secured Debt Ratio, the Consolidated Senior Secured Debt Ratio is no greater than either (I) 5.50 to 1.00 or (II) the Consolidated Senior Secured Debt Ratio immediately prior to such acquisition, merger, amalgamation or consolidation determined on a *pro forma* basis as of the last day of the most recently ended period of four consecutive fiscal quarters for which financial statements are internally available or (y) in the case of Indebtedness which would not be included in the calculation of the Consolidated Senior Secured Debt Ratio, in the case of Indebtedness which is (or once incurred will be) included in the calculation of Consolidated Total Indebtedness but is not Consolidated Senior Secured Indebtedness, either (I) the Consolidated Total Debt Ratio is no greater than either (I) 6.00 to 1.00 or (II) the Consolidated Total Debt Ratio immediately prior to such acquisition, merger, amalgamation or consolidation determined on a *pro forma* basis as of the last day of the most recently ended period of four consecutive fiscal quarters for which financial statements are internally available or (z) the Fixed Charge Coverage Ratio is no less than either (I) 2.00 to 1.00 or (II) the Fixed Charge Coverage Ratio immediately prior to such acquisition, merger, amalgamation or consolidation determined on a *pro forma* basis as of the last day of the most recently ended period of four consecutive fiscal quarters for which financial statements are internally available;

(13) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice;

(14) Indebtedness of Midco or any of its Restricted Subsidiaries supported by a letter of credit issued pursuant to any Credit Facilities, in a principal amount not in excess of the stated amount of such letter of credit;

(15) Indebtedness incurred pursuant to (a) any guarantee or co-issuance by Midco or a Restricted Subsidiary of Indebtedness or other obligations of any Restricted Subsidiary so long as the incurrence of such Indebtedness or other obligations by such Restricted Subsidiary is permitted under the terms of the Indenture; or (b) any guarantee or co-issuance by a Restricted Subsidiary of Indebtedness or other obligations of Midco so long as the incurrence of such Indebtedness or other obligations by Midco is permitted under the terms of the Indenture;

(16) (a) Indebtedness, Disqualified Stock or Preferred Stock consisting of Indebtedness, Disqualified Stock or Preferred Stock issued by Midco or any of its Restricted Subsidiaries to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants thereof, their respective Controlled Investment Affiliates or Immediate Family Members, in each case to finance the purchase or redemption of Equity Interests of Midco or any

direct or indirect parent company of Midco to the extent described in clause (4) of the second paragraph under the caption "*—Limitation on Restricted Payments*" and

(b) Indebtedness representing deferred compensation or similar arrangements (i) to any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco (or any direct or indirect parent thereof) or any of its Restricted Subsidiaries incurred in the ordinary course of business or consistent with past practice or (ii) incurred in connection with any Investment or acquisition (by merger, consolidation, amalgamation or otherwise) or in connection with a Permitted Change of Control;

(17) to the extent constituting Indebtedness, customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods and services purchased in the ordinary course of business or consistent with past practice;

(18) Indebtedness owed on a short-term basis to banks and other financial institutions incurred in the ordinary course of business or consistent with past practice of Midco and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of Midco and its Restricted Subsidiaries and (b) Indebtedness in respect of Bank Products;

(19) Indebtedness incurred by Midco or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables or payables for credit management purposes, in each case incurred or undertaken consistent with past practice or in the ordinary course of business;

(20) Indebtedness of Midco or any of its Restricted Subsidiaries consisting of (a) the financing of insurance premiums or (b) take-or-pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business or consistent with past practice;

(21) the incurrence of Indebtedness, Disqualified Stock or Preferred Stock of Restricted Subsidiaries of Midco that are not the Issuer or Subsidiary Guarantors in an aggregate principal amount or liquidation preference, which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred pursuant to this clause (21), does not at any time outstanding exceed the greater of (x) £175.0 million and (y) 35.0% of LTM EBITDA;

(22) Indebtedness of Midco or any of its Restricted Subsidiaries undertaken in connection with cash management and related activities with respect to any Subsidiary or joint venture in the ordinary course of business or consistent with past practice;

(23) Indebtedness consisting of obligations of Midco or any of its Restricted Subsidiaries under deferred purchase price, earn-outs or other arrangements incurred by such Person in connection with any acquisition permitted under the Indenture or any other Investment permitted under the Indenture;

(24) Indebtedness attributable to (but not incurred to finance) the exercise of appraisal rights and the settlement of any claims or actions (whether actual, contingent or potential) with respect thereto, in each case, with respect to any transaction permitted under the Indenture;

(25) Indebtedness or Disqualified Stock of Midco and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference, which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred pursuant to this clause (25), does not at any time outstanding exceed an amount equal to 200% of the Available RP Capacity Amount (determined on the date of such incurrence); and

(26) Indebtedness incurred by Midco or any of its Restricted Subsidiaries to the extent that the net proceeds thereof are deposited with the Trustee at or promptly after the funding of such Indebtedness to satisfy and discharge the Notes or exercise the Issuer's legal defeasance or covenant option as described under "*—Legal Defeasance and Covenant Defeasance*," in each case, in accordance with the Indenture.

For purposes of determining compliance with this covenant:

(1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness, Disqualified

Stock or Preferred Stock described in clauses (1) through (26) above or is entitled to be incurred pursuant to the first paragraph of this covenant, Midco, in its sole discretion, may divide or classify, and may from time to time redivide and reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) and will only be required to include the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock in one or more of the above clauses under the first and/or second paragraph of this covenant; *provided* that all Indebtedness outstanding under facility B of the Senior Facilities on the Acquisition Completion Date (excluding for the avoidance of doubt any Indebtedness under any incremental facility of the Senior Facilities) and all Indebtedness outstanding under (and not repaid, repurchased, redeemed or discharged) the Existing 2026 Notes on the Acquisition Completion Date shall be treated as incurred under clause (1)(A) of the second paragraph above (and Midco shall not be permitted to reclassify all or a portion of such Indebtedness outstanding under facility B of the Senior Facilities or the Existing 2026 Notes);

(2) Midco will be entitled to divide and classify an item of Indebtedness, Disqualified Stock or Preferred Stock in more than one of the types of Indebtedness, Disqualified Stock or Preferred Stock described in the first and second paragraphs above;

(3) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness, Disqualified Stock or Preferred Stock that is otherwise included in the determination of a particular amount of Indebtedness, Disqualified Stock or Preferred Stock shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, Disqualified Stock or Preferred Stock, then such other Indebtedness, Disqualified Stock or Preferred Stock shall not be included;

(5) the principal amount of any Disqualified Stock of Midco or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof; and

(6) for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Debt Ratio, or the Consolidated Total Debt Ratio, as applicable, in connection with the incurrence of any Indebtedness pursuant to the first or second paragraph above or the creation or incurrence of any Lien pursuant to the definition of "Permitted Liens," Midco may elect, at its option, to treat all or any portion of the committed amount of any Indebtedness (and the issuance and creation of letters of credit and bankers' acceptances thereunder), including any portion of any committed amount of any Indebtedness of Persons that are acquired by the Person or any Restricted Subsidiary or merged into or consolidated or amalgamated with Midco or a Restricted Subsidiary, which is to be incurred (or any commitment in respect thereof) or secured by such Lien, as the case may be (any such committed amount elected until revoked as described below, the "*Reserved Indebtedness Amount*"), as being incurred as of such election date, and, if such Fixed Charge Coverage Ratio, Consolidated Senior Secured Debt Ratio, or Consolidated Total Debt Ratio, as applicable, is satisfied or, in the case of paragraph (12)(b) of the second paragraph above, is no worse in accordance with the terms thereof, with respect thereto on such election date, any subsequent borrowing or reborrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be deemed to be permitted under this covenant or the definition of "Permitted Liens," as applicable, whether or not the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Debt Ratio, or the Consolidated Total Debt Ratio, as applicable, at the actual time of any subsequent borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) is met; *provided that* for purposes of subsequent calculations of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Debt Ratio, or the Consolidated Total Debt Ratio, as applicable, the Reserved Indebtedness Amount shall be deemed to be outstanding, whether or not such amount is actually outstanding, for so long as such commitments are outstanding or until Midco revokes an election of a Reserved Indebtedness Amount.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, of the same class will not be deemed to be an incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. If

Indebtedness, Disqualified Stock or Preferred Stock originally incurred in reliance upon a percentage of LTM EBITDA under this covenant is being refinanced and such refinancing would cause the maximum amount of Indebtedness, Disqualified Stock or Preferred Stock thereunder to be exceeded at such time, then such refinancing will nevertheless be permitted thereunder and such additional Indebtedness, Disqualified Stock or Preferred Stock will be deemed to have been incurred under the applicable provision so long as the principal amount or liquidation preference of such Refinancing Indebtedness, Disqualified Stock or Preferred Stock does not exceed the principal amount or liquidation preference of Indebtedness, Disqualified Stock or Preferred Stock being refinanced plus amounts permitted by the next sentence. Any Refinancing Indebtedness and any Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred under the Indenture to refinance Indebtedness incurred pursuant to clauses (1), (8), (10)(b), (21) and (25) shall be deemed to include additional Indebtedness, Disqualified Stock or Preferred Stock incurred to pay accrued but unpaid interest or dividends, premiums (including tender premiums), defeasance costs, underwriting or initial purchaser discounts, fees, costs and expenses (including original issue discount, upfront fees or similar fees) in connection with such refinancing.

For purposes of determining compliance with any restriction, as applicable, on the incurrence of Indebtedness, Disqualified Stock or Preferred Stock denominated in a given currency, the Currency Equivalent of the aggregate principal amount of Indebtedness or liquidation preference of Disqualified Stock or Preferred Stock denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness, Disqualified Stock or Preferred Stock was incurred, or, at the option of Midco, first committed or first incurred or upon execution of the definitive documentation in respect thereof (whichever yields the lower Currency Equivalent); *provided* that (a) if such Indebtedness is incurred to refinance other Indebtedness denominated in another currency denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such currency denominated restriction, as applicable shall be deemed not to have been exceeded so long as the principal amount or liquidation preference of such Refinancing Indebtedness does not exceed the principal amount or liquidation preference set forth in sub-clause (A) of the definition of "Refinancing Indebtedness" and (b) the Currency Equivalent of the aggregate principal amount of any such Indebtedness and the aggregate liquidation preference of any such Disqualified Stock or Preferred Stock outstanding on the Acquisition Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Acquisition Completion Date, and (c) if and for so long as any such Indebtedness, Disqualified Stock or Preferred Stock is subject to any Currency Agreement with respect to the currency in which such Indebtedness, Disqualified Stock or Preferred Stock is denominated covering principal amounts and interest payable on such Indebtedness or the liquidation preference and preferred equity returns on such Disqualified Stock or Preferred Stock, the amount of such Indebtedness, Disqualified Stock or Preferred Stock if denominated in a given currency will be the amount of the principal payment or liquidation preference required to be made under such Currency Agreement and, otherwise, the Currency Equivalent of such amount plus the Currency Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement. For purposes of determining compliance with clause (1)(a)(i) of the second paragraph of this covenant, the amount of £1,487.0 million will be deemed to comprise (x) the U.S. dollar equivalent of £925.0 million plus (y) the euro equivalent of £562.0 million (in each case, using the rate of exchange applied pursuant to the redenomination provisions under the Senior Facilities Agreement on or prior to the first utilization of the Senior Facilities).

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) Indebtedness as subordinated or junior to any other Indebtedness merely because it has a junior priority with respect to the same collateral or because it is secured by different collateral or issued or guaranteed by other obligors.

Liens

Midco will not, and will not permit the Issuer or any Subsidiary Guarantor to, and it shall be a default in respect of Midco if Topco shall, directly or indirectly, create, incur, assume or suffer to exist any Lien (except (i) in the case of any property or asset or income or profits therefrom that does not constitute Collateral or constitutes Collateral solely by virtue of being subject to a "floating charge" or other "floating" security, Permitted Liens or (ii) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens) (each, a *"Subject Lien"*) that secures Obligations under any Indebtedness or any related guarantee of Indebtedness, on any asset or property of the Issuer, Topco or any Guarantor, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless:

(1) in the case of Subject Liens on any Collateral, the Notes and the Guarantees thereof are secured by a Lien on such asset, property, income or profits that is senior in priority to such Subject Lien; and

(2) in all other cases, the Notes and the Guarantees are equally and ratably secured.

Any Lien created for the benefit of the Holders of the Notes pursuant to sub-clause (2) of this covenant shall be deemed automatically and unconditionally released and discharged upon the release and discharge of the Subject Lien that gave rise to the obligation to secure the Notes. In addition, Midco may, at its option and without consent from any Holder, elect to release and discharge any Lien created for the benefit of the Holders pursuant to the sub-clauses (1) or (2) of the preceding paragraph in respect of such Subject Lien.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The *"Increased Amount"* of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Merger, Consolidation or Sale of All or Substantially All Assets

Midco and the Issuer. Neither Midco nor the Issuer may consolidate or merge with or into or wind up into (whether or not Midco or the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(1) (a) Midco or the Issuer is the surviving Person or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than Midco or the Issuer, as the case may be) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made (such Person being herein called the *"Successor Company"*), (i) expressly assumes, in the case of Midco, all the obligations of Midco under the Indenture and its Guarantee, or, in the case of the Issuer, all of the obligations of the Issuer under the Indenture and the Notes, in each case, pursuant to supplemental indentures or other applicable documents or instruments and (ii) is a Person organized or existing under the laws of a member country of the Organization for Economic Cooperation and Development (or any successor) the United Kingdom, Luxembourg, any member of the European Union, the Cayman Islands or the United States, any state thereof, the District of Columbia, or any territory thereof;

(2) immediately after such transaction, no Event of Default exists;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable four-quarter period:

   (a) Midco or the Successor Company, as applicable, would be permitted to incur at least £1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or

   (b) either (x) the Fixed Charge Coverage Ratio for Midco and its Restricted Subsidiaries or the Successor Company and its Restricted Subsidiaries, as applicable, would be equal to or greater than the Fixed Charge Coverage Ratio for Midco and its Restricted Subsidiaries immediately prior to such transaction or (y) the Consolidated Total Debt Ratio for Midco and its Restricted Subsidiaries or the Successor Company and its Restricted Subsidiaries, as applicable, would be equal to or less than the Consolidated Total Debt Ratio for Midco and its Restricted Subsidiaries immediately prior to such transaction; and

(4) Midco or, if applicable, the Successor Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; and

(5) to the extent any assets of the Person which is merged, consolidated or amalgamated with or into Midco or the Issuer, as applicable, are assets of the type which would constitute Collateral under the Security Documents in accordance with the Agreed Security Principles, Midco, the Issuer or the Successor Company, as applicable, shall take such action, if any, as may be reasonably necessary to cause such property and assets to be made subject to the Lien of the applicable Security Documents in the manner and to the extent required in accordance with the applicable Security Documents (including the Agreed Security Principles).

The Successor Company will succeed to, and be substituted for, Midco or the Issuer, as the case may be, under the Indenture, the Guarantees and the Notes, as applicable, and Midco or the Issuer, as applicable, will automatically be released and discharged from their respective obligations under the Indenture, the Guarantees and the Notes, as applicable.

Notwithstanding the immediately preceding clauses (2) and (3):

(1) Midco may consolidate or amalgamate with or merge with or into or transfer all or part of its properties and assets to the Issuer or a Subsidiary Guarantor;

(2) the Issuer may consolidate or amalgamate with or merge with or into or transfer all or part of its properties and assets to a Guarantor;

(3) any Restricted Subsidiary (other than the Issuer) may consolidate or amalgamate with or merge with or into or transfer all or part of its properties and assets to the Issuer or a Subsidiary Guarantor; and

(4) Midco or the Issuer may merge with an Affiliate of Midco or the Issuer solely for the purpose of reorganizing Midco or the Issuer in any other jurisdiction so long as the amount of Indebtedness of Midco and its Restricted Subsidiaries is not increased thereby.

Subsidiary Guarantors. Subject to certain limitations described in the Indenture governing release of a Guarantee upon the sale, disposition or transfer of a Subsidiary Guarantor, no Subsidiary Guarantor will, and Midco will not permit any Subsidiary Guarantor to, consolidate or merge with or into or wind up into (whether or not such Subsidiary Guarantor is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(1) (a) (i) such Subsidiary Guarantor is the surviving Person or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made (such Person being herein called the *"Successor Person"*) expressly assumes all the obligations of such Subsidiary Guarantor under the Indenture and such Subsidiary Guarantor's related Guarantee pursuant to supplemental indentures or other applicable documents or instruments; and

(b) to the extent any assets of the Person which is merged, consolidated or amalgamated with or into such Guarantor are assets of the type which are required to constitute Collateral under the Security Documents in accordance with the Agreed Security Principles, such Guarantor or the Successor Person shall take such action, if any, as may be reasonably necessary to cause such property and assets to be made subject to the Lien of the applicable Security Documents in the manner and to the extent required in accordance with the applicable Security Documents and shall take all reasonably necessary action so that such Lien is perfected to the extent required by the Agreed Security Principles; or

(2) the transaction is not prohibited by the first paragraph of the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*"; or

(3) in the case of assets comprised of Equity Interests of Subsidiaries that are not Subsidiary Guarantors, such Equity Interests are sold, assigned, transferred, leased, conveyed or otherwise disposed of to one or more Restricted Subsidiaries.

Subject to certain limitations described in the Indenture, the Successor Person will succeed to, and be substituted for, such Subsidiary Guarantor under the Indenture and such Subsidiary Guarantor's Guarantee, and such Subsidiary Guarantor will automatically be released and discharged from its obligations under the Indenture, the Notes and such Subsidiary Guarantor's Guarantee.

Notwithstanding the foregoing, any Subsidiary Guarantor may (a) merge or consolidate with or into, wind up into or transfer all or part of its properties and assets to a Guarantor or the Issuer (or a Restricted

Subsidiary that is not a Subsidiary Guarantor if that Restricted Subsidiary becomes a Subsidiary Guarantor), (b) merge with an Affiliate of Midco solely for the purpose of reorganizing the Subsidiary Guarantor in another jurisdiction, (c) convert into a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the jurisdiction of organization of such Subsidiary Guarantor or (d) liquidate or dissolve or change its legal form if Midco determines in good faith that such action is in the best interests of Midco, in each case, without regard to the requirements set forth in the second preceding paragraph.

Notwithstanding anything to the contrary in this "*—Merger, Consolidation or Sale of All or Substantially All Assets*" covenant, Midco may contribute Capital Stock of any or all of its Subsidiaries to any Guarantor.

Notwithstanding the foregoing, this covenant will not apply to the Transactions.

Transactions with Affiliates

Midco will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of Midco (each of the foregoing, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of the greater of (x) £80.0 million and (y) 15.0% of LTM EBITDA at such time, unless:

(1) such Affiliate Transaction is on terms that are not materially less favorable to Midco or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Midco or such Restricted Subsidiary with an unrelated Person on an arm's-length basis or, if in the good faith judgment of Midco, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to Midco or such Restricted Subsidiary from a financial point of view and when such transaction is taken in its entirety; and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of the greater of (x) £150.0 million and (y) 30.0% of LTM EBITDA at such time, the terms of such transaction have been approved by a majority of the members of the Board of Midco or any direct or indirect parent of Midco.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors of Midco or any direct or indirect parent of Midco, if any.

The foregoing provisions will not apply to the following:

(1) (a) transactions between or among Midco or any of its Restricted Subsidiaries (or any entity that becomes a Restricted Subsidiary as a result of such transaction) and (b) any merger, amalgamation or consolidation of Midco into any direct or indirect parent company; *provided* that such merger, amalgamation or consolidation is otherwise consummated in compliance with the terms of the Indenture;

(2) Restricted Payments permitted by the provisions of the Indenture described above under the covenant "*—Limitation on Restricted Payments*" (including any transaction specifically excluded from the definition of the term "Restricted Payments") (other than pursuant to clauses (13) and (15)(h) of the second paragraph of such covenant) and Permitted Investments;

(3) (a) the payment of management, consulting, monitoring, transaction, advisory and other fees, indemnities and expenses pursuant to the Support and Services Agreement (plus any unpaid management, consulting, monitoring, transaction, advisory and other fees, indemnities and expenses accrued in any prior year) and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an initial public equity offering) pursuant to the Support and Services Agreement, or any amendment thereto or replacement thereof so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of Midco to the Holders when taken as a whole, as compared to the Support and Services Agreement as in effect immediately prior to such amendment or replacement and (b) the payment of indemnification and other similar amounts to the Investors and reimbursement of expenses of the Investors;

(4) (A) employment agreements, employee benefit and incentive compensation plans and arrangements and (B) the payment of reasonable and customary fees and compensation paid to, and indemnities and reimbursements and employment and severance arrangements provided on behalf of or for the benefit of, future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its direct or indirect parent companies or any of its Restricted Subsidiaries, including in connection with the Transactions;

(5) transactions in which Midco or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to Midco or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable, when taken as a whole, to Midco or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Midco or such Restricted Subsidiary with an unrelated Person on an arm's-length basis;

(6) any agreement or arrangement as in effect as of the Acquisition Completion Date, or any amendment or replacement thereto (so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of Midco to the Holders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the Acquisition Completion Date);

(7) any Intercompany License Agreements;

(8) the existence of, or the performance by Midco or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders, investor rights or similar agreement (including any registration rights agreement or purchase agreement related thereto) to which it (or any parent company of Midco) is a party as of the Acquisition Completion Date and any similar agreements which it (or any parent company of Midco) may enter into thereafter; *provided*, that the existence of, or the performance by Midco or any of its Restricted Subsidiaries (or such parent company) of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Acquisition Completion Date shall only be permitted by this clause (8) to the extent that the terms of any such amendment or new agreement are not otherwise, when taken as a whole, materially disadvantageous in the good faith judgment of Midco to the Holders than those in effect on the Acquisition Completion Date;

(9) the Transactions and the payment of all fees and expenses related to the Transactions, including Transaction Expenses;

(10) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services or providers of employees or other labor that are Affiliates, in each case in the ordinary course of business or that are consistent with past practice and otherwise in compliance with the terms of the Indenture which are fair to Midco and its Restricted Subsidiaries, in the reasonable determination of Midco, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(11) the issuance or transfer of (a) Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of Midco to any direct or indirect parent company of Midco or to any Permitted Holder or to any employee, director, officer, manager, member, partner or consultants (or their respective Affiliates or Immediate Family Members) of Midco, any of its direct or indirect parent companies or any of its Restricted Subsidiaries and (b) directors' qualifying shares;

(12) sales of accounts receivable, or participations therein, or Securitization Assets or related assets, or other transactions, in connection with any Qualified Securitization Facility;

(13) payments by Midco or any of its Restricted Subsidiaries to the Investors made for any financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures which payments are approved by Midco in good faith;

(14) payments and Indebtedness and Disqualified Stock (and cancellation of any thereof) of Midco and its Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, manager, member, partner or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its Subsidiaries or any of its direct or indirect parent companies pursuant to any

management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement that are, in each case, approved by Midco in good faith; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by Midco in good faith;

(15) (i) investments by Affiliates in securities or loans or other Indebtedness of Midco or any of its Restricted Subsidiaries (and payment of out-of-pocket expenses incurred by such Affiliates in connection therewith) so long as the investment is being offered by Midco or such Restricted Subsidiary generally to other investors on the same or more favorable terms, and (ii) payments to Affiliates in respect of securities or loans or other Indebtedness of Midco or any of its Restricted Subsidiaries contemplated in the foregoing subclause (i) or that were acquired from Persons other than Midco and its Restricted Subsidiaries, in each case, in accordance with the terms of such securities or loans;

(16) payments to or from, and transactions with, any joint venture or Unrestricted Subsidiary in the ordinary course of business or consistent with past practice (including, without limitation, any cash management activities related thereto);

(17) payments by Midco (and any direct or indirect parent company thereof) and its Subsidiaries pursuant to, or the entry into, tax sharing agreements among Midco (and any such parent company) and its Subsidiaries, to the extent such payments are permitted under clause (20) of the second paragraph under the caption "*—Limitation on Restricted Payments*";

(18) any lease entered into between Midco or any Restricted Subsidiary, as lessee, and any Affiliate of Midco, as lessor, which is approved by Midco in good faith;

(19) intellectual property licenses and research and development agreements in the ordinary course of business or consistent with past practice;

(20) the payment of all reasonable out-of-pocket costs and expenses relating to registration rights and indemnities provided to equityholders of Midco or any direct or indirect parent thereof pursuant to any equityholders, registration rights or similar agreements;

(21) the pledge of Equity Interests of any Unrestricted Subsidiary to lenders to support the Indebtedness of such Unrestricted Subsidiary owed to such lenders;

(22) Permitted Intercompany Activities and related transactions;

(23) (a) any transactions with a Person which would constitute an Affiliate Transaction solely because Midco or its Restricted Subsidiary owns an Equity Interest in or otherwise controls such Person or (b) transactions with a Person which would constitute an Affiliate Transaction solely because a director of such other Person is also a director of Midco or any direct or indirect parent company; *provided*, that such director abstains from voting as a director of Midco or such direct or indirect parent company, as the case may be, on any matter including such other Person;

(24) transactions undertaken in the ordinary course of business pursuant to membership in a purchasing consortium;

(25) the Debt Documents (as such term is defined in the Intercreditor Agreement);

(26) transactions related to a Permitted Change of Control, the payment of Permitted Change of Control Costs and the issuance of Equity Interests or Subordinated Shareholder Funding to the management of Midco or any of its Restricted Subsidiaries in connection with a Permitted Change of Control; and

(27) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable, *provided* that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of "Subordinated Shareholder Funding."

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

Midco will not, and will not permit any of its Restricted Subsidiaries that is not the Issuer or a Subsidiary Guarantor to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor to:

(1) (a) pay dividends or make any other distributions to the Issuer or any Guarantor on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or

(b) pay any Indebtedness owed to the Issuer or any Guarantor;

(2) make loans or advances to the Issuer or any Guarantor; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Guarantor, except (in each case) for such encumbrances or restrictions existing under or by reason of:

(a) encumbrances or restrictions in effect on the Acquisition Completion Date, including pursuant to the Senior Facilities and the related documentation and Hedging Obligations;

(b) the Indenture, the Notes and the Guarantees;

(c) Purchase Money Obligations and Financing Lease Obligations that impose restrictions of the nature discussed in clause (3) above on the property so purchased, leased, expanded, constructed, developed, installed, replaced, relocated, renewed, maintained, upgraded, repaired or improved;

(d) applicable law or any applicable rule, regulation or order;

(e) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into Midco or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to Midco or a Restricted Subsidiary, any agreement or other instrument of such Unrestricted Subsidiary (but, in any such case, not created in contemplation thereof); and (ii) any agreement or other instrument of a Person acquired by or merged or consolidated with or into Midco or any of its Restricted Subsidiaries in existence at the time of such acquisition or at the time it merges with or into Midco or any of its Restricted Subsidiaries or assumed in connection with the acquisition of assets from such Person (but, in any such case, not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired and its Subsidiaries, or the property or assets of the Person so acquired and its Subsidiaries or the property or assets so acquired;

(f) contracts for the sale or disposition of assets, including sale-leaseback agreements, including customary restrictions with respect to a Subsidiary of Midco pursuant to an agreement that has been entered into for the sale or disposition of any of the Capital Stock or assets of such Subsidiary;

(g) Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and "*—Liens*" that limits the right of the debtor to dispose of or incur Liens on the assets securing such Indebtedness;

(h) restrictions on Cash Equivalents or other deposits or net worth imposed by suppliers, customers or landlords under contracts entered into in the ordinary course of business or consistent with past practice or arising in connection with any Permitted Liens;

(i) other Indebtedness, Disqualified Stock or Preferred Stock of Restricted Subsidiaries that are not the Issuer or a Subsidiary Guarantor permitted to be incurred subsequent to the Acquisition Completion Date pursuant to the provisions of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(j) customary provisions in joint venture agreements and other similar agreements or arrangements relating to such joint venture;

(k) provisions contained in leases, sub-leases, licenses, sub-licenses or similar agreements, including with respect to intellectual property and other agreements, in each case, entered into in the ordinary course of business or consistent with industry practices or that in the judgment of Midco would not materially impair the Issuer's ability to make payments under the Notes when due;

(l) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which Midco or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided*, that such agreement prohibits the encumbrance of solely the property or assets of Midco or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of Midco or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary;

(m) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of any Restricted Subsidiary or the assignment of any license or sub-license agreement;

(n) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice;

(o) restrictions arising in connection with cash or other deposits permitted under the covenant "*—Liens*";

(p) any agreement or instrument relating to any Indebtedness, Disqualified or Preferred Stock permitted to be incurred or issued subsequent to the Acquisition Completion Date pursuant to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" if either (i) the encumbrances and restrictions are not materially more disadvantageous, taken as a whole, to the Holders than is customary in comparable financings for similarly situated issuers (as determined in good faith by Midco), (ii) the encumbrances and restrictions are not materially more restrictive, taken as whole, with respect to such Restricted Subsidiaries, than the restrictions or encumbrances (A) contained in the Indenture, the Senior Facilities, the terms of the Target 2026 Notes or related security documents as of the Acquisition Completion Date or (B) otherwise in effect on the Acquisition Completion Date or (iii) either (A) Midco determines that such encumbrance or restriction will not materially impair the Issuer's ability to make principal and interest payments on the Notes as and when they come due or (B) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness;

(q) restrictions created in connection with any Qualified Securitization Facility; and

(r) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (q) above; *provided*, that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of Midco, not materially more restrictive with respect to such encumbrance and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (1) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common equity shall not be deemed a restriction on the ability to make distributions on Capital Stock and (2) the subordination of (including the application of any standstill requirements to) loans and advances made to Midco or a Restricted Subsidiary to other Indebtedness incurred by Midco or such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries

Midco will not permit any of its Wholly Owned Subsidiaries that are Restricted Subsidiaries (and non-Wholly Owned Subsidiaries if such non-Wholly Owned Subsidiaries guarantee other capital markets debt securities of the Issuer or any Guarantor), other than the Issuer, a Subsidiary Guarantor, a Captive Insurance Subsidiary or a Securitization Subsidiary, to guarantee the payment of (i) any syndicated Credit Facility incurred under clause (1) of the second paragraph under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (ii) capital market debt securities of the Issuer or any Guarantor in an aggregate principal amount in excess of the greater of (x) £250.0 million and (y) 50.0% of LTM EBITDA at such time, unless:

(1) such Restricted Subsidiary within 60 days after the guarantee of such Indebtedness executes and delivers a supplemental indenture to the Indenture providing for a Guarantee by such Restricted Subsidiary, except that with respect to a guarantee of Indebtedness of the Issuer or any Subsidiary Guarantor, if such Indebtedness is by its express terms subordinated in right of payment to the Notes or such Subsidiary Guarantor's Guarantee, any such guarantee by such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Guarantee substantially to the same extent as such Indebtedness is subordinated to the Notes; and

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other applicable rights against Midco or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee;

provided that this covenant shall not be applicable to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary. Midco may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Subsidiary Guarantor to become a Subsidiary Guarantor, in which case such Subsidiary shall not be required to comply with the 60 day period described in clause (1) above.

Reports and Other Information

For so long as any Notes are outstanding, Midco will provide to the Trustee the following reports:

(1) within (x) 150 days after the end of each fiscal year of Midco ending after the Acquisition Completion Date and commencing prior to the date falling six months after the Acquisition Completion Date and (y) 120 days after the end of each fiscal year of Midco thereafter, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of Midco or its predecessor as of the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of Midco or its predecessor for the most recent fiscal year, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of Midco (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of Midco, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of Midco, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a summary description of material risk factors and material recent developments; and

(2) within (x) 90 days after the end of the first applicable fiscal quarter of Midco ending after the Acquisition Completion Date and (y) 75 days after the end of each applicable fiscal quarter of the Midco thereafter, all quarterly reports of Midco in respect of the second fiscal quarter in each fiscal year of Midco containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent year to date period ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of Midco (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA or adjusted EBITDA and material changes in liquidity and capital resources of Midco, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) within (x) 90 days after the end of the first applicable fiscal quarter of Midco ending after the Acquisition Completion Date and (y) 60 days after the end of each applicable fiscal quarter of the Midco thereafter, all quarterly reports of Midco in respect of the first and third fiscal quarters in each fiscal year of Midco containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent year to date period ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of Midco (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA or Adjusted EBITDA and material changes in liquidity and capital resources of Midco, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments;

All financial statement and *pro forma* financial information shall, at the election of Midco, be prepared in accordance with IFRS or U.S. GAAP. Any obligation to deliver financial information of Midco in respect of a period commencing prior to the Acquisition Completion Date may be satisfied by delivering financial information of the Target on the basis actually prepared by the Target. At Midco's election, it may comply with the provisions of this covenant by furnishing the applicable financial statements and/or other financial information of an indirect or direct parent company of Midco or the Target (an "*Alternative Reporting Entity*"), in each case, in lieu of those for Midco and as if references to "Midco" in this covenant were to such Alternative Reporting Entity, *provided, that* a reasonably detailed description of any material differences between the financial statements and/or other financial information of Midco, on one hand, and the Alternative Reporting Entity, on the other, shall be included for any period after the Acquisition Completion Date. Following an IPO of the Capital Stock of an IPO Entity or the listing of such Capital Stock on a recognized stock exchange, or during any period in which the Capital Stock of the Target remains or is listed on a recognized stock exchange, the requirements of this covenant shall be considered to have been fulfilled if the IPO Entity or the Target (as applicable) complies with the reporting requirements of such stock exchange.

At any time that any of Midco's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of Midco, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face thereof or in the footnotes thereto, of the financial condition and results of operations of Midco and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Midco; or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of Midco and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1) and (2) of the first paragraph of this covenant, Midco shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by Midco and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by Midco in good faith) or (b) to the extent Midco determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon request, prospective purchasers of the Notes. In addition, so long as the Notes remain outstanding and during any period during which Midco is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), Midco shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding anything herein to the contrary, Midco will not be deemed to have failed to comply with any of its obligations hereunder for purposes of clause (3) under "—*Events of Default and Remedies*" until 180 days after the receipt of the written notice delivered thereunder.

To the extent any information is not provided within the time periods specified in this section "*—Reports and Other Information*" and such information is subsequently provided, Midco will be deemed to have satisfied its obligations with respect thereto at such time and any Default with respect thereto shall be deemed to have been cured.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only, and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein, including Midco's and the Issuer's compliance by Midco with any of the covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

Events of Default and Remedies

The Indenture will provide that each of the following is an "*Event of Default*":

(1) default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes;

(2) default for 30 days or more in the payment when due of interest on or with respect to the Notes;

(3) failure by the Issuer or any Guarantor for 60 days after receipt of written notice given by the Trustee or the Holders of not less than 30% in aggregate principal amount of the then outstanding Notes to comply with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained in the Indenture or the Notes;

(4) (i) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by Midco or any of its Restricted Subsidiaries or the payment of which is guaranteed by Midco or any of its Restricted Subsidiaries, other than Indebtedness owed to Midco or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the issuance of the Notes, if both:

  (a) such default has not been remedied or waived and either results from the failure to pay any principal of such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its stated maturity; and

  (b) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate £175.0 million (or its foreign currency equivalent) or more outstanding;

(5) (i) failure by Midco or any Significant Subsidiary (or any group of Restricted Subsidiaries that together (as of the latest consolidated financial statements of Midco for a fiscal quarter end provided as required under "*—Reports and Other Information*") would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of £175.0 million (net of amounts covered by insurance policies issued by reputable insurance companies), which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

(6) certain events of bankruptcy or insolvency with respect to Midco or any Significant Subsidiary (or any group of Restricted Subsidiaries that together (as of the latest consolidated financial statements of Midco for a fiscal quarter end provided as required under "*—Reports and Other Information*") would constitute a Significant Subsidiary);

(7) the Guarantee of Midco or any Subsidiary Guarantor that is a Significant Subsidiary (or any group of Subsidiary Guarantors that together (as of the latest consolidated financial statements of Midco for a fiscal quarter end provided as required under "*—Reports and Other Information*") would constitute a Significant Subsidiary) shall for any reason cease to be in full force and effect or be declared null and void or any responsible officer of Midco or any Subsidiary Guarantor that is a Significant Subsidiary (or the responsible officers of any group of Subsidiary Guarantors that together (as of the latest consolidated financial statements of Midco for a fiscal quarter end provided as required under "*—Reports and Other Information*") would constitute a Significant Subsidiary), as the case may be,

denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination of the Indenture or the release of any such Guarantee in accordance with the Indenture and any such default continues for ten days;

(8) only to the extent required in accordance with the Agreed Security Principles, the Liens created by the Security Documents cease to constitute valid and perfected Liens on any material portion of the Collateral (taken as a whole) and such cessation occurs other than (A) in accordance with the terms of the relevant Security Document and the Indenture, (B) following the satisfaction in full of all Obligations under the Indenture or (C) as a result of any failure by the Security Agent to exercise its right for delivery of documents or otherwise, and (ii) such default continues for 60 days after receipt of written notice given by the Trustee or the Holders of not less than 30% in aggregate principal amount of the then outstanding Notes; and

(9) the failure by the Issuer to consummate the Special Mandatory Redemption to the extent required, as described under "*—Escrow of Gross Proceeds; Special Mandatory Redemption*."

If any Event of Default (other than of a type specified in clause (6) above) occurs and is continuing under the Indenture, the Trustee or the Holders of not less than 30% in aggregate principal amount of all the then outstanding Notes may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately; *provided, however*, that a Default under clauses (3), (4), (5), (7) or (8) of the immediately preceding paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the then outstanding Notes notify the Issuer of the Default and the Issuer does not cure such Default within the time specified in such clauses after receipt of such notice. Any notice of Default under clauses (3), (4), (5), (7) or (8) of the first paragraph of this section, notice of acceleration with respect to an Event of Default under clauses (3), (4), (5), (7) or (8) of the first paragraph of this section or instruction to the Trustee to provide a notice of Default under clauses (3), (4), (5), (7) or (8) of the first paragraph of this section, notice of acceleration with respect to an Event of Default under clauses (3), (4), (5), (7) or (8) of the first paragraph of this section or take any other action with respect to an alleged Default or Event of Default under clauses (3), (4), (5), (7) or (8) of the first paragraph of this section (a "*Noteholder Direction*") provided by any one or more Holders (each, a "*Directing Holder*") must be accompanied by a written representation from each such Holder to the Issuer and the Trustee that such Holder is not, or, in the case such Holder is DTC or Euroclear or Clearstream (as applicable, the "*Relevant Clearing System*") or the Relevant Clearing System's nominee, that such Holder is being instructed solely by beneficial owners that are not, Net Short (a "*Position Representation*"), which representation, in the case of a Noteholder Direction relating to a notice of Default shall be deemed repeated at all times until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. In addition, each Directing Holder must, at the time of providing a Noteholder Direction, covenant to provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such Directing Holder's Position Representation within five Business Days of request thereof (a "*Verification Covenant*"). In any case in which the Holder is the Relevant Clearing System or the Relevant Clearing System's nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of the Relevant Clearing System or the Relevant Clearing System's nominee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Issuer determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Issuer or Midco provides to the Trustee an Officer's Certificate certifying that the Issuer or Midco (i) believes in good faith that there is a reasonable basis to believe a Directing Holder was at any relevant time in breach of its Position Representation or its Verification Covenant and (ii) has filed papers with a court of competent jurisdiction seeking a determination that such Directing Holder was, at such time, in breach of its Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Event of Default shall be automatically stayed pending a final and non-appealable determination of a court of competent jurisdiction on such matter. If such Officer's Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Issuer provides to the Trustee an Officer's Certificate stating that (i) a Directing Holder has satisfied its Verification Covenant or (ii) a Directing Holder has failed to satisfy its Verification Covenant, and during such time the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder's participation in such Noteholder Direction being disregarded; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void *ab initio*, with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default. If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder's participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Issuer (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer's Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Each Holder by accepting a Note acknowledges and agrees that the Trustee (and any agent) shall not be liable to any party for acting or refraining to act in accordance with (i) the foregoing provisions, (ii) any Noteholder Direction, (iii) any Officer's Certificate or (iv) its duties under the Indenture, as the Trustee may determine in its sole discretion. The Trustee shall have no obligation (i) to monitor, investigate, verify or otherwise determine if a Holder has Net Short position, (ii) investigate the accuracy or authenticity of any Position Representation, (iii) inquire if the Issuer will seek action to determine if a Directing Holder has breached its Position Representation, (iv) enforce any Verification Covenant, (v) monitor any court proceedings undertaken in connection therewith, (vi) monitor or investigate whether any Default or Event of Default has been publicly reported or (vii) otherwise make any calculations, investigations or determinations with respect to any Derivative Instruments, Net Short position, Long Derivative Instrument, Short Derivative Instrument or otherwise.

Upon the effectiveness of such declaration, or in the case of clauses (3), (4), (5), (7) or (8) of the first paragraph of this section, upon a valid Noteholder Direction, to accelerate the Notes, such principal of and premium, if any, and interest will be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (6) of the first paragraph of this section, all outstanding Notes will become due and payable without further action or notice. A notice of Default, notice of acceleration or instruction to the Trustee to provide a notice of Default, notice of acceleration or take any other action with respect to an alleged Default or Event of Default may not be given with respect to any action taken, and reported publicly or to Holders, more than two years prior to such notice or instruction. The Indenture will provide that the Trustee may withhold from the Holders notice of any continuing Default, except a Default relating to the payment of principal, premium, if any, or interest, if it determines that withholding notice is in their interest.

The Indenture will provide, subject to the foregoing, that the Holders of a majority in aggregate principal amount of all the then outstanding Notes, by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default and its consequences under the Indenture or the Security Documents and rescind any acceleration with respect to the Notes and its consequences (except if such rescission would conflict with any judgment of a court of competent jurisdiction and except a continuing Default in the payment of interest on, premium, if any, or the principal of, any Note held by a non-consenting Holder).

In the event of any Event of Default specified in clause (4) of the first paragraph of this section, such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of acceleration of the Notes) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if within 30 days after such Event of Default arose:

(1) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged;

(2) the requisite number of holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(3) the default that is the basis for such Event of Default has been cured.

In case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders of the Notes unless the Holders have offered to the Trustee and the Trustee has received indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due on or after the respective due dates expressed in an outstanding Note, no Holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing and, if such Event of Default is in respect of clause (3), (4), (5), (7) or (8) of the first paragraph of this section, such Holder is not in breach of a Position Representation or Verification Covenant;

(2) Holders, or in the case of clauses (3), (4), (5), (7) and (8) of the first paragraph of this section, Directing Holders that are not in breach of a Position Representation or Verification Covenant, comprising at least 30% in the aggregate principal amount of the then outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) Holders of the Notes have offered the Trustee and the Trustee has received indemnity and/or security satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) Holders comprising a majority in principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such written request within such 60-day period.

Subject to certain restrictions contained in the Indenture, including those described above, the Holders of a majority in principal amount of all the then outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder of a Note or that would involve the Trustee in personal liability, and may take any other action that is not inconsistent with any such direction received from Holders of the Notes.

The Indenture will provide that the Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within 20 Business Days upon becoming aware of any Default, to deliver to the Trustee a statement specifying such Default (unless such Default has been cured or waived within such 20-Business Day time period).

No Personal Liability of Directors, Managers, Officers, Members, Partners, Employees and Equity Holders

No past, present or future director, manager, officer, employee, incorporator, member, partner or direct or indirect equityholder of Midco or any Restricted Subsidiaries or of any of their direct or indirect parent companies (other than in such equityholder's capacity as the Issuer or a Guarantor) shall have any liability, for any obligations of the Issuer or the Guarantors under the Notes, the Guarantees or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The obligations of the Issuer and the Guarantors under the Indenture with respect to a Series of Notes, the Notes of such series, the Guarantees of such series and the Security Documents with respect to such series, as the case may be, will terminate (other than certain obligations) and will be released upon payment in full of all of the Notes of such series. The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the Notes of a series and have each Guarantor's obligation discharged with respect to its Guarantee of such series ("*Legal Defeasance*") and cure all then existing Defaults and Events of Default except for:

(1) the rights of Holders of Notes of such series to receive payments in respect of the principal of, premium, if any, and interest on the Notes of such series when such payments are due solely out of the trust created pursuant to the Indenture;

(2) the Issuer's obligations with respect to Notes of such series concerning issuing temporary Notes, registration of such Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and those of each Guarantor released with respect to substantially all of the restrictive covenants that are described in the Indenture with respect to a Series of Notes ("*Covenant Defeasance*") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes of such series. In the event Covenant Defeasance occurs, certain events (not including bankruptcy, receivership, rehabilitation and insolvency events pertaining to the Issuer) described under "*—Events of Default and Remedies*" will no longer constitute a Default or an Event of Default with respect to the Notes of such series.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to a Series of Notes:

(1) the Issuer shall irrevocably deposit with the Trustee (or such entity designated (as agent) by the Trustee for such purposes), in trust, for the benefit of the Holders of the Notes of such series, cash in U.S. dollars, U.S. Government Securities, or a combination thereof, in the case of the Dollar Notes, or cash in euro, euro-denominated Government Securities, or a combination thereof, in the case of the Euro Notes, in such amount as will be sufficient, in the opinion of an Independent Financial Advisor, without consideration of any reinvestment to pay the principal of, premium, if any, and interest due on such Notes on the stated maturity date or on the redemption date, as the case may be, of such principal, premium, if any, or interest on such Notes and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date; *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium with respect to such series calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions,

    (a) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling, or

    (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, subject to customary assumptions and exclusions, the beneficial owners of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, the beneficial owners of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Event of Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) shall have occurred and be continuing on the date of such deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than that resulting from any borrowing of funds to be applied to make the deposit required to effect such Legal Defeasance or Covenant Defeasance and any similar and simultaneous deposit relating to other Indebtedness, and, in each case, the granting of Liens in connection therewith);

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or any Guarantor or others; and

(7) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture with respect to a Series of Notes will be discharged and will cease to be of further effect as to all Notes of such series (other than certain rights of the Trustee and the Issuer's obligations with respect thereto), when either:

(1) all Notes of such series theretofore authenticated and delivered, except lost, stolen or destroyed Notes of such series which have been replaced or paid and Notes of such series for whose payment money has theretofore been deposited in trust, have been delivered to the Trustee for cancellation; or

(2) (a) all Notes of such series not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer, and the Issuer has or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such entity designated (as agent) by the Trustee for such purposes) as trust funds in trust solely for the benefit of the Holders of the Notes of such series, cash in U.S. dollars, U.S. Government Securities, or a combination thereof, in the case of the Dollar Notes, and cash in euro, euro-denominated Government Securities, or a combination thereof, in the case of the Euro Notes, in such amounts as will be sufficient without consideration of any reinvestment to pay and discharge the entire indebtedness on the Notes of such series not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; *provided*, that upon any redemption that requires the payment of the Applicable Premium with respect to such series, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;

(b) no Event of Default (other than that resulting from borrowing funds to be applied to make such deposit or any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) with respect to the Indenture with respect to such Series of Notes or the Notes of such series shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than resulting from any borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith);

(c) the Issuer has paid or caused to be paid all sums payable by it under the Indenture with respect to such Series of Notes; and

(d) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes of such series at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, any Guarantee, the Notes, the Security Documents and the Intercreditor Agreement may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of all the Notes then outstanding, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes, and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes (which shall be considered waived only with respect to Notes held by consenting Holders), except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the Indenture, any Guarantee, the Notes, the Security Documents or the Intercreditor Agreement may be waived with the consent of the Holders of a majority in principal amount of all the then outstanding Notes, other than Notes beneficially owned by the Issuer or its Affiliates (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes); *provided* that (x) if any such amendment or waiver will only affect one Series of Notes (or less than all Series of Notes) then outstanding under the Indenture, then only the consent of the Holders of a majority in principal amount of the Notes of such series then outstanding (including, in each case, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) shall be required and (y) if any such amendment or waiver by its terms will affect a Series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other Series of Notes, then the consent of the Holders of a majority in principal amount of the Notes of such Series then outstanding (including, in each case, consents obtained in connection with a purchase of, or tender offer or exchange offer, for Notes) shall be required.

The Indenture will provide that, without the consent of each affected Holder of Notes, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed final maturity of any such Note or alter or waive the provisions with respect to the redemption of such Notes (other than provisions relating to (a) notice periods (to the extent consistent with applicable requirements of clearing and settlement systems) for redemption and conditions to redemption and (b) the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of or change the time for payment of interest on any such Note;

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on such Notes, except a rescission of acceleration of a Series of Notes by the Holders of a majority in principal amount of all the then outstanding Notes of such series, and a waiver of the payment default that resulted from such acceleration, or in respect of a covenant or provision contained in the Indenture, the Notes or any Guarantee which cannot be amended or modified without the consent of all affected Holders;

(5) make any such Note payable in money other than that stated therein;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults;

(7) make any change in these amendment and waiver provisions;

(8) amend the contractual right expressly set forth in the Indenture or the Notes of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder's Notes on or after the due dates therefor;

(9) make any change to or modify the ranking of such Notes that would adversely affect the Holders; or

(10) except as expressly permitted by the Indenture, modify the Guarantees of Midco or any Subsidiary Guarantor that is a Significant Subsidiary, or any group of Subsidiary Guarantors that, taken together

(as of the latest consolidated financial statements of Midco for a fiscal quarter end provided as required under "*—Reports and Other Information*"), would constitute a Significant Subsidiary, in any manner materially adverse to the Holders of such Notes.

Notwithstanding the foregoing, without the consent of the Holders of at least 66⅔% in aggregate principal amount of the Notes then outstanding, no amendment or waiver may (A) make any change in any Security Document or the provisions in the Indenture dealing with Collateral or application of trust proceeds of the Collateral with the effect of releasing the Liens on all or substantially all of the Collateral which secure the Obligations in respect of the Notes or (B) change or alter the priority of the Liens securing the Obligations in respect of the Notes in any material portion of the Collateral in any way materially adverse, taken as a whole, to the Holders, other than, in each case, as provided under the terms of the Indenture, the Security Documents or the Intercreditor Agreement.

Notwithstanding the foregoing, the Issuer, any Guarantor (with respect to a Guarantee, the Indenture or the Security Documents to which it is a party), the Trustee and/or the Security Agent (and any other agents party thereto (to the extent applicable)), as the case may be, may amend or supplement the Indenture, the Notes, any Guarantee or the Security Documents without the consent of any Holder:

(1) to cure any ambiguity, omission, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(3) to comply with the covenant relating to mergers, amalgamations, consolidations and sales of assets;

(4) to provide for the assumption of the Issuer's or any Guarantor's obligations to the Holders;

(5) to make any change that would provide any additional rights or benefits to the Holders or that does not materially adversely affect the legal rights under the Indenture of any such Holder;

(6) to add or modify covenants for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;

(7) to provide for the issuance of Additional Notes in accordance with the terms of the Indenture;

(8) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee, a successor Security Agent or a successor paying agent thereunder pursuant to the requirements thereof;

(9) to add an obligor or a Guarantor under the Indenture;

(10) to conform the text of the Indenture, the Notes, any Guarantees or the Security Documents to any provision of this "*Description of Notes*";

(11) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the Notes; *provided*, *however*, that such amendment does not materially and adversely affect the rights of Holders to transfer Notes;

(12) to release any Guarantor from its Guarantee pursuant to the Indenture when permitted or required by the Indenture;

(13) to release and discharge any Lien securing the Notes when permitted or required by the Indenture (including pursuant to the second paragraph under "*—Certain Covenants—Liens*") or the Security Documents;

(14) to comply with the rules of any applicable securities depositary;

(15) to mortgage, pledge, hypothecate or grant any other Lien in favor of the Trustee or the Security Agent for the benefit of the Holders, as additional security for the payment and performance of all or any portion of the Notes Obligations, in any property or assets, including any which are required to be mortgaged, pledged or hypothecated, or in which a Lien is required to be granted to or for the benefit of the Trustee or the Security Agent pursuant to the Indenture, any of the Security Documents or otherwise;

(16) to add additional parties to any Security Documents to the extent permitted under the covenant described under "*—Certain Covenants—Liens*";

(17) to enter into any intercreditor agreement having substantially similar terms with respect to the Holders as those set forth in the Intercreditor Agreement, taken as a whole, or any joinder thereto;

(18) in the case of any Security Document, to include therein any legend required to be set forth therein pursuant to the First Lien Intercreditor Agreement or to modify any such legend as required by the First Lien Intercreditor Agreement; and

(19) to provide for the succession of any parties to the Security Documents (and other amendments that are administrative or ministerial in nature) in connection with an amendment, renewal, extension, substitution, refinancing, restructuring, replacement, supplementing or other modification from time to time of the Senior Facilities or any other agreement that is not prohibited by the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

For the avoidance of doubt, no amendment to, or deletion of any of the covenants described under, "*—Repurchase at the Option of Holders*" or "*—Certain Covenants*," or action taken in compliance with the covenants in effect at the time of such action or in compliance with the second, third and fifth paragraphs under the caption "*Events of Default and Remedies*", shall be deemed to impair or affect any legal or contractual rights of any Holders of the Notes to receive payment of principal of or premium, if any, or interest on the Notes or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes.

Notices

Notices given by publication (including posting of information as contemplated by the covenant described under "*Certain Covenants—Reports and Other Information*") will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing or transmitting. Notices sent by overnight delivery service will be deemed given when delivered and notices given electronically will be deemed given when sent. Notice otherwise given in accordance with the procedures of DTC or of Euroclear or Clearstream, as applicable, will be deemed given on the date sent to DTC or Euroclear or Clearstream, as applicable.

Concerning the Trustee

The Indenture will contain certain limitations on the rights of the Trustee thereunder, should it become a creditor of the Issuer or a Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it has actual knowledge it has acquired any conflicting interest, it must eliminate such conflict within 90 days or resign.

The Indenture will provide that the Holders of a majority in principal amount of all the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default shall occur (which shall not be cured) of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of the Notes, unless such Holder shall have offered to the Trustee and the Trustee has received indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

Listing

Application will be made to list the Notes on the Official List of the Exchange and for permission to be granted to deal in the Notes on the Official List of the Exchange. There can be no assurance that the application to list the Notes on the Official List of the Exchange will be approved or that permission to deal in the Notes thereon will be granted, and settlement of the Notes is not conditioned on obtaining this listing or permission.

Governing Law

The Indenture, the Notes and any Guarantees will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. For purposes of the Indenture, unless otherwise specifically indicated, the term *"consolidated"* with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries.

"Acquired Indebtedness" means, with respect to any specified Person,

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated or amalgamated with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred or assumed in connection with, or in contemplation of, such other Person merging, consolidating or amalgamating with or into or becoming a Restricted Subsidiary of such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Acquisition" means the transactions contemplated pursuant to the Scheme Documents.

"Acquisition Completion Date" means the date of consummation of the Acquisition.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, *"control"* (including, with correlative meanings, the terms *"controlling," "controlled by"* and *"under common control with"*), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"Applicable Premium" means, with respect to any Note on any Redemption Date, the greater of: (1) 1% of the principal amount of such Note, and (2) the excess, if any, of (a) the present value at such Redemption Date of (i) the redemption price of such Note at , 2022 (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*"), plus (ii) all required remaining scheduled interest payments due on such Note through , 2022 (excluding accrued but unpaid interest to, but excluding, the Redemption Date), computed using a discount rate equal to the Applicable Treasury Rate, in the case of the Dollar Notes, or the Bund Rate, in the case of the Euro Notes, in each case as of such Redemption Date plus 50 basis points, over (b) the then outstanding principal amount of such Note. The Issuer shall calculate, or cause the calculation of, the Applicable Premium, and the Trustee and any Paying Agent shall have no duty to calculate, or verify the Issuer's calculations of, the Applicable Premium.

"Applicable Treasury Rate" means, at the time of computation, the weekly average (for the most recently completed week for which such information is available as of the date that is two Business Days prior to the Redemption Date) of the yield to maturity of United States Treasury securities with a constant maturity (as compiled and published in Federal Reserve Statistical Release H.15 with respect to each applicable day during such week or, if such Statistical Releaseis no longer published, any publicly available source of similar market data) most nearly equal to the period from the Redemption Date to , 2022; *provided, however,* that if the period from the Redemption Date to , 2022 is not equal to the constant maturity of a United States Treasury security for which a yield is given, the Applicable Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Redemption Date to , 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used; *provided* that if such rate is less than zero, the Applicable Treasury Rate shall be zero.

"Agreed Security Principles" means the agreed security principles appended to the Senior Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by Midco.

"Asset Sale" means:

(1) the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions (including by way of a Sale and Lease-Back Transaction), of property or assets of Midco or any of its Restricted Subsidiaries (each referred to in this definition as a *"disposition"*); or

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"), whether in a single transaction or a series of related transactions;

in each case, other than:

(a) any disposition of Cash Equivalents or Investment Grade Securities or obsolete, non-core, surplus, damaged, unnecessary, unsuitable or worn out equipment, inventory or other property in the ordinary course of business or consistent with industry practice or any disposition of inventory, goods or other assets held for sale or no longer used or useful, or economically practical to maintain in the conduct of the business of Midco or any of its Restricted Subsidiaries;

(b) the disposition of all or substantially all of the assets of Midco or any Restricted Subsidiary in a manner permitted pursuant to the provisions described above under "*—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets*" or any disposition that constitutes a Change of Control pursuant to the Indenture;

(c) (x) any Permitted Investment and the making of any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*," and the making of any Permitted Payment or (y) asset sales the proceeds of which are used to make such Restricted Payments, Permitted Payments or Permitted Investments; *provided, however*, that asset sales described under this clause (y) will be deemed Asset Sales solely for the purposes of clauses (1) and (2) of the first paragraph of the covenant described above under "*—Asset Sales*";

(d) any disposition of property or assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than the greater of (x) £100.0 million and (y) 15.0% of LTM EBITDA;

(e) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to Midco or by Midco or a Restricted Subsidiary to a Restricted Subsidiary, including pursuant to any Intercompany License Agreement;

(f) any exchange of like property for use in a Similar Business;

(g) the lease, assignment, sub-lease, license or sub-license of any real or personal property in the ordinary course of business or consistent with industry practices;

(h) any issuance, disposition or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (or a Restricted Subsidiary which owns an Unrestricted Subsidiary so long as such Restricted Subsidiary owns no assets other than the Equity Interests of such Unrestricted Subsidiary);

(i) foreclosures, condemnation, expropriation, forced dispositions, eminent domain or any similar action with respect to assets or the granting of Liens not prohibited by the Indenture, and transfers of any property that have been subject to a casualty to the respective insurer of such property as part of an insurance settlement or upon receipt of the net proceeds of such Casualty Event;

(j) dispositions or discounts without recourse of accounts receivable, or participations therein, or Securitization Assets or related assets, or any disposition of the Equity Interests in a Subsidiary, all or substantially all of the assets of which are Securitization Assets, in each case in connection with any Qualified Securitization Facility or the disposition of an account receivable in connection with the collection or compromise thereof;

(k) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the Acquisition Completion Date, including Sale and Lease-Back Transactions and asset securitizations permitted by the Indenture;

(l) the sale, discount or other disposition of inventory, accounts receivable, notes receivable, equipment or other assets in the ordinary course of business or consistent with past practice or the conversion of accounts receivable to notes receivable;

(m) the licensing, sub-licensing or cross-licensing of intellectual property or other general intangibles in the ordinary course of business or consistent with industry practices;

(n) any surrender or waiver of contract rights or the settlement, release or surrender of contract rights or other litigation claims in the ordinary course of business or consistent with industry practices;

(o) the unwinding or termination of any Hedging Obligations;

(p) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(q) the lapse or abandonment of intellectual property rights, which in the reasonable good faith determination of the Issuer are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole or are no longer used or useful or economically practicable or commercially reasonable to maintain;

(r) a Lien that is permitted under the covenant described above under "*—Certain Covenants—Liens*";

(s) the issuance of directors' qualifying shares and shares issued to other third parties as required by applicable law;

(t) Permitted Intercompany Activities and related transactions

(u) transfers of property subject to Casualty Events upon receipt of the Net Proceeds of such Casualty Event; *provided* that any Cash Equivalents received by the Issuer or any Guarantor in respect of such Casualty Event shall be deemed to be Net Proceeds of an Asset Sale, and such Net Proceeds shall be applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*";

(v) any disposition to a Captive Insurance Subsidiary;

(w) any sale of property or assets, if the acquisition of such property or assets was financed with Excluded Contributions and the proceeds of such sale are used to make a Restricted Payment pursuant to clause (10)(b) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(x) the disposition of any assets (including Equity Interests) (i) acquired in a transaction after the Acquisition Completion Date, which assets are not used or useful in the core or principal business of Midco and its Restricted Subsidiaries or (ii) made in connection with the approval of any applicable antitrust authority or otherwise necessary or advisable in the good faith determination of Midco to consummate any acquisition; and

(y) any disposition of non-revenue producing assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Midco or any Restricted Subsidiary to such Person.

In the event that a transaction (or a portion thereof) meets the criteria of a permitted Asset Sale and would also be a permitted Restricted Payment, Permitted Payment or Permitted Investment, Midco, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Sale and/or one or more of the types of permitted Restricted Payments, Permitted Payments or Permitted Investments.

"*Available RP Capacity Amount*" means (i) the amount of Restricted Payments that may be made at the time of determination pursuant to clause (B) of the first paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*" and clauses (4), (9), (10) or (11) of the second paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*" minus (ii) the sum of the amount of the Available RP Capacity Amount utilized by Midco or any Restricted Subsidiary to (A) make Restricted Payments in reliance on clause (B) of the first paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*" and clauses (4), (9), (10) and (11)(i) of the second paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*" and (B) incur Indebtedness pursuant to clause (25) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" plus (iii) the aggregate principal amount of Indebtedness prepaid prior to or substantially concurrently at such time, solely to the extent such Indebtedness was incurred pursuant to clause (25) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (it being understood that the amount under this clause (iii) shall only be available for use pursuant to clause (25) of the second paragraph under

"*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*").

"*Bank Products*" means any facilities or services related to cash management, including treasury, depository, overdraft, credit or debit card, purchase card, automatic clearinghouse transfer transactions, controlled disbursements, foreign exchange facilities, stored value cards, merchant services, electronic funds transfer and other cash management or similar arrangements.

"*bankruptcy law*" means (a) Title 11 of the U.S. Code (as may be amended from time to time) or (b) any other law of the United States, England or the laws of any other relevant jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors.

"*Blackstone Funds*" means, individually or collectively, any investment fund, co-investment vehicle and/or other similar vehicles or accounts, in each case managed, advised or controlled by The Blackstone Group Inc. or one or more of its Affiliates, or any of their respective successors.

"*Board*" with respect to a Person means the board of directors, board of managers, sole member or managing member or other governing body of such Person, or if such Person is owned or managed by a single entity or has a general partner, the board of directors, board of managers, sole member or managing member or other governing body of such entity or general partner, or in each case, any duly authorized committee thereof, and the term "director" means a member of the applicable Board.

"*Bund Rate*" means, as of any Redemption Date, the rate per annum equal to the equivalent yield to maturity as of such Redemption Date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) *"Comparable German Bund Issue"* means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Redemption Date to , 2022 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to , 2022; *provided*, *however*, that, if the period from such Redemption Date to , 2022, is less than one year, a fixed maturity of one year shall be used;

(2) *"Comparable German Bund Price"* means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) *"Reference German Bund Dealer"* means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) *"Reference German Bund Dealer Quotations"* means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date,

provided that if such rate is less than zero, the Bund Rate shall be zero.

"*Business Day*" means each day which is not a Legal Holiday.

"*Business Expansion*" means (a) each visitor attraction, theme park or facility which is either a new visitor attraction, theme park or facility, branch or office or an expansion, relocation, remodeling or substantial modernization of an existing facility, branch or office owned by Midco or a Restricted Subsidiary and (b) each creation or expansion into new markets (in one or a series of related transactions) of a business unit to the extent such business unit commences operations or each expansion (in one or a series of related transactions) of business into a new market.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock or shares in the capital of such corporation;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Captive Insurance Subsidiary" means (i) any Subsidiary of Midco operating for the purpose of (a) insuring the businesses, operations or properties owned or operated by Midco or any of its Subsidiaries, including their future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants, and related benefits and/or (b) conducting any activities or business incidental thereto (it being understood and agreed that activities which are relevant or appropriate to qualify as an insurance company for U.S. federal or state tax purposes or other national, regional or local tax purposes shall be considered "activities or business incidental thereto") or (ii) any Subsidiary of any such insurance subsidiary operating for the same purpose described in clause (i) above.

"Cash Equivalents" means:

(1) United States dollars;

(2) (a) Canadian dollars, pounds sterling, yen, euros or any national currency of any participating member state of the EMU; or

(b) in such other currencies held by Midco or any Restricted Subsidiary from time to time in the ordinary course of business or consistent with industry practice;

(3) securities or other direct obligations, issued or directly and fully and unconditionally guaranteed or insured by the United States of America, Canadian, Japanese, Australian, Swiss, Norwegian or United Kingdom governments, the European Union or any member state of the European Union or, in each case, any political subdivision, agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;

(4) certificates of deposit, time deposits and eurodollar time deposits with maturities of 24 months or less from the date of acquisition, demand deposits, bankers' acceptances with maturities not exceeding 24 months and overnight bank deposits, in each case with any domestic or foreign commercial bank having combined capital and surplus of not less than $100 million (or the foreign currency equivalent as of the date of determination);

(5) repurchase obligations for underlying securities of the types described in clauses (3), (4), (7), (8) and (9) of this definition and entered into with any financial institution or recognized securities dealer meeting the qualifications specified in clause (4) above;

(6) commercial paper and variable or fixed rate notes rated at least "P-2" by Moody's or at least "A-2" by S&P or at least "F-2" by Fitch (or, if at any time none of Moody's, S&P or Fitch rate such obligations, an equivalent rating from another Rating Agency), if each of the three named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in each case maturing within 24 months after the date of creation thereof;

(7) marketable short-term money market and similar funds having a rating of at least "P-2," "A-2" or "F-2" from Moody's, S&P or Fitch, respectively (or, if at any time none of Moody's, S&P or Fitch rate such obligations, an equivalent rating from another Rating Agency);

(8) readily marketable direct obligations issued by, or unconditionally guaranteed by, any state, commonwealth or territory of the United States or any political subdivision, agency, public instrumentality or taxing authority thereof with maturities of 24 months or less from the date of acquisition;

(9) readily marketable direct obligations issued by, or unconditionally guaranteed by, any other nation or government or any political subdivision, agency, public instrumentality or taxing authority thereof, in each case (other than in the case of such obligations issued or guaranteed by any participating member state of the EMU) having an Investment Grade Rating from Moody's, S&P or Fitch (or, if at

any time none of Moody's, S&P or Fitch rate such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;

(10) Investments with average maturities of 24 months or less from the date of acquisition in money market funds rated "A" (or the equivalent thereof) or better by S&P or Fitch or "A2" (or the equivalent thereof) or better by Moody's (or, if at any time none of Moody's, S&P or Fitch rate such obligations, an equivalent rating from another Rating Agency);

(11) securities with maturities of 24 months or less from the date of acquisition backed by standby letters of credit issued by any financial institution or recognized securities dealer meeting the qualifications specified in clause (4) above;

(12) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB" or higher from S&P or Fitch or "Baa3" or higher from Moody's (or, in each case, if at the time, neither is issuing comparable ratings, then a comparable rating of another Rating Agency) with maturities of 24 months or less from the date of acquisition;

(13) bills of exchange issued in the United States of America (or any state or commonwealth thereof or the District of Columbia, Canada or any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union or, in each case, any political subdivision, agency or instrumentality thereof, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(14) interests in any investment company, money market, enhanced high yield fund or other investment fund investing at least 90% of its assets in currencies, instruments or securities of the types described in clauses (1) through (13) above.

In addition, in the case of Investments by any Captive Insurance Subsidiary, Cash Equivalents shall also include (a) such Investments with average maturities of twelve months or less from the date of acquisition in issuers rated BBB- (or the equivalent thereof) or better by S&P or Fitch or Baa3 (or the equivalent thereof) or better by Moody's, in each case at the time of such Investment and (b) any Investment with a maturity of more than twelve months that would otherwise constitute Cash Equivalents of the kind described in any of clauses (1) through (14) of this definition or clause (a) above, if the maturity of such Investment was twelve months or less; *provided* that the effective maturity of such Investment does not exceed 15 years.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (1) and (2) above, *provided* that such amounts are converted into any currency listed in clauses (1) and (2) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

For the avoidance of doubt, any items identified as Cash Equivalents under this definition will be deemed to be Cash Equivalents for all purposes under the Indenture regardless of the treatment of such items under GAAP.

"Casualty Event" means any event that gives rise to the receipt by Midco or any Restricted Subsidiary of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon) to replace or repair such equipment, fixed assets or real property.

"Change of Control" means the occurrence of any of the following after the Acquisition Completion Date (and excluding, for the avoidance of doubt, the Transactions):

(1) the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions (other than by merger, consolidation or amalgamation), of all or substantially all of the assets of Midco and its Subsidiaries, taken as a whole, to any Person other than any Permitted Holder, the Issuer or any Guarantor; *provided* that such sale, lease, transfer, conveyance or other disposition shall not constitute a Change of Control unless any Person (other than any Permitted Holder or a Holding Company) or Persons (other than any Permitted Holders or a Holding Company) that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the

transferee Person in such sale, lease, transfer, conveyance or other disposition of assets, as the case may be; or

(2) Midco becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by (A) any Person (other than any Permitted Holder) or (B) Persons (other than any Permitted Holders) that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50% of the total voting power of the Voting Stock of Midco directly or indirectly through any of its direct or indirect parent holding companies, in each case, other than in connection with any transaction or series of transactions in which Midco shall become the Wholly Owned Subsidiary of a Holding Company.

Notwithstanding the preceding paragraphs (1) and (2) or any provision of Rule 13d-3 or 13d-5 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own Voting Stock subject to an equity or asset purchase agreement, merger agreement, option agreement, warrant agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the acquisition of the Voting Stock in connection with the transactions contemplated by such agreement, (ii) if any group (other than a Permitted Holder) includes one or more Permitted Holders, the issued and outstanding Voting Stock of Midco owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by such group or any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another Person as a result of its ownership of Voting Stock or other securities of such other Person's parent entity (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock entitled to vote for the election of directors of such parent entity having a majority of the aggregate votes on the Board of such parent entity.

"Change of Control Triggering Event" means a Change of Control unless the Consolidated Total Debt Ratio is not greater than 5.75 to 1.00 after giving *pro forma* effect to such Change of Control; *provided* that, notwithstanding anything herein to the contrary, when calculating the Consolidated Total Debt Ratio for purposes of this definition, Midco shall be entitled at its option to make such calculations as it would if making calculations of baskets or ratios in connection with a Limited Condition Transaction.

"Clearstream" means Clearstream Banking, a *société anonyme* or any successor clearing agency.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"consolidated" unless otherwise specifically indicated, when used with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries.

"Consolidated Depreciation and Amortization Expense" means with respect to any Person for any period, the total amount of depreciation and amortization expense and capitalized fees, including, without limitation, the amortization of capitalized fees or costs related to any Qualified Securitization Facility of such Person and the amortization of media, site and software development costs, intangible assets, deferred financing fees or costs, debt issuance costs, commissions, fees and expenses of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any Person for any period, without duplication, the sum of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income, including (a) amortization of original issue discount resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in mark-to-market valuation of Hedging Obligations or other derivative instruments pursuant to GAAP), (d) the interest component of Financing Lease Obligations, and (e) net payments, if any made (less net payments, if any, received), pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (o) annual agency or

similar fees paid to the administrative agents, collateral agents and other agents under any Credit Facilities, (p) any additional interest with respect to failure to comply with any registration rights agreement owing with respect to any securities, (q) costs associated with obtaining Hedging Obligations, (r) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or, if applicable, purchase accounting in connection with the Transactions or any acquisition, (s) penalties and interest relating to taxes, (t) any "additional interest" or "liquidated damages" with respect to other securities for failure to timely comply with registration rights obligations, (u) amortization or expensing of deferred financing fees, amendment and consent fees, debt issuance costs, commissions, fees, expenses and discounted liabilities and any other amounts of non-cash interest, (v) any expensing of bridge, commitment and other financing fees and any other fees related to the Transactions or any acquisitions after the Acquisition Completion Date, (w) commissions, discounts, yield and other fees and charges (including any interest expense) related to any Qualified Securitization Facility, (x) any accretion of accrued interest on discounted liabilities and any prepayment, make-whole or breakage premium, penalty or cost, (y) interest expense attributable to a parent entity resulting from push-down accounting and (z) any lease, rental or other expense in connection with a Non-Financing Lease Obligation); plus

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); less

(3) interest income of such Person and its Restricted Subsidiaries for such period.

For purposes of this definition, interest on a Financing Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Financing Lease Obligation in accordance with GAAP (or, if not implicit, as otherwise determined in accordance with GAAP).

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided* that, without duplication:

(1) any after tax effect of extraordinary, exceptional, infrequently occurring, non-recurring or unusual gains or losses (less all fees and expenses relating thereto, but including any extraordinary, exceptional, infrequently occurring, non-recurring or unusual operating expenses directly attributable to the implementation of cost savings initiatives and any accruals or reserves in respect of any extraordinary, exceptional, infrequently occurring, non-recurring or unusual items), charges or expenses (including relating to any strategic initiatives), Transaction Expenses, Permitted Change of Control Costs, restructuring and duplicative running costs, restructuring charges or reserves, relocation costs, start-up or initial costs for any project or new production line, division or new line of business, integration and facilities opening costs, facility consolidation and closing costs, severance costs and expenses, one-time charges (including compensation charges), payments made pursuant to the terms of change in control agreements that Midco or a Subsidiary or a parent entity of Midco had entered into with any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco, a Subsidiary or a parent entity of Midco, costs relating to pre-opening, opening and conversion costs for facilities, losses, costs or cost inefficiencies related to facility or property disruptions or shutdowns, signing, retention and completion bonuses, recruiting costs, costs incurred in connection with any strategic initiatives, transition costs, litigation and arbitration costs, charges, fees and expenses (including settlements), expenses in connection with one-time rate changes, costs incurred in connection with acquisitions, investments and dispositions (including travel and out-of-pocket costs, professional fees for legal, accounting and other services, human resources costs (including relocation bonuses), litigation and arbitration costs, charges, fees and expenses (including settlements), management transition costs, advertising costs, losses associated with temporary decreases in work volume and expenses related to maintaining underutilized personnel) and non-recurring product and intellectual property development, other business optimization expenses or reserves (including costs and expenses relating to business optimization programs and new systems design and costs or reserves associated with improvements to IT and accounting functions, retention charges (including charges or expenses in respect of incentive plans), system establishment costs and implementation costs) and operating expenses attributable to the implementation of cost-savings initiatives, and curtailments or modifications to pension and post- retirement employee benefit plans shall be excluded;

(2) at the election of Midco with respect to any quarterly period, the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies (including, but not limited to, the impact of Accounting Standards Update 2016-12 *Revenue from Contracts with Customers* (Topic 606), IFRS 15 (*Revenue from Contracts with Customers*) or similar revenue recognition policies promulgated or that become effective after the Acquisition Completion Date) during any such period shall be excluded;

(3) any net after tax effect of gains or losses on disposal, abandonment or discontinuance of disposed, abandoned or discontinued operations, as applicable, shall be excluded;

(4) any net after tax effect of gains or losses (less all fees, expenses and charges relating thereto) attributable to asset dispositions or abandonments or the sale or other disposition of any Capital Stock of any Person other than in the ordinary course of business shall be excluded;

(5) the Net Income for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting shall be excluded; *provided,* that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments (other than Excluded Contributions pursuant to clause (B) thereof) that are actually paid in Cash Equivalents (or to the extent converted, or having the ability to be converted, into Cash Equivalents), or that could, in the reasonable determination of Midco, have been distributed, to such Person or a Restricted Subsidiary thereof in respect of such period;

(6) solely for the purpose of determining the amount available for Restricted Payments under clause (B)(1) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*," the Net Income for such period of any Restricted Subsidiary (other than any Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders (other than restrictions in the Notes or the Indenture, the Target Senior Notes, the Intercreditor Agreement and any Additional Intercreditor Agreement), unless such restriction with respect to the payment of dividends or similar distributions has been legally waived or released (or such Person reasonably believes such restriction could be waived or released and is using commercially reasonable efforts to pursue such waiver or release) or such restriction is not prohibited pursuant to "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; *provided* that Consolidated Net Income of such Person will be increased by the amount of dividends or other distributions or other payments actually paid in Cash Equivalents (or to the extent converted, or having the ability to be converted, into Cash Equivalents) to such Person or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;

(7) effects of adjustments (including the effects of such adjustments pushed down to such Person and its Restricted Subsidiaries) in such Person's consolidated financial statements pursuant to GAAP (including in the inventory (including any impact of changes to inventory valuation policy methods, including changes in capitalization of variances), property and equipment, software, loans and leases, goodwill, intangible assets, in-process research and development, deferred revenue and debt line items thereof) resulting from the application of recapitalization accounting or purchase accounting, as the case may be, in relation to the Transactions or any consummated acquisition or joint venture investment or the amortization or write-off or write-down of any amounts thereof, net of taxes, shall be excluded;

(8) any after tax effect of income (loss) from the extinguishment or conversion of (i) Indebtedness, (ii) Hedging Obligations, (iii) Non-Financing Lease Obligations or (iv) other derivative instruments shall be excluded;

(9) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities and investments recorded using the equity method or as a result of a change in law or regulation, in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP shall be excluded;

(10) any equity-based or non-cash compensation or similar charge or expense or reduction of revenue including any such charge, expense or amount arising from grants of stock appreciation or similar

rights, stock options, restricted stock, profits interests or other rights or equity- or equity-based incentive programs *("equity incentives"),* any one-time cash charges associated with the equity incentives or other long-term incentive compensation plans (including under deferred compensation arrangements of Midco or any of its direct or indirect parent entities or subsidiaries), roll-over, acceleration, or payout of Equity Interests by future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants or business partners of Midco or any of its direct or indirect parent entities or subsidiaries, and any cash awards granted to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco and its Subsidiaries in replacement for forfeited awards, shall be excluded;

(11) any fees, expenses, premiums or charges incurred during such period, or any amortization thereof for such period, in connection with any acquisition, recapitalization, Investment, Asset Sale, disposition, incurrence or repayment of Indebtedness (including such fees, expenses, premiums or charges related to (A) the offering and issuance of the Notes and other securities and the syndication and incurrence of any Credit Facilities and (B) the rating of the Notes, other securities or any Credit Facilities by the Rating Agencies), issuance of Equity Interests of Midco or its direct or indirect parent entities, refinancing transaction or amendment or modification of any debt instrument (including any amendment or other modification of the Notes and other securities and any Credit Facilities) and including, in each case, any such transaction consummated on or prior to the Acquisition Completion Date and any such transaction undertaken but not completed, and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful or consummated (including, for the avoidance of doubt the effects of expensing all transaction related expenses in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic No. 805, *Business Combinations* and IFRS 3 (*Business Combinations*)), shall be excluded;

(12) accruals and reserves that are established or adjusted in connection with the Transactions or within 24 months after the closing of any acquisition that are so required to be established or adjusted as a result of such acquisition in accordance with GAAP or changes as a result of modifications of accounting policies shall be excluded;

(13) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period), shall be excluded;

(14) any noncash compensation expense resulting from the application of Accounting Standards Codification Topic No. 718, *Compensation—Stock Compensation*, IFRS 2 (*Share-based Payment*) or any other applicable accounting principle relating to the expensing of equity-related compensation, shall be excluded;

(15) any net pension or post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost) existing at the date of initial application of Statement of Financial Accounting Standards No. 87, 106 and 112; IAS 19 (*Employee Benefits*) and any other items of a similar nature, shall be excluded; and

(16) the following items shall be excluded:

(a) any unrealized net gain or loss (after any offset) resulting in such period from Hedging Obligations and the application of Accounting Standards Codification Topic No. 815, *Derivatives and Hedging*, IFRS 9 (*Financial Instruments*) or any other comparable applicable accounting standard,

(b) any unrealized net gain or loss (after any offset) resulting in such period from currency translation gains or losses including those related to currency remeasurements of Indebtedness and Non-Financing Lease Obligations (including any net loss or gain resulting from Hedging Obligations for currency exchange risk) and any other foreign currency translation gains and losses to the extent such gains or losses are non-cash items,

(c) in the sole election of Midco, any adjustments resulting from the application of Accounting Standards Codification Topic No. 460, *Guarantees*, IAS 37 (*Provisions, Contingent Liabilities and Contingent Assets*), IFRS 9 (*Financial Instruments*), IFRS 15 (*Revenue from Contracts with Customers*) or any comparable applicable accounting standard,

(d) at the election of Midco with respect to any quarterly period, effects of adjustments to accruals and reserves during a prior period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks,

(e) earn-out, non-compete and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; and

(f) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding; and

(17) if such Person is treated as a disregarded entity or partnership for U.S. federal, state and/or local income tax purposes for such period or any portion thereof, the amount of distributions actually made to any direct or indirect parent company of such Person in respect of such period in accordance with clause (20) of the second paragraph under the caption "*—Certain Covenants—Limitation on Restricted Payments*" shall be included in calculating Consolidated Net Income as though such amounts had been paid as taxes directly by such Person for such period.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include the amount of proceeds received or due from business interruption insurance and reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture.

Notwithstanding the foregoing, for the purpose of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only (other than clause (B)(4) of the first paragraph thereof), there shall be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by Midco and its Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments from Midco and its Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by Midco or any of its Restricted Subsidiaries, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (B)(4) thereof.

"*Consolidated Senior Secured Debt Ratio*" means as of any date of determination, the ratio of: (a) the aggregate of: (i) Consolidated Senior Secured Indebtedness of Midco and its Restricted Subsidiaries as of such date of determination; *plus* (ii) in connection with the incurrence of any Indebtedness pursuant to the first paragraph or subclause (ii) of the proviso to clause (12) of the second paragraph of the covenant "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," the Reserved Indebtedness Amount of Midco and its Restricted Subsidiaries in respect of Indebtedness that would be included in the definition of Consolidated Senior Secured Indebtedness, once incurred, as of such date of determination; *minus* cash and Cash Equivalents that would be stated on the balance sheet of Midco and its Restricted Subsidiaries as of such date of determination, in each case with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "*Fixed Charge Coverage Ratio*" (and subject, for the avoidance of doubt, to the paragraphs contained in the covenant "*—Certain Covenants—Certain Compliance Calculations*" and as determined in good faith by Midco); to (b) LTM EBITDA.

"*Consolidated Senior Secured Indebtedness*" means Consolidated Total Indebtedness of Midco and its Restricted Subsidiaries, but excluding any Indebtedness which (x) is not secured by any Lien on the collateral that secures the Senior Facilities (or any instrument refinancing, restating or otherwise replacing the Senior Facilities with a designation under the Intercreditor Agreement or any Additional Intercreditor Agreement corresponding to the designation of the Senior Facilities on the Acquisition Completion Date ("*Replacement Senior Facilities*") or (y) does not rank *pari passu* with (or in priority to) the Senior Facilities or any Replacement Senior Facilities in respect of the right to receive proceeds from an enforcement of the security interests in the collateral that secures the Senior Facilities or any Replacement Senior Facilities.

"*Consolidated Total Debt Ratio*" means, as of any date of determination, the ratio of: (a) the aggregate of: (i) Consolidated Total Indebtedness of Midco and its Restricted Subsidiaries as of such date of determination; *plus* (ii) in connection with the incurrence of any Indebtedness pursuant to the first paragraph or subclause (ii) of the proviso to clause (12) of the second paragraph of the covenant "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," the Reserved Indebtedness Amount of Midco and its Restricted Subsidiaries in respect of Indebtedness that would be included in the definition of "Consolidated Total Indebtedness" once incurred, as of such date of determination; *minus* (iii) cash and Cash Equivalents that would be stated on the balance sheet of Midco and its Restricted Subsidiaries as of such date of determination, in each case with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "*Fixed Charge Coverage Ratio*" (and subject, for the avoidance of doubt, to the paragraphs contained in the covenant "*Certain Compliance Calculations*") and as determined in good faith by Midco; to (b) LTM EBITDA.

"*Consolidated Total Indebtedness*" means, as of any date of determination, an amount equal to the sum of: (a) the aggregate amount of all outstanding Indebtedness of the Midco and its Restricted Subsidiaries on a consolidated basis, consisting of: (i) Indebtedness for borrowed money; (ii) Obligations in respect of Financing Lease Obligations; and (iii) debt obligations evidenced by bonds, notes, debentures, promissory notes and similar instruments, as determined in accordance with GAAP (excluding, for the avoidance of doubt all undrawn amounts under revolving credit facilities and letters of credit, all obligations relating to Qualified Securitization Facilities and Non-Financing Lease Obligations and excluding the effects of any discounting of Indebtedness resulting from the application of repurchase or purchase accounting in connection with the Transactions or any acquisition); and (b) in connection with the incurrence of any Indebtedness pursuant to the first paragraph or clause (12) of the second paragraph of the covenant "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," the aggregate amount of all outstanding Disqualified Stock of Midco and all Preferred Stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and Preferred Stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with GAAP, *provided*, that Consolidated Total Indebtedness shall not include Indebtedness in respect of (A) any letter of credit, except to the extent of unreimbursed amounts under standby letters of credit, *provided* that any unreimbursed amounts under commercial letters of credit shall not be counted as Consolidated Total Indebtedness until five Business Days after such amount is drawn and (B) Hedging Obligations. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or Preferred Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or Preferred Stock as if: (i) such Disqualified Stock or Preferred Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to this Agreement, and (ii) such price is based upon, or measured by, the fair market value of such Disqualified Stock or Preferred Stock, such fair market value shall be determined reasonably and in good faith by Midco. The Currency Equivalent principal amount of any Indebtedness denominated in a foreign currency may (at the election of Midco) reflect the currency translation effects, determined in accordance with GAAP, of Hedging Obligations for currency exchange risks with respect to the applicable currency in effect on the date of determination of the Currency Equivalent principal amount of such Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent,

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds,

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Controlled Investment Affiliate" means, as to any Person, any other Person, other than the Investors, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in Midco and/or other companies.

"*CPPIB*" means Canada Pension Plan Investment Board and/or its Affiliates and/or any respective successors thereto.

"Credit Facilities" means, with respect to Midco or any of its Restricted Subsidiaries, one or more debt facilities, including the Indenture, the Senior Facilities, or other financing arrangements (including, without limitation, commercial paper facilities, agreements or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof, in whole or in part, and any indentures, agreements, credit facilities or commercial paper facilities that replace, refund, supplement, extend, amend, restate or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding, supplemental, extending, amended, restating or refinancing facility, arrangement, agreement or indenture that increases the amount permitted to be borrowed or issued thereunder or alters the maturity thereof *(provided* that such increase in borrowings or issuances is permitted under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or other holders or investors.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Currency Equivalent*" means, with respect to any monetary amount in a currency (the "*second currency*") other than a specified currency (the "*first currency*"), at any time for determination thereof, the amount of the first currency obtained by converting the amount of the second currency into the first currency at, at the sole election of Midco:

(a) where one such currency is sterling and the other such currency is euros or US dollars, the Facility B (EUR) Conversion Rate or the Facility B1 (USD) Conversion Rate (as applicable) (as defined in facility B of the Senior Facilities);

(b) the spot rate for the purchase of the first currency with the second currency as published in The Wall Street Journal in the "*Exchange Rates*" column under the heading "*Currency Trading*" on the date two Business Days prior to such determination;

(c) the spot rate for the purchase of the first currency with the second currency as published in The Wall Street Journal in the "*Exchange Rates*" column under the heading "*Currency Trading*" on the Issue Date;

(d) the average exchange rate for the purchase of the first currency with the second currency over any period reasonably selected by Midco and not exceeding twelve months; or

(e) for purposes of determining compliance with any restriction on the incurrence of Indebtedness, Disqualified Stock, Preferred Stock or other financing liabilities or determining the principal amount outstanding of Indebtedness, Disqualified Stock, Preferred Stock or other financing liabilities:

  (i) such rate reflecting:

    (A) the currency translation effects, determined in accordance with GAAP, of Hedging Obligations for currency exchange risks with respect to the applicable currency in effect on the date of determination of the Currency Equivalent principal amount of such Indebtedness, Disqualified Stock, Preferred Stock or other financing liability; or

    (B) the relevant currency exchange rate in effect on the date:

      (1) such Indebtedness, Disqualified Stock, Preferred Stock or other financing liability was committed;

      (2) such Indebtedness, Disqualified Stock, Preferred Stock or other financing liability was incurred; or

(3) the definitive documentation in respect of such Indebtedness, Disqualified Stock, Preferred Stock or other financing liability was executed,

in each case as determined in good faith by Midco; or

(ii) to the extent refinancing or replacing any existing or previous Indebtedness, Disqualified Stock, Preferred Stock or financing liability, such rate as used to permit the incurrence or issuance of the Indebtedness, Disqualified Stock, Preferred Stock or financing liability being refinanced or replaced.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured or waived prior to becoming an Event of Default.

"Derivative Instrument" with respect to a Person, means any contract, instrument or other right to receive payment or delivery of cash or other assets to which such Person or any Affiliate of such Person that is acting in concert with such Person in connection with such Person's investment in the Notes (other than a Screened Affiliate) is a party (whether or not requiring further performance by such Person), the value and/or cash flows of which (or any material portion thereof) are materially affected by the value and/or performance of the Notes and/or the creditworthiness of the Issuer and/or any one or more of the Guarantors (the *"Performance References"*).

"Designated Non-cash Consideration" means the fair market value of non-cash consideration received by Midco or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-cash Consideration. A particular item of Designated Non-cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in exchange for consideration in the form of Cash Equivalents in compliance with "*—Repurchase at the Option of Holders—Asset Sales*."

"Designated Preferred Stock" means Preferred Stock of Midco or any direct or indirect parent company thereof (in each case other than Disqualified Stock) that is issued for cash (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (2) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*."

"Disinterested Director" means, with respect to any Affiliate Transaction, a member of the Board of Midco or any direct or indirect parent of Midco having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Midco or any direct or indirect parent of Midco shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of Midco or any direct or indirect parent of Midco or any options, warrants or other rights in respect of such Capital Stock.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable (other than solely for Capital Stock of such Person or any direct or indirect parent entity thereof that would not otherwise constitute Disqualified Stock, and other than solely as a result of a change of control, asset sale, casualty, condemnation or eminent domain) pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than solely for Capital Stock of such Person or as a result of a change of control, asset sale, casualty, condemnation or eminent domain), in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; *provided* that if such Capital Stock is issued pursuant to any plan for the benefit of future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco or its Subsidiaries or by any such plan to such future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Midco or its Subsidiaries or a direct or indirect parent entity of Midco in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided, further,* that any Capital Stock held by any future, current or former employee, director,

officer, member, partner, manager or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of Midco, any of its Subsidiaries, any of its direct or indirect parent companies or any other entity in which Midco or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the Board of Midco or any direct or indirect parent of Midco, in each case pursuant to any stock subscription or shareholders' agreement, management equity plan or stock option plan or any other management or employee benefit plan or agreement, shall not constitute Disqualified Stock solely because it may be required to be repurchased by Midco or its Subsidiaries or any direct or indirect parent of Midco or in order to satisfy applicable statutory or regulatory obligations.

"EBITDA" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period

(1) increased (without duplication) by the following, in each case (other than with respect to clauses (h), (k) and the applicable *pro forma* adjustments in clause (o)) to the extent deducted (and not added back) in determining Consolidated Net Income for such period:

(a) (i) provision for taxes based on income, profits or capital, including, without limitation, federal, state, foreign, franchise and similar taxes and withholding taxes (including any future taxes or other levies which replace or are intended to be in lieu of such taxes and any penalties and interest related to such taxes or arising from tax examinations) and (ii) the net tax expense associated with any adjustments made pursuant to clauses (1) through (17) of the definition of "Consolidated Net Income"; plus

(b) Fixed Charges of such Person for such period (including (w) non-cash rent expense, (x) net losses or any obligations on Hedging Obligations or other derivative instruments, (y) bank fees and other financing fees and (z) costs of surety bonds in connection with financing activities, plus amounts excluded from Consolidated Interest Expense as set forth in clauses (1) (o) through (z) in the definition thereof); plus

(c) Consolidated Depreciation and Amortization Expense of such Person for such period; plus

(d) the amount of any equity-based or non-cash compensation charges or expenses including any such charges or expenses arising from grants of stock appreciation or similar rights, stock options, restricted stock or other rights; plus

(e) any other non-cash charges, expenses or losses, including non-cash losses on the sale of assets and any write-offs or write-downs reducing Consolidated Net Income for such period and any non-cash expense relating to the vesting of warrants (*provided* that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (A) Midco may elect not to add back such non-cash charge in the current period and (B) to the extent Midco elects to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from EBITDA to such extent), and excluding amortization of a prepaid cash item that was paid in a prior period; plus

(f) the amount of any non-controlling interest or minority interest expense consisting of Subsidiary income attributable to non-controlling or minority equity interests of third parties in any non-Wholly Owned Subsidiary; plus

(g) the amount of (x) Board fees, management, monitoring, consulting, transaction, advisory and other fees (including termination fees) and indemnities, costs and expenses paid or accrued in such period to the Investors or otherwise to any member of the Board of Midco, any Subsidiary of Midco or any direct or indirect parent of Midco, any Permitted Holder or any Affiliate of a Permitted Holder, (y) the amount of payments made to option holders of Midco or any of its direct or indirect parent companies in connection with, or as a result of, any distribution being made to shareholders of such Person or its direct or indirect parent companies, which payments are being made to compensate such option holders as though they were shareholders at the time of, and entitled to share in, such distribution, including any cash consideration for any repurchase of equity, in each case to the extent permitted in the Indenture and (z) any fees and other compensation paid to the members of the Board of Midco or any of its parent entities; plus

(h) the amount of (x) *pro forma* "run rate" cost savings, operating expense reductions and synergies related to the Transactions that are reasonably identifiable and factually supportable (it is understood and agreed that "run-rate" means the full recurring benefit for a period that is associated with any action taken, committed to be taken or expected to be taken, net of the amount of actual benefits realized during such period from such actions) and projected by Midco in good faith to result from actions that have been taken or with respect to which substantial steps have been taken or are expected to be taken (in the good faith determination of Midco) within 36 months after the Acquisition Completion Date (including from any actions taken in whole or in part prior to the Acquisition Completion Date), net of the amount of actual benefits realized during such period from such actions, and (y) *pro forma* "run rate" cost savings, operating expense reductions, synergies and EBITDA pursuant to contracted pricing (at the highest contracted rate) related to mergers and other business combinations, acquisitions, investments, dispositions, divestitures, restructurings, operating improvements, cost savings initiatives and other similar transactions or initiatives (including the modification and renegotiation of contracts and other arrangements) that are reasonably identifiable and factually supportable and projected by Midco in good faith to result from actions that have been taken or with respect to which substantial steps have been taken (in each case, including from any steps or actions taken in whole or in part prior to the Acquisition Completion Date or the applicable consummation date of such transaction, initiative or event) or are expected to be taken (in the good faith determination of Midco) within 24 months after any such transaction, initiative or event is consummated, net of the amount of actual benefits realized during such period from such actions, and (z) *pro forma* "run rate" revenues related to material capital expenditure investments in visitor attractions and theme parks to the extent reasonably identifiable and factually supportable and projected by Midco in good faith to result from investments made or with respect to which substantial steps toward consummating such investment have been taken (including from any steps or actions taken in whole or in part prior to the Acquisition Completion Date) or are expected to be taken (in the good faith determination of Midco), net of the amount of actual benefits realized during such period from such investment (*provided* that the aggregate amount of such projected (but not realized) revenues included in EBITDA for any period shall equal the percentage of such investments (or such substantial steps toward investments) as of the end of such period for which EBITDA is being calculated out of the total projected investments for such visitor attractions or theme parks, multiplied by the total projected "run rate" revenues projected to result from such investments), in each case, calculated on a *pro forma* basis as though such cost savings, operating expense reductions, synergies, revenue and EBITDA pursuant to contracted pricing had been realized on the first day of such period for which EBITDA is being determined and as if such cost savings, operating expense reductions, synergies, revenue and EBITDA pursuant to contracted pricing (at the highest contracted rate) were realized on the first day of the applicable period for the entirety of such period; *provided* that no cost savings, operating expense reductions, synergies, revenue and EBITDA pursuant to contracted pricing shall be added pursuant to this clause (h) to the extent duplicative of any expenses or charges otherwise added to EBITDA, whether through a *pro forma* adjustment or otherwise, for such period; plus

(i) the amount of loss or discount on sale of receivables, Securitization Assets and related assets to any Securitization Subsidiary in connection with a Qualified Securitization Facility; plus

(j) any costs or expense incurred by Midco or a Restricted Subsidiary or a parent entity of Midco pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of Midco or Net Cash Proceeds of an issuance of Equity Interest of Midco (other than Disqualified Stock) solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (B) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*"; plus

(k) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of EBITDA pursuant to clause (2) below for any previous period and not added back; plus

(l) any losses, charges, expenses, costs or other payments (including all fees, expenses or charges related thereto) (i) from disposed, abandoned or discontinued operations, (ii) in respect of facilities no longer used or useful in the conduct of the business of Midco or its Restricted Subsidiaries, abandoned, closed, disposed or discontinued operations and any losses on disposal of abandoned, closed or discontinued operations and (iii) attributable to business dispositions or asset dispositions (other than in the ordinary course of business) as determined in good faith by Midco; plus

(m) at the option of Midco with respect to any applicable period, an amount equal to the net change in deferred revenue at the end of such period from the deferred revenue at the end of the previous period; plus

(n) compensation expense attributable to positive investment income with respect to funded deferred compensation account balances; plus

(o) adjustments used in connection with the calculation of "Pro Forma EBITDA" (or any similar or equivalent term) as contained in this offering memorandum to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated and other adjustments of a similar nature to the foregoing, in each case applied in good faith by Midco; plus

(p) the amount of any gains or losses arising from embedded derivatives in the customer contracts of Midco or a Restricted Subsidiary; and

(2) decreased (without duplication) by the following, in each case to the extent included in determining Consolidated Net Income for such period:

(a) non-cash gains (including non-cash gains on the sale of assets) increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced EBITDA in any prior period and any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase EBITDA in such prior period; plus

(b) any Net Income from disposed, abandoned, closed or discontinued operations or attributable to business dispositions or asset dispositions (other than in the ordinary course of business) as determined in good faith by Midco; plus

(c) the reduction in compensation expense attributable to investment loss with respect to funded deferred compensation account balances; plus

(d) claims paid by Midco or any Captive Insurance Subsidiary and administrative expenses paid to any Captive Insurance Subsidiary;

(3) increased or decreased (without duplication) by, as applicable, any non-cash adjustments resulting from the application of FASB Interpretation No. 45 *Guarantees*, IAS 37 (*Provisions, Contingent Liabilities and Contingent Assets*), IFRS 9 (*Financial Instruments*) or any comparable applicable accounting standard.

"EMU" means the economic and monetary union as contemplated in the Treaty on European Union.

"Equity Contribution" means (i) the equity of the Target Group held as at 29 June 2019, including the KIRKBI Shares to be transferred to Bidco upon the Acquisition becoming effective and (ii) the estimated equity investment to be made by the Consortium in Midco in connection with the Transactions.

"Equityholding Vehicle" means any direct or indirect parent entity of Midco and any equityholder thereof through which future, present or former employees, directors, officers, managers, members or partners of Midco or any of its Subsidiaries or direct or indirect parent entities hold Capital Stock of Midco or such parent entity.

"*equity incentives*" has the meaning set forth in the definition of "Consolidated Net Income."

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"Equity Offering" means any public or private sale or issuance of common equity or Preferred Stock (excluding Disqualified Stock) of Midco or any of its direct or indirect parent companies other than:

(1) public offerings with respect to Midco's or any direct or indirect parent company's common equity registered on Form S-8;

(2) issuances to any Subsidiary of Midco; and

(3) any such public or private sale or issuance that constitutes an Excluded Contribution.

"euro" means the single currency of participating member states of the EMU.

"euro-denominated Government Securities" means (i) direct obligations (or certificates representing an ownership interest in such obligations) of Ireland, Belgium, the Netherlands, France, Germany or any

country that is a member of the EMU, for the payment of which the full faith and credit of such country is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country.

"Euroclear" means Euroclear Bank SA/NV or any successor clearing agency.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder (and with respect to the definitions of "Change of Control" and "Permitted Holders" only, as in effect on the Issue Date).

"Excluded Contribution" means Net Cash Proceeds, marketable securities or Qualified Proceeds received by Midco after the Acquisition Completion Date from:

(1) contributions to its common equity capital;

(2) dividends, distributions, fees and other payments from any Unrestricted Subsidiaries or joint ventures or Investments in entities that are not Restricted Subsidiaries; and

(3) Subordinated Shareholder Funding; and

(4) the sale (other than to a Subsidiary of Midco or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of Midco) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of Midco or any direct or indirect parent entity to the extent contributed as common equity capital to Midco,

in each case designated as Excluded Contributions pursuant to an Officer's Certificate, which are (or were) excluded from the calculation set forth in clause (B) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*."

"Existing 2026 Indenture" refers to the indenture dated as of May 9, 2018, pursuant to which the Target issued $400,000,000 in aggregate principal amount of its 5¾ senior notes due 2026.

"*Existing 2026 Notes*" refers to $400 million aggregate principal amount of 5¾% Senior Notes due 2026 issued by the Target on May 9, 2018 under the Existing 2026 Indenture.

"fair market value" means, with respect to any asset or liability, the fair market value of such asset or liability as determined by Midco in good faith.

"Financing Lease Obligation" means an obligation that is accounted for as a financing or capital lease (and, for the avoidance of doubt, not a straight-line or operating lease) on both the balance sheet and income statement for financial reporting purposes in accordance with GAAP, subject in each case to sub-paragraph (c) of the second paragraph under the definition of "GAAP." At the time any determination thereof is to be made, the amount of the liability in respect of a financing or capital lease would be the amount required to be reflected as a liability on such balance sheet (excluding the footnotes thereto) in accordance with GAAP, subject in each case to sub-paragraph (c) of the second paragraph under the definition of GAAP.

"Fitch" means Fitch Ratings Ltd and any successor to its rating agency business.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that such Person or any Restricted Subsidiary incurs, assumes, guarantees, redeems, repays, retires or extinguishes any Indebtedness (other than Indebtedness incurred or repaid under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the *"Fixed Charge Coverage Ratio Calculation Date"*), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, redemption, repayment, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock (in each case, including a *pro forma* application of the Net Proceeds therefrom), as if the same had occurred at the beginning of the applicable four-quarter period, subject, for the avoidance of doubt, to the paragraphs contained in "*—Certain Covenants—Certain Compliance Calculations*"; *provided, however,* that the *pro forma* calculation of Fixed Charges for purposes of the first paragraph or subclause (ii) of the proviso to clause (12) thereof under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock*

and Preferred Stock" (and for the purposes of other provisions of the Indenture that refer to such first paragraph or subclause (ii) of the proviso to clause (12) thereof) shall not give effect to any Indebtedness being incurred on such date (or on such other subsequent date which would otherwise require *pro forma* effect to be given to such incurrence) pursuant to the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than Secured Indebtedness incurred pursuant to subclause (ii) of the proviso to clause (12) thereof).

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations (as determined in accordance with GAAP), operational changes and Business Expansions that have been made by Midco or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations, operational changes and Business Expansions (and the change in any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into Midco or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation, operational change or Business Expansion that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation, operational change or Business Expansion had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation, operational change, Business Expansion or other transaction (including the Transactions), the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of Midco or its Restricted Subsidiaries (and may include, for the avoidance of doubt, cost savings, operating expense reductions and synergies resulting from such Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation, operational change, Business Expansion or other transaction (including the Transactions) which is being given *pro forma* effect) calculated in accordance with and permitted by clause (1)(h) and (1)(o) of the definition of "EBITDA." If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Financing Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of Midco to be the rate of interest implicit in such Financing Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth under the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as Midco may designate.

"Fixed Charge Coverage Ratio Calculation Date" has the meaning set forth in the definition of "Fixed Charge Coverage Ratio."

"Fixed Charges" means, with respect to any Person for any period, the sum of, without duplication:

(1) Consolidated Interest Expense of such Person for such period;

(2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; and

(3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during such period.

"GAAP" means, at the election of Midco, (1) the accounting standards and interpretations adopted by the International Accounting Standard Board (*"IFRS"*) if Midco's financial statements are at such time prepared in accordance with IFRS or (2) generally accepted accounting principles in the United States

(*"U.S. GAAP"*) if Midco's financial statements are at such time prepared in accordance with U.S. GAAP as in effect on the date of delivery of any applicable financial statements or other financial information and/or calculations (including *pro forma* financial information and/or calculations) or, at the election of Midco, as in effect on the Acquisition Completion Date or during all or part of the period to which any applicable financial statements or other financial information and/or calculations (including *pro forma* financial information and/or calculations) relate, *provided* that (a) all references to codified accounting standards specifically named in the Indenture shall be deemed to include any successor, replacement, amendment or updated accounting standard under IFRS or U.S. GAAP, as applicable, (b) neither IFRS nor U.S. GAAP shall be required to include the policies, rules and regulations of the SEC, the American Institute of Certified Public Accountants, the International Accounting Standards Board or any other applicable regulatory or governing body applicable only to public companies and (c) neither IFRS nor U.S. GAAP shall be required to be calculated using the same accounting standard across multiple quarters.

For the purpose of making any calculation or determination (including the calculation of any restriction, basket, threshold or permission) under the Indenture (a) any calculation or determination in the Indenture that requires the application of GAAP across multiple quarters need not be calculated or determined using the same accounting standard for each constituent quarter (b) all calculations or determinations in the Indenture shall be made without giving effect to any election under FASB Accounting Standards Topic 825, Financial Instruments, IFRS 9 (*Financial Instruments*) or any successor thereto or comparable accounting principle, to value any Indebtedness or other liabilities at "fair value" (as defined therein), (c) any liabilities or obligations in connection with any lease, concession or license of property (including capital leases, finance leases and operating leases) shall be (i) subject to paragraph (ii) below and unless otherwise elected by Midco (A) excluded for the purpose of the calculation of "Financing Lease Obligations," "Fixed Charges," "Indebtedness" and any ratios, defined terms, calculations and/or determinations under the Indenture or the Notes (or any element thereof) and (B) deemed to constitute Non-Financing Lease Obligations and (ii) calculated so as to disregard the impact of any element of IFRS 16 (*Leases*) and any successor standard thereto (or any equivalent under U.S. GAAP) for the purpose of the calculation of "EBITDA" and "LTM EBITDA" (including to the extent used in the calculation of any related ratio, defined term, calculation and/or determination under the Indenture (or any element thereof)); *provided* that for such purposes, the Company may elect to calculate "EBITDA" and "LTM EBITDA" as EBITDA or LTM EBITDA, as the case may be, less rents, in lieu of disregarding the impact of IFRS 16 (Leases) and any successor standard thereto (or any equivalent under U.S. GAAP). For the avoidance of doubt, none of the financial statements delivered pursuant to the covenant, "*—Reports and Other Information"* will be required to include any of the adjustments described in the foregoing paragraphs (a) to (c).

If there occurs a change in IFRS or U.S. GAAP, as the case may be, and such change would cause a change in the method of calculation of any term or measure used in the Indenture (an *"Accounting Change"*), then Midco may elect, from time to time, that such term or measure shall be calculated as if such Accounting Change had not occurred.

"guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"Guarantee" means the guarantee by any Guarantor of the Issuer's Obligations under the Indenture and the Notes.

"Guarantor" means Midco and each Subsidiary Guarantor.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (1) any rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar agreements or transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (2) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master

agreement, together with any related schedules, a *"Master Agreement"*), including any such obligations or liabilities under any Master Agreement.

"Holder" means the Person in whose name a Note is registered on the Registrar's books.

"Holding Company" means, in relation to any Person, any Person of which it is a Subsidiary.

"IFRS" has the meaning set forth in the definition of "GAAP."

"Immediate Family Members" means with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother- in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships), the estates of such individual and such other individuals above and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation, trust or fund that is controlled by any of the foregoing individuals or any donor-advised foundation, trust or fund of which any such individual is the donor.

"Indebtedness" means, with respect to any Person, without duplication:

(1) any indebtedness of such Person, whether or not contingent:

   (a) representing the principal in respect of borrowed money;

   (b) representing the principal in respect of obligations evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof);

   (c) representing the principal component in respect of obligations to pay the deferred and unpaid balance of the purchase price of any property, except (i) any such balance that constitutes an obligation in respect of a commercial letter of credit, a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business, (ii) any earn-out obligations (x) until 60 days after such obligation becomes due and payable or (y) otherwise not treated as a liability on the balance sheet and (iii) accruals for payroll and other liabilities accrued in the ordinary course of business; or

   (d) representing the net obligations under any Hedging Obligations; if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP; *provided* that Indebtedness of any direct or indirect parent of Midco appearing upon the balance sheet of Midco solely by reason of push-down accounting under GAAP shall be excluded;

(2) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, the obligations of the type referred to in clause (1) of a third Person (whether or not such items would appear upon the balance sheet of such first Person), other than by endorsement of negotiable instruments for collection in the ordinary course of business; and

(3) to the extent not otherwise included, the obligations of the type referred to in clause (1) of a third Person secured by a Lien on any asset owned by such first Person, whether or not such Indebtedness is assumed by such first Person; *provided* that the amount of any such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination and (b) the amount of such Indebtedness of such third Person;

provided that notwithstanding the foregoing, Indebtedness shall be deemed not to include (a) Contingent Obligations incurred in the ordinary course of business or consistent with industry practice, (b) Non-Financing Lease Obligations, Financing Lease Obligations (unless otherwise elected pursuant to the terms of the Indenture), Qualified Securitization Facilities, straight-line leases, operating leases, Sale and Lease-Back Transactions or lease-back transactions, (c) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) incurred prior to the Acquisition Completion Date or in the ordinary course of business or consistent with past practice, (d) in connection with the purchase by Midco or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner, (e) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the seller, (f) any obligations attributable to the exercise of appraisal rights and the settlement of any claims or actions (whether actual, contingent or potential) with respect thereto, (g) accrued expenses and royalties, (h) Capital Stock and Disqualified Stock, (i) any obligations in respect of workers' compensation claims, retirement, post-employment or termination obligations (including pensions and retiree medical care), pension fund obligations or contributions or similar claims, or social security or wage taxes or contributions, (j) deferred or prepaid revenues, (k) any asset retirement obligations, (l) any liability for taxes, or (m) Subordinated Shareholder Funding; *provided, further,* that Indebtedness shall be calculated without giving effect to the effects of Financial Accounting Standards Board Accounting Standards Codification Topic No. 815, IFRS 9 (*Financial Instruments*) and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

"Independent Financial Advisor" means an accounting, appraisal, investment banking firm or consultant of nationally or internationally recognized standing that is, in the good faith judgment of Midco, qualified to perform the task for which it has been engaged.

"Initial Purchasers" means the initial purchasers of the Notes on the Issue Date.

"Intercompany License Agreement" means any cost sharing agreement, commission or royalty agreement, license or sub-license agreement, distribution agreement, services agreement, intellectual property rights transfer agreement, any related agreements or other similar agreements, in each case where all parties to such agreement are one or more of Midco or a Restricted Subsidiary.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB-(or the equivalent) by S&P or Fitch, or if the applicable securities are not then rated by Moody's, S&P or Fitch, an equivalent rating by any other Rating Agency.

"Investment Grade Securities" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by the United States of America (or any state or commonwealth thereof or the District of Columbia), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Acquisition Completion Date or, in each case, any political subdivision, agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with an Investment Grade Rating, but excluding any debt securities or instruments constituting loans or advances among Midco and its Subsidiaries;

(4) investments in any fund that invests at least 90% of its assets in investments of the type described in clauses (1) to (3) which fund may also hold immaterial amounts of cash pending investment or distribution; and

(5) corresponding instruments in countries other than the United States of America customarily utilized for high quality investments.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants, in each case made in the ordinary course of business or consistent with past practice), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of Midco in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the definition of *"Unrestricted Subsidiary"* and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*":

(1) *"Investments"* shall include the portion (proportionate to Midco's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of Midco at the time that such Subsidiary is designated an Unrestricted Subsidiary;

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer; and

(3) if Midco or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any investment by Midco or any Restricted Subsidiary in such Person remaining after giving effect thereto shall not be deemed to be an Investment at such time.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in Cash Equivalents by Midco or a Restricted Subsidiary in respect of such Investment to the extent such amounts do not increase any other baskets under the Indenture.

"Investors" means the Sponsor Funds and any of their respective Affiliates.

"IPO" means an Equity Offering of common stock or other common Equity Interests of Midco or any parent company or any successor of Midco or any parent company (the "*IPO Entity*") following which there is a Public Market and, as a result of which the shares of common stock or other common Equity Interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common Equity Interests of the IPO Entity at the time of closing of the IPO multiplied by (ii) the price per share at which such shares of common stock or common Equity Interests are sold in such IPO.

"Issue Date" means , 2019.

"*Junior Lien Priority*" means Indebtedness that is secured by a Lien on the Shared Collateral that is junior in priority to the Liens on the Shared Collateral securing the Senior Facilities (it being understood that junior Liens are not required to rank equally and ratably with other junior Liens, and that Indebtedness secured by junior Liens may be secured by Liens that are senior in priority to, or rank equally and ratably with, or junior in priority to, other Liens constituting junior Liens).

"*Kirkbi*" means Kirkbi Invest A/S and/or its Affiliates and/or any respective successors thereto.

"Legal Holiday" means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York or, London, United Kingdom, or, with respect to any payments to be made on the Euro Notes, at the place of payment in respect of the Euro Notes. If a payment date is on a Legal Holiday, payment will be made on the next succeeding day that is not a Legal Holiday and no interest shall accrue for the intervening period.

"*letter of credit"* means any letter of credit, stand-by letter of credit, bank guarantee, bankers' acceptance, performance bond or similar instrument.

"Lien" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall Non-Financing Lease Obligations be deemed to constitute a Lien.

"Limited Condition Transaction" means (1) any Investment or acquisition (whether by merger, amalgamation, consolidation or other business combination or the acquisition of Capital Stock or otherwise and which may include, for the avoidance of doubt, a transaction that may constitute a Change of Control), whose consummation is not conditioned on the availability of, or on obtaining, third party financing, (2) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Indebtedness, Disqualified Stock or Preferred Stock requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment, (3) any Restricted Payment requiring irrevocable notice in advance thereof, (4) any Asset Sale or a disposition excluded from the definition of "Asset Sale" and (5) a Permitted Change of Control.

"Long Derivative Instrument" means a Derivative Instrument (i) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with positive changes to the

Performance References and/or (ii) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with negative changes to the Performance References.

"LTM EBITDA" means EBITDA of Midco measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of Midco are available, with such *pro forma* adjustments giving effect to such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations, operational changes, Business Expansions or other transaction, as applicable, since the start of such four quarter period and as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"Management Stockholders" means the future, present or former employees, directors, officers, managers, members or partners (and their Controlled Investment Affiliates and Immediate Family Members) of Midco (or its direct or indirect parent entities) or any Restricted Subsidiary who are or become direct or indirect holders of Equity Interests of Midco or any direct or indirect parent companies of Midco, including any such future, present or former employees, directors, officers, managers, members or partners owning through an Equityholding Vehicle.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common Equity Interests of Midco (or any direct or indirect parent entity) on the date of the declaration of a Restricted Payment permitted pursuant to clause (9) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" multiplied by (ii) the arithmetic mean of the closing prices per share of such common Equity Interests on the principal securities exchange on which such common Equity Interests are traded for the 30 consecutive trading days immediately preceding the date of declaration of such Restricted Payment.

"Moody's" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"Net Cash Proceeds" means the aggregate Cash Equivalents proceeds received in respect of any Subordinated Shareholder Funding, Equity Offering, sale of Equity Interests or other applicable transaction, in each case net of underwriting fees or discounts in respect of any such Equity Offering, sale or other transaction.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends.

"Net Proceeds" means the aggregate Cash Equivalents proceeds received by Midco or any of its Restricted Subsidiaries in respect of any Asset Sale, including any Cash Equivalents received upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale, net of (1) the direct costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration, including legal, accounting, consulting and investment banking fees, payments made in order to obtain a necessary consent or required by applicable law, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, other fees and expenses, including survey costs, title and recordation expenses and title insurance premiums, (2) taxes, including tax distributions paid pursuant to clause (20) of the second paragraph under the caption "*—Limitation on Restricted Payments*," paid or payable as a result thereof or any transactions occurring or deemed to occur to effectuate a payment under the Indenture (including transfer taxes, deed or mortgage recording taxes and estimated taxes payable in connection with any repatriation of funds and after taking into account any available tax credits or deductions and any tax sharing arrangements), (3) amounts required to be applied to the repayment of principal, premium, if any, and interest on Senior Indebtedness or amounts required to be applied to the repayment of Indebtedness secured by a Lien on such assets and required (other than required by clause (1) of the second paragraph of "*—Repurchase at the Option of Holders—Asset Sales*") to be paid as a result of such transaction, (4) the pro rata portion of Net Proceeds thereof (calculated without regard to this clause (4)) attributable to minority interests and not available for distribution to or for the account of Midco and its Restricted Subsidiaries as a result thereof, (5) any costs associated with unwinding any related Hedging Obligations in connection with such transaction, (6) any deduction of appropriate amounts to be provided by Midco or any of its Restricted Subsidiaries as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by Midco or any of its Restricted Subsidiaries after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction, (7) any portion of the purchase price from an Asset Sale placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Sale or

otherwise in connection with such Asset Sale; *provided*, that upon the termination of that escrow (other than in connection with a payment in respect of any such adjustment or satisfaction of indemnities), Net Proceeds will be increased by any portion of funds in the escrow that are released to Midco or any of its Restricted Subsidiaries and (8) the amount of any liabilities (other than Indebtedness in respect of the Senior Facilities and the Notes) directly associated with such asset being sold and retained by Midco or any of its Restricted Subsidiaries. Any non-cash consideration received in connection with any Asset Sale that is subsequently converted to cash shall become Net Proceeds only at such time as it is so converted.

"Net Short" means, with respect to a Holder or beneficial owner, as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of the (x) the value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case were a Failure to Pay or Bankruptcy Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Issuer or any Guarantor immediately prior to such date of determination.

"Non-Financing Lease Obligation" means any lease obligation which is determined not to be a Financing Lease Obligation in accordance with the terms of the Indenture and GAAP.

"Obligations" means any principal, interest (including any interest accruing on or subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law), premium, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"Officer" means the Chairman of the Board, any member of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the President, any Executive Vice President, Senior Vice President, Vice President or Assistant Vice President, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of a Person or any other officer of such Person designated by any such individuals. Unless otherwise specified, reference to an "Officer" means an Officer of Midco.

"Officer's Certificate" means a certificate signed on behalf of a Person by an Officer of such Person. Unless otherwise specified, reference to an "Officer's Certificate" means a certificate signed on behalf of Midco by an Officer of Midco.

"Opinion of Counsel" means a written opinion (which opinion may be subject to customary assumptions and exclusions) from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of, or outside counsel to, the Issuer or a Guarantor.

"Pari Passu Indebtedness" means Indebtedness (a) of the Issuer which ranks equally in right of payment to the Notes or (b) of any Guarantor which ranks equally in right of payment to the Guarantee of such Guarantor.

"Permitted Asset Swap" means the substantially concurrent purchase and sale or exchange, including as a deposit for future purchases, of Related Business Assets or a combination of Related Business Assets and Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided,* that any Cash Equivalents received must be applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sale*s."

"Permitted Change of Control" means any Change of Control that does not constitute a Change of Control Triggering Event.

"Permitted Change of Control Costs" means all reasonable fees, costs and expenses incurred or payable by Midco (or any direct or indirect parent of Midco) or any of its Restricted Subsidiaries in connection with a Permitted Change of Control.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of paragraphs (2), (3), (4), (5), (7), (8), (9), (11), (12), (14), (16), (18) (only to the extent that the applicable Indebtedness subject to such modification, refinancing, refunding, restatement, exchange, extension, renewal or replacement (or successive refinancing, refunding, restatement, exchange, extension, renewal or replacement) was previously secured by a Permitted Collateral Lien), (19), (21), (22), (23), (24), (25), (26), (27), (28), (30), (31), (32), (33), (35), (36), (38), (39), (40), (42), (43), (44), (45),(48) and (50) of the definition of "*Permitted Liens*" and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the security interests in the Collateral;

(b) Liens on the Senior Parent Independent Security Property to secure:

(i) Indebtedness of Midco described under (A) the first paragraph of the covenant described under of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (B) paragraphs (1), (2)(A), (3) (other than with respect to Financing Lease Obligations), (8), (9), (10), (12), (15) (to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (22) and (25) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" ((A) and (B) together, the "PCL Debt Baskets"), in each case to the extent that such Indebtedness constitutes Pari Passu Indebtedness of Midco; *provided* that such Liens rank equal with or junior to the Liens securing the Notes;

(ii) Indebtedness of Midco permitted to be incurred under paragraph (vi) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," *provided* that such Liens rank junior to the Liens securing the Notes;

(iii) Indebtedness of Midco permitted to be incurred under the PCL Debt Baskets to the extent that such Indebtedness constitutes Subordinated Indebtedness of Midco; *provided* that such Liens rank junior to the Liens securing the Notes;

(iv) Indebtedness of a Guarantor in the form of a guarantee of Pari Passu Indebtedness of Midco; *provided* that such Liens rank equal with or junior to the Liens securing the Guarantees of the Notes;

(v) Indebtedness of a Guarantor in the form of a guarantee of Subordinated Indebtedness of Midco; *provided* that such Liens rank junior to the Liens securing the Guarantees of the Notes; and

(vi) any Refinancing Indebtedness in respect of Indebtedness set forth in the foregoing clauses (i) to (v); *provided* that any Lien securing such Refinancing Indebtedness shall have the same priority, relative to the Lien on such Senior Parent Independent Security Property securing the Notes, as the Lien securing the original Indebtedness refinanced by such Refinancing Indebtedness;

(c) Liens on the Collateral (other than the Senior Parent Independent Security Property) to secure:

(i) (A) the Senior Facilities, including the Guarantees thereof and (B) the Target Senior Notes;

(ii) Indebtedness of Midco described under the PCL Debt Baskets; *provided* that (x) if such Indebtedness is Pari Passu Indebtedness of Midco, such Liens rank equal to or junior to the Liens securing the Notes, and (y) if such Indebtedness is Subordinated Indebtedness of Midco, such Liens rank junior to the Liens securing the Notes;

(iii) Indebtedness of a Guarantor permitted to be incurred under the PCL Debt Baskets or clause (2)(B) or (2)(C) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided* that if such Indebtedness is Subordinated Indebtedness of such Guarantor, such Liens rank junior to the Liens on such Collateral securing the Notes or the Guarantees thereof;

(iv) Indebtedness permitted to be incurred under the PCL Debt Baskets of a Restricted Subsidiary that is not a Guarantor to the extent such Indebtedness is permitted under this Agreement; and

(v) any Refinancing Indebtedness in respect of Indebtedness set forth in the foregoing clauses (i) to (iv); *provided* that any Lien securing such Refinancing Indebtedness shall have the same priority, relative to the Lien on the same Collateral securing the Notes or the Guarantees, as the Lien securing the original Indebtedness refinanced by such Refinancing Indebtedness;

(d) Liens on the Collateral incurred in the ordinary course of business of Midco or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) £25.0 million and (ii) 5.0% of LTM EBITDA at any time outstanding; or

(e) Liens granted in compliance with sub-paragraph (ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Liens*,"

provided that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in paragraphs (a) through (d) above, Midco shall be permitted to classify such Permitted Collateral Lien on the date of its incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition.

"Permitted Holders" means any of (i) each of the Investors, (ii) each of the Management Stockholders (including any Management Stockholders holding Equity Interests through an Equityholding Vehicle), (iii) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of Midco or any of its direct or indirect parent companies, acting in such capacity, (iv) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing, any Holding Company, Permitted Plan or any Person or group that becomes a Permitted Holder specified in the last sentence of this definition are members and any member of such group; *provided,* that in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i) through (iii), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of Midco or any of its direct or indirect parent companies held by such group, (v) any Holding Company of Midco and (vi) any Permitted Plan. Any Person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made or waived in accordance with the requirements of the Indenture or (ii) a Permitted Change of Control, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Intercompany Activities" means any transactions (A) between or among Midco and its Restricted Subsidiaries that are entered into in the ordinary course of business of Midco and its Restricted Subsidiaries and, in the good faith judgment of Midco are necessary or advisable in connection with the ownership or operation of the business of Midco and its Restricted Subsidiaries, including, but not limited to, (i) payroll, cash management, purchasing, insurance and hedging arrangements; (ii) management, technology and licensing arrangements; and (iii) customer loyalty and rewards programs and (B) between or among Midco, its Restricted Subsidiaries and any Captive Insurance Subsidiary.

"Permitted Investments" means:

(1) any Investment in Midco or any of its Restricted Subsidiaries;

(2) any Investment in Cash Equivalents or Investment Grade Securities;

(3) any Investment by Midco or any of its Restricted Subsidiaries in a Person (including, to the extent constituting an Investment, in assets of a Person that represent substantially all of its assets or a division, business unit or product line, including research and development and related assets in respect of any product) that is engaged directly or indirectly in a Similar Business if as a result of such Investment:

    (a) such Person becomes a Restricted Subsidiary; or

    (b) such Person, in one transaction or a series of related transactions, is amalgamated, merged or consolidated with or into, or transfers or conveys substantially all of its assets (or such division, business unit or product line) to, or is liquidated into, Midco or a Restricted Subsidiary,

    and, in each case, any Investment held by such Person; *provided,* that such Investment was not acquired by such Person in contemplation of such acquisition, merger, amalgamation, consolidation or transfer;

(4) any Investment in securities or other assets, including earn-outs, not constituting Cash Equivalents or Investment Grade Securities and received in connection with an Asset Sale made pursuant to "*—Repurchase at the Option of Holders—Asset Sales*" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Acquisition Completion Date or made pursuant to binding commitments in effect on the Acquisition Completion Date or an Investment consisting of any extension, modification, replacement, reinvestment or renewal of any such Investment or binding commitment existing on the Acquisition Completion Date; *provided,* that the amount of any such Investment may be increased in such extension, modification, replacement, reinvestment or renewal

only (a) as required by the terms of such Investment or binding commitment as in existence on the Acquisition Completion Date (including as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities) or (b) as otherwise permitted under the Indenture;

(6) any Investment acquired by Midco or any of its Restricted Subsidiaries:

(a) consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business or consistent with past practice;

(b) in exchange for any other Investment or accounts receivable, endorsements for collection or deposit held by Midco or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable (including any trade creditor, supplier or customer); or

(c) in satisfaction of judgments against other Persons; or

(d) as a result of a foreclosure by Midco or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(7) Hedging Obligations permitted under clause (8) of the second paragraph of the covenant described in "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(8) any Investment in a Similar Business having an aggregate fair market value taken together with all other Investments made pursuant to this clause (8) that are at that time outstanding not to exceed the greater of (x) £215.0 million and (y) 40.0% of LTM EBITDA (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such investments;

(9) Investments the payment for which consists of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of Midco or any of its direct or indirect parent companies; *provided,* that such Equity Interests will not increase the amount available for Restricted Payments under clause (B)(2) of the first paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*";

(10) guarantees of Indebtedness permitted under the covenant described in "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," performance guarantees and Contingent Obligations and the creation of Liens on the assets of the Issuer or any Restricted Subsidiary in compliance with the covenant described under "*—Certain Covenants—Liens*";

(11) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Transactions with Affiliates*" (except transactions described in clauses (2), (5), (10) and (23) of such paragraph);

(12) Investments consisting of (i) purchases or other acquisitions of inventory, supplies, material or equipment, (ii) the leasing, sub-leasing, licensing, sub-licensing, cross-licensing or contribution of intellectual property in the ordinary course of business or consistent with past practice or pursuant to joint marketing arrangements with other Persons or (iii) the contribution, assignment, licensing, sub-licensing or other Investment of intellectual property or other general intangibles pursuant to any Intercompany License Agreement and any other Investments made in connection therewith;

(13) Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (13) that are at that time outstanding not to exceed the greater of (x) £215.0 million and (y) 40.0% of LTM EBITDA (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such investments;

(14) Investments in or relating to a Securitization Subsidiary that, in the good faith determination of Midco are necessary or advisable to effect any Qualified Securitization Facility (including any contribution of replacement or substitute assets to such subsidiary) or any repurchase obligation in connection therewith;

(15) loans and advances to, or guarantees of Indebtedness of, future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants not in excess of £50.0 million outstanding at any one time;

(16) loans and advances to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants (a) for business-related travel or entertainment expenses, moving expenses and other similar expenses or payroll advances, in each case incurred in the ordinary course of business or consistent with industry practices or (b) to fund such Person's purchase of Equity Interests of Midco or any direct or indirect parent company thereof or in any management equity vehicle so investing in such Equity Interests;

(17) advances, loans or extensions of trade credit in the ordinary course of business or consistent with past practice by Midco or any of its Restricted Subsidiaries;

(18) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business or consistent with past practice;

(19) Investments made as part of, or in connection with, (a) the Transactions and (b) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice;

(20) Investments made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts;

(21) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;

(22) Investments in Indebtedness of Midco and the Restricted Subsidiaries;

(23) repurchases of the Notes;

(24) Investments in the ordinary course of business or consistent with past practice consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Article 4 customary trade arrangements with customers consistent with past practices;

(25) Investments consisting of promissory notes issued by the Issuer or any Guarantor to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of Midco or any of its Subsidiaries or their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Midco or any direct or indirect parent thereof, to the extent the applicable Restricted Payment is permitted by the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(26) Investments (including debt obligations and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or consistent with past practice or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(27) any Investment by any Captive Insurance Subsidiary in connection with the provision of insurance to Midco or any of its Subsidiaries, which Investment is made in the ordinary course of business or consistent with past practice of such Captive Insurance Subsidiary, or by reason of applicable law, rule, regulation or order, or that is required or approved by any regulatory authority having jurisdiction over such Captive Insurance Subsidiary or its business, as applicable;

(28) Investments made in connection with Permitted Intercompany Activities and related transactions;

(29) Investments made after the Acquisition Completion Date in joint ventures of Midco or any of its Restricted Subsidiaries existing on the Acquisition Completion Date;

(30) Investments in joint ventures of Midco or any of its Restricted Subsidiaries, taken together with all other Investments made pursuant to this clause (30) that are at that time outstanding not to exceed the greater of (x) £150.0 million and (y) 30.0% of LTM EBITDA (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such investments;

(31) Investments made from casualty insurance proceeds in connection with the replacement, substitution, restoration or repair of assets on account of a Casualty Event;

(32) earnest money deposits required in connection with any acquisition permitted under the Indenture (or similar Investments);

(33) Investments to the extent required by applicable rules under the Exchange Act or by any governmental authority, including any Investment made in order to avoid any early warning or notice requirements under such rules or requirements;

(34) contributions to a "rabbi" trust for the benefit of future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants or other service providers or other grantor trusts subject to claims of creditors in the case of bankruptcy of Midco or any of its Restricted Subsidiaries; and

(35) any other Investment, so long as, after giving *pro forma* effect to such Investment, the Consolidated Total Debt Ratio shall be no greater than 5.50 to 1.00.

For purposes of determining compliance with this definition, in the event that a proposed Investment (or a portion thereof) meets the criteria of clauses (1) through (35) above, Midco will be entitled to divide or classify or later divide or reclassify (based on circumstances existing on the date of such reclassification) such Investment (or a portion thereof) between such clauses (1) through (35) in any manner that otherwise complies with this definition.

"Permitted Liens" means, with respect to any Person:

(1) pledges, deposits or security by such Person under workmen's compensation laws, unemployment insurance, employers' health tax, and other social security laws or similar legislation or other insurance related obligations (including, but not limited to, in respect of deductibles, self-insured retention amounts and premiums and adjustments thereto) or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business or consistent with past practice;

(2) Liens imposed by law, such as landlords', carriers', warehousemen's, materialmen's, repairmen's, mechanics' and other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or, if more than 60 days overdue, that are unfiled and no other action has been taken to enforce such Lien or that are being contested in good faith by appropriate actions or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review if adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

(3) Liens for taxes, assessments or other governmental charges (including any Lien imposed by any pension authority or similar Liens) not yet overdue for a period of more than 60 days or not yet payable or subject to penalties for non-payment or which are being contested in good faith by appropriate actions diligently conducted, if adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

(4) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds or with respect to other regulatory requirements or letters of credit or bankers acceptances issued, and completion guarantees provided for, in each case, issued pursuant to the request of and for the account of such Person in the ordinary course of its business or consistent with past practice;

(5) minor survey exceptions, minor encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph, telephone and cable television lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects and irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially interfere with the ordinary conduct of the business of Midco or any of its Restricted Subsidiaries, taken as a whole, and exceptions on title policies insuring Liens granted on any collateral;

(6) Liens securing Obligations relating to any Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred pursuant to clause (ii) of the first paragraph and paragraphs (2)(B), (2)(C), (3) (4), (5), (9), (10), (11), (12), (13), (15), (17), (18), (19), (20), (21), (22), (23), (24) or (25) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or any Non-Financing Lease Obligations; *provided,* that (a) Liens securing Obligations relating to any Indebtedness, Disqualified Stock or Preferred Stock to be incurred pursuant to clause (3) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or Non-Financing Lease Obligations extend only to the assets so purchased, leased, expanded, constructed, installed, replaced, repaired or improved (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof); *provided, further,* that individual financings of assets provided by one lender or group of lenders may be cross-collateralized to other financings of assets by such lender or group of lenders; (b) Liens securing Obligations relating to any Indebtedness permitted to be incurred pursuant to clause (11) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" relate only to Obligations relating to Refinancing Indebtedness that (x) is secured by Liens on all or a portion of the same assets or the same categories or types of assets as the assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof) that secured the Indebtedness being refinanced or (y) extends, replaces, refunds, refinances, renews or defeases Indebtedness incurred or Disqualified Stock or Preferred Stock issued under clause (ii) of the first paragraph or paragraphs (2) (solely to the extent such Indebtedness was secured by a Lien prior to such refinancing), (3), (4), (5), (10)(A), (11), (12) (other than paragraph (i) of the proviso to paragraph (12)) or (25) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; (c) Liens securing Indebtedness permitted to be incurred pursuant to clause (12)(b) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" shall only be permitted if such Liens are limited to all or a part of the same property or assets, including Capital Stock acquired (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof), or of a Person acquired or merged or consolidated with or into Midco or any Restricted Subsidiary, in any transaction to which such Indebtedness relates; (d) Liens securing Indebtedness permitted to be incurred pursuant to clauses (15) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" shall only be permitted to the extent such guarantee or co-issuance is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Liens; and (e) Liens securing Indebtedness permitted to be incurred pursuant to clause (21) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" shall only be permitted if such Liens extend only to the assets of Restricted Subsidiaries of Midco that are not the Issuer or a Guarantor (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof);

(7) Liens existing on the Acquisition Completion Date (excluding Liens securing the Notes, the Senior Facilities, the Hedging Obligations), including Liens securing any Refinancing Indebtedness of any Indebtedness secured by such Liens;

(8) Liens on property or shares of stock or other assets of a Person at the time such Person becomes a Subsidiary; *provided,* that such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided, further,* that such Liens may not extend to any other property or other assets owned by Midco or any of its Restricted Subsidiaries;

(9) Liens on property or other assets at the time Midco or a Restricted Subsidiary acquired the property or such other assets, including any acquisition by means of a merger, amalgamation or consolidation with or into Midco or any of its Restricted Subsidiaries; *provided,* that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition, amalgamation, merger or consolidation; *provided, further,* that the Liens may not extend to any other property owned by Midco or any of its Restricted Subsidiaries;

(10) Liens securing Obligations relating to any Indebtedness or other obligations of Midco or a Restricted Subsidiary owing to Midco or another Restricted Subsidiary permitted to be incurred in accordance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(11) Liens securing (x) Hedging Obligations and (y) obligations in respect of Bank Products;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's accounts payable or similar trade obligations in respect of bankers' acceptances or documentary letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases, sub-leases, licenses or sub-licenses granted to others in the ordinary course of business or consistent with past practice which do not materially interfere with the ordinary conduct of the business of Midco or any of its Restricted Subsidiaries, taken as a whole;

(14) Liens arising from Uniform Commercial Code (or equivalent statute) financing statement filings regarding operating leases or consignments entered into by Midco and its Restricted Subsidiaries in the ordinary course of business or consistent with industry practice or purported Liens evidenced by the filing of precautionary Uniform Commercial Code (or equivalent statute or practice) financing statements or similar public filings;

(15) Liens in favor of the Issuer or any Guarantor;

(16) Liens on vehicles or equipment of Midco or any of its Restricted Subsidiaries granted in the ordinary course of business or consistent with past practice;

(17) Liens on accounts receivable, Securitization Assets and related assets incurred in connection with a Qualified Securitization Facility;

(18) Liens to secure any modification, refinancing, refunding, restatement, exchange, extension, renewal or replacement (or successive refinancing, refunding, restatements, exchange, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), this clause (18) and clauses (41) and (46) hereof; *provided,* that (a) such new Lien shall be limited to all or a part of the same assets or the same categories or types of assets as the assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof) that secured the original Lien, and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), this clause (18) and clauses (41) and (46) hereof at the time the original Lien became a Permitted Lien under the Indenture, and (ii) an amount necessary to pay any fees and expenses (including original issue discount, upfront fees or similar fees) and premiums (including tender premiums) and accrued and unpaid interest, related to such modification, refinancing, refunding, extension, renewal or replacement;

(19) deposits made or other security provided in the ordinary course of business or consistent with past practice to secure liability to insurance carriers;

(20) Liens securing obligations in an aggregate principal amount outstanding which does not exceed the greater of (x) £175.0 million and (y) 30.0% of LTM EBITDA (in each case, determined as of the date of such incurrence);

(21) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business or consistent with past practice;

(22) Liens securing judgments for the payment of money not constituting an Event of Default under clause (5) under the caption "*—Events of Default and Remedies*";

(23) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business or consistent with past practice;

(24) Liens (a) of a collection bank arising under Section 4-210 of the Uniform Commercial Code or any comparable or successor provision on items in the course of collection, (b) attaching to commodity trading accounts or other commodity brokerage accounts incurred in the ordinary course of business or consistent with past practice, and (c) in favor of banking or other financial institutions arising as a matter of law or under general terms and conditions encumbering deposits or other funds maintained with a financial institution (including the right of set-off) and which are within the general parameters customary in the banking industry;

(25) Liens deemed to exist in connection with Investments in repurchase agreements permitted under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(26) Liens encumbering reasonable customary deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business or consistent with past practice and not for speculative purposes;

(27) Liens that are contractual rights of set-off or rights of pledge (a) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (b) relating to pooled deposit or sweep accounts of Midco or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Midco and its Restricted Subsidiaries or consistent with past practice or (c) relating to purchase orders and other agreements entered into with customers of Midco or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice;

(28) Liens securing obligations owed by Midco or any Restricted Subsidiary in respect of any overdraft and related liabilities arising from treasury, depository and cash management services or any automated clearing house transfers of funds;

(29) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(30) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale or purchase of goods entered into by Midco or any Restricted Subsidiary in the ordinary course of business or consistent with past practice;

(31) Liens solely on any cash earnest money deposits made by Midco or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted by the Indenture;

(32) ground leases in respect of real property on which facilities owned or leased by Midco or any of its Subsidiaries are located;

(33) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(34) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(35) Liens constituting (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which Midco or any Restricted Subsidiary has easement rights or on an leased property and subordination or similar arrangements relating thereto and (ii) any condemnation or eminent domain proceedings affecting any real property;

(36) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(37) Liens on the assets of non-guarantor Restricted Subsidiaries securing Indebtedness of such Subsidiaries that was permitted by the terms of the Indenture to be incurred;

(38) Liens on (i) cash advances or Cash Equivalents in favor of (x) the seller of any property to be acquired in an Investment permitted under the Indenture to be applied against the purchase price for such

Investment or (y) the buyer of any property to be disposed of to secure obligations in respect of indemnification, termination fee or similar seller obligations and (ii) consisting of an agreement to dispose of any property in a disposition, in each case, solely to the extent such Investment or disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(39) any interest or title of a lessor, sub-lessor, franchisor, licensor or sub-licensor or secured by a lessor's, sub-lessor's, franchisor's, licensor's or sub-licensor's interest under leases or licenses entered into by Midco or any of the Restricted Subsidiaries in the ordinary course of business or consistent with past practice or with respect to intellectual property, software and other technology licenses that is not material to the conduct of the business of Midco or its Restricted Subsidiaries, taken as a whole;

(40) deposits of cash with the owner or lessor of premises leased and operated by Midco or any of its Subsidiaries in the ordinary course of business of Midco and such Subsidiary or consistent with past practice to secure the performance of Midco's or such Subsidiary's obligations under the terms of the lease for such premises;

(41) Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) permitted to be incurred pursuant to the covenant under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including, without limitation, Indebtedness incurred under one or more Credit Facilities) so long as after giving *pro forma* effect to such incurrence and such Liens the Consolidated Total Debt Ratio of Midco and its Restricted Subsidiaries shall be equal to or less than 6.00 to 1.00 for Midco's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Lien is incurred;

(42) Liens securing obligations in respect of (x) Indebtedness and other Obligations permitted to be incurred under one or more Credit Facilities, including any letter of credit facility relating thereto, that was permitted by the terms of the Indenture to be incurred pursuant to clause (1) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (y) obligations of Midco or any Subsidiary in respect of any Bank Products or Hedging Obligation provided by any lender party to any Credit Facility or any Affiliate of such lender (or any Person that was a lender or an Affiliate of a lender at the time the applicable agreements pursuant to which such Bank Products are provided were entered into);

(43) Liens on assets deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets if such sale is otherwise permitted under the Indenture;

(44) Liens on any funds or securities held in escrow accounts or similar arrangements established for the purpose of holding proceeds from issuances of debt securities or incurrences of other Indebtedness by Midco or any of its Restricted Subsidiaries issued after the Acquisition Completion Date, together with any additional funds required in order to fund any payment of interest or premium or discount on such Indebtedness (or any costs related to the issuance or incurrence of such Indebtedness), mandatory redemption or sinking fund payment on such debt securities or other Indebtedness;

(45) Liens securing the Notes (and, if the Notes are so secured, any Additional Notes) and the related Guarantees;

(46) Liens granted in favor of the Existing 2026 Notes;

(47) Permitted Collateral Liens (other than pursuant to clause (e) of such definition);

(48) Liens on assets securing any Indebtedness owed to any Captive Insurance Subsidiary by the Issuer or any Restricted Subsidiary;

(49) Liens securing any Senior Indebtedness;

(50) Liens given pursuant to Section 8a of the German Old Age Employees Part Time Act (*Altersteilzeitgesetz*)or Section 7e of the Fourth Book of the German Social Code (*Sozialgesetzbuch IV*); and

(51) prior to the Escrow Release Date, Liens on escrow property securing the Notes (and the guarantees thereof).

For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness. In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), Midco in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"Permitted Plan" means any employee benefits plan of Midco or any of its Affiliates and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan.

"Person" means any individual, corporation, limited liability company, partnership (including a limited partnership), joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Post-Completion Guarantors" means, collectively, the Target, Madame Tussauds Touring Exhibition Limited, Merlin Attractions Operations Limited, Merlin Entertainments (Dungeons) Limited, Merlin Entertainments Group Holdings Limited, Merlin Entertainments (SEA LIFE) Limited, LEGOLAND ApS, Dungeon Deutschland GmbH, Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Madame Tussauds Deutschland GmbH, Sea Life Deutschland GmbH, Gardaland S.r.l., LEGOLAND California, LLC, LEGOLAND Discovery Centre US, LLC, LEGOLAND New York LLC, Madame Tussaud Las Vegas LLC, Madame Tussaud's New York LLC, Merlin Entertainments Group Florida LLC, Merlin Entertainments Group U.S. Holdings Inc., Merlin Entertainments North America LLC, Sea Life Minnesota LLC and Sea Life US LLC.

"Preferred Stock" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"Public Market" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of Midco as of the Acquisition Completion Date.

"Purchase Money Obligations" means any Indebtedness incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets, and whether acquired through the direct acquisition of such property or assets, or otherwise (including through the purchase of Capital Stock of any Person owning such property or assets).

"Qualified Proceeds" means the fair market value of assets that are used or useful in, or Capital Stock of any Person engaged in, a Similar Business.

"Qualified Securitization Facility" means any Securitization Facility (a) constituting a securitization financing facility that meets the following conditions: (i) the Board or management of Midco or any direct or indirect parent entity shall have determined in good faith that such Securitization Facility is in the aggregate economically fair and reasonable to Midco, and (ii) all sales and/or contributions of Securitization Assets and related assets to the applicable Securitization Subsidiary or another Person are made at fair market value (as determined in good faith by Midco) or (b) constituting a receivables or payables financing or factoring facility.

"Rating Agencies" means Moody's, S&P and Fitch, or if Moody's, S&P or Fitch or any combination thereof shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by Midco which shall be substituted for Moody's, S&P or Fitch or any combination thereof, as the case may be.

"ratio-based basket" has the meaning given to that term in the first paragraph of Certain Compliance Calculations.

"Related Business Assets" means assets (other than Cash Equivalents) used or useful in a Similar Business or any securities of a Person received by Midco or a Restricted Subsidiary in exchange for assets transferred by Midco or a Restricted Subsidiary; *provided* that any such securities shall not be deemed to be Related Business Assets, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"Reserved Indebtedness Amount" has the meaning set forth in the covenant described under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*."

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means, with respect to any Person, at any time, any direct or indirect Subsidiary of such Person that is not then an Unrestricted Subsidiary; *provided* that upon an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary." Unless the context otherwise requires, any references to Restricted Subsidiary refer to a Restricted Subsidiary of Midco."

"Revolving Facility" means the multi-currency revolving facility in a base currency amount of £400,000,000 made available under the Senior Facilities Agreement.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, and any successor to its rating agency business.

"Sale and Lease-Back Transaction" means any arrangement providing for the leasing by Midco or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by Midco or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"Screened Affiliate" means any Affiliate of a Holder or, if the Holder is a Relevant Clearing System or its nominee, of a beneficial owner, (i) that makes investment decisions independently from such Holder or beneficial owner and any other Affiliate of such Holder that is not a Screened Affiliate, (ii) that has in place customary information screens between it and such Holder or beneficial owner and any other Affiliate of such Holder or beneficial owner that is not a Screened Affiliate and such screens prohibit the sharing of information with respect to the Issuer or its Subsidiaries, (iii) whose investment policies are not directed by such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holder in connection with its investment in the Notes, and (iv) whose investment decisions are not influenced by the investment decisions of such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holders or beneficial owners in connection with its investment in the Notes.

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"Secured Indebtedness" means any Indebtedness of Midco or any of its Restricted Subsidiaries secured by a Lien.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Securitization Assets" means the accounts receivable, royalty or other revenue streams and other rights to payment and any other assets subject to a Qualified Securitization Facility and the proceeds thereof.

"Securitization Facility" means any of one or more receivables, factoring or securitization financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to Midco or any of its Restricted Subsidiaries (other than a Securitization Subsidiary) pursuant to which Midco or any of its Restricted Subsidiaries sells or grants a security interest in its accounts receivable, payables or Securitization Assets or assets related thereto to either (a) a Person that is not a Restricted Subsidiary or (b) a Securitization Subsidiary that in turn sells its accounts receivable, payable or Securitization Assets or assets related thereto to a Person that is not a Restricted Subsidiary.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Securitization Subsidiary in connection with, any Qualified Securitization Facility.

"Securitization Subsidiary" means any Subsidiary that engages only in one or more Qualified Securitization Facilities.

"*Security Documents*" means, collectively, the Intercreditor Agreement and other security or intercreditor agreements relating to the Collateral, each for the benefit of the Security Agent, as amended, amended and restated, modified, renewed or replaced from time to time.

"Senior Facilities" means the senior facilities agreement, amongst, *inter alios*, Motion Acquisition Limited as the Company, 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. and UniCredit Bank AG, London Branch as arrangers and bookrunners and Bank of

America Merrill Lynch International Designated Activity Company as agent and Deutsche Bank AG, London Branch as security agent.

"Senior Indebtedness" means:

(1) all Indebtedness of the Issuer or any Guarantor outstanding under the Senior Facilities and the related guarantees (including interest accruing on or after the filing of any petition in bankruptcy or similar proceeding or for reorganization of the Issuer or any Guarantor (at the rate provided for in the documentation with respect thereto, regardless of whether or not a claim for post-filing interest is allowed in such proceedings)), and any and all other fees, expense reimbursement obligations, indemnification amounts, penalties, and other amounts (whether existing on the Acquisition Completion Date or thereafter created or incurred) and all obligations of the Issuer or any Guarantor to reimburse any bank or other Person in respect of amounts paid under letters of credit, acceptances or other similar instruments;

(2) all (x) Hedging Obligations (and guarantees thereof) and (y) obligations in respect of Bank Products (and guarantees thereof) owing to a lender under the Senior Facilities or any Affiliate of such lender (or any Person that was a lender or an Affiliate of such lender at the time the applicable agreement giving rise to such Hedging Obligation was entered into); *provided* that such Hedging Obligations and obligations in respect of Bank Products, as the case may be, are permitted to be incurred under the terms of the Indenture;

(3) any other Indebtedness of the Issuer or any Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the Senior Facilities or any guarantee thereof or the Notes or any Guarantee; and

(4) all Obligations with respect to the items listed in the preceding clauses (1), (2) and (3); *provided* that Senior Indebtedness shall not include:

   (a) any obligation of such Person to Midco or any of its Subsidiaries (excluding any Indebtedness purchased by Topco or any of its Subsidiaries that prior to such purchase was Senior Indebtedness);

   (b) any liability for federal, state, local or other taxes owed or owing by such Person;

   (c) any accounts payable or other liability to trade creditors arising in the ordinary course of business; or

   (d) that portion of any Indebtedness which at the time of incurrence is incurred in violation of the Indenture.

"Short Derivative Instrument" means a Derivative Instrument (i) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with positive changes to the Performance References and/or (ii) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with negative changes to the Performance References.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02, clauses (w)(1) or (2) of Regulation S-X promulgated pursuant to the Securities Act, as such regulation is in effect on the Acquisition Completion Date.

"Similar Business" means (1) any business conducted or proposed to be conducted by Midco or any of its Restricted Subsidiaries on the Acquisition Completion Date, and any reasonable extension thereof, or (2) any business or other activities that are reasonably similar, ancillary, incidental, complementary, synergistic or related to, or a reasonable extension, development or expansion of, the businesses in which Midco and its Restricted Subsidiaries are engaged or propose to be engaged on the Acquisition Completion Date.

"Sponsor" means Blackstone, CPPIB and/or Kirkbi and "Sponsors" shall be construed accordingly.

"Sponsor Funds" means the Blackstone Funds, CPPIB and Kirkbi.

"Subordinated Indebtedness" means, with respect to the Notes,

(1) any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, and

(2) any Indebtedness of any Guarantor which is by its terms subordinated in right of payment to the Guarantee of such entity of the Notes.

"Subordinated Shareholder Funding" means collectively, any funds provided to Midco or any Restricted Subsidiary by a Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Company of Midco or a Permitted Holder, together with any security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding, *provided that* such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of Midco or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the maturity of the Notes, payment of cash, interest, cash withholding amounts or other cash gross ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of Midco or any of its Subsidiaries; and

(5) pursuant to its terms or pursuant to the Intercreditor Agreement and any Additional Intercreditor Agreement, is fully subordinated and junior in right of payment to the Notes pursuant to any subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding,

provided further that, for the avoidance of doubt, any Indebtedness shall constitute Subordinated Shareholder Funding hereunder if such Indebtedness constitutes "Investor Liabilities" (as defined in the Intercreditor Agreement).

"Subsidiary" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; and

(2) any partnership, joint venture, limited liability company or similar entity of which:

    (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise; and

    (b) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

For the avoidance of doubt, unless otherwise specified, any entity that is owned at a 50% or less level (as described above) shall not be a "Subsidiary" for any purpose under the Indenture, regardless of whether such entity is consolidated on Midco's or any Restricted Subsidiary's financial statements. For all purposes under the Indenture, no pooled investment vehicle, investment company (or series thereof), collective investment scheme, investment fund, managed account or *société d'investissement à* capital variable for collective investment by bona fide third parties for which and for so long as Midco or any of its Subsidiaries or Affiliates serves as general partner, managing member, investment manager, investment adviser or sub-adviser or sponsor, as applicable, shall be considered a "Subsidiary" for any purpose under the Indenture, regardless of whether such entity is consolidated on Midco's or any Restricted Subsidiary's financial statements. Unless the context otherwise requires, any references to Subsidiary refer to a Subsidiary of Midco.

"Subsidiary Guarantor" means collectively, Bidco, Lux Finco and Lux Finco 2, the Target, Madame Tussauds Touring Exhibition Limited, Merlin Attractions Operations Limited, Merlin Entertainments (Dungeons) Limited, Merlin Entertainments Group Holdings Limited, Merlin Entertainments (SEA LIFE) Limited, LEGOLAND ApS, Dungeon Deutschland GmbH, Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Madame Tussauds Deutschland GmbH, Sea Life Deutschland GmbH, Gardaland S.r.l., LEGOLAND California, LLC, LEGOLAND Discovery Centre US, LLC, LEGOLAND New York LLC, Madame Tussaud Las Vegas LLC, Madame Tussaud's New York LLC, Merlin Entertainments Group Florida LLC, Merlin Entertainments Group U.S. Holdings Inc., Merlin Entertainments North America LLC, Sea Life Minnesota LLC and Sea Life US LLC.

"Support and Services Agreement" means the management services or similar agreements or the management services provisions contained in an investor rights agreement or other equityholders' agreement, as the case may be, between certain of the management companies associated with the Investors or their advisors or Affiliates, if applicable, and Midco (and/or its direct or indirect parent companies or Subsidiaries), as in effect from time to time.

"Target 2026 Notes" means the $400.0 million aggregate principal amount of 5.75% senior notes due 2026 issued by the Target on May 9, 2018, as the same may be amended or supplemented from time to time.

"Target Senior Debt" means:

(1) the multicurrency revolving credit facility provided under the multicurrency facilities agreement dated February 25, 2015, as amended and restated on April 18, 2018, among others, the Target, the guarantors and the lenders named therein, as the same may be amended or supplemented from time to time;

(2) the €700.0 million aggregate principal amount of 2.75% senior notes due 2022 issued by the Target on March 19, 2015, as the same may be amended or supplemented from time to time; and

(3) the Target 2026 Notes.

"Taxes" shall mean all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"Topco" means Motion Topco Limited (formerly Berkeley Topco Limited), a private company limited by shares incorporated under the laws of England and Wales.

"Transaction Expenses" means any fees or expenses incurred or paid by the Investors, Midco or any of its (or their) Affiliates in connection with the Transactions (including payments to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants as change of control payments, severance payments, consent payments, special or retention bonuses and charges for repurchase or rollover, acceleration or payments of, or modifications to, stock option or other equity-based awards, expenses in connection with hedging transactions related to the Senior Facilities and any original issue discount or upfront fees), the Support and Services Agreement, the Indenture, the Notes, the Loan Documents (as defined in the Senior Facilities) and the transactions contemplated hereby and thereby.

"Transactions" means:

(a) the issuance of the Notes and Guarantees;

(b) the utilization of the Senior Facilities;

(d) any repayment or discharge of existing indebtedness of the Target Group and the closing out or replacement of Hedging Obligations pursuant to the foregoing (if any);

(e) the consummation of the Acquisition;

(f) the other transactions set out in the Structure Memorandum;

(g) other associated transactions taken in relation to any of the foregoing; and

(h) the payment or incurrence of any fees, expenses, taxes or charges associated with any of the foregoing.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended (15 U.S.C. §§ 77aaa-77bbbb).

"Uniform Commercial Code" means (i) the Uniform Commercial Code or any successor provision thereof as the same may from time to time be in effect in the State of New York or (ii) the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it applies to any item or items of Collateral. References in this Agreement and the Security Documents to specific sections of the Uniform Commercial Code are based on the Uniform Commercial Code as in effect in the State of New York on the Initial Closing Date. In the event such Uniform Commercial Code is amended or another Uniform Commercial Code described in clause (ii) is applicable, such section reference shall be deemed to be references to the comparable section in such amended or other Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of Midco which at the time of determination is an Unrestricted Subsidiary (as designated by Midco, as provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

Midco may designate any Subsidiary of Midco (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, Midco or any Subsidiary of Midco (other than solely any Subsidiary of the Subsidiary to be so designated); *provided* that either (a) the Subsidiary to be so designated has total consolidated assets of £1,000 or less or (b) if the Subsidiary to be so designated has total consolidated assets in excess of £1,000, such designation complies with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of Midco as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stoc*k," Midco will be in Default of such covenant.

Midco may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that, immediately after giving effect to such designation, (i) no Default shall have occurred and be continuing and (ii) (x) any outstanding Indebtedness of such Unrestricted Subsidiary would be permitted to be incurred by a Restricted Subsidiary under the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including pursuant to clause (14) of the second paragraph thereof treating such redesignation as an acquisition for the purpose of such clause) and shall be deemed to be incurred thereunder and (y) all Liens encumbering the assets of such Unrestricted Subsidiary would be permitted to be incurred by a Restricted Subsidiary under the covenant "*—Certain Covenants—Liens*" and shall be deemed to be incurred thereunder, in each case calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period.

Any such designation by Midco shall be notified by Midco or the Issuer to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Midco or any direct or indirect parent of Midco giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Securities" means securities that are:

(1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depository receipt; *provided,* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Securities or the specific payment of principal of or interest on the U.S. Government Securities evidenced by such depository receipt.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

(2) the sum of all such payments;

provided, that for purposes of determining the Weighted Average Life to Maturity of any Indebtedness that is being extended, replaced, refunded, refinanced, renewed or defeased (the *"Applicable Indebtedness"*), the effects of any amortization or prepayments made on such Applicable Indebtedness prior to the date of the applicable extension, replacement, refunding, refinancing, renewal or defeasance shall be disregarded.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person, 100% of the outstanding Equity Interests of which (other than directors' qualifying shares and shares issued to foreign nationals as required by applicable law) shall at the time be owned by such Person and/or by one or more Wholly Owned Subsidiaries of such Person.

BOOK-ENTRY; DELIVERY AND FORM

General

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Rule 144A Global Notes*"). On the Issue Date, the Rule 144A Global Note representing the Dollar Notes (the "*Dollar Rule 144A Global Note*") will be deposited upon issuance with the custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. On the Issue Date, the Rule 144A Global Note representing the Euro Notes (the "*Euro Rule 144A Global Note*") will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Each series of Notes sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the Rule 144A Global Notes, the "*Global Notes*"). On the Issue Date, the Regulation S Global Note representing the Dollar Notes (the "*Dollar Regulation S Global Note*" and, together with the Dollar Rule 144A Global Note, the "*Dollar Global Notes*") will be deposited upon issuance with the custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. On the Issue Date, the Regulation S Global Note representing the Euro Notes (the "*Euro Regulation S Global Note*" and, together with the Euro Rule 144A Global Note, the "*Euro Global Notes*") will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (the "*144A Book-Entry Interests*") and ownership of interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*" and, together with the 144A Book-Entry Interests, the "*Book-Entry Interests*") will be limited to persons that have accounts with DTC, in the case of the Dollar Global Notes, and Euroclear and/or Clearstream, in the case of the Euro Global Notes, or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC or Euroclear and/or Clearstream and their participants. The Book-Entry Interests in Global Notes will only be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof (in the case of the Dollar Global Notes) and minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (in the case of the Euro Global Notes).

The Book-Entry Interests will not be held in definitive form. Instead, DTC or Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form (subject to very limited exceptions) and will not be considered the registered owners or "holder" of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the custodian for DTC or common depositary for Euroclear and/or Clearstream, as applicable (or its respective nominee) will be considered the holder of the Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC or Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC or Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Registrar, the Paying Agents, the Transfer Agents, the Trustee nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive Notes in registered form (the "*Definitive Registered Notes*"):

(1) if DTC, Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if DTC, Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear or Clearstream following an Event of Default under the Indenture.

DTC, Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in denominations of $200,000 and in integral multiples of $1,000 in excess thereof (in the case of a Definitive Registered Note relating to the Dollar Notes) and minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (in the case of a Definitive Registered Note relating to the Euro Notes).

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the applicable Transfer Agent, we will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee and the applicable Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the applicable Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

To the extent permitted by law, we, the Trustee, the Paying Agents, the Transfer Agents, the Registrar and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC or Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC or Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC or Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and/or Clearstream or DTC, as applicable, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less than $200,000 principal amount (in the case of the Dollar Global Notes) and €100,000 principal amount (in the case of the Euro Global Notes) at maturity may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agents. The Paying Agents will, in turn, make such payments to DTC or Euroclear and/or Clearstream, as applicable, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer, the Trustee, the Paying Agents, the Transfer Agents, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (for example, DTC or Euroclear and/or Clearstream, as applicable, or their respective nominees) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agents, the Paying Agents nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- DTC or Euroclear and/or Clearstream, as applicable, or any participant or indirect participant; or
- the records of the custodian or common depositary, as applicable.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "*street name*."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agents, the Transfer Agents, the Registrar nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interests in such Notes through DTC in U.S. dollars. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC, Euroclear and Clearstream, as applicable, will be done in accordance with DTC, Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC, Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

Beneficial interests in a 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available under the Securities Act).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Notice to Investors*."

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agents, the Transfer Agents, the Registrar nor any of their respective agents are responsible for those operations or procedures.

DTC advised the Issuer that it is a limited-purpose trust company organised under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the U.S. Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement amongst direct participants of sales and other securities transactions in deposited securities, through electronic computerised book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository

Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through DTC, Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in DTC, Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes amongst participants in DTC, Euroclear and Clearstream, as applicable, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agents, the Registrar, the Paying Agents nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Dollar Notes will be made in U.S. dollars and initial settlement for the Euro Notes will be made in euro. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC, Euroclear or Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through DTC, Euroclear or Clearstream on days when those systems are open for business.

TAX CONSIDERATIONS

If you are a prospective investor, you should consult your tax advisor as to the possible tax consequences of purchasing, holding or selling any Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this Offering Memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.

Certain Irish Tax Considerations

The following is a summary of the principal Irish withholding tax consequences for individuals and companies of ownership of the Notes and some other miscellaneous tax matters based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with holders of the Notes who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which should include interest payable on the Notes.

The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note provided the following conditions are met:

- the Notes are quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as The International Stock Exchange) and which carry a right to interest; and
- the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
  - (a) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear, Clearstream Banking SA and Clearstream Banking AG are, amongst others, so recognised); or
  - (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in a recognised clearing system such as Euroclear, Clearstream Banking SA or Clearstream Banking AG (or, if not so held, payments on the Notes are made through a paying agent not in Ireland), interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland.

If, for any reason, the quoted Eurobond exemption referred to above does not or ceases to apply, the Issuer can still pay interest on the Notes free of withholding tax provided it is a qualifying company within the meaning of Section 110 of the TCA (a "*Qualifying Company*") and provided the interest is paid to a person resident in either (i) a member state of the European Union (other than Ireland) or (ii) a country with which Ireland has signed a comprehensive double taxation agreement (such a country mentioned in either (i) or (ii) being a "*Relevant Territory*"). For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to a company in connection with a trade or business carried on by it through a branch or agency located in Ireland.

In certain limited circumstances a payment of interest by the Issuer which is considered dependent on the results of the Issuer's business or which represents more than a reasonable commercial return can be re-characterised as a distribution subject to dividend withholding tax.

Subject to the provisions of the Finance Acts 2016 and 2017 (discussed below), a payment of profit dependent or excessive interest on the Notes will not be re-characterised as a distribution to which dividend withholding tax could apply where, broadly, the holder of Notes is:

(a) an Irish tax resident person;

(b) a person who, in respect of the interest, is subject under the laws of a Relevant Territory to a tax which generally applies to profits, income or gains received from sources outside that territory without any reduction computed by reference to the amount of the interest payment;

(c) for so long as the Notes remain quoted Eurobonds, neither a person which is a company which directly or indirectly controls the Issuer or which is controlled by a third company which directly or indirectly controls the Issuer nor is a person (including any connected person) (a) from whom the Issuer has acquired assets, (b) to whom the Issuer has made loans or advances, or (c) with whom the Issuer has entered into a return agreement (as defined in section 110(1) of the TCA) where the aggregate value of such assets, loans, advances or agreements represents 75 per cent. or more of the assets of the Issuer (such a person falling within this category of person being a "*Specified Person*"); or

(d) an exempt pension fund, government body or other resident in a Relevant Territory person (which is not a Specified Person).

The Irish Finance Acts, 2016 and 2017 introduced provisions amending the tax treatment applicable to a Qualifying Company. These amendments deny a tax deduction for (1) profit dependent interest, or (2) interest to the extent it exceeds a reasonable commercial return, in each case to the extent it exceeds a reasonable commercial return (the "*Affected Interest*") where such interest is attributed to the holding by a Qualifying Company of "*specified mortgages*," units in an Irish Real Estate Fund (within the meaning of Chapter 1B of the TCA) or shares that derive their value or the greater part of their value, directly or indirectly from Irish real estate. A "*specified mortgage*" for this purpose includes a loan which is secured on, and which derives its value, or the greater part of its value, directly or indirectly from Irish land.

Where Affected Interest arises, and an exemption is not available, it is treated as a distribution which is not deductible for tax purposes and will thus form part of the taxable profits of the Issuer and will also be subject to dividend withholding tax (subject to any available exemptions).

However, provided that the Issuer will not acquire 'specified mortgages' (within the meaning of section 110 of the TCA), units in an IREF (being a specified form of investment undertaking within the meaning of Chapter 1B, Part 27 of the TCA) or shares that derive the greater part of their value, directly or indirectly, from Irish land the Irish Finance Act 2016 and 2017 provisions should not apply to this transaction.

Stamp Duty

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the 1997 Act and the proceeds of the Notes are used in the course of the Issuer's business (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act 1999).

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any holder of Notes. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Automatic Exchange of Information

Irish reporting financial institutions, which may include the Issuer, may have reporting obligations in respect of certain investors under both FATCA and CRS (see below).

Information exchange and the implementation of FATCA in Ireland

The Issuer may be obliged to report certain information in respect of U.S. investors (holders of the Notes) in the Issuer to the Irish Revenue Commissioners who will then share that information with the U.S. tax Authorities.

On 21 December 2012 Ireland signed an Intergovernmental Agreement ("*IGA*") with the United States to Improve International Tax Compliance and to Implement FATCA. Under this agreement Ireland agreed to implement legislation to collect certain information in connection with FATCA and the Irish and U.S. tax authorities have agreed to automatically exchange this information. The IGA provides for the annual automatic exchange of information in relation to accounts and investments held by certain U.S. persons in a broad category of Irish financial institutions and vice versa.

Under the IGA and the Financial Accounts Reporting (United States of America) Regulations 2014 (the "*Irish Regulations*") implementing the information disclosure obligations Irish financial institutions such as the Issuer are required to report certain information with respect to U.S. account holders and non-financial entities controlled by U.S. persons to the Irish Revenue Commissioners. The Irish Revenue Commissioners will provide that information annually to the IRS. Aside from where the Notes are listed (see below) the Issuer must obtain the necessary information from investors required to satisfy the reporting requirements whether under the IGA, the Irish Regulations or any other applicable legislation published in connection with FATCA and such information may be sought from each holder and beneficial owner of the Notes. It should be noted that the Irish Regulations require the filing of returns with the Irish Revenue Commissioners regardless as to whether the Issuer holds any U.S. assets or has any U.S. investors.

While the IGA and Irish Regulations should serve to reduce the burden of compliance with FATCA, and accordingly the risk of a FATCA withholding on payments to the Issuer in respect of its assets, no assurance can be given in this regard. As such, holders of the Notes should obtain independent tax advice in relation to the potential impact of FATCA before investing.

CRS

On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the Standard) was published, involving the use of two main elements, the Competent Authority Agreement ("*CAA*") and the Common Reporting Standard (the "*CRS*").

The goal of the Standard is to provide for the annual automatic exchange between governments of financial account information reported to them by local Financial Institutions ("*FIs*") relating to account holders tax resident in other participating countries to assist in the efficient collection of tax. The OECD, in developing the Standard, have used FATCA concepts and as such the Standard is broadly similar to the FATCA requirements, albeit with numerous alterations. It will result in a significantly higher number of reportable persons due to the increased instances of potentially in-scope accounts and the inclusion of multiple jurisdictions to which accounts must be reported.

Ireland is a signatory jurisdiction to a Multilateral Competent Authority Agreement on the automatic exchange of financial account information in respect of the Standard while sections 891F and 891G of the TCA and regulations made thereunder contain the measures implementing the Standard in Ireland. The Returns of Certain Information by Reporting Financial Institutions Regulations 2015 (the "*CRS Regulations*"), gave effect to the Standard from 1 January 2016.

Directive 2014/107/EU on Administrative Cooperation in the Field of Taxation ("*DAC II*") implements the Standard in a European context and creates a mandatory obligation for all EU Member States to exchange financial account information in respect of residents in other EU Member States on an annual basis commencing in 2017 in respect of the 2016 calendar year. Regulations, the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations 2015 (together with the CRS Regulations, the "*Regulations*"), gave effect to DAC II from 1 January 2016.

Under the Regulations reporting FIs, are required to collect certain information on accountholders and on certain Controlling Persons in the case of the accountholder(s) being an Entity, as defined for CRS purposes, (e.g. name, address, jurisdiction of residence, TIN, date and place of birth (as appropriate), the account number and the account balance or value at the end of each calendar year) to identify accounts which are reportable to the Irish tax authorities. The Irish tax authorities shall in turn exchange such information with their counterparts in participating jurisdictions. However, to the extent that the Notes are held within a recognised clearing system, the Issuer should have no reportable accounts in a tax year. In that event the Issuer will make a nil return for that year to the Irish Revenue Commissioners. Further information in relation to CRS can be found on the Automatic Exchange of Information (AEOI) webpage on www.revenue.ie.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax considerations. The discussion is limited to considerations relevant to a U.S. Holder (as defined below), except to the extent discussed in "*—Additional Notes*" and "*—Foreign Account Tax Compliance,*" and does not address the effects of other U.S. federal tax laws, such as estate and gift tax laws, or any state, local or foreign tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), Treasury regulations promulgated thereunder ("*Treasury Regulations*"), judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "*IRS*"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the Notes.

This discussion is limited to holders who hold the Notes as "*capital assets*" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "*issue price*" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons liable for the alternative minimum tax;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts and regulated investment companies;
- brokers, dealers and traders in securities;
- "*controlled foreign corporations,*" "*passive foreign investment companies,*" and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations and governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "*U.S. Holder*" is a beneficial owner of a Note that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "*United States persons*" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING THE MEDICARE CONTRIBUTION TAX ON NET INVESTMENT INCOME AND ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Characterization of the Notes

We may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Notes (as described under "*Description of Notes—Withholding Taxes*") or make additional payments in redemption of the Notes in addition to their stated principal amount and accrued interest (as described under "*Description of Notes—Change of Control Triggering Event*"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts, or making additional payments in redemption of the Note, does not result in the Notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. This position will be based in part on our determination that, as of the date of the issuance of the Notes, the possibility that additional amounts will have to be paid is a remote or incidental contingency within the meaning of the applicable Treasury Regulations.

Our determination that the Notes are not contingent payment debt instruments is binding on a U.S. holder, unless the U.S. holder explicitly discloses to the IRS on its tax return for the year during which such U.S. holder acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a position contrary to that described above, a U.S. holder may be required to accrue interest income on its Notes based upon a comparable yield, regardless of its method of accounting. The "*comparable yield*" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Notes generally would be recharacterised as ordinary income. Each U.S. holder should consult its own tax advisor regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Effect of the IPO Pushdown Provisions

In the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of Notes—IPO Pushdown*," such change in the Issuer could result in a deemed exchange of the Notes for "*new*" Notes for U.S. federal income tax purposes. In such event, U.S. Holders generally would recognize any gain on such exchange (although any loss could be disallowed), and the Notes could be treated as issued with original issue discount for U.S. federal income tax purposes.

Payments of Stated Interest

Subject to the foreign currency rules discussed below with respect to the Euro Notes, payments of stated interest on a Note (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

Payments of interest on the Euro Notes will be denominated in euro. If you use the cash method of accounting for U.S. federal income tax purposes, you will be required to include in income (as ordinary income) the U.S. dollar value of the interest received on the Euro Notes, determined by translating the euro received at the spot rate on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment, but may recognize exchange gain or loss attributable to the actual disposition of the euros so received.

If you use the accrual method of accounting for U.S. federal income tax purposes (or you are otherwise required to accrue interest prior to receipt), you may determine the amount of income recognized with respect to interest received on the Euro Notes in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period;
- the last day of the portion of the accrual period within the applicable taxable year if the accrual period straddles your taxable year; or
- the date the stated interest payment is received if such date is within five business days of the end of the accrual period.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisor as to the advisability of making the above election.

Whether or not such election is made, upon receipt of an interest payment on a Euro Note (including, upon the sale of a Euro Note, the receipt of proceeds which include amounts attributable to accrued but unpaid interest previously included in income), you will recognize U.S. source ordinary income or loss in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment. This exchange gain or loss will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. Stated interest income on a Note generally will constitute foreign source income and generally will be considered "*passive category income*" in computing the foreign tax credit. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount attributable to accrued but unpaid stated interest, which will be taxable as such to the extent not previously included in income as described above under "*—Payments of Stated Interest*") and such U.S. Holder's adjusted tax basis in the Note. The amount realized by a U.S. Holder is the sum of the cash plus the fair market value of all other property received on the sale or other taxable disposition. If a U.S. Holder receives foreign currency on such sale or other taxable disposition, the amount realized will generally be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss. A U.S. Holder's adjusted tax basis in a Note will generally be its cost for the Note. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the purchase price determined based on the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such U.S. Holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. Holder.

Gain or loss recognized on the sale or other taxable disposition of a Euro Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Euro Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. Holder's euro purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. Holder disposes of the Euro Note, and the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note, translated at the spot rate of exchange on the date the U.S. Holder purchased such Euro Note. In addition, upon a sale or other taxable disposition of a Euro Note, a U.S. Holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*—Payments of Stated Interest.*" However, upon a sale or other taxable disposition of a Euro Note, a U.S. Holder will recognize any exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Gain or loss a U.S. Holder recognizes on the sale or other taxable disposition of the Notes in excess of exchange gain or loss attributable to such disposition generally will be U.S. source capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if a U.S. Holder has held the Notes for more than one year. For non-corporate U.S. Holders, long-term capital gains are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. A U.S. Holder should consult its own tax advisor regarding the deductibility of capital losses in its particular circumstances.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of interest on the Notes and to the proceeds of the sale or other disposition (including a redemption or retirement) of a Note paid to a U.S. Holder, unless such U.S. Holder is an exempt recipient and, when required, provides evidence of such exemption. A U.S. Holder that is not an exempt recipient may be subject to U.S. federal backup withholding at the applicable rate with respect to payments on the Notes and the proceeds of a sale or other taxable disposition of the Notes, unless the U.S. Holder provides its taxpayer identification number to the respective Paying Agent and certifies on IRS Form W-9, under penalties of perjury, that it is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding withheld from a payment to a U.S. Holder may be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is furnished to the IRS in a timely manner.

Additional Notes

The Issuer may issue Additional Notes, as described under "*Description of Notes.*" These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have been issued with original issue discount for U.S. federal income tax purposes, which may adversely affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirement

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "*specified foreign financial assets*" with an aggregate value in excess of certain thresholds generally are required to file an information report with respect to such assets with their tax returns on IRS Form 8938 (Statement of Specified Foreign Financial Assets). Failure to file IRS Form 8938 may subject the holder to substantial penalties, and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

Foreign Account Tax Compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "*FATCA*"), a "*foreign financial institution*" may be required to withhold U.S. tax on certain "*foreign passthru payments*" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining foreign passthru payments are filed with the Federal Register generally would be "*grandfathered*" from FATCA unless "*materially modified*" (for U.S. federal income tax purposes) after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after expiration of the grandfather period. However, if Additional Notes are issued after the expiration of the grandfather period in other than a "*qualified reopening*" (as defined in applicable Treasury Regulations) and are not distinguishable from the original Notes, then withholding agents may treat both the original Notes and Additional Notes as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Under such intergovernmental agreements, the Issuer may be required to report certain information regarding investors to tax authorities in a non-U.S. jurisdiction, which information may be shared with taxing authorities in the United States. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes, it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. If such payments are subject to withholding or deduction, the Guarantor may be required to pay additional amounts so that the net amount received is no less than the amount which would have been received in the absence of such withholding or deduction (subject to certain exceptions) as described under "*Description of Notes—Withholding Taxes*."

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Initial Purchasers, Deutsche Bank AG, London Branch, Merrill Lynch International (with respect to the Euro Notes), BofA Securities, Inc. (with respect to the Dollar Notes), Barclays Bank PLC, HSBC Bank plc, Mizuho Securities Europe GmbH (with respect to the Euro Notes), Mizuho Securities USA LLC (with respect to the Dollar Notes), UniCredit Bank AG and Blackstone Advisory Partners L.P.

Each of the Issuer, the Guarantors and the Initial Purchasers will enter into a purchase agreement to be dated on or about 2019 (the "*Purchase Agreement*") or one or more accession agreements to the Purchase Agreement, as applicable, pursuant to which the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase from the Issuer, the entire principal amount of the Dollar Notes and the Euro Notes. The obligations of the Initial Purchasers under the Purchase Agreement, in addition to their agreement to purchase the Notes from the Issuer, are several and not joint.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, amongst other conditions, the delivery of certain legal opinions by their counsel.

The Notes will initially be offered at the respective prices indicated on the cover page of this Offering Memorandum. After the initial offering, the offering price and other selling terms of each series of the Notes may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may make offers and sales in the United States through certain of their respective affiliates. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. The Initial Purchasers may offer and sell the Notes through certain of their affiliates or through registered broker dealers.

To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority.

The Purchase Agreement provides that the Issuer and each Guarantor will indemnify the Initial Purchasers against certain liabilities, including certain liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling 40 days after the closing of the Offering without the prior written consent of Deutsche Bank AG, London Branch, and with respect to the Euro Notes only, without the additional prior written consent of Merrill Lynch International and with respect to the Dollar Notes, without the additional prior written consent of BofA Securities, Inc.

The Notes have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act, and (ii) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act; provided that investors resident in a Member State of the European Economic Area are not retail investors (as defined herein). Terms used above have the meanings given to them by Rule 144A and Regulation S under the U.S. Securities Act.

In connection with sales outside the United States, the Initial Purchasers will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued. The Initial Purchasers will send to each distributor, dealer or person to whom it sells such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the later of the commencement of this Offering or the date the Notes are originally issued, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act.

Each Initial Purchaser has represented that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of section 21 of FSMA, received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

New Issue of Notes

The Notes and the Guarantees are a new issue of securities for which there currently is no market. Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. The Initial Purchasers (or persons acting on their behalf) have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so, and may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act, and may be limited. Accordingly, there can be no assurance as to the liquidity of or the trading market for the Notes. See "*Risk Factors—Risks Related to the Notes and Our Structure—The Notes may not become, or remain, listed on the Official List of the Exchange*."

Price Stabilization and Short Positions

In connection with the issue of the Notes, Deutsche Bank AG, London Branch (the "*Dollar Notes Stabilisation Manager*") and Deutsche Bank AG, London Branch (the "*Euro Notes Stabilisation Manager*"), or persons acting on their respective behalf, may purchase and sell the respective series of Notes in the open market. These transactions may include over-allotment, stabilising transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilising or covering transaction to cover short positions. These transactions may be effected in the over the counter market or otherwise.

These activities may stabilise, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilisation Managers to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilisation Managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes.

Initial Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be U.S. business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "*T+* "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or their respective affiliates have performed commercial and investment banking and advisory services for the Issuer, the Target, the Guarantors and their subsidiaries and affiliates from time to time for which they have received customary fees and expenses. The Initial Purchasers and their affiliates may, from time to time, engage in transactions with, and perform services for, the Issuer, the Target, the Guarantors and their subsidiaries and affiliates in the ordinary course of their business. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes. Certain of the Initial Purchasers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

Certain of the Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Target or their affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer or the Target routinely hedge their credit exposure to the Issuer or the Target consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

A portion of the proceeds from the Notes in this Offering will be used to repay existing indebtedness under our existing senior facilities agreement and our Senior Facilities Agreement. Certain of the Initial Purchasers or their affiliates acted as mandated lead arrangers or lenders under these agreements, and thus they may receive funds in payment thereof on a pro-rata basis from the proceeds of the Offering as part of the Transactions. Certain of the Initial Purchasers and their respective affiliates may also act in one or more agency roles under these agreements. One or more of the Initial Purchasers may sell through affiliates or other appropriately-licensed entities for sales for the Notes in jurisdictions where they are otherwise not permitted. Certain of the Initial Purchasers or their respective affiliates may also hold securities of the Target that may be purchased with the proceeds from the Notes.

Blackstone Advisory Partners L.P., one of the Initial Purchasers, is an affiliate of Blackstone, and therefore an affiliate of the Issuer. See "*Certain Relationships and Related Party Transactions—Other Relationships.*"

KIRKBI Invest A/S, an affiliate of the Issuer, intends to purchase from the Initial Purchasers up to 20 per cent. of the Notes on the same terms as the Notes are sold by the Initial Purchasers to other investors. We understand that under the terms of the Indenture, Notes held by KIRKBI Invest A/S will be considered as though not outstanding in determining whether the holders of the required principal amount of Notes have concurred in any waiver or consent requiring consent of the holders of a majority in aggregate principal amount of the Notes. In addition, KIRKBI Invest A/S is a lender under the Senior Facilities Agreement and will receive customary fees in respect thereof. See "*Certain Relationships and Related Party Transactions—Other Relationships.*"

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY

Set out below is a summary of certain limitations on the enforceability of the security and guarantees in certain of the jurisdictions in which security and/or guarantees are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organisation of a future Guarantor. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Guarantees.

Also set out below is a brief description of certain aspects of insolvency law in England and Wales, Ireland, Denmark, the European Union, Germany, Italy and the United States. In the event that any one or more of the Issuer, the Guarantors or any other of the Issuer's subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

England and Wales

Following a national referendum in June 2016, the United Kingdom exercised its right pursuant to Article 50 of the Treaty on the European Union to initiate a process to withdraw from the European Union. Please note that the information contained in this section will be subject to change in light of the arrangements to be put in place to effect the United Kingdom's withdrawal from the European Union. As such arrangements have not yet been determined, the following section outlines the relevant insolvency law considerations in England and Wales as of the date of this Offering Memorandum.

Certain Guarantors are incorporated under English law and, in accordance with the terms and conditions of the Indenture and the Notes, are obliged to grant certain fixed and floating security interests in respect of the Notes and its Guarantees (the "*English Guarantors*").

Therefore, any insolvency proceedings with respect to the English Guarantors would likely proceed under, and be governed by, English insolvency laws. However, pursuant to Regulation (EU) 2015/848 of May 20, 2015 (the "*Recast Insolvency Regulation*"), where a company incorporated under English law has its centre of main interests ("*COMI*") in a member state of the EU other than the U.K., then the main insolvency proceedings for that company may be opened in the member state in which its COMI is located and be subject to the laws of that member state (see "*—European Union*" below). and English courts (or the courts of other parts of the United Kingdom) will only have jurisdiction to open secondary insolvency proceedings with respect to the English Guarantors if they are found to have an establishment in England and the effects of those proceedings will be limited to the assets of the English Guarantors located in England.

The UNCITRAL Model Law on Cross-Border Insolvency (the "*Model Law*") (which has been implemented in the United Kingdom by the Cross-Border Insolvency Regulations 2006 and in a number of other jurisdictions), provides for recognition of insolvency proceedings in other jurisdictions as either foreign main or foreign non-main proceedings. English insolvency proceedings in relation to the English Guarantors may be recognized as foreign main proceedings in other jurisdictions which have implemented the Model Law if the English Guarantors have their respective COMI in England. If the English Guarantors are found to have their respective COMI in a place other than England, the English insolvency proceedings may only be afforded recognition as foreign non-main proceedings provided that the English Guarantors are found to have an establishment in England (meaning that it has a place of operations in England and carries out non-transitory economic activities with human means and assets or services). In that case, the main insolvency proceedings with respect to the English Guarantors will occur in the place in which the English Guarantors are found to have their respective COMI.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the English Guarantors experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Notes are secured by security interests over the Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against the English Guarantors and the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on English guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the English Guarantee and/or the Collateral securing the Notes and the English Guarantee and therefore may limit the amounts that investors may receive in an insolvency of the English Guarantors.

Administration

The U.K. Insolvency Act 1986 (the "*Insolvency Act*") empowers English courts to make an administration order in respect of a company incorporated under the laws of England and Wales or a company with its COMI in England and Wales in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a qualifying floating charge (for further detail on what constitutes a qualifying floating charge, see "*—Administrative Receivership*" below) where the floating charge has become enforceable, may also appoint an administrator through an out of court process, subject to certain exceptions pursuant to the Insolvency Act. Note that different procedures apply according to the identity of the appointor.

The purpose of an administration comprises three objectives, each of which must be considered to determine whether it is reasonable to put the company into administration: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "*—Onset of Insolvency*" below). An administrator must attempt to achieve the objectives of administration in order, unless he thinks it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the third objective unless he thinks either the first or the second objective is unachievable and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or the permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if the English Guarantors were to enter into administration, the Notes, the English Guarantee and the Collateral, as applicable, could not be enforced while the relevant company was in administration without the permission of the court or consent of the administrator. We cannot assure you that the Security Agent, as applicable, would obtain such permission of the court or consent of the administrator.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realise their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "*Financial Collateral Regulations*"). If an English company were to enter administration, it is possible that, to the extent such security is not a financial collateral arrangement, the security granted by it or the guarantee granted by it would not be enforceable while it is in administration without leave of the court or consent of the administrators (although a demand for payment could be made under a guarantee granted by it).

Administrative Receivership

If a company grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrator using the out of court process. That party will also be able to appoint an administrative receiver if the security document pre-dates 15 September 2003 or the qualifying floating charge falls within one of the exceptions under the Insolvency Act (as amended by the Enterprise Act 2002) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (a) states that the relevant statutory provision applies to it (paragraph 14 of Schedule B1 of the Insolvency Act); (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant company and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, and generally includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

Liquidation/Winding-Up

Liquidation is a company dissolution procedure under which the assets of a company (to the extent that they are not subject to any security interest) are realised and distributed by the liquidator to those creditors whose claims are not satisfied by any permitted enforcement of their security interest (if any) on a *pari passu* basis, subject to any contractual subordination (or similar) provisions in the statutory order of priority prescribed by the Insolvency Act. See "*—Onset of Insolvency*." There are two forms of winding-up: (a) compulsory liquidation, by order of the court and (b) voluntary liquidation, by resolution of the company's members. The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place is subject to some degree of control by the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the member's resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or shareholder of the company, to apply for a stay. This is important because it means secured creditors can go ahead and enforce their security.

Scheme of Arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors) provided that such company (i) is liable to be wound up under the Insolvency Act and (ii) has a "sufficient connection" to England and Wales.

Both the English Guarantors and a foreign Guarantor may be able to pursue a scheme in respect of their financial liabilities provided such entities are liable to be wound up under the Insolvency Act and have a "sufficient connection" to England. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, among other things, the company's COMI is in England and Wales, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers whether or not to sanction a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favour of the proposed scheme, irrespective of the terms and approved thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made to the scheme or reject the scheme.

Priority of Claims on Insolvency

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realise the assets of the insolvent company and to distribute the cash realisations made from those assets to its creditors. Under the Insolvency Act and the Insolvency (England and Wales) Rules 2016, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realisation of the insolvent company's property is applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

- *First ranking:* holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only to the extent the realizations from those secured assets or with respect to the asset in which they have a proprietary interest account for the relevant indebtedness;

- *Second ranking:* expenses of the insolvent estate incurred during the relevant insolvency proceedings (there are statutory provisions setting out the order of priority in which expenses are paid);

- *Third ranking:* preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally;

- *Fourth ranking:* holders of floating charge security, to the extent of the realizations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;

- *Fifth ranking*:
  - firstly, provable debts of unsecured creditors and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
  - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. This however does not include "currency conversion" claims following the English Supreme Court Lehman Brothers ruling dated 17 May 2017; and
- *Sixth ranking:* shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

Prescribed Part

An insolvency practitioner of the company (e.g. administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "*Prescribed Part*"). Under current law, this ring-fence applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000 (although this cap is expected to increase to £800,000 in the future). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available for any shortfall claims of secured creditors. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Guarantors' assets at the time that the floating charges are enforced will be a question of fact at the time.

Avoidance of Transactions

There are circumstances under English insolvency law in which the granting by an English company of security and/or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the security and/or guarantee. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest and/or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; or (d) the husband, wife or civil partner of a relative of the individual.

A party is associated with a company if they are employed by that company.

A company is associated with another company if (a) the same person has control of both companies, (b) a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other or (c) if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by an English company include the following described below.

Transactions at an Undervalue

Under section 238 of the Insolvency Act, a liquidator or administrator of an English company could apply to the court for an order to set aside a transaction, for example the creation of a security interest or a guarantee, (or give such other relief as the court thinks fit for restoring the position to what it otherwise would have been) where the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction the English company is unable to pay its debts or becomes unable to pay its debts as a result (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years ending with the onset of insolvency from the date of the transaction. A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company.

However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person, in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings. See "—*Connected Persons*."

Preference

Under section 239 of the Insolvency Act, a liquidator or administrator of an English company could apply to the court for an order to set aside a transaction, for example the creation of a security interest or a guarantee, (or give such other relief as the court thinks fit for restoring the position to what it otherwise would have been) where the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the English company is unable to pay its debts at the time of the transaction or becomes unable to pay its debts as a result (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company gives the preference ending with the onset of insolvency. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, for the court to determine a preference, it must be shown that the English company was influenced by a desire to produce the preferential effect. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction.

In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such influence. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith, for value without notice of the relevant circumstances, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith, for value without notice of the relevant circumstances to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the English company.

Transactions Defrauding Creditors

Under section 423 of the Insolvency Act, where it can be shown that a transaction was at an undervalue, was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, and one or more of the criteria set out in the applicable provisions of the Insolvency Act is satisfied the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (and is not therefore limited to liquidators or administrators) and, subject to certain conditions, the U.K. Financial Conduct Authority and the U.K. Pensions Regulator. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third party in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless such person was a party to the transaction.

Extortionate Credit Transactions

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions up to three years before the day on which the company entered into administration or went into liquidation. A credit transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Avoidance of Floating Charges

Under section 245 of the Insolvency Act, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge created in favour of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction, will be invalid, except to the extent of the value of: (a) the money paid to; (b) the goods or services supplied to; or (c) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "*Consideration*"). The requirement for an English company to be unable to pay its debts at the time of granting the floating charge or becoming insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid by operation of law. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, whether the relevant English company is solvent or insolvent at the time of grant.

If the floating charge constitutes a "security financial collateral agreement" under the Financial Collateral Regulations then the floating charge will not be subject to challenge as described in the paragraph above.

Fixed Versus Floating Charges

There are a number of ways in which fixed charge security has an advantage over floating charge security, namely: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash (or use cash subject to a floating charge), to meet certain, statutory administration expenses (which can include the costs of continuing to operate the business of the charging company) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallised at the time the fixed charge was granted); (c) general costs and expenses (including the remuneration of the insolvency officeholders) properly incurred in a winding-up or administration are generally payable out of the assets of the charging company (including the assets that are the subject of the floating charge) in priority to floating charge claims (the same does not apply to fixed charge assets); (d) until the floating charge security crystallises, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) there are particular insolvency "clawback" risks in relation to floating charge security; (f) floating charge security is subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims and certain unpaid pension contributions) where the floating charge is not a security financial collateral arrangement and subject to the ring-fencing of the Prescribed Part for unsecured creditors; and (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. With prior approval of the court, an administrator may deal with property subject to a fixed charge provided that disposing of the property is likely to promote the administration's purpose and that the administrator apply the gross proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterised as floating security interests: (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings and (b) it is possible that any purported floating charge security may no longer relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge." See also "*—Administrative Receivership*."

Disclaimer

An English liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on a company that may be detrimental to creditors. However, this power does not apply to an executed contract, nor can it disturb accrued rights and liabilities.

Limitation on Enforcement

The grant of a Guarantee or Collateral by the English Guarantors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is a risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the English Guarantors in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the English Guarantors by virtue of entering into the proposed transaction. Section 172 of the Companies Act provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Guarantors for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act, any security (including security not governed by English law) granted by a company (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21-day period, will be deemed to be void against a liquidator, administrator or a creditor of the company.

In the event that the relevant security document is not registered, the company may be required to enter into a new security document and register it with Companies House within 21 days of its creation.

Alternatively, it may be possible to apply to the English courts for an order allowing the charge to be registered after the 21-day period has expired. An application for such an order can be made by the company or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security granted by non-English companies over assets in England and Wales does not need to be registered with the Registrar of Companies at Companies House (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by a company are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act.

Security Over Shares

Security over shares granted by the English Guarantors or over shares of the English Guarantors are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favour of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Security Over Bank Accounts

With respect to any security over bank accounts (each an "*Account Charge*") granted by the English Guarantors, the banks with which some of those accounts are held (each an "*Account Bank*") may hold a right at any time (at least prior to them being notified of a crystallisation event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that guarantor.

As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallised and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the English Guarantors) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder must convert all foreign currency denominated proofs of debt into sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Company Voluntary Arrangements

Pursuant to Part I of the Insolvency Act, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reducing of the company's debts. Provided that the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, and no more than 50% (by value) of unconnected creditors may vote against it. Secured debt cannot be voted in a company voluntary arrangement. However, a secured creditor may vote to the extent that it is undersecured. A secured creditor who proves in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security.

There is no automatic statutory moratorium that applies in respect of a company subject to a company voluntary arrangement. However, where a company voluntary arrangement is proposed in respect of a "small company" (as defined in sections 382 and 465 of the Companies Act) such company may be eligible to apply for a moratorium to stay creditor actions against the company while it is subject to the company voluntary arrangement.

A small company subject to a proposed company voluntary arrangement will be eligible to apply for a moratorium if it satisfies two out of three of the qualifying conditions laid down by sections 382 and 465 of the Companies Act. These three conditions are as follows:

(a) the company has a turnover no greater than £10.2 million;

(b) the company's balance sheet assets are no greater than £5.1 million; and

(c) the company has no more than 50 employees.

Government Proposal for Changes

In August 2018, the U.K. government proposed a number of substantial changes to the U.K. insolvency regime. It is not yet known when the proposals will be introduced, but the Government have indicated that they will bring forward legislation as soon as parliamentary time permits. The proposals include the following:

Moratorium Proposal

The Government proposed a new stand-alone moratorium to facilitate company restructurings.

The Government intends that entry into a moratorium will be similar to the current out-of-court administrator appointment procedure i.e. filing papers at court. A "moratorium monitor" (the "*Monitor*") (an insolvency practitioner and officer of the court) will file their consent to act and confirm that they have assessed the company's eligibility and that all moratorium qualifying conditions are satisfied. Costs incurred during a moratorium will be treated in the same way as expenses in an administration. Where a company exits a moratorium and subsequently enters administration or liquidation, any unpaid moratorium costs will have super-priority over any costs or claims in the administration or liquidation, including the expense of those later procedures.

The moratorium is intended to enable the company to reach an agreement with creditors and the Monitor will be expected to access whether, on the balance of probabilities, a rescue deal is more likely than not to be achieved.

Eligibility for the moratorium will exclude companies that are already insolvent. The qualifying test will be one of prospective insolvency, based upon the requirement that a company will become insolvent if action is not taken, and it will be for the proposed Monitor to assess whether the criterion is met. The Government proposed that a company which has entered into a moratorium, administration or company voluntary arrangement on the last twelve months should not qualify for a moratorium. In addition, it is proposed that certain of the categories of companies currently excluded from the small companies company voluntary arrangement moratorium (see "—*Company Voluntary Arrangements*" above) (including those "excluded" as parties to capital markets arrangements) will be ineligible. A company must also have sufficient funds available to carry on its business during a moratorium, meeting current obligations as and when they fall due as well as any new obligations incurred in the moratorium.

The Government's proposal allows the moratorium to last for an initial period of 28 days, which may be extended for a further 28 days by the company. Where an extension is proposed, the Monitor must confirm that the qualifying conditions continue to be met. Further extensions (beyond 56 days) will be available but may only be done where there remains a good prospect of achieving a better outcome for creditors than might otherwise be possible. Such extensions must be approved by creditors, both secured and unsecured. The required threshold for approval will be more than 50% of secured and 50% of unsecured creditors (both by value).

The Government intends to allow creditors to challenge the moratorium, whether on the grounds of the qualifying conditions not being met (or the company being ineligible) or unfair prejudice to creditors, at any time during the moratorium. Where the Monitor concludes that a company no longer meets the qualifying conditions, the company will be required immediately to commence termination of the moratorium.

The Government proposed a repeal of the existing small companies company voluntary arrangement moratorium (see "—*Company Voluntary Arrangements*" above).

Ipso Facto Clauses to be Prohibited

The government proposed a prohibition on the enforcement of termination clauses by a supplier in contracts for goods and services which are based on a formal insolvency procedure. It has also indicated that certain types of financial products and services shall be exempt from the prohibition, but the scope and details of the exemptions are not yet available.

Restructuring Plan Proposal

The Government also proposed the creation of a new restructuring process, similar to a scheme of arrangement but with an ability for cross-class cramdown.

This standalone restructuring option will be available to all companies except those eligible for the small companies company voluntary arrangement moratorium (see "—*Company Voluntary Arrangements*" above) and certain financial market participants. The process will closely resemble that of schemes where a restructuring plan proposal will be sent to creditors and shareholders and filed at court. The restructuring plan proposal has no financial eligibility criteria and will therefore be available as an option to both solvent and insolvent companies (in the latter case, the plan would be proposed by the incumbent insolvency practitioner).

At a first hearing, the court will examine the classes of creditors and shareholders as defined by the company. Challenges to classes can be made at the first court hearing, in addition to creditors being able to put forward counter-proposals, which can be voted on by creditors (and shareholders). Subject to the requisite voting thresholds being met and the rules for imposing a cross-class cram down being complied with, the court will schedule a second hearing. At a second hearing, the court will consider if the necessary requirements have been met and will decide whether the restructuring plan is to be permitted and, as a result, binding on affected creditors and shareholders. Necessary information is likely to be included in a form of explanatory statement (similar to that used in schemes).

A restructuring plan confirmed by the court will be binding on all affected parties. Parties' rights following confirmation of a restructuring plan will be as provided for in the plan and any previous rights will be extinguished. If a company subsequently entered an insolvency procedure after the failure of a restructuring plan, the rights and claims of any creditors bound by the failed plan would be as set out in the plan. Any debt forgiveness would therefore be binding in the subsequent insolvency.

The restructuring plan will allow cross-class cramdown on both secured and unsecured creditors. The voting threshold requires 75% by value of those creditors voting in each class to vote in favour of a restructuring plan.

There is also an additional provision that more than half of the total value of unconnected creditors vote in favour. There is no numerosity requirement but at least one class of impaired creditors (that is, creditors who will not receive payment in full under the restructuring plan) class must vote in favour, for cross-class cramdown to be confirmed by the court.

In addition, there will also be an absolute priority rule whereby a dissenting class of creditors must be satisfied in full before a more junior class may receive any distribution. However, there will be sufficient flexibility to allow departure from this rule (with the court's sanction) where the departure is vital to agreeing an effective and workable restructuring plan.

The court's discretion on absolute priority will be in addition to its general discretion to sanction a plan on just and equitable grounds. In an effort to avoid valuation disputes, there will be a flexible valuation test based on the 'next best alternative' for creditors. This is intended to differentiate the situations where administration (and a higher return) might be feasible from those cases where liquidation would only be the likely alternative.

Prescribed Part Proposal

The Government proposed an increase in the current £600,000 cap on the Prescribed Part to reflect the effect of inflation since 2003.

Republic of Ireland

Insolvency

The Issuer is incorporated under the laws of Ireland and has its registered offices in Ireland. Under the Recast EU Insolvency Regulation, the Issuer's centre of main interest ("*COMI*") is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer has not moved its registered office within the three months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute "*proof to the contrary*" regarding the location of a company's COMI, the key decision is that in *Re Eurofood IFSC Ltd* ([2004] 4 IR 370 (Irish High Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "*factors which are both objective and ascertainable by third parties*" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

If the Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

Irish insolvency laws and other limitations could limit the enforceability of any security interest granted by the Issuer. The following is a brief description of certain aspects of Irish insolvency laws relating to certain limitations on security interests in respect of the Notes, insofar as they are provided by the Issuer.

The application of these laws could adversely affect the ability of a holder of Notes to enforce their rights under the Collateral securing the Notes and limit any amounts that such holder of Notes may receive.

Fixed and Floating Charges

Under Irish law, there are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an examiner appointed to the charging company can deal with floating charge assets; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under Irish insolvency law (please see "*—Challenges to Guarantees and Security—Grant of Floating Charge*"); and (f) floating charge security is subject to the claims of preferential creditors in a winding-up (such as certain taxes, occupational pension scheme contributions and salaries owed to employees subject to a cap per employee) and holiday pay owed to employees.

Under Irish law there is a possibility that a court could re-characterise fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labelled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents. In addition, to the extent that any of the assets which are expressed to be subject to a fixed charge are not specifically identified, the court may hold that such assets are, in fact, subject to a floating charge.

Preferred Creditors Under Irish Law

Under Section 621 (*Preferential Payments in a winding up*) ("*Section 621*") of the Companies Act 2014 of Ireland (the "*Irish Companies Act*"), in a winding-up of an Irish company certain preferential debts are required to be paid in priority to all debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for the payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge. Section 621 was amended by the Companies (Accounting) Act 2017 of Ireland (with effect from 9 June 2017) with the effect that a charge created as a floating charge by a company will continue to rank as a floating charge on a winding-up of that company, even if that floating charge has crystallised.

Under Section 440 (*Preferential Payments when receiver appointed under floating charge*) of the Irish Companies Act, the holder of a floating charge, or a receiver appointed by such a holder, who takes possession of property subject to the floating charge when the company is not in the course of being wound up, is required to pay the preferential debts out of that property in priority to principal and interest secured by the floating charge. Such preferential debts would comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the Irish Revenue Commissioners for income/

corporation/capital gains tax, value added tax (VAT), employee-related taxes, social security and pension scheme contributions and liquidation. In addition, there is a further limited category of super-preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super-preferential claims include the remuneration, costs and expenses properly incurred by any examiner of the company which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment that have been approved by the Irish courts, (see *"—Examinership"* below) and any capital gains tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession as well as, in certain circumstances, PAYE and VAT arrears where a fixed charge over book debts is created.

Furthermore, and as referred to above (see "*Fixed and Floating Charges"*), in the case of the application of moneys arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator's fees will take priority over the claims of floating chargeholders in respect of relevant assets.

Examinership

Examinership is a court procedure available under the Irish Companies Act to facilitate the survival of the whole or part of an Irish company the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. In circumstances where an Irish company is or is likely to be unable to pay its debts, then that company, the directors of that company, a contingent, prospective or actual creditor of that company, or shareholders of that company holding, at the date of presentation of the petition, not less than one-tenth of the paid-up voting share capital of that company are each entitled to petition the court for the appointment of an examiner to that company. Provided the company can demonstrate its survival (and all or part of its undertaking) as a going concern, and can satisfy certain tests, the Irish company may be placed under the protection of the relevant Irish court for a period of time whilst its affairs are investigated by an independent examiner whose function is to see whether the company is capable of being rescued and to supervise the restructuring process.

Where the relevant Irish court appoints an examiner to a company, it may, at the same or any time thereafter, make an order appointing the examiner to be examiner for the purposes of the Irish Companies Act to a related company of such company. Once confirmed by the relevant Irish court the scheme is binding on the company and all its members and creditors. During the protection period the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the relevant Irish court.

Once appointed an examiner must, as soon as practical, formulate proposals for a compromise or scheme of arrangement in relation to the company to which he has been appointed. Typically, a scheme of arrangement will involve the writing down of creditors' claims (both secured and unsecured, contingent and actual) that are in existence at the date of the petition and the introduction into the company of new funds. The examiner has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets of the company which are the subject of security. Where such assets are the subject of a fixed security interest, the examiner must account to the holders of the fixed security interest for the amount realized and discharge the amount due to the holders of the fixed security interest out of the proceeds of the sale.

Having formulated his proposals, he must convene meetings of such classes of members and creditors as he thinks proper to consider acceptance of his proposals. The examiner must report to the Court on the outcome of his meetings within 35 days of his appointment, although the 35 day period can be extended by the Court. There is acceptance by creditors or by a class of creditors when a majority in number representing a majority in value of the claims represented at the meeting vote in favour of the proposals. The proposals must be confirmed by the Court if they are to become effective and the Court can confirm the proposals only if, *inter alia*:

(a) at least one class of creditors whose interests or claims would be impaired by implementation of the proposals have accepted them;

(b) the Court is satisfied that the proposals are fair and equitable in relation to any class of members or creditors that has not accepted them and whose interests and claims would be impaired by implementation; and

(c) they are not unfairly prejudicial to the interests of any interested party.

Once confirmed by the Court, the proposals become binding on the company and all creditors (whether secured or unsecured) or the class or classes of creditors (whether secured or unsecured), as the case may be, affected by the proposals and their rights are accordingly modified. For as long as a company is under the protection of the relevant Irish court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. Section 520 (*Effect of petition to appoint examiner on creditors and others*) of the Companies Act provides, among other things, that except with the consent of the examiner:

- where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the company, no action may be taken to realise the whole or any part of such security;
- no receiver over any part of the property or undertaking of the company shall be appointed (and if a receiver was appointed before the petition was presented, that receiver was unable to act); and
- no proceedings for the winding up of the company may be commenced and no resolution for winding up of the company may be passed (and no such resolution passed shall have any effect).

In addition, pursuant to Section 521 (*Restriction on payment of pre-petition debts*) of the Irish Companies Act, no payment may be made by a company during the period of Court protection by way of satisfaction or discharge of the whole or a part of a liability incurred by the company before the date upon which the petition for the examiner's appointment was presented unless the independent expert's report under Section 511 (*Independent expert's report*) of the Irish Companies Act that accompanied the petition recommended that all or part of that liability be discharged or satisfied, or such payment is authorised by the relevant Irish court (on application of the examiner or any interested party) where the relevant Irish court is satisfied that a failure to discharge or satisfy in whole or in part that liability would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern.

Where an examinership petition is presented in relation to a company, that company is deemed to be under the protection of the Court during the period beginning on presentation of the petition and ending 70 days later (which period may be extended by a further 30 days where the Court is satisfied that the examiner would not be able to present his report within 70 days, or by such further unlimited period as the Court may allow where the Court needs more time to consider the proposals contained in the examiner's final report). In the event of an appeal of the Court's decision, the protection period is likely to be further extended in order to allow the determination of the appeal. Furthermore, the relevant Irish court may order that an examiner shall have any of the powers of a liquidator appointed by the relevant Irish court would have, which could include the power to apply to have transactions disclaimed if the related contract amounted to an unfair preference.

Primary Risks for Holders of Notes in an Examinership

The primary risks to the Holders of the Notes, under the laws of Ireland, if an examiner were appointed to the Issuer and where any amounts due under the Notes were unpaid, are as follows: (a) there may be a delay in enforcing the payment obligations of the Issuer of the Notes and of any payment obligations contained in a guarantee given by any other related company subject to the examinership proceedings; (b) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by the Issuer to the Holders of the Notes; (c) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of any payment obligations owed to the Holders of the Notes by a company related to the Issuer; (d) the potential for the examiner to seek to set aside any negative pledge prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund issuer during the protection period; and (e) in the event that a scheme of arrangement is not approved in respect of the Issuer, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by it to the Holders of the Notes.

Challenges to Security

There are circumstances under Irish insolvency law in which the granting by an Irish company of security can be challenged. In most cases this will only arise if an examiner or a liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the security and, in addition, the company was "unable to pay its debts" when the security interest was granted or "unable to pay its debts" within the meaning of the Irish Companies Act as a result.

The following potential grounds for challenge may apply to security interests:

Unfair Preference

Under Irish insolvency law, if an Issuer goes into liquidation, a liquidator may apply to the court to have certain transactions disclaimed if the related contract amounted to an unfair preference. Section 604 (*Unfair preference: effect of winding up on antecedent and other transactions*) of the Irish Companies Act ("*Section 604*") provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a company which is unable to pay its debts as they become due in favour of any creditor of the company or any person on trust for any such creditor, with a view to giving such creditor (or any surety or guarantor of the debt due to such creditor) a preference over the company's other creditors, shall be deemed to be an unfair preference of its creditors and be invalid accordingly if a winding up of the company commences within six months of the doing of the act and the company is, at the date of commencement of the winding up, unable to pay its debts (taking into account contingent and prospective liabilities).

Improperly Transferred Assets

Under Section 608 (*Power of the court to order return of assets which have been improperly transferred*) of the Companies Act ("*Section 608*"), if it can be shown on the application of a liquidator, creditor or contributory of a company which is being wound up, to the satisfaction of the High Court, that any property of that company was disposed of (including a disposal by way of charge, security assignment or mortgage) and the effect of such a disposal was to "*perpetrate a fraud*" on the company, its creditors or members, the High Court may, if it deems it just and equitable to do so, order any person who appears to have "*use, control or possession*" of the property concerned, or of the proceeds of the sale or development of that property, to deliver it or them, or to pay a sum in respect of it to the liquidator on such terms as the High Court sees fit. The ability to use Section 608 to challenge the transfer of assets has been extended to receivers and examiners. Section 608 does not apply to a disposal that would constitute an unfair preference for the purposes of Section 604.

Disclaimer of Onerous Contracts

Under Section 615 (*Disclaimer of onerous property in case of company being wound up*) of the Irish Companies Act, the liquidator of a company may, by the giving of notice, disclaim any onerous property of the company. "*Onerous property*" is defined to include any "*unprofitable contract*" and "*any other property [of the company] which is unsaleable or not readily saleable by reason of its binding the possessor of it to the performance of any onerous act or to the payment of any sum of money*."

Grant of Floating Charge

Under Section 597 (*Circumstances in which floating charge is invalid*) of the Irish Companies Act, a floating charge is invalid if created in the period of twelve months (or two years if created in favour of a "*connected person*") ending with the date of commencement of the winding up of the company, and unless it can be proven that the company was solvent immediately after the creation of the charge. Such invalidity does not apply to money actually advanced or paid or the actual price or value of goods or services sold or supplied to the company at the time or after the creation of, and in consideration for, the charge together with interest at the appropriate rate.

General

If the Issuer becomes subject to Irish law insolvency proceeding and has obligations to creditors that are treated under Irish law as senior relative to the Issuer's obligations to the holders of the Notes, the holders of the Notes may suffer losses as a result of their subordinated status during such insolvency proceeding.

The validity and enforceability of a security interest may also be contested on the basis that it is prohibited under the Issuer's constitution. To the extent that the constitution does not allow such an action, there is the risk that the grant of security may be found to be void and unenforceable.

Further, subject to certain exceptions, under Section 82 (*Financial assistance for acquisition of shares*) of the Companies Act ("*Section 82*"), it is unlawful for an Irish company to give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person or for any shares in the company or its holding company.

As a result, the Notes may only be guaranteed by an Irish company to the extent that it would not result in such guarantee constituting the giving of unlawful financial assistance under Section 82.

Pursuant to Section 1001 of the Taxes Consolidation Act 1997 of Ireland, the holder of a fixed security over book debts of an Irish tax-resident company may be required by notice from the Irish Revenue Commissioners to pay to them sums equivalent to those which the holder thereafter receives in payment of debts due to it by the relevant company. Where the holder of the security has informed the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issue to the holder of a notice from the Irish Revenue Commissioners. The Irish Revenue Commissioners may also attach any debt due to an Irish tax-resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. It is possible that the scope of this right of the Irish Revenue Commissioners may override the rights of holders of security (whether fixed or floating) over the debt in question.

Denmark

The below considerations in respect of Danish law only apply to Danish public limited liability companies (*aktieselskab* or *A/S*) and private public limited liability companies (*anpartsselskab* or ApS) such as the Danish Guarantor (unless otherwise stated).

One of the Guarantors is a company incorporated under the laws of Denmark. Any insolvency proceedings with respect to the Danish Guarantor would be based on Danish insolvency laws. Please note that EU Insolvency Regulation (Council Regulation (EC) no. 1346/2000 on insolvency proceedings) does not apply to Denmark.

Danish insolvency laws may not be as favourable to investors' interests as the laws of the United States or other jurisdictions with which investors are familiar. In the event that the Danish Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Insolvency Proceedings

Bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor, however provided that the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates his business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

A creditor cannot demand that the debtor be declared bankrupt if the creditor's claim is secured by adequate security. In this context, adequate security means a security right expected to provide full coverage for the creditor. If the security is avoidable in bankruptcy or the act of perfection has not been performed, the creditor does not have adequate security.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates its business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

The creditor is not required to have a basis of execution for his claim, e.g. a judgment in a civil case, a settlement in court or a signed debt instrument or mortgage. Further, the creditor's claim does not have to be due for payment to form basis of a petition for bankruptcy. However, the creditor must have a legal interest in the debtor's estate being administered in bankruptcy. As a result, not all claims that have not become due for payment may form basis of a petition for bankruptcy. Depending on the circumstances, an overdraft facility still being in force or a repayment arrangement being observed by the debtor may result in the creditor's petition being rejected. The requirement for legal interest also means that in general the bankruptcy court will reject a creditor's petition for bankruptcy if it is clear in advance that he will not receive any dividend in case of bankruptcy. It should be noted, however, that if there is probable cause to believe that the debtor has made avoidable transactions, the creditor may have the required legal interest in the bankruptcy even if the debtor does not have substantial assets. In that case, the creditor must be able to substantiate the avoidable transactions with some degree of certainty.

A creditor having filed a petition for bankruptcy against a debtor will be liable to pay damages if the debtor suffers a loss or to pay compensation for injury to the debtor's reputation if the bankruptcy conditions, the insolvency requirement, are not fulfilled or if the claim does not exist.

The petitioner must provide security for the expenses relating to the administration of the estate. In practice, the bankruptcy court demands security in the amount of DKK 30,000 (DKK 40,000 if subject to the jurisdiction of the Commercial and Maritime Court). If the debtor has filed the petition for bankruptcy, the security must be provided by the funds of the bankruptcy estate.

Bankruptcy Trustee

One or more trustees are appointed at the discretion of the bankruptcy court; however, in practice the request of the major unsecured and unsubordinated creditors have the decisive influence as another trustee can be appointed at a creditor's meeting.

The trustee is not required to be an attorney, but in practice that is always the case.

The trustee must comply with the disqualification rules of the Danish Insolvency Act. Consequently, the trustee must not be the debtor's related party or depending on the debtor, and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. The bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee. Likewise, any person whom the bankruptcy estate is expected to make claims against, e.g. an avoidance claim or otherwise, will most likely be deemed to have a personal interest in the administration of the estate and would therefore not meet these requirements.

The trustee will make all decisions concerning the administration of the bankruptcy estate, and he represents the estate in every respect. The insolvency court supervises the trustee but is not involved in the actual administration of the estate.

Reconstruction

Reconstruction proceedings may be commenced either at the petition of the debtor or a creditor. The petition for reconstruction must be filed with the bankruptcy court in the district in which the debtor operates his business.

Reconstruction proceedings may only be commenced if the debtor is insolvent (same as described above with respect to bankruptcy). If this criterion is fulfilled, the bankruptcy court will immediately appoint a reconstructor and a restructuring accountant to oversee the reconstruction of the company. The management continues to operate the company, but any material transactions may not be carried out without the prior approval of the reconstructor. Payment of creditors may only be done in accordance with the priority of claims as described below.

The reconstruction of a company must achieve one or more of the following statutory objectives: (1) the reconstruction of the business by means of a compulsory composition; (2) the termination of the business of the company by transferring the business; or (3) any combination of (1) and (2). The aim of a reconstruction is therefore to salvage the business itself, but not necessarily thereby saving the company.

If the reconstruction does not contain at least one of these required elements, the reconstruction will automatically seize and, provided the company is still insolvent, bankruptcy proceedings shall be initiated.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realised and distributed by the liquidator to the creditors and, providing all creditors have been paid in full, the shareholders. In Denmark, liquidation is not an insolvency proceeding, and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter bankruptcy proceedings instead. The decision to liquidate a company is made by the shareholders of the company at a general meeting who also appoint a liquidator. At the end of the liquidation process the company will be dissolved.

Challenges to Guarantees

Certain Avoidance Rules

Under the Danish Insolvency Act, the bankruptcy estate is entitled to under certain circumstances to avoid the debtor's transactions in a reference period preceding the bankruptcy if such transactions have reduced the assets of the estate or otherwise damaged the estate, or if the transactions have favoured certain creditors without observing the ranking of the creditors.

Transactions damaging the estate are for example gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties. Transactions favouring creditors without observing the ranking of creditors are for example payment by unusual means of payment, payments before due date, payments having significantly impaired the debtor's ability to pay or the provision of security for prior debts. Special attention is given to the avoidance rule on security for prior debts and the general avoidance rule in the following paragraphs.

Any security interest created within a three month reference period prior to the bankruptcy and which has not been created prior to, or simultaneously with, the debt obligations which it secures, or which is not perfected without undue delay after the creation of such debt obligations may be subject to an avoidance claim from the estate.

Danish insolvency law operates with a general avoidance rule, which stipulates that an action which unduly benefits a single creditor to the detriment of the other creditors, or whereby the company's assets are prevented from serving the purpose of satisfying the creditors, or whereby the company's debt is increased to the detriment of the creditors, may be declared void if the company was or because of the action became insolvent, and the benefitted party knew or ought to have known about the company's insolvency and the circumstances that made the action improper. Generally, only transactions which are contrary to common norms of correct and decent business behaviour will be deemed improper. Improper behaviour is normally related to a breach of the purpose of insolvency proceedings, which typically is the situation where a creditor should have realised that a given transaction would deprive the other creditors of their right to fulfilment of their claims.

The usual reference period is three months prior to the filing date, which is extended to up to 24 months for transactions with parties closely related to the company, and the general avoidance rule (as described above) provides for a theoretically unlimited avoidance period with respect to improper transactions. The requirement that the company must have been in an uninterrupted insolvent state throughout the entire period does, however, limit the practical length of the reference period.

Legal Position of Unsecured Claims and Priority of Claims

Creditors believing to have a claim against the debtor or the bankruptcy estate must prove their claims and accompany their proofs of claim by adequate documentation. The trustee registers all claims and examines whether they are legitimate and entitle the creditor to receive dividend.

The ranking of creditors is described in the Danish Insolvency Act which determines the order in which claims against the estate or the debtor are settled. All higher ranking claims must be satisfied in full before the next level will be entitled to dividend, i.e. a water fall scheme. The ranking of creditors is as follows:

- Firstly: costs or claims incurred in connection with the bankruptcy proceedings or claims according to agreements upheld by the estate;
- Secondly: reasonable claims in connection with any prior attempted restructuring proceedings;
- Thirdly: claims for wages or salaries payable;

- Fourthly: claims of suppliers for certain indirect taxes;
- Fifthly: unsecured claims (all other claims except for deferred claims); and
- Sixthly: deferred claims (interest, fines, promises of gifts and subordinate loan capital).

Limitation on Enforcement

The Danish Companies Act (*selskabsloven*) contains restrictions on financial assistance by Danish limited liability companies. Danish companies and their foreign subsidiaries can, directly or indirectly, advance funds, grant loans or provide guarantee and/or security in respect of obligations of amongst others, their direct and indirect parent companies. If the relevant shareholder is not a limited liability company incorporated in a jurisdiction which is a member of the EU or European Economic Area or Switzerland, Australia, Canada, Hong Kong, Japan, South Korea, Singapore, Taiwan or U.S., then the following special requirements apply to such financial assistance: (i) the financial assistance is within the distributable reserves and made on ordinary market terms (on an arm's length basis), (ii) the financial assistance must be approved by the shareholders/at a shareholders meeting and cannot exceed such approved amount and (iii) the financial assistance can only be made after the first annual account.

As a general rule, Danish companies and their foreign subsidiaries are prohibited from granting loans and or guarantees or security in connection with the financing or refinancing of the direct or indirect acquisition of their own shares or shares in their direct or indirect parent companies and any such loan, guarantee or security will be invalid and unenforceable. Such financial assistance is only permitted in accordance with certain preconditions and requirements, which include obtaining a credit rating on the recipient of the financial assistance, a report (to be publicised) by the central management body (including providing the reason behind the financial assistance, company's interest, conditions of the transaction, assessment of consequences and price for the shares to be paid by the buyer), a resolution by the general meeting approving the financial assistance. The financial assistance must be within the distributable reserves and made on ordinary market terms (on an arm's length basis).

Corporate Benefit

It is a requirement under Danish law that a guarantor or security provider obtains an adequate corporate benefit from the issuance of a guarantee or the granting of security. This is due to a requirement under Danish law that the management of a company must always ensure a proper management of the company's assets.

Further, the management board and the board of directors of the company is obliged to act in accordance with the company's individual interests, including consideration of the company's financial position, the benefits the company will obtain through and the risks related to the granting of security, assessment of the debtor, securing that the arrangement is on market terms, etc. If such benefit is not obtained, among others, the guarantee or security interest may be null and void. It is not clear under Danish case law to what extent such corporate benefit is established when a subsidiary guarantees and/or secures debt of a direct or indirect parent company.

Contractual Limitations of Guarantees Granted by Guarantors Incorporated in Denmark

To mitigate the above-mentioned financial assistance and corporate benefit issues, a guarantee granted by a Danish guarantor will be limited if and to the extent required to comply with Danish statutory provisions on unlawful financial assistance and non-permitted shareholder loans including, without limitation, Sections 206-212 of the Danish Companies Act. In addition, a guarantee granted by a Danish guarantor may further be limited to a maximum amount equivalent to the higher of the equity (*egenkapital*) of such guarantor (calculated in accordance with the approved accounting principles) at the time of the granting of the guarantee, or at the time payment is requested pursuant to the guarantee.

Consequently, any guarantees and security interests provided by any Danish Guarantor will be subject to restrictions and limitations, which may limit the value of a Guarantee issued by such Danish Guarantor and security interest to avoid a breach of the corporate benefit requirement and to ensure compliance with applicable restrictions on financial assistance.

Ownership

Danish law does not make any distinction between registered and beneficial ownership and if such distinction is made under foreign law the beneficial owner will be deemed the owner under Danish law. It is uncertain whether Danish law recognises the concept of parallel debt structures and the concept of trusts.

Statutes of Limitation

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim and a guarantee in favour of a Danish credit institution may not be enforceable unless a claim has been made under the guarantee within six months after the due date of the guaranteed obligation.

Foreign Currency

Under the Danish Insolvency Act, claims against the estate must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order against the company.

Enforcement of Security Interests Outside Bankruptcy

The parties to a security agreement can include contractually agreed enforcement procedures and, if there are no bankruptcy proceedings, the agreed procedures will be binding on the parties. However, sales of assets may be voidable in a later bankruptcy proceeding if the assets were transferred below market value or if the sale unduly benefits a creditor to the detriment of other creditors.

The agreed enforcement procedures are not binding on third parties such as creditors that have registered an attachment or valid security against the encumbered assets.

Such third-party attachments and rights can only be cleared through a court administered public auction.

In the absence of specifically agreed enforcement procedures, Danish law requires conduct of a public auction in accordance with the Danish Administration of Justice Act (*retsplejeloven*).

Pledges of shares and accounts as well as security assignments of receivables may be enforced without an execution order. However, at least one week prior notice requesting the debtor to pay the secured debt must be given to the pledgor in respect of share pledge and account pledge by registered mail unless a sale is necessary to avoid or reduce a loss. The pre-enforcement notice period can be waived in respect of certain financial collateral arrangements.

Perfection of Security Interests

The collateral governed by Danish law will be granted and perfected, *inter alia*, in favor of the holders of Notes represented by the Security Agent. Rules have been enacted in the Danish Capital Markets Act (*kapitalmarkedsloven*) allowing representatives to hold security on behalf of holders of Notes and the Security Agent may be appointed as representative pursuant to the Danish Capital Markets Act as set out in further detail below. There is not yet any case law relating to this legislation confirming the right of the representative to enforce on behalf of holders of Notes so there is a risk that enforcement may be delayed. Absent perfection or registration of the Security Agent with the Danish Financial Supervisory Authority (*Finanstilsynet*), the holder of the security interest may not be able to enforce its rights in Danish collateral against third parties, including a bankruptcy administrator and other creditors who claim a security interest in the same collateral. Moreover, if perfection occurs only after the occurrence of certain events of default it will entail a hardening period.

Under Danish law, the ranking of security rights is determined by the date on which the relevant act of perfection has been taken, and if a security interest created later in time over that same collateral, but in respect of which the act of perfection is completed prior to perfection of the pre-existing security interest then the security interest created later will have priority.

The Security Agent and the Trustee

The ability of the Security Agent to hold the relevant security interests over the Danish collateral on behalf of holders of Notes pursuant to any security document governed by Danish law as well as the ability of the

Trustee to represent and act on behalf of holders of the Notes may require registration of the Security Agent and the Trustee with the Danish Financial Supervisory Authority.

Under Danish law it is uncertain (i) whether the appointment of the Trustee and the Security Agent to represent and act on behalf of the holders of Notes would be binding in the event of the bankruptcy of a holder of Notes; (ii) whether the Trustee and the Security Agent have and will maintain the capacity to bring proceedings and legal interest in the name or on behalf of the holders of Notes in the event of bankruptcy a holder of Notes; (iii) whether the security and guarantees can be validly granted in favour of the Security Agent as agent and representative on behalf of the holders of Notes; and (iv) whether the holders of Notes can validly waive their rights to exercise their powers independently. As regards the Notes, a Guarantee issued by a Danish Guarantor and any security document expressed to be governed by Danish law, the above concerns regarding the ability of the Security Agent to hold a guarantee and the relevant security interests over collateral on behalf of the holders of the Notes and the ability of the Trustee to represent and act on behalf of the holders of Notes can be addressed by registering the Security Agent and the Trustee with the Danish Financial Supervisory Authority in accordance with the rules set out in Chapter 4 of the Danish Capital Markets Act. No assurance is given that the Security Agent, the Trustee or the Indenture and other documents meet the eligibility criteria for the Security Agent and/or the Trustee to be registered with the Danish Financial Supervisory Authority, that such registration will be obtained or, if obtained, that it will be maintained.

Parallel Debt

There is no established concept of "trust," "trustee" or "parallel debt" under Danish Law and as such these concepts may not be recognised or enforced by Danish courts. Danish law does not make any distinction between registered and beneficial ownership and if such distinction is made under foreign law the beneficial owner will be deemed the owner under Danish law.

European Union

The Issuer and several Guarantors are organised under the laws of Member States of the European Union.

As such, they are subject to Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "*EU Insolvency Regulation*"), which applies within the European Union, other than Denmark, the court which shall have jurisdiction to open insolvency proceedings in relation to a company in the court of the Member State (other than Denmark) where the company concerned has its "*centre of main interests*" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where a company has its "*centre of main interests*" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Furthermore, "*centre of main interests*" is not a static concept and may change from time to time. Article 3(1) of the EU Insolvency Regulation provides that a company's "*centre of main interests*" shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties. There is a rebuttable presumption that the Member State where the company's registered office is, will be its centre of main interest. However the presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for opening insolvency proceedings. The European Court of Justice has ruled in a recent judgment that a debtor company's main centre of interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the centre of the company's main interests is located in that place, shall be irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a Member State other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the abovementioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State. The factors to be taken into account include, in particular, all the places in which it holds assets, in so far as they are ascertainable by third parties. The EU Insolvency Regulations also set out at paragraph 30 of the

Preamble, examples of where a presumption as to a company's "*centre of main interests*" may be rebutted. The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation by reference to each applicable Member State.

If the centre of main interests of a company is and remains located in the Member State (other than Denmark) in which it has its registered office, the main insolvency proceedings in respect of such company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognised in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "*centre of main interests*" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "*territorial proceedings*" only in the event that such debtor has an "*establishment*" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such issuer or guarantor under the EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the lex fori concursus, i.e., the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

In the event that the Issuer or any Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the Guarantors. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organised or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

The European Commission may, from time to time, publish amendments to the EU Insolvency Regulation which, once enacted, might alter the manner in which the test for determining where a company has its "*centre of main interests*" might be applied during the term of the Notes.

Germany

Limitation on Enforcement

Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Sea Life Deutschland GmbH, Madame Tussauds Deutschland GmbH and Dungeon Deutschland GmbH (the "*German Guarantors*") are incorporated in the form of limited liability companies (*Gesellschaft mit beschränkter Haftung*) ("*GmbH*"). Consequently, the granting of the Guarantees by each of the German Guarantors is subject to certain capital maintenance rules under the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—GmbHG*). These provisions would also apply to any future German Guarantor in the form of a GmbH or a partnership with a limited liability company as unlimited liable partner (e.g., GmbH & Co. KG).

Therefore, in order to enable the German Guarantors to grant guarantees securing liabilities of the Issuer without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain "*limitation language*" in relation to subsidiaries, a GmbH or a partnership with a GmbH as an unlimited liable partner incorporated or established in Germany. Pursuant to such limitation language, the enforcement of the Guarantee given by each of the German Guarantors will be limited, reflecting the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act Regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) ("*GmHG*") if and to the extent payments under any such Guarantee would cause a German Guarantor's net assets to fall below the amount of its registered share capital (*Stammkapital*) or, if the net assets of the German Guarantor are already less than the stated share capital, cause the net assets to be further reduced or if and to the extent payments under any Guarantee would deprive the German Guarantor of the liquidity necessary to fulfil its financial liabilities to its creditors. These limitations would, to the extent applicable, restrict the enforcement of the relevant Guarantee.

You may not be able to enforce the Guarantees granted by the German Guarantors due to restrictions on enforcement contained in German corporate and other law. Also, German capital maintenance and liquidity maintenance rules are subject to evolving court decisions on an ongoing basis (see, for example, the more recent decision of the German Federal Supreme Court (*Bundesgerichtshof*) dated March 21, 2017, file no. II ZR 93/16, regarding the preservation of the share capital). We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German Guarantors, which can negatively affect the ability of the German Guarantors to make payments on the Guarantee.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding section 64 sentence 3 of the German Limited Liability Companies Act (GmbHG) (i.e., a situation where a managing director makes a payment to the GmbH's shareholder which inevitably leads to the illiquidity of the GmbH) or a so-called "*destructive interference*" (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of the Guarantees granted by the German Guarantors. In such a case, the amount of proceeds to be realised in an enforcement process may be (further) reduced (down to zero). Furthermore, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral (including a guarantee) by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of the Guarantees by the German Guarantors. Furthermore, the beneficiary (e.g., a holder of Notes) of a transaction effecting a repayment of the stated share capital of the grantor of the Guarantees could, moreover, become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

See "*Risk Factors—Risks Related to the Notes and Our Structure—Insolvency laws and other limitations on the Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.*"

Insolvency

In the event of an insolvency of a Guarantor, main insolvency proceedings may be initiated in Germany if it was held to have its centre of main interest within the territory of the Federal Republic of Germany at such time. Such proceedings would then be governed by German law. However, where a German company conducts business in more than one member state of the EU, the jurisdiction of the German courts may be limited if the company's "*centre of main interests*" is found to be in a member state other than Germany or it maintains an "*establishment*" within the meaning of Art. 2(10) of the EU Insolvency Regulation in another member state (other than Denmark). Pursuant to Article 3 of the EU Insolvency Regulation, in the case of a secondary insolvency proceeding in another member state, assets that would otherwise be allocated to the main office may be allocated to the relevant establishment and form part of such secondary insolvency proceedings. This issue is to be determined at the time when the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed. Hence, in the event of an insolvency of a Guarantor organised under the laws of Germany and/or having its centre of main interests in Germany (a "*German Domiciled Guarantor*"), main insolvency proceedings would most likely be initiated in Germany. Such proceedings would then be governed by German law. See also "*—European Union*."

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favourable to your interests as creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, creditor's reorganisation, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes. Proceedings in this jurisdiction are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of their rights.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor and/or a creditor files an application for the opening of insolvency proceedings

(*Insolvenzeröffnungsantrag*). Insolvency proceedings can be initiated either by the debtor or by a creditor (a) in the event of over-indebtedness (*Überschuldung*) of the debtor (where its liabilities exceed the value of its assets, even if the debtor has sufficient liquidity to meet its current obligations), unless, based on the prevailing circumstances, a continuation of the business as a going concern is predominantly likely (*überwiegend wahrscheinlich*), or (b) in the event of illiquidity (*Zahlungsunfähigkeit*) of the debtor, meaning that the debtor is unable to pay its debts as and when they fall due.

If a limited liability company (*Gesellschaft mit beschränkter Haftung*) or any company not having an individual as personally liable shareholder finds itself in a situation of illiquidity and/or over-indebtedness, the managing directors of such company are obliged to file for insolvency without delay but not later than three weeks after such illiquidity and/or over-indebtedness was established (duty to file for opening of insolvency proceedings (*Insolvenzantragspflicht*)). In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk for the company of being unable to pay its debts as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings. If a company faces imminent illiquidity and/or is over-indebted but not yet illiquid it may also file for preliminary "*debtor-in-possession*" moratorium proceedings ("*Schutzschirmverfahren*") unless—from a third-party perspective—there is no reasonable chance for a successful restructuring.

The insolvency proceedings are supervised by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings and usually appoints a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*) provided that no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage.

The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. If a company files for preliminary "*debtor-in-possession*" moratorium proceedings, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). The court may also resolve other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally will be implemented in "*debtor-in-possession*" proceedings (*Eigenverwaltung*) after main insolvency proceedings have been opened.

During preliminary proceedings the insolvency court must or may appoint a "*preliminary creditors' committee*" (*vorläufiger Gläubigerausschuss*) to form a view on a petition for debtor-in-possession status or on the profile of the (preliminary) insolvency administrator to be appointed or even to make a suggestion for a particular individual to be appointed by the court. A preliminary creditors' committee has to be set up if the debtor satisfies two of the following three requirements: (i) a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted), (ii) revenues of at least €12,000,000 in the twelve months prior to the last balance sheet date and/or (iii) an annual average of 50 or more employees. The preliminary creditor's committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger Insolvenzverwalter or Insolvenzverwalter*), court orders for "*debtor in possession*" proceedings (*Anordnung der Eigenverwaltung*), and appointment of a preliminary custodian (*vorläufiger Sachwalter*).

In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible, i.e., sufficiently qualified, business-experienced and impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it may comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees.

The court orders the opening of formal insolvency proceedings (*Eröffnungsbeschluss*) if certain requirements are met, in particular if (i) the debtor is in a situation of impending illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebted and (ii) there are sufficient assets (*Insolvenzmasse*) to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (for instance, creditors) advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of main insolvency proceedings, the right to manage and dispose of the business and assets of the debtor passes to the insolvency administrator (*Insolvenzverwalter*), who is appointed by the insolvency court unless debtor-in-possession (*Eigenverwaltung*) is ordered. In addition, the insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator or caused by the continuing of debtor's business qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claims of unsecured creditors (this also includes such portion of an in rem secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral). In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (a) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (b) the proposed individual being eligible as officeholder (i.e., sufficiently qualified, business-experienced and impartial).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any judicial enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, with respect to assets other than real estate also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (i.e., *Zwangsvollstreckung*) a security interest in the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. Accordingly, unsecured creditors (e.g., creditors only having a guarantee but no asset security) may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available).

Assets which serve as collateral for secured creditors are realised either by the insolvency administrator or the relevant secured creditor and the enforcement proceeds are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts ("*excess proceeds*") are distributed amongst the unsecured creditors. If a German Domiciled Guarantor grants security over its assets to other creditors than holders of the Notes, such security will result in a preferred satisfaction of such other creditors' secured claims (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess proceeds resulting from the disposal of collateral provided to such other creditors may not be sufficient to satisfy the claims of the holders of the Notes against the German Domiciled Guarantors under the Guarantees. In addition, it may take several years before proceeds from the liquidation of the insolvency estate, if any, are distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a debt to equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt to equity conversion if it does not consent to such debt to equity swap.

From the perspective of the holders of the Notes, among others, some important consequences of the opening of formal insolvency proceedings against the German Domiciled Guarantors would be the following: (a) the right to administer and dispose of the assets of the German Domiciled Guarantor or any of its relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless the court orders debtor-in-possession status (*Eigenverwaltung*); (b) if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the German Domiciled Guarantors, disposals effected by the management of the German Domiciled Guarantors, after the opening of formal insolvency proceedings, are null and void by operation of law; (c) if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the German Domiciled Guarantors' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; (d) claims against the German Domiciled Guarantors may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and (e) any person that has a right for separation (*Aussonderungsrecht*) (i.e., the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*).

Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g. liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (Verwertungskosten) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds plus VAT (if any) are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor, the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—Insolvenzforderungen), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is value remaining in the insolvency estate (*Insolvenzmasse*) after the security interests and the preferential claims against the estate have been settled and paid in full.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately on an entity-by-entity basis (i.e., there is no group insolvency concept under German insolvency law). This situation has not fundamentally changed with the effectiveness of the act to facilitate the mastering of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*—"*Act on Group Insolvencies*") on April 21, 2017, which provides for measures of coordination of and cooperation between insolvency proceedings of group companies. However, the Act on Group Insolvencies does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates certain amendments of the German Insolvency Code (Insolvenzordnung) with the aim to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "*coordination proceedings*"

(*Koordinationsverfahren*) and the appointment of a "*coordination insolvency administrator*" (*Koordinationsverwalter*) with the ability to propose a "*coordination plan*" (*Koordinationsplan*). The EU Insolvency Regulation provides in its Articles 61 et seqq. for a similar concept which shall be applicable on an opt-in basis to the extent that proceedings relating to different members of the same group of companies have been opened in more than one member state of the European Union.

The German restructuring laws will be subject to further amendments in near future due to the implementation of the Directive, which, *inter alia*, stipulates that claims of the relevant creditors may be modified by majority vote and against the voting of a single creditor even outside formal insolvency proceedings. See "*—European Union*.

Hardening Periods and Fraudulent Transfer

Under the German Insolvency Code, the insolvency administrator (or in the event debtor-in possession status has been granted, the trustee (*Sachwalter*)) may challenge (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable avoidance/hardening periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator or trustee, any amounts or other benefits derived from such challenged transaction, performance or act must be returned to the insolvency estate. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. On 29 March 2017, the German legislator passed an act for the improvement of legal certainty concerning clawback pursuant to the German Insolvency Code (*Insolvenzordnung*) and the German Law on Avoidance (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen—"Act on Group Insolvencies"*), which entered into force on 25 April 2017 (subject to certain transitional provisions). The amendments to the German Insolvency Code (*Insolvenzordnung*) and the German Law on Avoidance (*Anfechtungsgesetz*) concern, among others, the provisions for avoidance claims in connection with willful intent (*Vorsatzanfechtung*), for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims (*Verzinsung des Anfechtungsanspruchs*).

In the event of insolvency proceedings based on and governed by the insolvency laws of Germany, the granting of security and guarantees for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code. The granting of security concurrently with the incurrence of debt may be qualified as a "*cash transaction*" and may as such be privileged—under certain circumstances—under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg—Cash Consideration Privilege*) by not being subject to avoidance rights. In case the validity or enforceability of the Guarantees granted by a German Domiciled Guarantor is voided successfully, the Trustee and the holders of the Notes would be under an obligation to repay the amounts received under the Guarantees to the insolvency estate or to waive or release such Guarantees. If any of the Guarantees were avoided or held unenforceable for any reason, the Trustee and the holder of the Notes would cease to have any claim or benefit in respect thereof and would have to rely solely on the claims under the Notes and the remaining Guarantees, if any.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency

proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that clearly suggest such detrimental effect);

- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; such knowledge being presumed if the creditor knew of the impeding illiquidity (*drohende Zahlungsunfähigkeit*) of the debtor and that the act was prejudicial to insolvency creditors. In case the act in question granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the hardening period is reduced to four years. If the creditor was entitled to such security or satisfaction, it must have known of the illiquidity (and not an impeding illiquidity) of the debtor for its knowledge of the debtor's intention to prejudice its insolvency creditors to be presumed. A creditor that agreed on a payment plan with the debtor or agreed to deferred payments is presumed to not have had knowledge of the illiquidity of the debtor. If the act fulfills the requirements of the Cash-Consideration-Privilege, the act will only be voidable if the other party knew that the debtor was acting dishonestly;
- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "*affiliated party*" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25 per cent. of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*). In this context, "*knowledge*" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (e.g., a German Domiciled Guarantor) was unable to pay its debts generally as they fall due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. The debtor is deemed to have acted with the intention to prejudice its insolvency creditors not only if prejudicing its creditors was the final objective of its acts but also if the insolvent party was aware that its acts might prejudice its creditors and accepted this to achieve a different objective. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to an "*affiliated party*," there is a general statutory presumption that such party had "*knowledge*."

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings.

The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

The German insolvency laws may be subject to further amendments in near future. On June 20, 2019, the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "*Directive*") has been adopted. The Directive has been published on June 26, 2019 in the Official Journal of the European Union, from which date the member states will have approximately two years to implement the substantive parts of the Directive in their national legislation, although a one-year extension can be granted. The Directive aims to put in place key principles for all member states on effective preventive restructuring and second chance frameworks, and measures to make all types of insolvency procedures more efficient by reducing their length and associated costs and improving their quality. The key feature of the Directive is the introduction of a preventive restructuring framework. The Directive sets out minimum EU standards to be applied by the member states (i.e., minimum harmonization).

Italy

Limitation on Granting of Guarantees and on Enforcement Under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with rules on corporate benefits, corporate authorisation and certain other Italian mandatory provisions. If a guarantee or a security interest is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company (each an "*Italian Guarantor*") granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. Such principle on corporate benefit applies equally to down-stream, cross-stream and up-stream guarantees granted by Italian companies. While the existence of a corporate benefit in relation to a down-stream guarantee is usually self-evident (i.e., a guarantee guaranteeing financial obligations of direct or indirect subsidiaries of the relevant guarantor), the existence of a corporate benefit in relation to a cross-stream or an up-stream guarantee (i.e., a guarantee guaranteeing financial obligations of direct or indirect parent companies or sister companies of the relevant guarantor) may be challenged unless it can be proved that the guarantor may derive some benefits or advantages from the granting of the guarantee, therefore it should be carefully considered on a case by case basis (such as in the case of Subsidiary Guarantors which are providing the Guarantees in connection with the Notes offered hereby).

The concept of "*corporate benefit*" is not expressly defined under Italian law and it is assessed and determined on a case-by-case basis, further its existence is purely a business decision of the directors and the statutory auditors. As a general rule, corporate benefit is assessed at the level of the relevant company on a standalone basis, although in certain circumstances, and subject to specific rules, the interest of the group to which such company belongs may also be taken into consideration. In particular, in case of up-stream and cross-stream guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to such Italian Guarantor.

In principle, absence of a real and adequate benefit could make the Guarantees ultra vires and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be subject matter of challenges and annulment.

As a result, civil liabilities may be imposed on the directors of an Italian Guarantor if it is assessed that they did not act in the best interest of such Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of the relevant Italian Guarantor or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian Guarantor or having knowingly received an advantage or profit from such improper control. However, no liability can be attributed where no prejudice or actual damage is suffered by the Italian Guarantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian Civil Code having regard to the overall result of the controlling activity. Moreover, the Guarantees could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party involved in the transaction and such third party acted intentionally against the interest of such Italian Guarantor.

The above principles on corporate benefit apply equally to up-stream, down-stream or cross-stream guarantees granted by an Italian Guarantor.

As to corporate authorisations prospective, the granting of a guarantee by an Italian company in favour of third parties or other corporations belonging to the same group of companies of the Italian Guarantor must be permitted by the by-laws (*statuto*) of the Italian company providing such guarantee.

In addition, the granting of a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

In the light of the above, in no event shall the obligations and liabilities of an Italian Guarantor under a guarantee include the obligation to guarantee financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian Guarantor (or of any of its direct or indirect holding company) and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts.

If the proceeds of the Notes were to be used for the acquisition of shares (or quotas, as applicable) in the Subsidiary Guarantors (the entities which, amongst others, provided the Guarantees) incorporated in Italy (or of any of its direct or indirect holding company), this may be construed as a violation of Article 2474 and/or Article 2358 of the Italian Civil Code whereas, in the latter case, an authorisation proceeding in the shareholders' meeting is not implemented. To this extent the total value of the guarantee cannot exceed the profits and the distributable reserves as resulting from the approved financial statements.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree No. 385 of 1 September 1993 (the "*Italian Banking Act*"), whose exercise is exclusively demanded to banks and authorised financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, *inter alia*, entail the Guarantees being considered null and void. In this respect, the Ministerial Decree No. 53 of 2 April 2015, implementing article 106, paragraph 3 of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "*group*" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

In addition, under Article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determination.

Italian Law No. 108 of 7 March 1996, as amended, implemented or supplemented from time to time (the "*Italian Usury Law*"), prevents lenders from applying interests higher than certain rates, as set forth in accordance with the Italian Usury Law (the "*Usury Rates*"). In addition, even where the Usury Rates are not exceeded, the interest rate applicable may be held usurious if: (i) it is considered to be disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate applicable to similar transactions in the market) and (ii) the debtor is deemed to have been in financial and economic difficulties at the time the indebtedness was incurred.

In order to comply with (i) the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) the mandatory provisions of Italian law in relation to capitalization of interests (including article 1283 of the Italian Civil Code), the obligations of any Italian Guarantor under a guarantee shall not include and shall not extend to (x) Usury Rates and (y) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code, respectively.

In any event, pursuant to article 1938 of the Italian Civil Code, a guarantee granted by an Italian Guarantor must be capped to a maximum guaranteed amount.

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in-court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorised to carry out certain reserved activities (except for the description of certain insolvency proceeding to which they may be subject) nor does it provide a comprehensive description of insolvency laws applicable to public companies.

Recently a comprehensive reform of the Italian insolvency laws and of the regulation of overindebtedness crises has been introduced ("*2019 Reform*"). In particular, on October 19, 2017, the Italian Senate approved Law No. 155, pursuant to which it has authorized the government to carry out a substantial reform of Italian insolvency laws, on the basis of several guidelines. The purpose of the 2019 Reform was mostly (i) to ensure the rationality of the provisions on insolvency, affected over the years by various amendments (especially in the civil sector) which caused a great degree of legal uncertainty, (ii) to allow early awareness of the financial distress of a business and (iii) to safeguard the business' entrepreneurial potential during a crisis.

On January 10, 2019, the government enacted a new bankruptcy code implementing the guidelines contained in Law No. 155 dated October 19, 2017, which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so called "*Code of Business Crisis and Insolvency*," the "*BCIC*" or "*Insolvency Code*"). The main amendments included: (i) the elimination of the term "*bankruptcy*" (*fallimento*) due to its negative connotation and its replacement with a reference to a judicial liquidation (*liquidazione giudiziale*), (ii) the introduction of a definition of state of crisis (*stato di crisi*), (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the Insolvency Code, (iv) the adoption of the definition of debtor's COMI (Center of Main Interest) as provided for in the new set of rules concerning group restructurings, (v) the introduction of restrictions relating to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going-concern restructurings, (vi) a new preventive alert and mediation phase to avoid insolvency, (vii) providing for the jurisdiction of specialized courts over proceedings involving large debtors and (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the 2019 Reform. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein. All types of debtors, with the exception of the State and public entities, will be subject to the procedures set out therein. Indeed, the Insolvency Code shall apply both to natural persons (consumers, professionals and entrepreneurs) and to legal persons (including non-profit companies, organizations and groups of companies).

On February 14, 2019, the Insolvency Code has been published in the official journal. Except for minor changes in some provisions of the Italian Civil Code (and certain express repeals in the criminal sector) which already entered into force on March 16, 2019, the Insolvency Code will enter into force 18 months following its publication in Italy's official journal (i.e. August 15, 2020). Until that date, insolvency proceedings will continue to be governed by Italian Royal Decree No. 267 of March 16, 1942 (the "*Italian Bankruptcy Law*"), as in force before.

Leaving aside the 2019 Reform, the Italian Bankruptcy Law saw many reforms in the near past. In particular, material innovations regarding pre-bankruptcy composition and debt restructuring agreements under Article 182-bis of the Italian Bankruptcy Law and out-of-court restructuring plans pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law were introduced by Law Decree no. 83 of June 22, 2012, as converted by Law no. 134 of August 3, 2012 (the "*Development Decree*"). The purpose of this reform was to boost the restructuring and reorganization of distressed enterprises in order to cope better with the current financial crisis. To achieve this purpose, the Development Decree has focused mainly on three factors: flexibility of the process, reliability of the restructuring plan and tax appeal.

Amendments to the Italian Bankruptcy Law were also introduced with regard to the pre-bankruptcy composition with creditors by Decree no. 69 of June 21, 2013, which sets out urgent measures aimed at boosting the country's economy (the "*Decreto del Fare*") and includes some important changes to the rules regarding the application introduced by the Development Decree.

A significant reform was approved by the Italian government on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "*Decree No. 83*"). The Decree No. 83 ("*Urgent reforms concerning Bankruptcy Law, Civil Law, Civil Procedure Law and Court administration*") entered into force in June 2015 and was incorporated into Italian law by Italian Law No. 132 of August 6, 2015 (the "*Law 132*"). Law 132/2015 entered into force on 21 August 2015.

The primary aim of the Italian Bankruptcy Law used to be to liquidate the debtor's assets (with the continuation of the assets as a going-concern (where applicable) only if this would satisfy a creditor's claim). This competing aim often has been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been subsequently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. In addition, the following proccedings are available to companies dealing with a crisis and/or facing insolvency under Italian law.

Restructuring Outside of a Judicial Process (concordati stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favourable to the debtor and because out-of-court arrangements put in place as a result of an out-of-court restructuring are susceptible of being reviewed by a court in the event of a subsequent insolvency, and may possibly be challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible for it to enter into an out-of-court arrangement with its creditors, which may help to preserve the company.

Out-of-court Debt Restructuring Plan Pursuant to Article 67, paragraph 3, letter d), of the Italian Bankruptcy Law (piano attestato di risanamento)

Article 67, third paragraph, lett. d) of the Italian Bankruptcy Law provides for an out-of-court restructuring procedure based on a rescue plan (*piano attestato di risanamento*) and is aimed at restructuring the company's indebtedness and ensuring the stability of its financial condition. An independent expert appointed by the debtor and enrolled in the Register of Auditors and Accounting Experts (*Registro dei Revisori Contabili*) has to verify (i) the financial and commercial feasibility of the restructuring plan and the accuracy of the business and accounting data provided by the company and included in the plan, without the need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code. The expert may be liable for misrepresentation or false certification.

The terms and conditions of the restructuring plans are freely negotiable, provided that they are finalised at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in composition with creditors proceedings and debt restructuring agreements, out-of-court debt restructuring plans pursuant to Article 67, Paragraph 3, lett. d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganisation plan, subject to certain conditions: (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although, publication in the companies' register is possible upon a debtors request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of a court supervised composition with creditors or a debt restructuring agreement.

In order to grant protection against claw-back actions and potential civil and criminal responsibilities, out-of-court debt restructuring plans pursuant to Article 67, Paragraph 3, lett. d) of the Italian Bankruptcy Law must be supported by adequate documentation representing the financial and commercial situation of the company. Moreover, they must be suitable for the purpose of assuring the restructuring of the indebtedness of the debtor and the rebalancing of its financial position and, in case of its failure and subsequent challenge before an Italian court, it must not be deemed as unreasonable.

Composition with Creditors (concordato preventivo)

A company, which is insolvent or in a status of crisis (i.e., financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganise its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceeding ("*Composition with Creditors*," so called "*concordato preventivo*"). Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition for a *concordato preventivo* with the court based in the location of the company's main office. The debtor shall submit the petition together with, *inter alia*, a restructuring plan containing an analytical description of manner and timing of the fulfillment of the proposal and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company. Plans based on business continuity further require the expert to certify that business continuity would be beneficial for the creditors. The petition for *concordato preventivo* is then published by the debtor in the companies' register and communicated to the public prosecutor.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20 per cent. of the unsecured receivables, except for the case of Composition with Creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into different classes, provided that each class is composed of creditors having homogeneous legal positions and economic interests; and (iv) different treatments for creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

In order to strengthen the position of the unsecured creditors, Law no. 132 sets forth that a Composition with Creditors proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-Composition with Creditors proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to Composition with Creditors proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

Under the Composition with Creditors there is no dispossession of the debtor who accordingly retains management powers under the supervision of a court-appointed official (*commissario giudiziale*) and the delegated judge. From the date of the publication of the petition to the date on which the court sanctions the *concordato preventivo*, the debtor is entitled to operate in the ordinary course of its business, although extraordinary transactions require the prior written approval of the court. During this time, all enforcement actions, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed ("*Automatic Stay*"). The accrual of interests is suspended for the same timeframe, except for claims secured by pledges, liens or mortgages. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the companies' register are ineffective against such pre-existing creditors. Any act, payment or security executed or created after the filing of the *concordato preventivo* application and in accordance with its rules and procedures is exempt from claw-back action. The debtor is also exempt from certain bankruptcy crimes provided under Articles 216, third paragraph ("*preferential bankruptcy*"), and 217 ("*simple bankruptcy*") of the Italian Bankruptcy Law, in relation to acts and payments made in execution of the Composition with Creditors and/or in relation to finance provided under Article 182-*quinquies* of the Italian Bankruptcy Law upon judicial authorization. Claims arising from acts lawfully carried out by the distressed company have super priority (*prededucibilità*) in the event of a subsequent bankruptcy (see Statutory priorities below). In addition, pursuant to Article 182-*quarter* of Italian Bankruptcy Law, also the claims arising from financing, in any form, granted in execution of the Composition with Creditors (*finanza in esecuzione*) or with the purpose of filing the application for concordato preventivo (so called "*finanza ponte*") have legal super priority (*prededucibilità*) in the event of a subsequent bankruptcy, accordingly to Article 111 of Italian Bankruptcy Law. Claims arising from finanza ponte have super priority in the event of a subsequent bankruptcy on the condition that the financing is provided by the plan and it is stated in the decree admitting the Composition with Creditors.

The filing of the application for the *concordato preventivo* may be preceded by the filing of a preliminary and simplified petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69 of June 21, 2013, as converted into Italian Law No. 98 of August 9, 2013). The debtor company may file such petition along with (i) its financial statements of the last three financial years and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If accepts such preliminary application, it may (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under article 173 of the Italian Bankruptcy Law (e.g. concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) sets forth reporting and information duties of the company during the above mentioned period.

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfil, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed Company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and, if appointed, the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the petition for *concordato in bianco* and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorisation to carry out acts pertaining to its non-recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company have super priority (*prededucibilità*) in case of subsequent bankruptcy.

In addition, pursuant to Article 182-quinquies, third paragraph, of the Italian Bankrutpcy Law, new super senior indebtedness authorised by the court, pending the sanctioning (*omologazione*) of the DRA or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business (*finanza d'urgenza*), are treated as super-senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law. The company shall properly document: (i) the purpose of the financing; (ii) that required funds cannot be obtained otherwise and (iii) that the lack of such funds would damage the company (Article 182-*quinquies*, second paragraph).

The super-seniority of the claims, which arises out of loans granted with a view to allowing the filing of the petition for concordato in bianco (*finanza ponte*), is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the concordato preventivo within the same proceeding opened with the filing of the preliminary petition. Superpriority nature shall be expressly provided for by the plan (Article 182-*quarter*, second paragraph, of Italian Bankruptcy Law).

Pursuant to Article 186-*bis* of the Italian Bankruptcy Law, a *concordato preventivo* is based on business continuity (*concordato con continuità aziendale*) if the proposal provides for: (i) the continuation of the business by the debtor; (ii) the sale of the business as a going concern; (iii) or the contribution-in-kind of the business as a going concern to one or more companies (even if newly incorporated). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. The plan may provide a moratorium of up to one year from the granting of approval for the payment of creditors secured by pledges, mortgages and liens in relation to pre-existing debts, unless the plan provides for the liquidation of assets secured by pre-emption rights. Existing contracts, even if entered with governmental bodies, are not be terminated by admission to procedure.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Under Article 182-*quinquies*, paragraph 5, of the Italian Bankruptcy Law, a debtor who files for a *concordato preventivo* based on business continuity may request the court to be authorized to pay pre-filing claims relating to the purchase of goods or services if an independent expert certifies that they are essential for business continuity and to ensure the best satisfaction of creditors.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge, who shall authorise all transactions that exceed the ordinary course of business.

Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree No. 83, as amended by Law 132, provides that, if the Composition with Creditors plan, pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or the sale of a going concern of the debtor to an identified third party, the court shall open a competitive bidding process by decree establishing the terms of participation for the bidders. A bidder's offer is irrevocable. If there is more than one improving offer, the Judge shall open a new competitive bidding process between bidders. The debtor must reform *concordato preventivo* proposal and plan in accordance with results of competitive bidding process.

If the plan filed by the debtor does not ensure the repayment of unsecured claims in an amount at least equal to 40% of their nominal value (if based on liquidation) or 30% (if based on business continuity pursuant to Article 186-bis), creditors holding claims representing at least 10% of the aggregate debt (even if the claims have been assigned to the creditors after the filing of the concordato preventivo petition) may submit (within 30 days prior to the scheduled hearing) a competing Composition with Creditors proposal (*proposta concorrente*), alternative to the one provided by the debtor. These creditors are entitled to vote on the proposta concorrente only if they are located in an independent class. The proposta concorrente setting out several classes of creditors shall be submitted to the bankruptcy court in order to verify the accuracy of the criteria used in creating different classes.

The *concordato preventivo* proposal is voted on at a creditors' meeting and must be approved with the favourable vote of (a) the creditors representing the majority of the receivables entitled to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the concordato preventivo proposal. Secured creditors are not entitled to vote on the proposal of concordato preventivo unless and to the extent they waive their security, or the concordato preventivo provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of the classes has approved the *concordato preventivo* and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the concordato preventivo compared to other solutions If an objection to the implementation of the *concordato preventivo* is filed by at least 20 per cent. or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court nevertheless may sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would be otherwise be the case.

After the approval of the *concordato preventivo* proposal, dissenting creditors (or creditors belonging to a dissenting class) representing 20 per cent. or more of the liabilities may file an opposition (*opposizione*), challenging the economic convenience of the plan. In such case, the court has the authority to "*cram-down*" dissenting creditors, compelling their acceptance of the plan, if it deems that the proposed treatment of their claims is equivalent to what they would recover in a Bankruptcy scenario. After the creditors' approval, the bankruptcy court approves the Composition with Creditors and appoints one or more liquidators in order to execute the approved plan, if it has to be realised by way of a transfer of assets. The court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

If the creditors participating at the meeting do not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

The terms and the performance of outstanding contracts are not automatically affected by *concordato preventivo*. However, pursuant to article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), preliminary sale agreements (*contratti preliminari di vendita*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtors request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

In the event of a breach of the Composition with Creditors plan or fraud, bankruptcy may follow, at the behest of the bankruptcy court. If the Composition with Creditors is implemented, the debts are discharged and the debtor may return to its usual operations (if the assets of the company are still in his possession). Claims (including claims for repayment of loans) arising in the course of the implementation of the plan (whether before or after approval, conditional upon the bankruptcy court confirming such priority in the decree of admission, are granted the highest priority and must be paid in full.

Concordato preventivo is compulsory for all creditors prior to the publication of the application in the companies' register. However, creditors retain without prejudice their rights against co-debtors, guarantors of the debtor and other joint and severally liable debtors.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

Under article 182-*bis* of the the Italian Bankruptcy Law, a company that is in financial distress or is insolvent may file before the bankruptcy court an application for the validation (*omologazione*) of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) ("*DRA*") representing at least 60% of its aggregate outstanding debts, pursuing the rebalancing of its financial situation (e.g. through refinancing, moratoria, write-offs, waivers or tax settlement).

An independent expert, directly appointed by the debtor, must assess the truthfulness of the debtor's business and accounting data provided by the company and declare that the agreement is feasible and, in particular, that it ensures that the non-participating creditors can be fully satisfied within a 120 day term from: (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning ("*omologazione*") of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The DRA must be published in the Italian companies' register to become effective in respect of third parties. Creditors and other interested parties may oppose the agreement within 30 days from such publication. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the DRA. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party and may contain, refinancing agreements, moratoria, write-offs and/or postponements of claims. The DRA may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60 per cent. of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

The Key Features of a DRA

A by-law 60 days moratorium (automatic stay) applies starting from the date of publication of the DRA. During the standstill period creditors cannot start or continue any interim proceedings or enforcement actions over the assets of the debtor. Creditors cannot obtain any security interest (unless it is agreed in the DRA) in relation to the pre-existing debts. The moratorium can be requested, pursuant to Article 182-bis, paragraph 6, of the Italian Bankruptcy Law, by the debtor to the court pending negotiations with creditors (prior to the DRA's above-mentioned publication of the agreement) subject to the fulfilment of certain conditions.Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. No dispossession of debtor occurs in respect of a DRA. It is a court-supervised procedure, which can take from a few months up to more than a year (the duration of the proceedings are generally influenced by challenges). Creditors entering into the DRA are not required to receive the same treatment (i.e. they are free to reject the proposal and to protect their interests otherwise) and no cram-down is applicable to third-party not adhering creditors, who shall be fully re-paid within 120 days from validation of the DRA (if the claims are already due and payable at such date) or within 120 days from the respective maturity date.

The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the DRA and the court assesses whether the conditions for granting the moratorium have been met and, if the court so determines, orders, that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the DRA has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time deadline of 60 days, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

Pursuant to the new Article 182-septies of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness (i.e. debts with banks or other financial intermediaries) is at least 50 per cent. of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75 per cent. of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "*cram down*"), if they (a) hold claims not exceeding 25 per cent. of the aggregate value of claims included in a consenting class, (b) have been duly informed of the negotiations relating to the DRA and have been granted the opportunity to participate in good faith, (c) have received complete and updated information on the economic and financial performance of the debtor and (d) are paid an amount at least equal to what would be recoverable according to feasible alternative scenarios. If the abovementioned conditions are met, then the remaining 25 per cent. of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75 per cent. of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate in such negotiations in good faith; and (ii) an expert meeting the requirements provided under Article 67, Paragraph 3, lett. d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The banks and financial intermediaries which have not agreed to the moratorium arrangement may challenge it (*opposizione*) within 30 days after having been notified of the moratorium arrangement.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

In no case the debt restructuring agreement provided under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors the performance of new obligations, the granting of new over-draft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a *concordato preventivo*) (*finanza in esecuzione*) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 per cent. of such financing). Financing granted "*in view of*" (i.e., before) presentation of a petition for the sanctioning (*omologazione*) a debt restructuring agreement or a Composition with Creditors (*finanza ponte*) may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court in the context of the sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the concordato preventivo. Same provisions apply to financings granted by shareholders up to 80 per cent. of their amount.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the DRA, or after the filing of the moratorium application pursuant to Article 182-*bis*, paragraph 6, of the Italian Bankruptcy Law or of a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (concordato in bianco, described below) may authorise the debtor to: (i) obtain new interim financings, having super-priority in the event of a subsequent bankruptcy, if an independent expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that such new financings are aimed at greater creditors' satisfaction (*finanziamenti interinali*); and (ii) pay debts deriving from the supply of services or goods, already payable and due, provided that, the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law.

Furthermore, according to the Article 182-*quinquies*, third paragraph of Italian Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6, of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorise the debtor to incur in new indebtedness, aimed at supporting urgent financial needs related to the company's business (*finanza d'urgenza*). The company, while filing such request of authorization, is required to specify (i) the purpose of the financing, (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company. Such indebtedness is treated as super-senior (*credito prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both DRA and to the compositions with creditors (c*oncordato preventivo*) outlined below.

All the acts, payments and guarantees over assets of the distressed company executed and/or performed according to a validated (*omologato*) DRA are exempt from claw-back actions (*revocatoria fallimentare*) in the event of subsequent Bankruptcy.

The exemptions from certain bankruptcy crimes provided under Articles 216, third paragraph (preferential bankruptcy), and 217 (simple bankruptcy) of the Italian Bankruptcy Law apply, in relation to acts and payments made in accordance with the validated DRA and/or in relation to finance provided under Article 182-quinquies upon judicial authorization (in respect of *concordato preventivo*, see below). Such exemption would not apply in relation to the financings obtained "in view" of a DRA (i.e. in order to file the DRA—so called "*finanza ponte*"), provided under Article 182-*quarter* of the the Italian Bankruptcy Law.

Bankruptcy (fallimento)

Bankruptcy (fallimento) is a court-supervised procedure for the liquidation of an insolvent company's assets and for the distribution of the proceeds. It results in the company's dissolution.

A company is declared bankrupt when insolvent. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. A request to declare a debtor company bankrupt and to commence bankruptcy proceedings and the judicial liquidation of the debtor company's assets can be filed by (i) the debtor company itself, (ii) any of its creditors, provided that the debts which become overdue during the pre-bankruptcy evidential phase of the procedure amount to no less than €30,000, and (iii) in certain cases, by the public prosecutor.

The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (imprenditori commerciali) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of a bankruptcy proceeding, amongst other things:

a) the debtor is dispossessed and the administration of the debtor company and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*), who manages and disposes of the assets under the direction of the delegated judge. The debtor may no longer validly act in court as claimant or defendant in relation to the assets (Article 43 of the Italian Bankruptcy Law). The bankruptcy receiver is vested with such powers upon the authorization of the delegated judge. However, all pending proceedings in which the debtor is involved are automatically stayed from the date the adjudication is issued and need to be re-initiated by or against the bankruptcy receiver;

b) the payments of all debts and liabilities of the debtor and all the acts, transactions, payments made or received by the insolvent debtor are immediately suspended and formalities with third parties that have been carried out after the declaration of bankruptcy are not effective as regards the creditors of the debtor (Article 45 of Italian Bankruptcy Law);

c) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (giudice delegato). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

d) certain payments made, securities given or transactions entered into by the debtor in a certain period before the debtor's submission to a bankruptcy procedure (varying from six months to two years) can be set aside and clawed back if certain conditions are met (Article 67 of Italian Bankruptcy Law);

e) any act of the debtor done after the declaration of bankruptcy (including payments made and issuance of guarantees) is ineffective against the creditors;

f) the beginning of bankruptcy involves the cessation of all the activities of the company with a view to a sale of all assets. However, the bankruptcy court may order that business operations be continued whenever cessation could cause greater damage to the company, provided that the continuation does not adversely affect the creditors of the bankrupt debtor. If the bankruptcy court authorizes the continuation of the business (*esercizio provvisorio dell'impresa del fallito*), the management of the business is entrusted to the bankruptcy receiver (who may in turn avail himself of qualified third parties for this purpose); and

g) the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are governed by specific rules provided for by Italian Bankruptcy Law.

The bankruptcy proceeding is carried out and supervised by a court appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee (*comitato dei creditori*). The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. In this respect, Law no. 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and related to the receiver's running of the company, Italian tax and national social security contributions and employee arrear of wages or salary. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognised by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

The following features of bankruptcy proceedings also merit mention:

- Bankruptcy composition proposal with creditors (*concordato fallimentare*). A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The procedure is aimed at speeding up bankruptcy proceedings and is an alternative to a receiver conducting the liquidation proceedings. Over time it has proved to be more efficient in terms of costs and timing. The relevant proposal can be filed by one or more creditors or third parties starting from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the concordato fallimentare provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. If the proposal is approved, the delegated judge orders the bankruptcy receiver to immediately notify the advocate of the approval in order to allow him to seek approval of the plan and furthermore to notify the debtor and any dissenting creditors. In the event that opposition is filed, the Bankruptcy Court, after having verified the regularity of the procedure and the outcome of the vote, approves the in-bankruptcy composition proposal by means of a decree which is final and not subject to appeal.

- Under Article 124 of the Italian Bankruptcy Law the proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The Italian Bankruptcy Law does not provide any guidance with respect to the content of a concordato fallimentare; thus, it may encompass any kind of transaction to effect the liquidation of the assets of the debtor (e.g. debt-equity swap, sale of assets, business assignments, etc.).
- The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The concordato fallimentare proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.
- Once approved, the concordato fallimentare is binding against all non-accepting creditors (cram-down).
- Statutory priorities. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other European Union jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.
- Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order:
  - (i) for payments of "claims with super priority" (*crediti prededucibili*). In general, claims are considered to have super priority when they are so qualified by a specific provision of law or when they arise as part of the bankruptcy (i.e., claims originated in the insolvency proceedings, such as costs related to the procedure). These claims are paid for the entire amount and before other claims (secured, preferred, unsecured and postergated). Examples of these claims are bankruptcy receiver's fees and costs; the costs of the sale of the assets; the rent for the debtor's offices after adjudication; employees' salaries and social security payments relating to the period after adjudication; attorney's and other advisors' fees. Such claims are satisfied in full (including costs and interests) with the proceeds of the liquidation of movable and immovable debtor's assets, according to their rank (preferred, secured, unsecured), with the exclusion of the proceeds of the sale of assets subject to other creditors' security interests (mortgages and pledges), which are directed to payment of secured creditors;
  - (ii) for payment of claims that benefit from preferential treatment (*crediti privilegiati in senso ampio* or *crediti prelatizi*), which include creditors who hold a security interest (*creditori ipotecari o pignoratizi*) and creditors who have a preference under law (*creditori privilegiati in senso stretto*), such as the claims of the Italian tax authorities and social security administrators and claims for employee wages. As a general principle, creditors holding a security interest are satisfied from the relevant assets to the exclusion of all other creditors, including secured creditors having a lower rank (e.g. first mortgage over second mortgage). However, the Italian Civil Code contains very

detailed rules (Article 2745) regulating priority conflicts between secured and preferred creditors. A mortgagee and a pledgee are entitled to satisfy their claims from the proceeds of the sale of the encumbered assets. Any excess is available for distribution to other creditors (i.e. second mortgages, preferred creditors and unsecured creditors). Where the relevant asset is insufficient to satisfy its claim against the debtor, a creditor will rank as an unsecured creditor for the remainder;

(iii) for the payment of unsecured creditors' claims (*crediti chirografari*). Unsecured creditors have no preference or security and will therefore be paid only if and to the extent any proceeds of the estate remain after all other claims have been satisfied. Unsecured creditors rank *pari passu* among themselves in the estate, in proportion to the size of their claims;

(iv) for the payment of subordinated creditors' claims (*creditori postergati e subordinati*). Subordinated creditors have no preference or security and are subordinated by law or contractual provisions. They shall be paid only if and when all the creditors with a higher rank have been paid in full.

- Avoidance powers in insolvency. A fundamental principle of the Italian Bankruptcy Law is the equal treatment of all creditors ("*par condicio creditorum*"), according to which, absent statutory priorities or security right, no creditor may be paid a higher percentage of his claim than other creditors. A consequence of this principle is not only that the payment of debts by the bankruptcy receiver are strictly regulated, but also that all transactions effected by the debtor over the previous year (or, in certain cases, over the previous six months) are scrutinised and potentially unwound as preferential.
- Under Italian law, there are "*claw-back*" or avoidance provisions that lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transaction, transactions made with a view to defrauding creditors or to advantage one creditor. Claw-back rules under Italian law are normally considered to be particularly favourable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.
- In a bankruptcy proceeding, depending on the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six-months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions. The Italian Bankruptcy Law distinguishes between acts or transactions, which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

  a) Acts ineffective by operation of law. (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions entered into for no consideration are ineffective vis à vis creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. . Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without needing to wait until the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law, and (ii) under article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis à vis creditors, if made by the debtor within the two-year period prior to the insolvency declaration.

  b) Acts and transactions that could be declare ineffective at the request of the bankruptcy receiver/court commissioner.

     (i) The following acts and transactions, if done or made during the period specified below, may be clawed-back (*revocati*) *vis-à-vis* the bankruptcy as provided for by Article 67 of the Italian Bankruptcy Law and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

     - the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25 per cent. the value of the consideration received by and/or promised to the debtor;

- payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;
- pledges and mortgages granted by the bankrupt in the year preceding the insolvency declaration in order to secure preexisting debts which have not yet fallen due; and
- pledges and mortgages granted by the bankrupt in the six months preceding the insolvency declaration in order to secure which had fallen due.

(ii) The following acts and transactions, if done or made during the period specified below, may be clawed back and declared ineffective if the bankruptcy receiver that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and
- the granting of a preferential right for debts simultaneously created (even those of third parties) and made within six months preceding the insolvency declaration.

The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;
- a sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, in force as at the date of this Offering Memorandum, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as of the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;
- transactions entered into, payments made and guarantees granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato* (see "*Out-of-court debt restructuring plan* pursuant to Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law" above);
- a transaction entered into, payment made or guarantee issued to implement a *concordato preventivo* (see "*Court-supervised pre-bankruptcy composition with creditor* (*concordato preventive*)" above) or an *accordo di ristrutturazione dei debiti* (see "*Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)*" above) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);
- remuneration payments to the bankrupt entity's employees and consultants; and
- payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedure.

The limitation period for initiating claw-back action is three years from the declaration of bankruptcy or, if earlier, five years from the act or transaction to be clawed back.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). Burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "*simplified*" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (*fraudulent*) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called fondo patrimoniale—"*family trust*"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Extraordinary Administration for Large Insolvent Companies Pursuant to Prodi-bis Decree (Amministrazione Straordinaria)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the "*Prodi-bis Procedure*" or "*Extraordinary Administration*"). Prodi-bis Procedure, which is regulated by Legislative Decree no. 270 of July 8, 1999 ("*Prodi-bis Decree*"), replaces the previous special administration for large companies in a state of crisis (*amministrazione straordinaria delle grandi Imprese in crisi*), introduced by Law no. 95 of April 3, 1979 ("*Prodi Decree*").

The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy with respect to existing contracts and creditors' claims largely apply to Extraordinary Administration.

The procedure is divided into two main phases: a "*judicial phase*" and an "*administrative phase*."

a) Judicial phase. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganisation. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of Economic Development may make an opinion on the admission of the ncompany to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

b) Administrative phase. Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner(s) is appointed by the Italian Ministry of Economic Development. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). It may also include an arrangement with creditors (e.g. debt for equity swap, issue of shares in a new company to whom the assets of the company have been transferred). The plan must be approved by the Ministry of Economic Development within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The declaration of the state of insolvency produces certain immediate effects, such as the automatic stay of all legal actions by creditors against the debtor's assets and the freezing of the accrual of interest.

The effects of the admission to the Prodi-bis Procedure (Administrative Phase) are that the stay of actions continues and claw-back actions become possible. Debts incurred in the continuation of the business generally will have super priority over any other secured and unsecured claim (*prededuzione*) pursuant to Article 111 of the Italian Bankruptcy Law.

The unsecured creditors are exclusively represented by one or two members of the surveillance committee, which has consulting duties. Creditors can file their proofs of claim and have a right to the distribution of proceeds. Creditors can also oppose the declaration of the state of insolvency as well as the admission to the second phase. Under Article 53 of Prodi-bis Decree, the rules established by the Italian Bankruptcy Law regarding the creditors' proofs of claim also apply to the Prodi-bis Procedure.

The Prodi-bis Procedure can at any time be converted into bankruptcy upon request by the extraordinary commissioner, or even ex officio, if the procedure cannot be positively continued. At the end of the procedure, upon request of the extraordinary commissioner or even *ex officio*, the bankruptcy court will declare the conversion of the procedure into bankruptcy when either the sale of the assets has been not performed within the term stipulated in the programme, or the business has not recovered its ability to regularly perform its obligations.

Bankruptcy rules concerning criminal bankruptcy law and bankruptcy claw back law applies to the Prodi-bis Procedure. The claw back "*avoidance period*" is extended up to three to five years for intra group transactions.

Industrial Restructuring of Large Insolvent Companies Pursuant to Marzano Law (Amministrazione Straordinaria delle Grandi Imprese in Crisi)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the "*Marzano procedure*." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-bis procedure and is aimed at saving and turning around large insolvent companies in order to preserve their value. For example, although a company must be insolvent, the application to the Ministry of Economic Development is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision of whether to open a Marzano procedure is taken by the Ministry of Economic Development following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

This procedure restructures the company's debts and sells those assets that are not strategic or do not form part of the company's core business.

The debtor must apply to the Minister of Economic Development for immediate admission to the procedure, while at the same time filing a petition with the bankruptcy court in order to confirm its insolvency status. It is the Minister, rather than the bankruptcy court, that has primary responsibility for supervising the procedure; the bankruptcy court is requested only to confirm the company's insolvency status and verify the lawfulness of the proceeding with respect to the verification of claims. If the debtor is admitted to the procedure, other insolvent companies in the same corporate group may also participate, even if they do not satisfy the relevant requirements.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry of Economic Development so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry of Economic Development, the court will declare the company bankrupt and open bankruptcy proceedings. The Recovery Plan can provide for the satisfaction of creditors' claims through a composition, which must specify any conditions of its implementation and describe any offered guarantees.

The extraordinary commissioner may bring claw-back actions for the benefit of creditors during the implementation of a recovery plan. Bankruptcy rules concerning criminal bankruptcy law and bankruptcy claw back law applies to Marzano procedure. The claw back "*avoidance period*" is extended up to three to five years for intragroup transactions.

Compulsory Administrative Winding-Up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding provided by the Italian Bankruptcy Law (Articles 194 – 213 and numerous special laws) in which the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company by the relevant governmental authority (e.g. Bank of Italy, Ministry of the Economic Development).

The debtor, the directors of an insolvent company, or one or more creditor(s) may apply to the bankruptcy court. The bankruptcy court must seek the advice of the government agency responsible for supervising the debtor's business. The judge may initiate proceedings by declaring the debtor insolvent. All legal actions by creditors against the debtor are then stayed, with the exception of those aiming to ascertain the amount of any claim.

The liquidator's acts as a public officer and his actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. Unlike other procedures, there is no delegated judge, as the procedure is mainly administrative in nature. The liquidator must review claims and consider whether a composition is feasible. If so, he will prepare with the debtor a plan of repayment, to be submitted to the creditors.

The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

If a composition does not appear feasible, arrangements are made for the disposal of the debtor's assets and the distribution of proceeds among the creditors in the same order of priority as in bankruptcy.

Interim Financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors which have filed a Composition with Creditors (concordato preventivo) (even pursuant to Article 161, paragraph 6, of Italian Bankrutpcy Law) or a Debt Restructuring Agreement pursuant to article 182-*bis* of Italian Bankruptcy Law (*accordo di ristrutturazione dei debiti*) to also obtain judicial authorization to receive:

- new interim financing with priority status (*prededucibilità*) in case of subsequent bankruptcy if an independent expert certifies that such financings are aimed at greater creditors' satisfaction (*finanziamenti interinali*) (Article 182-*quinquies*, first paragraph, of the Italian Bankruptcy Law);
- urgent finance which is necessary for their business needs (*finanza d'urgenza*) without having to file a certification issued by an independent expert. The relevant claims shall take precedence over the other creditors' claims in case of bankruptcy (*crediti prededucibili*). The debtor must specify the purpose of the requested finance and declare that it is urgently needed and that the inability to access such finance would cause imminent and irreparable damage. The Court shall decide on this request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors. The debtor also has the possibility to obtain authorization to continue to use existing trade receivables credit lines (linee di credito autoliquidanti) (Article 182-*quinquies*, second paragraph, of the Italian Bankruptcy Law).

Before the entry into force of the Decree 83, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Super-priority rights granted pursuant to the above do not jeopardize or overcome the rights in rem (e.g., mortgages) of secured creditors.

United States

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, under certain circumstances:

(1) the issuance of the Guarantees by entities subject to or organized under the laws of the United States or certain states thereof, including the State of Delaware and the Commonwealth of Pennsylvania (each, a "*U.S. Guarantor*") could be avoided;

(2) claims in respect of such liens or obligations could be subordinated to some or all of its other debts and other liabilities; and

(3) the holders of the Notes could be required to repay any amounts received in connection with such Guarantee.

Federal and State Insolvency Proceedings

The U.S. Guarantors may have operations that would subject any one or both either to federal bankruptcy laws under title 11 of the United States Code (the "*U.S. Bankruptcy Code*") or any applicable state law insolvency proceedings. Proceedings under the U.S. Bankruptcy Code vary and provide a debtor with discretion in its pursuit of a liquidation or reorganization strategy. The U.S. Bankruptcy Code provides a detailed statutory framework that, among other things, contains terms or provisions relating to: (i) the administration of a bankruptcy case, including the provision of "*adequate protection*" to secured creditors, the automatic stay, terms for the use, sale or lease of property, standards for obtaining credit and the treatment of executory contracts and leases; (ii) creditors and claims, including filing proofs of claim, priority and allowance of claims, rights of creditors and subordination of claims; (iii) provisions relating to the creation of the bankruptcy estate, including the scope of property of the estate and turnover and avoidance actions; (iv) liquidation under chapter 7 of the U.S. Bankruptcy Code; (v) reorganization under chapter 11 of the U.S. Bankruptcy Code; and (vi) ancillary and cross border insolvency cases under chapter 15 of the U.S. Bankruptcy Code.

As a general matter, chapter 7 of the U.S. Bankruptcy Code provides for the orderly liquidation of the debtor's assets by a trustee, and typically, a chapter 7 case results in the immediate shutdown of the debtor's business. Chapter 11 of the U.S. Bankruptcy Code is available to debtors who seek to continue to operate their business as a going concern while they rehabilitate their businesses and restructure their obligations to creditors. Unlike in chapter 7, the debtor in a chapter 11 case remains in control of its assets absent court order divesting the debtor of control, and absent such a court order, the debtor continues to operate its business during the course of the bankruptcy case subject to the limitations imposed by the U.S. Bankruptcy Code and supervision of the U.S. Bankruptcy Court, including that transactions outside of the ordinary course of business require prior court approval following notice and a hearing at which all parties in interest may be heard. In addition, "*liquidating*" chapter 11 cases may be utilized as an alternative to chapter 7 liquidations to provide for the sale of the debtor's assets as a going concern, especially where the conversion of a pending chapter 11 case to a case under chapter 7 and the resulting shutdown of the business might result in a loss of value for the debtor's stakeholders.

Because bankruptcy proceedings are inherently to be fact specific and vary case by case and because U.S. bankruptcy courts are courts of equity with broad discretionary powers, a detailed summary of all of the provisions of the U.S. Bankruptcy Code that could impact the Notes or the Guarantees is not contained herein. Furthermore, the common law applicable in bankruptcy proceedings may vary from jurisdiction to jurisdiction, and this summary is not intended to cover the common law that may apply in any particular jurisdiction.

With respect to proceedings under any applicable state insolvency laws (e.g., assignments for the benefit of creditors, receiverships or other state liquidation mechanisms) and the application of state laws in bankruptcy proceedings (e.g., fraudulent transfer claims), the effects and outcomes of these proceedings are fact specific, vary from state to state and require an examination of both statutory and common law, the details of which also are not described herein. To the extent more information is required, potential investors in the Notes should consult an insolvency professional familiar with U.S. and the applicable state insolvency laws.

Delay and Risks Associated in a Federal Bankruptcy Proceeding

If a bankruptcy proceeding were to be commenced under the U.S. Bankruptcy Code by or against any U.S. Guarantor, it is likely that delays will occur in enforcing the Guarantees granted by the bankrupt U.S. Guarantor, because of specific provisions of such laws or by a court applying general principles of equity. Aspects of federal bankruptcy laws or general principles of equity that could result in the impairment of rights include, but are not limited to:

- the automatic stay;
- the avoidance of preferential transfers by a trustee, debtor in possession or other parties granted standing by the bankruptcy court;
- the substantive consolidation of the assets and liabilities of multiple entities;
- the limitations on the collectability of unmatured interest or attorney fees;
- fraudulent transfer; and
- the forced restructuring of the bonds issued by the bankrupt company, including reduction of principal amounts and interest rates and extension of maturity dates, or the conversion of debt to equity interests, other forms of consideration (such as interests in a trust) or potentially discharge of all obligations without significant recovery, over the holders' objections.

As an initial matter, the commencement of a bankruptcy case operates as a stay, applicable to all creditors, of virtually all private litigation against the debtor and efforts to collect prepetition claims, enforce existing liens or impose most new liens. The stay applies to the debtor and its assets globally. The purpose of the stay is to provide the chapter 11 debtor time to reorganize and the chapter 7 trustee protection under which to liquidate in an orderly fashion the debtor's assets for the benefit of creditors. The automatic stay is also intended to shield a debtor from the pressures of creditor collection efforts. Among other things, the automatic stay prohibits (i) all collection efforts by creditors, (ii) the enforcement of prepetition judgments against the debtor or property of the estate, (iii) any act to create, perfect or enforce a lien against property of the estate and (iv) the setoff of prepetition debts owing to the debtor against debts owing by the debtor. The automatic stay ordinarily does not bar suits against non-debtor guarantors or co-obligors, nor does it enjoin payment under a letter of credit issued by a bank in favour of a creditor of the applicable debtor. Parties must apply to the bankruptcy court for relief from the stay prior to taking any action in violation of the stay. Any action in violation of the stay without prior relief is void and can be the basis for sanctions, including punitive damages.

Applicable federal bankruptcy laws generally do not permit the payment or accrual of interest, costs and attorneys' fees for unsecured or "*undersecured*" claims.

Fraudulent Transfer Issues

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer laws that are applicable in U.S. bankruptcy cases, the issuance of Guarantees by any U.S. Guarantor could be avoided if, among other things, at the time the U.S. Guarantor issued the Guarantee, the applicable U.S. Guarantor (i) intended to hinder, delay or defraud any present or future creditor; or (ii) received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and, in the case of (ii) either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the U.S. Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, a U.S. Guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than all of its assets, at a fair valuation;

- the present fair salable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

However, there can be no assurance as to what standard a court may apply in making solvency determinations, and different courts may reach different conclusions with regard to these issues. For example, in an evidentiary ruling in the In re W.R. Grace & Co. bankruptcy case, the U.S. Bankruptcy Court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor, and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court's analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer, and would increase the risk that a transfer may in the future be found to be a fraudulent transfer. The Uniform Fraudulent Transfer Act has been enacted into law in Delaware at 6 Del. C.§§ 1301 et seq. and in Pennsylvania at 12 Pa. C.S.A. §§ 5101 et seq.

By their terms, the Guarantee of each U.S. Guarantor will limit the liability of each such guarantor to the maximum amount it can pay without the Guarantee being deemed a fraudulent transfer. It is not assured, however, that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the notes in full when due.

In addition to the avoidance power that may be exercized in a U.S. bankruptcy, claims evidenced by the Guarantees may, in certain circumstances, be subordinated under the equitable subordination provisions of the U.S. Bankruptcy Code.

Preference Transfers

A future pledge of collateral in favour of a creditor may be avoidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy, or another party granted standing by the bankruptcy court, if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the pledgee to receive a greater recovery than it would otherwise receive in a hypothetical chapter 7 liquidation and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period. Such future pledge may also be avoidable as a preferential transfer in state insolvency proceedings under the laws of some states. In the context of a Pennsylvania assignment for the benefit of creditors, for example, the assignee may recover payments made during the four month period preceding the assignment, under certain circumstances.

U.S. Recognition of Foreign Court Judgments

Judgments of foreign courts are not automatically enforceable in federal or state courts of the United States. With respect to foreign money judgments, recognition and enforceability will be governed by applicable state law. A majority of U.S. states, including Delaware and Pennsylvania, have adopted a version of the Uniform Foreign Money Judgments Recognition Act (or a later revision thereof) (the "*U.S. Recognition Act*"). Although variations exist among states, the U.S. Recognition Act generally applies to any judgment granting or denying recovery of a sum of money rendered in a foreign jurisdiction (excluding judgments for taxes, fines, penalties, matrimonial support and family matters), so long as the judgment is final, conclusive and enforceable in the jurisdiction where rendered. Pursuant to the U.S. Recognition Act, any such foreign judgment rendered by a court having proper personal and subject matter jurisdiction would, subject to considerations of public policy, be recognized and enforced by a U.S. state court that has adopted the U.S. Recognition Act (or a federal court sitting in such a state) and that also has appropriate personal and subject matter jurisdiction without re-examination of the merits of the case pursuant to which such foreign judgment was obtained and in the same manner as the judgment of a sister state that is entitled to full faith and credit, in an appropriate proceeding in accordance with the procedures of such court, provided that (i) the judgment debtor had received proper and sufficient notice of the subject proceedings, (ii) the judgment was not obtained by fraud or by procedures that denied the judgment debtor a fair trial before an impartial tribunal or due process of law, (iii) the proceedings in the foreign court were not contrary to an agreement between the parties under which the dispute in question was to be settled otherwise than by proceedings in that court, (iv) the foreign court was not a seriously inconvenient forum for the trial of the action if jurisdiction over the judgment debtor was based only on personal service, and (v) the judgment did not conflict with another final and conclusive judgment. In addition to the foregoing, a number of states adopting the U.S. Recognition Act also require that the foreign court rendering the judgment reside in a jurisdiction that will reciprocally enforce judgments of the United States courts. In states that have not adopted the U.S. Recognition Act, principles of comity will apply. The U.S. Recognition Act represents an attempt to codify general principles of comity, and should therefore be generally indicative of the types of principles that non U.S. Recognition Act states would apply in determining whether to recognize a foreign judgment against the U.S. Guarantors.

Luxembourg

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the guarantees given by Lux Finco and Lux Finco 2 (together, the "*Luxembourg Guarantors*" and each a "Luxembourg Guarantor") may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as "*insolvency proceedings*") may be initiated against a company incorporated in Luxembourg having its centre of main interests (within the meaning of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "*EU Insolvency Regulation*") or an establishment in Luxembourg (in the latter case assuming that the centre of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company, subject to certain limited exceptions under the applicable provision of the Luxembourg law of 5 August 2005 on financial collateral arrangements, as amended (the "*Financial Collateral Law 2005*")), for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e., is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers' and directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg commercial code;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors; or
- composition proceedings (*concordat préventif de la faillite*), the opening of which may only be requested by the company and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except, among others, for secured creditors.

In addition to these proceedings, your ability to receive payment under the guarantees given by the Luxembourg Guarantors may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg Companies Law. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of any of the Luxembourg Guarantors in respect of the relevant Notes and guarantees will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- certain amounts owed to the Luxembourg Inland Revenue;
- employer's contribution to social security;
- landlord, pledgor not under the Financial Collateral Law 2005; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realised).

Impact of Luxembourg insolvency proceedings on transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganisation order requires the prior approval by more than 50 per cent. of the creditors representing more than 50 per cent. of the relevant Luxembourg Guarantor's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings, a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg Guarantor during the preference period (*période suspecte*) which is a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce (*Code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Luxembourg Guarantors' business and assets of the relevant Luxembourg Guarantors' respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the EU Insolvency Regulation applies will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law 2005 and article 16 of the EU Insolvency Regulation).

Luxembourg Guarantee Considerations

The Luxembourg Act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act*") does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group. A company may give a guarantee provided the giving of the guarantee is covered by the company's corporate purpose, corporate benefit and is in the best interest of the company.

Although no statutory definition of corporate benefit (*intérêt social*) exists under Luxembourg law, corporate benefit is widely interpreted and includes any transactions from which the company derives a direct or indirect economic or commercial benefit in return (such as an economic or commercial benefit) and whether the benefit is proportionate to the burden of the assistance. It is generally held that within a group of companies, the corporate interest of each individual corporate entity can include, to a certain extent, the interest of the group, and that the existence of a group interest can in certain cases result in the guarantee being held enforceable even where corporate benefit is not established. In this way, reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company.

However, this assistance must be temporary, in proportion to the real financial means of the assisting company (i.e., limited to an aggregate amount not exceeding the assisting company's own funds (*capitaux propres*)), the company must receive some benefit or there must be a balance between the respective commitments of all the affiliates and the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective. As a result, the guarantees/security interests granted by a Luxembourg company may be subject to limitations in order to ensure their enforceability. Further, a guarantee or security interest that substantially exceeds the guarantor's or security provider's ability to meet its obligations to the beneficiary of the guarantee/security provider and to its other creditors, or from which the Luxembourg company derives no or very limited direct benefit in return, or where no direct or indirect consideration is granted to the company in exchange, would expose its directors or managers to personal liability.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, in extreme circumstances the guarantee or security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*), in the case of facts consisting of a misuse of corporate assets. Any up-stream or cross-stream guarantee granted in connection with the Notes by Luxembourg companies will be limited to a certain percentage of, among others, the relevant company's net worth.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees (together, the "*Securities*") have not been and will not be registered under the U.S. Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Securities offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions to non-U.S. persons outside of the U.S. (in each case, as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act.

We use the terms "*offshore transaction*," "*U.S. person*" and the "*United States*" with the meanings given to them in Regulation S.

Each purchaser of the Securities (other than the Initial Purchasers), by its acceptance thereof, will be deemed to have acknowledged, represented to, warranted to and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) The purchaser understands and acknowledges that the Securities have not been registered under the U.S. Securities Act or the securities laws of any other applicable jurisdiction and that the Securities are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act and any other applicable securities laws or pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) The purchaser is not an "*affiliate*" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any Guarantor, is not acting on behalf of the Issuer or any Guarantor and is either:

   (a) a person in the United States or a U.S. person who is a qualified institutional buyer, within the meaning of Rule 144A under the U.S. Securities Act and is aware that any sale of these Securities to them will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for their own account or for the account of another qualified institutional buyer; or

   (b) is not a U.S. person (and is not purchasing the Securities for the account or benefit of a U.S. person) and is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act;

(3) The purchaser acknowledges that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to us or the offer or sale of any of the Securities, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

(4) The purchaser is purchasing the Securities for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case, for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a qualified institutional buyer pursuant to Rule 144A, to non-U.S. persons in offshore transactions pursuant to Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act;

(5) The purchaser understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Securities prior to the date (the "*Resale Restriction Termination Date*") that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Securities (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Securities are eligible for resale pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur in offshore transactions outside the United States to non-U.S. persons in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date (as defined below);

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "*U.S. SECURITIES ACT*") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "*QUALIFIED INSTITUTIONAL BUYER*" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IT IS ACQUIRING THIS NOTE IN AN "*OFFSHORE TRANSACTION*" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "*RESALE RESTRICTION TERMINATION DATE*") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY),] [IN THE CASE OF SECURITIES SOLD TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY AND THE DATE ON WHICH SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "*QUALIFIED INSTITUTIONAL BUYER*" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON

RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If the purchaser purchases Securities, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities.

(7) The purchaser agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;

(8) The purchaser acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth therein have been complied with;

(9) The purchaser acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities is no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(10) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Plan of Distribution*" and "*Notice to Investors*."

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP as to matters of U.S. federal, New York state and English law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Target as at and for the 52 weeks ended 29 December 2018, the 52 weeks ended 30 December 2017 and the 53 weeks ended 31 December 2016, included in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein. The consolidated financial statements of the Target as at and for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019, included in this Offering Memorandum, have been reviewed by KPMG LLP, independent auditors. Accordingly, the degree of reliance on their report on financial information as at and for the 26 weeks ended 30 June 2018 and the 26 weeks ended 29 June 2019 should be restricted in light of the limited nature of the review procedures applied.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, KPMG LLP's independent auditors' reports state that: they were made solely to their members as a body and are subject to important explanations and disclaimers regarding KPMG LLP's responsibilities, which are incorporated into the independent auditors' reports as if set out in full and should be read to provide an understanding of the purpose of the reports, the work KPMG LLP has undertaken and the basis of its opinions. A description of KPMG LLP's responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Investors in the Notes should understand that in making these statements, KPMG LLP confirmed that it does not accept or assume any liability to parties, such as the purchasers of the Notes, other than their members as a body, with respect to the reports and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Securities Exchange Act of 1934, as amended (the "*U.S. Exchange Act*"). If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. As the offered securities have not been, and will not be, registered under the U.S. Securities Act, KPMG LLP has not filed a consent under the U.S. Securities Act.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated in Ireland and many of the Guarantors are incorporated in England and Wales. Other Guarantors are organised under the laws of Denmark, Germany, Italy and the United States, and future Guarantors may also be organised under the laws of non-U.S. jurisdictions. Many of our directors and executive officers and many of the directors and officers of the Guarantors are non-residents of the United States. Although we and each of the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the Guarantors or security providers. In addition, as many of our and the Guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

England and Wales

The United States and the United Kingdom currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognised or directly enforceable in England and Wales. In order to enforce any such U.S. judgment in England and Wales, fresh proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Summary judgment is a procedure by which the English court can dispose of all or part of a claim without proceeding to a full trial. Recognition and enforcement of a U.S. judgment by an English court in such an action may be conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law at the time when proceedings were initiated (in other words, it does not matter that the U.S. court had jurisdiction according to its own law, but instead whether it had jurisdiction according to the rules of English private international law);
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause except with the agreement of the relevant parties or the relevant parties' subsequent submission to the jurisdiction of the court;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the recognition or enforcement, as the case may be, of the U.S. judgment not contravening English public policy, the European Convention on Human Rights or English law including the Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable);
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law, or other public law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent, determinative or conflicting judgment of an English or other non-U.S. court in respect of the same matter involving the same parties and/or prior

inconsistent judgment given in a Hague Convention member state or an EU Member State or other court which the English Court must recognise and enforce under the Hague Convention Choice of Court Agreements of June 30, 2005 and/ or Council Regulation (EC) 1215/2012 and/or the Lugano Conventions of 1988 and 2007 or other law;

- the U.S. judgment not having been wholly satisfied or not being enforceable by execution in the U.S.;
- the party seeking enforcement providing security for costs, if ordered to do so by the English court; and
- the English enforcement proceedings being commenced within the relevant limitation period.

Subject to the foregoing, investors may be able to enforce judgments in England and Wales in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognised or enforceable in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England and Wales, instead of the United States, in an original action predicated solely upon U.S. federal securities laws or other laws. Further, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, or if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Denmark

The United States and Denmark currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be recognised or enforceable in Denmark without a review of the merits of the case.

However, according to limited case law, which is based on non-statutory grounds and which does not relate to recognition and enforcement of a judgment rendered by a U.S. federal or state court, a Danish courts may—under certain circumstances and preconditions—recognise judgements from outside the EU, provided that the parties have agreed to the jurisdiction in question and to the domestic laws thereof, in each case subject to Danish principles of justice (*ordre public*) and assuming that such judgement does not include any material defects.

Subject to the foregoing, it is uncertain to what extent investors may be able to enforce judgments in Denmark in civil and commercial matters that have been obtained from U.S. federal or state courts. In the predominant situations, it would be necessary to initiate legal proceedings before a Danish court for the purpose of reinvestigating the merits of the original matter decided by the U.S. federal or state courts.

Germany

Certain of the guarantors are formed under the laws of Germany: Heide-Park Soltau GmbH, LEGOLAND Deutschland Freizeitpark GmbH, Legoland Deutschland GmbH, Sea Life Deutschland GmbH, Madame Tussauds Deutschland GmbH, Dungeon Deutschland GmbH. Service of process in Germany is generally effected by the court, not by the parties to the proceedings. Service of process from abroad must be effected in accordance with international treaties. In relation to the United States, the Hague Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (the Hague Convention) will apply. Germany objected to the possibility of direct service of documents via mail provided for in art. 10 of the Hague Convention. Therefore, service has to be effected in a certain, formalized way via the diplomatic channels established between the other contracting state and Germany and will ultimately be effected by the local court where the defendant is resident. Documents will have to be accompanied by a translation into German.

Alternatively, a German entity may agree to appoint a process agent abroad to accept service of documents in another jurisdiction. In that case, there will be no need to effect service according to international treaties and the service will be effected according to the laws of the country in which the process agent was appointed.

Therefore, a final judgment for payment of money rendered by a federal or state court in the United States (a "*U.S. court*") based on civil liability may not be enforceable, either in whole or in part, in Germany.

Notwithstanding the above, a final judgment for payment rendered by any federal or state court in the United States based on civil liability would generally be recognised by a German court upon satisfaction of all of the following conditions:

(a) the judgment became final and binding (*res judicata*) in accordance with U.S. law;

(b) U.S. courts could establish jurisdiction over the case in accordance with the principles on jurisdictional competence according to German law;

(c) process has been duly served on the defendant in a timely fashion to allow for adequate defense or, in case of non-compliance, the defendant did appear in the proceedings and did not recourse to not being notified of the proceedings in a timely fashion that allowed for adequate defense;

(d) the judgment is not contrary to (i) any prior judgment which became res judicata rendered by a German court or (ii) any prior judgment which became res judicata rendered by a foreign court which is to be recognised in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment under (i) and (ii) or a proceeding previously pending (*rechtshängig*) in Germany;

(e) the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. court's civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will likely not be enforced in Germany, on the basis of being in conflict with basic principles of German law;

(f) the reciprocity of enforcement of judgments is guaranteed; and

(g) the judgment became res judicata in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision (*exequatur*) from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, there can be no assurance that those judgments will be enforceable. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation or moratorium, as well as other similar laws affecting creditor's rights generally.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

Under such circumstances, a judgment by a U.S. court against the Issuer or a Guarantor will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a U.S. court.

Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of 31 May 1995 (*Riforma del sistema italiano di diritto internazionale privato*), amongst others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;

- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy amongst the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of 31 May 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfilment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory, and may refuse to apply U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates any Italian public policies and/or any mandatory provisions of Italian law.

Luxembourg

Lux Finco and Lux Finco 2 are incorporated under the laws of Luxembourg. A substantial portion of the assets of Lux Finco and Lux Finco 2 is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Lux Finco and Lux Finco 2, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

The United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. An enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment must have had jurisdiction to adjudicate the respective matter both under applicable U.S. Federal or state jurisdictions rules, and under applicable Luxembourg international private law conflict of jurisdiction rules and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules, or at least, the order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg or has not been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages, such punitive damages may be considered as a penalty;
- the U.S. court has acted in accordance with its own procedural laws;

- the principles of fair trial and due process have been complied with and in particular the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition to do so.

If an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made bona fide and (ii) if its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

AVAILABLE INFORMATION

Under the terms of the Indenture, we will agree that for so long as any of the Notes remain outstanding, we will furnish to the Trustee and holders of the Notes the information specified therein. See "*Description of Notes—Reports and Other Information*."

We have not, and the Initial Purchasers have not, authorised anyone to provide you with information other than that provided in this Offering Memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should not assume that the information in this Offering Memorandum is accurate as of any date other than the date of this Offering Memorandum.

This Offering Memorandum contains summaries of certain agreements that we have entered into or will enter into in connection with the Transactions, such as the Indenture, the Senior Facilities Agreement, the Intercreditor Agreement, the Escrow Agreement that we will enter into if the Offering closes before the consummation of the Acquisition, and the other agreements described under "*The Transactions*" and "*Certain Relationships and Related Party Transactions*." The descriptions contained in this Offering Memorandum of these agreements do not purport to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements. Copies of the Indenture will be made available without charge to you in response to a written request to us.

LISTING AND GENERAL INFORMATION

Listing Information

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Clearing Information

The Dollar Notes have been, or will be, accepted for clearance under DTC and the Euro Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream, as applicable. Certain trading information with respect to the Notes is set forth below.

Clearing Information	ISIN	Common Code	CUSIP
Rule 144A Global Notes:			
Dollar Rule 144A Global Note		Not Applicable	
Euro Rule 144A Global Note			Not Applicable
Regulation S Global Notes:			
Dollar Regulation S Global Note		Not Applicable	
Euro Regulation S Global Note			Not Applicable

Issuer and Guarantor Information

The Issuer

The Issuer was incorporated as a designated activity company under the laws of Ireland on 6 September 2019, with registration number 656619. The address of its registered office is 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

The Issue Date Guarantors

Motion Acquisition Limited was incorporated as a private company limited by shares under the laws of England and Wales on 30 May 2019, with registration number 12024126. The address of its registered office is 35 Great St. Helen's, London, United Kingdom, EC3A 6AP.

Motion Finco LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 27 September 2019. Its registered address is 1675 S. State Street, Suite B, in the City of Dover, in the County of Kent, Delaware 19901.

Motion Finco S.à r.l. is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register with registration number B234977. The address of its registered office is 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

Motion Finco 2 S.à r.l. is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register with registration number B235038. The address of its registered office is 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

Motion Midco Limited was incorporated as a private company limited by shares under the laws of England and Wales on 30 May 2019, with registration number 12023992. The address of its registered office is 35 Great St. Helen's, London, United Kingdom, EC3A 6AP.

The Post-Completion Guarantors

Dungeon Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany and incorporated with articles of association dated 11 December 1998. It is currently registered with the Commercial Register at the local court of Hamburg under registration number HRB 72306. The address of its registered office is Kehrwieder 5, 20457 Hamburg, Germany.

Gardaland S.r.l. is a limited liability company (*società a responsabilità limitata*) incorporated under the laws of Italy on 26 September 2006. Its registered address is at Via Derna 4, Castelnuovo del Garda, Verona, Italy.

Heide-Park Soltau GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany and registered for the first time on 3 April 2001. It is currently registered with the Commercial Register at the local court of Lüneburg under registration number HRB 101295. The address of its registered office is Heide Park 1, 29614 Soltau, Germany.

LEGOLAND ApS is a private limited liability company incorporated under the laws of Denmark with registration number (CVR No.) 36887613 on 21 December 1973. Its registered address is at Aastvej 10, 7190 Billund, Denmark.

LEGOLAND California, LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 11 August 2003. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

LEGOLAND Deutschland Freizeitpark GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung) organised under the laws of Germany and registered for the first time on 1 July 2005. It is currently registered with the Commercial Register at the local court of Memmingen under registration number HRB 12706. The address of its registered office is Legoland Allee 1, 89312 Günzburg, Germany.

Legoland Deutschland GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung) organised under the laws of Germany and registered for the first time on 10 September 1998. It is currently registered with the Commercial Register at the local court of Memmingen under registration number HRB 10346. The address of its registered office is Legoland Allee 1, 89312 Günzburg, Germany.

LEGOLAND Discovery Centre US, LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 2 August 2007. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

LEGOLAND New York LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 21 December 2017. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Madame Tussaud Las Vegas LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 6 January 1998. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Madame Tussaud's New York LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 21 June 1999. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Madame Tussauds Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany and registered for the first time on 17 December 2007. It is currently registered with the Commercial Register at the local court of Hamburg under registration number HRB 103588. The address of its registered office is Kehrwieder 5, 20457 Hamburg, Germany.

Madame Tussauds Touring Exhibition Limited is a private limited company under the laws of England and Wales, incorporated on 15 September 1999. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Merlin Attractions Operations Limited is a private limited company under the laws of England and Wales, incorporated on 7 June 2007. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Merlin Entertainments (Dungeons) Limited is a private limited company under the laws of England and Wales, incorporated on 20 November 1998. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Merlin Entertainments (SEA LIFE) Limited is a private limited company under the laws of England and Wales, incorporated on 22 October 1987. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Merlin Entertainments Group Florida LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 26 September 2008. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Merlin Entertainments Group Holdings Limited is a private limited company under the laws of England and Wales, incorporated on 23 February 2002. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Merlin Entertainments Group U.S. Holdings Inc. is a corporation under the laws of Delaware, U.S., incorporated on 28 June 2005. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Merlin Entertainments North America LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 28 May 2013. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Merlin Entertainments plc is a public limited company under the laws of England and Wales, incorporated on 20 September 2013, with registration number 08700412. Its registered address is at Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom.

Sea Life Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany and registered for the first time on 4 December 1995. It is currently registered with the Commercial Register at the local court of Hamburg under registration number HRB 93040. The address of its registered office is Kehrwieder 5, 20457 Hamburg, Germany.

Sea Life Minnesota LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 24 September 2008. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Sea Life US LLC is a limited liability company under the laws of Delaware, U.S., incorporated on 24 September 2008. Its registered address is The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.

Resolutions, Authorisations and Approvals by Virtue of Which the Notes have been Issued

The Issuer and the Guarantors have, or will have, obtained all necessary consents, approvals and authorisations (if any) in connection with the issuance of the Notes and the issuance of the Guarantees thereon, respectively. The issuance of the Notes was approved by resolutions of the board of directors of the Issuer on 4 October 2019.

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MERLIN ENTERTAINMENTS PLC

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE 26 WEEKS ENDED 29 JUNE 2019

INDEPENDENT REVIEW REPORT TO MERLIN ENTERTAINMENTS PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 June 2019 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

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

As disclosed in note 1.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

Hugh Green
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House, Tollgate
Chandlers Ford
SO53 3TG

31 July 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 29 June 2019 (2018: 26 weeks ended 30 June 2018)

	Note	26 weeks ended 29 June 2019			26 weeks ended 30 June 2018 Restated[1]		
		Underlying trading	Exceptional items[5]	Total	Underlying trading	Exceptional items[5]	Total
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2.1	763	—	763	706	—	706
Cost of sales		(139)	—	(139)	(126)	—	(126)
Gross profit		624	—	624	580	—	580
Staff expenses	2.1	(223)	—	(223)	(208)	—	(208)
Marketing		(51)	—	(51)	(47)	—	(47)
Rent		(11)	—	(11)	(10)	—	(10)
Other operating expenses		(148)	(2)	(150)	(127)	—	(127)
EBITDA[2]	2.1	191	(2)	189	188	—	188
Depreciation and amortisation	3.1, 3.2, 3.3	(112)	—	(112)	(100)	—	(100)
Operating profit/(loss)		79	(2)	77	88	—	88
Finance income	2.3	5	—	5	5	—	5
Finance costs	2.3	(50)	—	(50)	(50)	—	(50)
Profit/(loss) before tax		34	(2)	32	43	—	43
Taxation	2.4	(9)	1	(8)	(10)	—	(10)
Profit/(loss) for the period from continuing operations		25	(1)	24	33	—	33
Discontinued operations							
Profit/(loss) for the period from discontinued operations	2.5	—	42	42	(5)	—	(5)
Profit for the period[3]		**25**	**41**	**66**	**28**	**—**	**28**
Earnings per share from continuing and discontinued operations							
Basic (p)	2.6			6.5			2.8
Diluted (p)	2.6			6.5			2.8
Earnings per share from continuing operations							
Basic (p)	2.6			2.4			3.3
Diluted (p)	2.6			2.4			3.3
Dividend per share[4] (p)	4.2			—			2.5

(1) Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).

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

(3) Profit for the 26 weeks ended 29 June 2019 and the 26 weeks ended 30 June 2018 is wholly attributable to the owners of the Company.

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

(5) Details of exceptional items are provided in note 2.2.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 29 June 2019 (2018: 26 weeks ended 30 June 2018)

		26 weeks ended 29 June 2019	26 weeks ended 30 June 2018 Restated[1]
		£m	£m
Profit for the period		66	28
Other comprehensive income			
Items that cannot be reclassified to the income statement			
Equity investments at FVOCI—net change in fair value	5.1	3	—
		3	—
Items that may be reclassified to the income statement			
Exchange differences on the retranslation of net assets of foreign operations		(6)	(7)
Exchange differences relating to the net investment in foreign operations		3	2
Cash flow hedges—effective portion of changes in fair value		—	4
Cash flow hedges—reclassified to profit and loss	2.3	(1)	(3)
		(4)	(4)
Other comprehensive income for the period net of income tax		(1)	(4)
Total comprehensive income for the period[2]		**65**	**24**
Total comprehensive income attributable to owners of the parent arising from:			
Continuing operations		22	30
Discontinued operations		43	(6)
		65	**24**

(1) Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).

(2) Total comprehensive income for the 26 weeks ended 29 June 2019 and the 26 weeks ended 30 June 2018 is wholly attributable to the owners of the Company.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29 June 2019 (2018: 29 December 2018, 30 June 2018)

	Note	29 June 2019	29 December 2018 Restated(1)	30 June 2018 Restated(1)	30 December 2017 Restated(1)
		£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	3.1	2,206	2,169	2,046	1,923
Right-of-use assets	3.2	987	993	968	966
Goodwill and intangible assets	3.3	1,024	1,028	1,017	1,018
Investments	5.1	65	61	60	59
Derivative financial assets		8	—	—	—
Other receivables		13	14	13	11
Deferred tax assets		65	68	63	63
		4,368	4,333	4,167	4,040
Current assets					
Inventories		61	47	52	37
Trade and other receivables		167	122	139	97
Derivative financial assets		3	3	2	5
Cash and cash equivalents	4.1	134	110	117	309
		365	282	310	448
Total assets		4,733	4,615	4,477	4,488
Current liabilities					
Interest-bearing loans and borrowings	4.1	8	8	9	7
Lease liabilities	4.1	38	38	38	33
Derivative financial liabilities		1	4	—	3
Trade and other payables		442	345	411	298
Tax payable		39	43	25	37
Provisions		7	7	5	5
		535	445	488	383
Non-current liabilities					
Interest-bearing loans and borrowings	4.1	1,112	1,092	1,148	1,271
Lease liabilities	4.1	1,139	1,145	1,112	1,105
Other payables		25	26	27	9
Provisions		84	80	72	71
Employee benefits		5	6	6	6
Deferred tax liabilities		178	182	171	171
		2,543	2,531	2,536	2,633
Total liabilities		3,078	2,976	3,024	3,016
Net assets		**1,655**	**1,639**	**1,453**	**1,472**
Issued capital and reserves attributable to owners of the Company		1,650	1,634	1,449	1,468
Non-controlling interest		5	5	4	4
Total equity		**1,655**	**1,639**	**1,453**	**1,472**

(1) Restated for the adoption of IFRS 16 as explained in note 1.1.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 29 June 2019 (2018: 26 weeks ended 30 June 2018)

	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2017 *(as previously reported)*		10	10	(18)	1	1,560	**1,563**	4	**1,567**
Adjustment on initial application of IFRS 16 (net of tax)		—	—	(2)	—	(93)	**(95)**	—	**(95)**
At 31 December 2017 *(restated)*		10	10	(20)	1	1,467	**1,468**	4	**1,472**
Profit for the period		—	—	—	—	28	**28**	—	**28**
Other comprehensive income for the period net of income tax		—	—	(5)	1	—	**(4)**	—	**(4)**
Total comprehensive income for the period		—	—	(5)	1	28	**24**	—	**24**
Shares issued		—	3	—	—	—	**3**	—	**3**
Equity dividends	4.2	—	—	—	—	(51)	**(51)**	—	**(51)**
Equity-settled share-based payments	4.3	—	—	—	—	5	**5**	—	**5**
At 30 June 2018		**10**	**13**	**(25)**	**2**	**1,449**	**1,449**	**4**	**1,453**
Profit for the period		—	—	—	—	192	**192**	—	**192**
Other comprehensive income for the period net of income tax		—	—	13	—	(1)	**12**	1	**13**
Total comprehensive income for the period		—	—	13	—	191	**204**	1	**205**
Shares issued		—	3	—	—	—	**3**	—	**3**
Equity dividends		—	—	—	—	(25)	**(25)**	—	**(25)**
Equity-settled share-based payments		—	—	—	—	3	**3**	—	**3**
At 29 December 2018		**10**	**16**	**(12)**	**2**	**1,618**	**1,634**	**5**	**1,639**
Profit for the period		—	—	—	—	66	**66**	—	**66**
Other comprehensive income for the period net of income tax		—	—	(3)	(1)	3	**(1)**	—	**(1)**
Total comprehensive income for the period		—	—	(3)	(1)	69	**65**	—	**65**
Shares issued	4.2	—	2	—	—	—	**2**	—	**2**
Equity dividends	4.2	—	—	—	—	(56)	**(56)**	—	**(56)**
Equity-settled share-based payments	4.3	—	—	—	—	5	**5**	—	**5**
At 29 June 2019		**10**	**18**	**(15)**	**1**	**1,636**	**1,650**	**5**	**1,655**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 29 June 2019 (2018: 26 weeks ended 30 June 2018)

	Note	26 weeks ended 29 June 2019	26 weeks ended 30 June 2018 Restated[1]
		£m	£m
Cash flows from operating activities			
Profit for the period		66	28
Adjustments for:			
Depreciation and amortisation	3.1, 3.2, 3.3	112	100
Finance income	2.3	(5)	(5)
Finance costs	2.3	50	50
Taxation	2.4	8	10
Profit/(loss) for the period from discontinued operations, net of tax	2.5	(42)	5
		189	188
Working capital changes		48	54
Changes in provisions and other non-current liabilities		4	22
		241	264
Tax paid		(33)	(22)
Net cash inflow from operating activities		208	242
Cash flows from investing activities			
Acquisition of property, plant and equipment		(162)	(190)
Disposal of discontinued operations, net of cash disposed of		92	—
Net cash outflow from investing activities		(70)	(190)
Cash flows from financing activities			
Proceeds from issue of share capital	4.2	2	3
Equity dividends paid	4.2	(56)	(51)
Proceeds from borrowings		20	613
Repayment of borrowings		—	(738)
Capital repayment of lease liabilities		(22)	(18)
Interest paid		(51)	(49)
Financing costs		(1)	(6)
Settlement of interest rate swaps		—	5
Net cash outflow from financing activities		(108)	(241)
Net increase/(decrease) in cash and cash equivalents		30	(189)
Cash and cash equivalents at beginning of period	4.1	110	309
Effect of movements in foreign exchange		(6)	(3)
Cash and cash equivalents at end of period	4.1	**134**	**117**

(1) Restated for the adoption of IFRS 16 as explained in note 1.1.

SECTION 1 BASIS OF PREPARATION

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements as at and for the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)* comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the 52 weeks ended 29 December 2018 are available on request from the Company's registered office at Link House, 25 West Street, Poole, Dorset, BH15 1LD.

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

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 29 December 2018.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 29 December 2018 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Group continues to trade profitably, reporting a profit for the period on continuing operations of £24 million *(26 weeks ended 30 June 2018: £33 million)* and continues to generate cash with net operating cash inflows of £208 million *(26 weeks ended 30 June 2018: £242 million)*.

The Group is funded by senior unsecured notes due for repayment in 2022 and 2026 and a multi-currency revolving credit facility maturing in April 2024. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.1.

After reviewing the Group's statement of financial position, available facilities, cash flow forecasts and trading budgets, the Directors believe the Group to be operationally and financially sound and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months.

The Directors note that the Group is currently the subject of an offer for a cash acquisition by Motion Acquisition Limited, which, if approved by shareholders and subsequently completed, will be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006. The Board intends to recommend this offer be accepted (with the exception of Søren Thorup Sørensen who has not participated in the decision because he is the Chief Executive Officer of KIRKBI Invest A/S, a member of the acquisition consortium).

Having considered the Board's recommendation to shareholders in relation to the acquisition offer, the Directors have not identified any information which impacted their assessment of going concern. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 weeks ended 29 December 2018, except for the adoption as of 30 December 2018 of IFRS 16 'Leases'.

1.1 BASIS OF PREPARATION (Continued)

IFRS 16 'Leases'

IFRS 16 'Leases' became effective for 2019 reporting periods onwards and introduces a single, on-balance sheet lease accounting model for lessees.

The Group has considered its entire lease portfolio which substantially relates to land, buildings and infrastructure assets, as follows:

- For leases previously classified as operating leases, the Group has recognised a new asset in the form of a right-of-use (ROU) asset, together with an associated lease liability. The income statement now includes a depreciation charge for the ROU asset and an interest expense on the lease liability. This replaces the previous accounting for operating leases that were expensed within operating expenses on a straight-line basis over the term of the lease. Where the Group's lease expense is linked to turnover or other performance criteria, this element continues to be recorded as rent within operating expenses.
- Existing finance leases have also been reviewed against the new standard. As a result a number of leases entered into under historic sale and leaseback transactions have been re-assessed due to differences in the accounting treatment between IAS 17 and IFRS 16 of unguaranteed residual values. This has required re-assessment of the values of leased assets at inception and their treatment under IFRS 16 in subsequent periods. Regarding classification, these assets were accounted for as PPE under IAS 17 but are treated as ROU assets under IFRS 16.
- The Group has elected to take recognition exemptions for short term leases and leases of low-value items. Leases that fall within the Group's defined parameters for these exemptions have been excluded from the IFRS 16 lease accounting requirements and will be expensed on a straight-line basis over the life of the lease.

Judgements and estimates

IFRS 16 requires certain judgements and estimates to be made. The most significant of these relate to the following:

- The discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Group's lease portfolio this results in two approaches. For a small volume of high value leases, the rate implicit in the lease can be calculated and is therefore adopted. Otherwise, for the majority of leases the rate used is based on estimates of incremental borrowing costs. These will depend on the territory of the relevant lease and hence the currency used; the date of lease inception; and the lease term. As a result, reflecting the breadth of the Group's lease portfolio; the transition approach adopted which has required estimation of historic discount rates; and estimations as to lease lives, there are a large number of discount rates within a wide range.
- IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. A small number of large leases held by the Group came into effect as part of a sale and leaseback transaction that occurred in 2007. These leases have an initial lease period of 35 years, with an option to extend for two further periods of 35 years, subject to an adjustment to market rates at that time. At this point it is not reasonably certain that these leases will be renewed, taking into account the factors noted above. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

1.1 BASIS OF PREPARATION (Continued)

Transition approach and impact

The Group has applied IFRS 16 from 30 December 2018, using the fully retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 has been recognised, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors', by restating the 52 week period ended 29 December 2018 and making an opening equity adjustment as at 31 December 2017. The Group is not required to make any adjustment for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease. The Group has applied the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group's leverage threshold loan covenants are under 'frozen-GAAP'and as such the adoption of IFRS 16 does not impact the ability to comply with them.

The impact on transition can be summarised as follows:

	30 December 2017		
	as reported	**IFRS 16 adjustment**	**as restated**
	£m	**£m**	**£m**
Property, plant and equipment	2,092	(169)	1,923
Right-of-use assets	—	966	966
Deferred tax assets	33	30	63
Trade and other receivables (current)	100	(3)	97
Lease liabilities (current and non-current)	(191)	(947)	(1,138)
Provisions (current and non-current)	(77)	1	(76)
Trade and other payables (current and non-current)	(334)	27	(307)
Net impact to equity		**(95)**	

	30 June 2018			29 December 2018		
	as reported	**IFRS 16 adjustment**	**as restated**	**as reported**	**IFRS 16 adjustment**	**as restated**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Property, plant and equipment	2,215	(169)	2,046	2,344	(175)	2,169
Right-of-use assets	—	968	968	—	993	993
Deferred tax assets	32	31	63	35	33	68
Trade and other receivables (current)	142	(3)	139	125	(3)	122
Lease liabilities (current and non-current)	(195)	(955)	(1,150)	(200)	(983)	(1,183)
Provisions (current and non-current)	(77)	—	(77)	(88)	1	(87)
Trade and other payables (current and non-current)	(466)	28	(438)	(400)	29	(371)
Net impact to equity		**(100)**			**(105)**	

The ROU assets above include balances relating to leases previously accounted for as finance leases, as well as asset retirement provisions on leased properties. Both of these items were previously classified under property, plant and equipment.

The Group has recognised total lease liabilities of £1,183 million at 29 December 2018. This included existing finance lease liabilities of £200 million so the impact of adopting IFRS 16 was therefore £983 million. Under IAS 17, at the same date the Group reported future minimum lease payments under non-cancellable operating leases on an undiscounted basis totalling £1,852 million.

1.1 BASIS OF PREPARATION (Continued)

The transition to IFRS 16 resulted in the restatement of the June 2018 income statement as follows:

Continuing operations	30 June 2018 as reported	IFRS 16 adjustment	Discontinued operations (note 2.5)	30 June 2018 as restated
	£m	£m	£m	£m
Gross profit	582	—	(2)	580
Staff expenses, marketing and other operating expenses	(389)	1	6	(382)
Rent	(50)	40	—	(10)
Underlying EBITDA	143	41	4	188
Depreciation and amortisation	(80)	(22)	2	(100)
Underlying operating profit	63	19	6	88
Finance income	5	—	—	5
Finance costs	(25)	(25)	—	(50)
Profit before tax	**43**	**(6)**	**6**	**43**

The transition to IFRS 16 resulted in the restatement of the June 2018 cash flow statement as follows:

	30 June 2018 as reported	IFRS 16 adjustment	30 June 2018 as restated
	£m	£m	£m
Net cash inflow from operating activities	199	43	242
Net cash outflow from investing activities	(190)	—	(190)
Net cash outflow from financing activities	(198)	(43)	(241)
Net decrease in cash and cash equivalents	(189)	—	(189)

The adjustment to the net cash inflow from operating activities includes the impact to profit for the period, being a reduction in profit of £5 million. Adjustments are then made to add back additional depreciation of £22 million and finance costs of £25 million, offset by a tax adjustment of £1 million as a result of IFRS 16. Working capital movements increase by £2 million.

Net cash outflow from financing activities is increased by £17 million in relation to capital repayment of lease liabilities recognised as a result of the transition and **£26** million of interest paid.

Accounting policy

Where a contract provides the right to control the use of an asset for a period of time in exchange for consideration, the contract is accounted for as a lease. In order for lease accounting to apply, an assessment is made at the inception of the contract that considers whether;

- the Group has the use of an identified asset, which entitles it to the right to obtain substantially all of the economic benefits that arise from the use of the asset, and;
- the right to direct the use of the asset, either through the right to operate the asset or by predetermining how the asset is used.

Measurement at lease inception

At the lease commencement date the Group, as the lessee, will recognise;

- a lease liability representing its obligation to make lease payments, and:
- an asset representing its right to use the underlying leased asset (ROU asset).

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease, or if not available an incremental borrowing rate. Future lease payments will include fixed payments, variable lease payments that depend on an index or rate (initially measured at

1.1 BASIS OF PREPARATION (Continued)

the rate at the commencement date) and amounts expected to be payable by the lessee under residual value guarantees.

The ROU asset is initially measured at cost, which comprises the amount initially recognised as the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred, and the estimated costs to be incurred at the end of the lease to restore the site to the required condition stipulated in the lease.

Depreciation (and any subsequent impairment) on the ROU asset, interest on the lease liability and any variable lease payments are all recognised in the income statement.

Ongoing measurement

The lease liability is adjusted for interest on the liability, adjustments to the lease payments and any reassessment of the lease as a result of a contract modification.

After the commencement date the Group measures the ROU asset using a cost model, reducing the cost through depreciation and any impairment losses. Adjustments will be made to the ROU asset to reflect the changes in the lease liability as a result of changes to lease payments or modifications to the lease.

Short term and low-value leases

The Group has taken the recognition exemptions for short-term leases and leases of low-value items. Leases which fall within the Group's defined parameters for these exemptions are excluded from the IFRS 16 lease accounting requirements and are accounted for on a straight-line basis over the lease term.

Other standards

The following new standards and interpretations have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRIC Interpretation 23 'Uncertainty over income tax treatment'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Amendments to IAS 28 'Long-term interests in associates and joint ventures'
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (issued in December 2017)

SECTION 2 RESULTS FOR THE PERIOD

26 weeks ended 29 June 2019

2.1 PROFIT BEFORE TAX

Segmental information

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

Continuing operations(1)	Midway Attractions	LEGOLAND Parks	Resort Theme Parks	Segment results	Other items(4)	Exceptional items(5)	Total
	£m	£m	£m	£m	£m	£m	£m
26 weeks ended 29 June 2019							
Visitor revenue	315	209	105	629	—	—	629
Accommodation revenue	—	75	29	104	—	—	104
Other revenue	9	12	3	24	6	—	30
Revenue	**324**	**296**	**137**	**757**	**6**	**—**	**763**
EBITDA(2)	**108**	**91**	**16**	**215**	**(24)**	**(2)**	**189**
Depreciation and amortisation	(52)	(29)	(25)	(106)	(6)	—	(112)
Operating profit/(loss)(2)	56	62	(9)	109	(30)	(2)	77
26 weeks ended 30 June 2018							
Restated(3)							
Visitor revenue	286	203	101	590	—	—	590
Accommodation revenue	—	61	28	89	—	—	89
Other revenue	11	10	4	25	2	—	27
Revenue	**297**	**274**	**133**	**704**	**2**	**—**	**706**
EBITDA(2)	**107**	**89**	**15**	**211**	**(23)**	**—**	**188**
Depreciation and amortisation	(45)	(24)	(25)	(94)	(6)	—	(100)
Operating profit/(loss)(2)	62	65	(10)	117	(29)	—	88

(1) The segmental information excludes the activities of the Australian ski resorts which have been classified as discontinued operations (note 2.5).

(2) Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating profit is included for information purposes.

(3) Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).

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

(5) Details of exceptional items are provided in note 2.2.

2.1 PROFIT BEFORE TAX (Continued)

Staff expenses

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

Continuing operations	26 weeks 2019	26 weeks 2018 Restated
	£m	£m
Wages and salaries	187	175
Share-based payments (note 4.3)	5	5
Social security costs	25	23
Other pension costs	6	5
	223	208

Seasonality of operations

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

Information regarding the results for the 52 weeks to 29 June 2019 is included below:

Continuing operations	52 weeks ended 29 June 2019	52 weeks ended 30 June 2018 Restated
	£m	£m
Revenue	1,710	1,584
Underlying EBITDA	569	543
Underlying operating profit	348	343
Profit before tax	253	244

2.2 EXCEPTIONAL ITEMS

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

	26 weeks 2019	26 weeks 2018
	£m	£m
Within other operating expenses		
Productivity Agenda activities[1]	2	—
Exceptional items included within EBITDA and operating profit	2	—
Income tax credit on exceptional items above	(1)	—
Exceptional items included within continuing operations	1	—
Exceptional items within discontinued operations (note 2.5)	(42)	—
Exceptional items for the period	(41)	—

(1) Certain one-off operational costs have been incurred in 2019 as part of the Group's Productivity Agenda initiatives that are expected to continue through to 2021. They are separately presented as they are not part of the Group's underlying operating expenses.

2.3 FINANCE INCOME AND COSTS

Finance income

Continuing operations	26 weeks 2019	26 weeks 2018
	£m	£m
In respect of assets held at fair value		
Unrealised gain on re-measurement of financial derivatives at fair value	1	—
Cash flow hedges—reclassified to profit and loss	1	3
Other		
Net foreign exchange gain	3	2
	5	5

Finance costs

Continuing operations	26 weeks 2019	26 weeks 2018 Restated
	£m	£m
In respect of liabilities not held at fair value		
Interest expense on lease liabilities	30	30
Interest expense on other financial liabilities measured at amortised cost	19	19
Other interest expense	1	1
	50	50

2.4 TAXATION

The underlying tax charge on profit before taxation for the 26 weeks ended 29 June 2019 is based on management's best estimate of the full year effective tax rate for continuing operations of 25.5% *(26 weeks ended 30 June 2018: 22.8%; 52 weeks ended 29 December 2018: 18.4%).* The increase is primarily due to further refinement of US legislative changes.

Significant factors that could impact the Group's future effective tax rate include the USA tax reforms, the ability to continue current financing arrangements and changes to local or international tax laws.

In April 2019 the European Commission (EC) announced its final decision that certain elements of the UK's Controlled Foreign Company rules partially represent State Aid. The UK Government has made an annulment application against this decision. Merlin is considering whether to make its own appeal. If the application and/or appeal is ultimately unsuccessful then this could result in an increase in the Group's future effective tax rate. The Group considers the maximum potential liability, excluding penalties and interest, to be up to £36 million, depending on the basis of calculation.

2.5 DISCONTINUED OPERATIONS

At the start of the year the Company progressed negotiations to sell its Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. (Vail). As at 29 December 2018 the potential sale process was at an early stage and in line with IFRS 5 the ski resorts were not classified as held-for-sale or as discontinued operations. On 21 February 2019 the Company entered into an agreement to sell the resorts to Vail for a cash consideration of A$174 million.

The transaction was subject to the completion of relevant regulatory filings and completed on 5 April 2019.

The comparative condensed consolidated income statement and statement of comprehensive income have been re-presented to show the discontinued operations separately from continuing operations. The tables below show the results of the discontinued operations which are included in the Group income statement and Group cash flow statement respectively.

2.5 DISCONTINUED OPERATIONS (Continued)

Income statement

	26 weeks 2019 £m	26 weeks 2018 £m
Revenue	—	3
Expenses	—	(9)
Loss before tax before exceptional items	—	(6)
Taxation	—	1
Loss after tax before exceptional items	—	(5)
Costs to sell	(1)	—
Profit after tax on disposal of Australian ski resorts	43	—
Total profit/(loss) after tax of discontinued operations	**42**	**(5)**

The profit after tax on disposal of the Group's Australian ski resorts is made up as follows:

	£m
Property, plant and equipment	(35)
Right-of-use assets	(6)
Goodwill and intangible assets	(1)
Inventories	(1)
Trade and other payables	4
Lease liabilities	8
Provisions	1
Deferred tax liabilities	1
Net book value of assets disposed	(29)
Consideration received in cash	93
Taxation	(21)
Profit after tax on disposal of Australian ski resorts	**43**

Earnings per share impact from discontinued operations

	26 weeks 2019 Pence	26 weeks 2018 Pence
Basic	4.1	(0.5)
Diluted	4.1	(0.5)

Cash flow statement

	26 weeks 2019 £m	26 weeks 2018 £m
Net cash flow from investing activities	92	(3)

2.6 EARNINGS PER SHARE

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

2.6 EARNINGS PER SHARE (Continued)

number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	26 weeks ended 29 June 2019			26 weeks ended 30 June 2018 Restated		
	Basic	Dilutive potential ordinary shares	Diluted	Basic	Dilutive potential ordinary shares	Diluted
Profit attributable to ordinary shareholders (£m)						
Continuing operations	24	—	24	33	—	33
Discontinued operations	42	—	42	(5)	—	(5)
Total	66	—	66	28	—	28
Weighted average number of shares (millions)	1,023	1	1,024	1,020	1	1,021
Earnings per share[(1)] (pence)						
Continuing operations	2.4	—	2.4	3.3	—	3.3
Discontinued operations	4.1	—	4.1	(0.5)	—	(0.5)
Total	6.5	—	6.5	2.8	—	2.8

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

For the 26 week periods ended 29 June 2019 and 30 June 2018, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are marginally dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Adjusted earnings per share

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

	26 weeks ended 29 June 2019			26 weeks ended 30 June 2018 Restated		
	Adjusted	Dilutive potential ordinary shares	Diluted	Adjusted	Dilutive potential ordinary shares	Diluted
Profit attributable to ordinary shareholders from continuing operations	24	—	24	33	—	33
Exceptional items net of tax (note 2.2)	1	—	1	—	—	—
Adjusted profit attributable to ordinary shareholders from continuing operations (£m)	25	—	25	33	—	33
Weighted average number of shares (millions)	1,023	1	1,024	1,020	1	1,021
Earnings per share[(1)] (pence)	2.5	—	2.5	3.3	—	3.3

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

SECTION 3 OPERATING ASSETS AND LIABILITIES

26 weeks ended 29 June 2019

3.1 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Balance at 30 December 2018 *(restated)*	1,087	857	225	2,169
Disposal of subsidiary undertakings (note 2.5)	(13)	(21)	(1)	(35)
Additions	12	24	122	158
Transfers	56	58	(114)	—
Depreciation for the period	(23)	(61)	—	(84)
Effect of movements in foreign exchange	(1)	—	(1)	(2)
Balance at 29 June 2019	1,118	857	231	2,206

Capital commitments

At the period end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions and LEGOLAND parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £138 million *(30 June 2018: £68 million and 29 December 2018: £142 million)* for which no provision has been made.

At period end foreign exchange rates, the Group is intending to invest £142 million in LEGOLAND Korea *(30 June 2018: £72 million and 29 December 2018: £148 million)*, net of funding from LL Developments (note 5.2).

3.2 RIGHT-OF-USE ASSETS

	Land and buildings	Plant and equipment	Total
	£m	£m	£m
Balance at 30 December 2018 *(restated)*	946	47	993
Disposal of subsidiary undertakings (note 2.5)	(6)	—	(6)
Additions	21	—	21
Movements in asset retirement provisions	3	—	3
Depreciation for the period	(25)	(2)	(27)
Effect of movements in foreign exchange	3	—	3
Balance at 29 June 2019	942	45	987

3.3 GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill	Brands	Other	Total
	£m	£m	£m	£m
Balance at 30 December 2018	823	187	18	1,028
Disposal of subsidiary undertakings (note 2.5)	(1)	—	—	(1)
Additions	—	—	1	1
Amortisation for the period	—	—	(1)	(1)
Effect of movements in foreign exchange	(2)	(1)	—	(3)
Balance at 29 June 2019	820	186	18	1,024

SECTION 4 CAPITAL STRUCTURE AND FINANCING

26 weeks ended 29 June 2019

4.1 NET DEBT

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

	30 December 2018 Restated	Net cash flows(1)	Non-cash movements(2)	Disposal of subsidiary undertakings (note 2.5)	Effect of movements in foreign exchange	29 June 2019
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	110	30	—	—	(6)	134
Interest-bearing loans and borrowings	(1,100)	2	(26)	—	4	(1,120)
Lease liabilities	(1,183)	52	(51)	8	(3)	(1,177)
Net debt	(2,173)	84	(77)	8	(5)	(2,163)

(1) Net cash flows include the net drawdown of loans and borrowings and cash interest paid relating to loans and borrowings.

(2) Non-cash movements include the finance costs relating to loans and borrowings from the income statement, together with the fair value movement in relation to the hedged debt.

Interest-bearing loans and borrowings

The Group's facilities are:

- A £600 million multi-currency revolving credit facility of which £168 million had been drawn down at 29 June 2019 *(29 December 2018: £148 million)*. The margin on this facility is dependent on the Group's adjusted leverage ratio and at 29 June 2019 was at a margin of 1.25% *(29 December 2018: 1.25%)* over the floating interest rates when drawn. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.72% *(29 December 2018: 0.73%)*, and 2.52% *(29 December 2018: 2.64%)* respectively at 29 June 2019. In April we extended the maturity of the revolving credit facility by a further year to 2024.
- A bond in the form of €700 million seven year notes with a coupon rate of 2.75% to mature in March 2022.
- A bond in the form of $400 million eight year notes with a coupon rate of 5.75% to mature in June 2026.

Interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates, are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

The interest-bearing loans and borrowing are unsecured but guaranteed by the Company and certain of its subsidiaries.

4.2 EQUITY

Share capital

	Ordinary shares of £0.01 each	
	Number	£m
On issue and fully paid at 30 December 2018	1,022,072,449	10
Issued in the period	2,000,000	—
On issue and fully paid at 29 June 2019	1,024,072,449	10

During the period the Company issued 2,000,000 ordinary shares at par in connection with the Group's employee share incentive schemes (note 4.3).

The Company also received £2 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Dividends

The following dividends were declared and paid by the Company:

	26 weeks 2019	26 weeks 2018
	£m	£m
Final dividend for the 52 weeks ended 30 December 2017 of 5.0 pence per share	—	51
Final dividend for the 52 weeks ended 29 December 2018 of 5.5 pence per share	56	—
	56	51

The Directors have declared their intention not to pay an interim dividend for 2019 *(2018: 2.5 pence per share, amounting to £26 million)*.

4.3 SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled schemes

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

			CSOP		AESP	
	PSP[(1)] Number	DBP[(1)] Number	Number	WAEP (£)	Number	WAEP (£)
At 30 December 2018	8,152,506	34,296	5,808,839	4.00	6,615,393	3.10
Granted during the period	4,019,605	51,781	2,038,750	3.43	2,939,071	2.88
Forfeited during the period	(336,500)	(804)	(401,664)	3.97	(849,502)	3.26
Exercised during the period	(740,769)	(28,916)	(113,584)	3.33	(599,577)	3.15
Lapsed during the period	(1,421,937)	—	—	—	—	—
Expired during the period	—	—	—	—	(68,359)	3.95
At 29 June 2019	9,672,905	56,357	7,332,341	3.86	8,037,026	2.99

(1) Nil cost options

4.3 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	9 April 2019	—	3.41	3.41	n/a	n/a	3.0	n/a
CSOP	9 April 2019	3.43	3.41	0.66	2.3%	24%	4.4	0.8%
AESP	9 April 2019	2.88	3.41	0.71	2.3%	24%	3.2	0.8%
AESP	9 April 2019	3.07	3.41	0.59	2.3%	26%	2.1	0.7%

The total charge for the period relating to employee share-based payment plans was £5 million *(26 weeks ended 30 June 2018: £5 million)* which was charged to staff expenses.

SECTION 5 OTHER NOTES

26 weeks ended 29 June 2019

5.1 INVESTMENTS

	LEGOLAND Malaysia	LEGOLAND Korea	Big Bus Tours	LEGOLAND Dubai Hotel	Total
	£m	£m	£m	£m	£m
Balance at 30 December 2018	9	3	37	12	61
Net change in fair value—included in OCI	—	—	3	—	3
Effect of movements in foreign exchange	—	—	1	—	1
Balance at 29 June 2019	9	3	41	12	65

Big Bus Tours

The Group has an investment in Big Bus Tours Group Holdings Limited, held substantially all in the form of loan notes. The investment is valued adopting a market-based approach (based on EBITDA multiples), and resulted in an increase of £3 million in the period.

5.2 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and other co-investors. The defined benefit pension scheme for certain former UK employees of The Tussauds Group is also a related party.

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

Transactions with shareholders

During the period the Group entered into transactions with a major shareholder, KIRKBI Invest A/S; the LEGO Group, a related party of KIRKBI Invest A/S; and LLJ Investco K.K., a subsidiary of KIRKBI A/S.

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, lease payments and trading balances outstanding at 29 June 2019 and 30 June 2018, were as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases, royalties and lease payments	Amounts owed to related party
	£m	£m	£m	£m
29 June 2019				
KIRKBI Invest A/S	—	—	6	3
LEGO Group	—	1	30	4
LLJ Investco K.K.	—	—	4	—
	—	1	40	7
30 June 2018				
KIRKBI Invest A/S	—	—	6	4
LEGO Group	1	1	28	4
LLJ Investco K.K.	—	—	6	—
	1	1	40	8

In 2017 the Group entered into a 50 year lease with LLJ Investco K.K.. The Group's obligations come in the form of fixed rental payments in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period.

5.2 RELATED PARTY TRANSACTIONS (Continued)

Transactions with other related parties

LEGOLAND Malaysia

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park. On this basis, IDR and its subsidiaries are deemed to be related parties.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 29 June 2019 and 30 June 2018, are as follows:

	29 June 2019	30 June 2018
	£m	£m
Sales to related party	2	1
Amounts owed by related party	4	3

LEGOLAND Korea

The Group has a minority equity investment in and has entered into transactions with LL Developments, a Korean company which acts under the direction of the Gangwon Province and is providing funding and infrastructure support of KRW 80 billion to the development of LEGOLAND Korea. LL Developments has provided KRW 20 billion (£14 million) to the Group as the first tranche of this support, which the Group has committed to spend on costs associated with the project. This has been recorded within deferred income. The funding and infrastructure support will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. The conditions of the funding require that Merlin completes the park's construction and operates the park for a period of time post-opening.

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

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the current financial period and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial period; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

The Directors of Merlin Entertainments plc are listed in the Annual Report and Accounts 2018. There have been no changes since the date of publication. A list of current Directors is maintained on the website (www.merlinentertainments.biz).

By order of the Board

Nick Varney
Chief Executive Officer
31 July 2019

Anne-Francoise Nesmes
Chief Financial Officer
31 July 2019

MERLIN ENTERTAINMENTS PLC

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE 26 WEEKS ENDED 30 JUNE 2018

INDEPENDENT REVIEW REPORT TO MERLIN ENTERTAINMENTS PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2018 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

As disclosed in note 1.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

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

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

1 August 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 30 June 2018 (2017: 26 weeks ended 1 July 2017)

	Note	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
		£m	£m
Revenue[1]	1.1	709	685
Cost of sales[1]	1.1	(127)	(111)
Gross profit		582	574
Staff expenses	2.1	(211)	(206)
Marketing		(47)	(48)
Rent		(50)	(51)
Other operating expenses		(131)	(125)
EBITDA[2]	2.1	143	144
Depreciation and amortisation	3.1, 3.2	(80)	(71)
Operating profit		63	73
Finance income	2.2	5	2
Finance costs	2.2	(25)	(25)
Profit before tax		43	50
Taxation	2.3	(10)	(13)
Profit for the period[3]		**33**	**37**
Earnings per share			
Basic earnings per share (p)	2.4	3.3	3.7
Diluted earnings per share (p)	2.4	3.3	3.6
Dividend per share[4] **(p)**	4.2	2.5	2.4

(1) For the 26 weeks ended 30 June 2018 revenue and cost of sales are impacted by the adoption of IFRS 15. The amounts excluding the adoption of IFRS 15 would be £694 million and £112 million respectively (see note 1.1).

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

(3) Profit for the 26 weeks ended 30 June 2018 and the 26 weeks ended 1 July 2017 is wholly attributable to the owners of the Company.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 30 June 2018 (2017: 26 weeks ended 1 July 2017)

		26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
		£m	£m
Profit for the period		33	37
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange differences on the retranslation of net assets of foreign operations		(7)	9
Exchange differences relating to the net investment in foreign operations		2	(10)
Cash flow hedges—effective portion of changes in fair value		4	(1)
Cash flow hedges—reclassified to profit and loss	2.2	(3)	—
Other comprehensive income for the period net of income tax		(4)	(2)
Total comprehensive income for the period[(1)]		**29**	**35**

(1) Total comprehensive income for the 26 weeks ended 30 June 2018 and the 26 weeks ended 1 July 2017 is wholly attributable to the owners of the Company.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 (2017: 30 December 2017, 1 July 2017)

	Note	30 June 2018	30 December 2017	1 July 2017
		£m	£m	£m
Non-current assets				
Property, plant and equipment	3.1	2,215	2,092	2,065
Goodwill and intangible assets	3.2	1,017	1,018	1,022
Investments	5.1	60	59	60
Other receivables		13	11	12
Deferred tax assets		32	33	37
		3,337	3,213	3,196
Current assets				
Inventories		52	37	52
Trade and other receivables		142	100	119
Derivative financial assets		2	5	—
Cash and cash equivalents	4.1	117	309	250
		313	451	421
Total assets		3,650	3,664	3,617
Current liabilities				
Interest-bearing loans and borrowings	4.1	9	7	7
Finance leases	4.1	2	1	—
Derivative financial liabilities		—	3	3
Trade and other payables		418	306	402
Tax payable		25	37	19
Provisions		5	5	3
		459	359	434
Non-current liabilities				
Interest-bearing loans and borrowings	4.1	1,148	1,271	1,276
Finance leases	4.1	193	190	203
Other payables		48	28	29
Provisions		72	72	67
Employee benefits		6	6	9
Deferred tax liabilities		171	171	176
		1,638	1,738	1,760
Total liabilities		2,097	2,097	2,194
Net assets		**1,553**	**1,567**	**1,423**
Issued capital and reserves attributable to owners of the Company		1,549	1,563	1,419
Non-controlling interest		4	4	4
Total equity		**1,553**	**1,567**	**1,423**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 30 June 2018 (2017: 26 weeks ended 1 July 2017)

	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017		10	2	(5)	(3)	1,420	**1,424**	4	**1,428**
Profit for the period		—	—	—	—	37	**37**	—	**37**
Other comprehensive income for the period net of income tax		—	—	(1)	(1)	—	**(2)**	—	**(2)**
Total comprehensive income for the period		—	—	(1)	(1)	37	**35**	—	**35**
Shares issued		—	6	—	—	—	**6**	—	**6**
Equity dividends	4.2	—	—	—	—	(50)	**(50)**	—	**(50)**
Equity-settled share-based payments	4.3	—	—	—	—	4	**4**	—	**4**
At 1 July 2017		**10**	**8**	**(6)**	**(4)**	**1,411**	**1,419**	**4**	**1,423**
Profit for the period		—	—	—	—	172	**172**	—	**172**
Other comprehensive income for the period net of income tax		—	—	(12)	5	2	**(5)**	—	**(5)**
Total comprehensive income for the period		—	—	(12)	5	174	**167**	—	**167**
Shares issued		—	2	—	—	—	**2**	—	**2**
Equity dividends		—	—	—	—	(24)	**(24)**	—	**(24)**
Equity-settled share-based payments		—	—	—	—	(1)	**(1)**	—	**(1)**
At 30 December 2017		**10**	**10**	**(18)**	**1**	**1,560**	**1,563**	**4**	**1,567**
Profit for the period		—	—	—	—	33	**33**	—	**33**
Other comprehensive income for the period net of income tax		—	—	(5)	1	—	**(4)**	—	**(4)**
Total comprehensive income for the period		—	—	(5)	1	33	**29**	—	**29**
Shares issued	4.2	—	3	—	—	—	**3**	—	**3**
Equity dividends	4.2	—	—	—	—	(51)	**(51)**	—	**(51)**
Equity-settled share-based payments	4.3	—	—	—	—	5	**5**	—	**5**
At 30 June 2018		**10**	**13**	**(23)**	**2**	**1,547**	**1,549**	**4**	**1,553**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 30 June 2018 (2017: 26 weeks ended 1 July 2017)

	Note	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
		£m	£m
Cash flows from operating activities			
Profit for the period		33	37
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	80	71
Finance income	2.2	(5)	(2)
Finance costs	2.2	25	25
Taxation	2.3	10	13
		143	144
Working capital changes		56	68
Changes in provisions and other non-current liabilities		22	2
		221	214
Tax paid		(22)	(34)
Net cash inflow from operating activities		199	180
Cash flows from investing activities			
Acquisition of investments		—	(12)
Acquisition of property, plant and equipment		(190)	(202)
Net cash outflow from investing activities		(190)	(214)
Cash flows from financing activities			
Proceeds from issue of share capital	4.2	3	6
Equity dividends paid	4.2	(51)	(50)
Proceeds from borrowings	4.1	613	178
Repayment of borrowings	4.1	(738)	(43)
Capital repayment of finance leases		(1)	(1)
Interest paid		(23)	(21)
Financing costs		(6)	(2)
Settlement of interest rate swaps	2.2	5	—
Net cash (outflow)/inflow from financing activities		(198)	67
Net (decrease)/increase in cash and cash equivalents		(189)	33
Cash and cash equivalents at beginning of period	4.1	309	215
Effect of movements in foreign exchange		(3)	2
Cash and cash equivalents at end of period	4.1	**117**	**250**

SECTION 1 BASIS OF PREPARATION

26 weeks ended 30 June 2018

1.1 BASIS OF PREPARATION

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements as at and for the 26 weeks ended 30 June 2018 *(2017: 26 weeks ended 1 July 2017)* comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the 52 weeks ended 30 December 2017 are available on request from the Company's registered office at Link House, 25 West Street, Poole, Dorset, BH15 1LD.

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

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 30 December 2017.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 30 December 2017 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Group continues to trade profitably, reporting a profit for the period of £33 million *(26 weeks ended 1 July 2017: £37 million)* and continues to generate cash with net operating cash inflows of £199 million. In the equivalent period for 2017, the Group generated net operating cash inflows of £180 million, and went on to generate £413 million for the full year.

Following refinancing activities that completed in May 2018, the Group is now funded by senior unsecured notes due for repayment in 2022 and 2026 and a multi-currency revolving credit facility maturing in April 2023. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.1.

After reviewing the Group's statement of financial position, available facilities, cash flow forecasts and trading budgets, the Directors believe the Group to be operationally and financially sound and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 weeks ended 30 December 2017, except for the adoption as of 31 December 2017 of IFRS 15 'Revenue from contracts with customers'.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients). This approach requires the effect of applying this standard to be recognised at the date of initial application (i.e. 31 December 2017). There is no impact to retained earnings on transition because the timing of

1.1 BASIS OF PREPARATION (Continued)

recognition of each category of Merlin's revenue under the transfer of risks and rewards principles in IAS 18 matches the timing under the control principles in IFRS 15.

IFRS 15 requires Merlin to make an assessment, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent. Under IAS 18 this assessment was made based on which entity had the exposure to the significant risks and rewards associated with the transaction.

We have reviewed how this change affects situations where a third party is involved, together with Merlin, in providing visitors to Merlin attractions with admission tickets and/or accommodation, or commercial offerings such as photos and games services once inside a Merlin attraction:

- Trade partners—Merlin engages with trade partners (such as online travel agents), in selling admission tickets and accommodation to the visiting customer. In instances where this leads to trade partners being considered Merlin's agent, Merlin records revenue at the amount paid by the visiting customer ('gross') and records the amount of underlying commission retained by the agent within cost of sales.
- Commercial offerings—Merlin partners with third parties in the operation of commercial offerings within theme park resorts and Midway attractions. The most significant of these are photo and games operations where the Group has analysed which party is considered to control the relevant operation. The nature of the operations concerned, and the judgements made, impact each Operating Group in different ways. At a Group level, there is no material change in revenue.

The following table summarises the impacts of adopting IFRS 15 on the Group's interim condensed consolidated income statement for the 26 weeks ended 30 June 2018 and each of the line items affected. There was no material impact on the Group's interim condensed statement of financial position, condensed statement of cash flows or condensed statement of comprehensive income:

	As reported	Adjustments	Amounts without adoption of IFRS 15
	£m	£m	£m
26 weeks ended 30 June 2018			
Revenue	709	(15)	694
Cost of sales	(127)	15	(112)
Gross profit	582	—	582

In line with adopting IFRS 15 using the cumulative effect method the information presented for 2017 has not been restated—i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Information regarding the Group's results including the disaggregation of revenue by nature as required by IFRS 15 is included in note 2.1.

The following categories of revenue (all excluding VAT and similar taxes) have been disaggregated:

- Visitor revenue—which represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside a Merlin attraction. Ticket revenue is recognised at point of entry. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.

1.1 BASIS OF PREPARATION (Continued)

- Accommodation revenue—which represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation.
- Other revenue—which represents sponsorship, function, management and service contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. Management and service contract revenue is recognised in line with the performance obligations in the specific contract.

Other standards

The following new standards and interpretations have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRS 9 'Financial instruments'.
- IFRIC 22 'Foreign currency transactions and advance consideration'.
- IFRIC 23 'Uncertainty over income tax treatments'.
- Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'.
- Annual improvements to IFRS standards 2014 – 2016 cycle: IFRS 1 and IAS 28.

New standards and interpretations

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019 and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements and is in the process of refining this assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on the composition of the Group's lease portfolio at that date, any significant events or significant changes in circumstances that affect whether it is reasonably certain to exercise options and the extent to which the Group chooses to use recognition exemptions.

The Group has considered its entire lease portfolio and it substantially relates to operating leases for land, buildings and infrastructure assets. As such, the most significant impact is that the Group will recognise new assets and liabilities for these leases. In addition, the nature of expenses will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group's rental expenses linked to turnover, which totalled £18 million during 2017, will continue to be recorded as a rent charge within operating expenses. The effect of this will be an increase in reported EBITDA. Due to the Group's most significant leases being in their earlier stages, the 'front loading' impact of the finance costs will result in an initial reduction in reported earnings albeit this would be expected to even out over the lease term.

The Group's leverage threshold loan covenants are under 'frozen-GAAP' and as such the adoption of IFRS 16 is not expected to impact the ability to comply with them.

Transition

The Group plans to apply the practical expedient at transition to grandfather which transactions are accounted for as leases. This means that it will apply IFRS 16 to all contracts entered into before 30 December 2018 that are identified as leases in accordance with previous guidance. The effect of this is not expected to be material.

The Group plans to apply IFRS 16 using the retrospective approach. Under this approach the cumulative effect of adopting IFRS 16 will be recognised by making an opening equity adjustment as at 31 December 2017, and then restating the 52 week period ending 29 December 2018.

SECTION 2 RESULTS FOR THE PERIOD

26 weeks ended 30 June 2018

2.1 PROFIT BEFORE TAX

Segmental information

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

Information regarding the results of each segment is included below:

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks	Segment results	Other items[1]	Total
	£m	£m	£m	£m	£m	£m
26 weeks ended 30 June 2018						
Visitor revenue	288	203	101	592	—	592
Accommodation revenue	—	61	28	89	—	89
Other revenue	12	10	4	26	2	28
Segment revenue	**300**	**274**	**133**	**707**	**2**	**709**
Segment profit/(loss), being segment EBITDA	**79**	**87**	**1**	**167**	**(24)**	**143**
Segment depreciation and amortisation	(34)	(23)	(18)	(75)	(5)	(80)
Segment operating profit/(loss)	45	64	(17)	92	(29)	63
26 weeks ended 1 July 2017[2]						
Visitor revenue	287	209	91	587	—	587
Accommodation revenue	—	46	23	69	—	69
Other revenue	13	12	4	29	—	29
Segment revenue	**300**	**267**	**118**	**685**	**—**	**685**
Segment profit/(loss), being segment EBITDA	**89**	**85**	**(4)**	**170**	**(26)**	**144**
Segment depreciation and amortisation	(32)	(18)	(17)	(67)	(4)	(71)
Segment operating profit/(loss)	57	67	(21)	103	(30)	73

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

(2) The Group has initially applied IFRS 15 and IFRS 9 at 31 December 2017. Under the transition methods chosen, comparative information is not restated.

2.1 PROFIT BEFORE TAX (Continued)

Staff expenses

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

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	£m	£m
Wages and salaries	178	174
Share-based payments (note 4.3)	5	4
Social security costs	23	22
Other pension costs	5	6
	211	206

Seasonality of operations

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

Information regarding the results for the 52 weeks to 30 June 2018 is included below:

	52 weeks ended 30 June 2018	53 weeks ended 1 July 2017
	£m	£m
Revenue(1)	1,618	1,569
EBITDA	473	469
Operating profit	313	323
Profit before tax	264	277

(1) For the 52 weeks ended 30 June 2018 revenue is impacted by the adoption of IFRS 15. The amount excluding the adoption of IFRS 15 would be £1,603 million (see note 1.1).

2.2 FINANCE INCOME AND COSTS

Finance income

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	£m	£m
In respect of assets not held at fair value		
Interest income	—	2
In respect of assets held at fair value		
Cash flow hedges—reclassified to profit and loss(1)	3	—
Other		
Net foreign exchange gain	2	—
	5	2

2.2 FINANCE INCOME AND COSTS (Continued)

Finance costs

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	£m	£m
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	24	22
Other interest expense	1	1
Other		
Net foreign exchange loss	—	2
	25	25

(1) As part of the refinancing undertaken during the period (see note 4.1), the Group restructured its interest rate swaps and was paid a net £5 million to cash-settle certain swaps. The swaps had previously been hedge accounted through equity and £3 million has therefore been recycled through the income statement in the period to the 30 June 2018 with the remainder to be recycled in the period to 2020. Further details of the Group's debt are presented in note 4.1.

2.3 TAXATION

The tax charge on profit before taxation for the 26 weeks ended 30 June 2018 is based on management's best estimate of the full year effective tax rate of 22.8% *(26 weeks ended 1 July 2017: 26.0%; 52 weeks ended 30 December 2017: 22.9%)*.

Significant factors that could impact the Group's future effective tax rate include USA tax reforms, the ability to continue current financing arrangements and changes to local or international tax laws. With regard to the latter, The European Commission (EC) published its preliminary decision in November 2017 finding that certain elements of the UK's Controlled Foreign Company rules amount to unlawful State Aid. The impact of a negative decision could result in an increase in the Group's future effective tax rate. A final decision from the EC is expected in late 2018 but is subject to possible appeal.

2.4 EARNINGS PER SHARE

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

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

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

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	£m	£m
Profit attributable to ordinary shareholders	33	37

2.4 EARNINGS PER SHARE (Continued)

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
Basic weighted average number of shares	1,020,396,625	1,017,649,504
Dilutive potential ordinary shares	456,866	2,312,202
Diluted weighted average number of shares	1,020,853,491	1,019,961,706

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

For the 26 week periods ended 30 June 2018 and 1 July 2017, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are marginally dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	Pence	Pence
Basic earnings per share on profit for the period(1)	3.3	3.7
Diluted earnings per share on profit for the period(1)	3.3	3.6

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

SECTION 3 OPERATING ASSETS AND LIABILITIES

26 weeks ended 30 June 2018

3.1 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Balance at 31 December 2017	1,024	863	205	2,092
Additions—owned assets	23	10	155	188
Transfers	104	75	(179)	—
Depreciation for the period—owned assets	(20)	(55)	—	(75)
Depreciation for the period—leased assets	(2)	(2)	—	(4)
Effect of movements in foreign exchange	9	2	3	14
Balance at 30 June 2018	1,138	893	184	2,215

Capital commitments

At the period end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £68 million *(1 July 2017: £69 million and 30 December 2017: £104 million)* for which no provision has been made.

In addition, at period end foreign exchange rates, the Group is intending to invest a further £246 million in LEGOLAND New York *(1 July 2017: £nil and 30 December 2017: £250 million)* and £72 million in LEGOLAND Korea *(1 July 2017: £72 million and 30 December 2017: £73 million)*.

3.2 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets		Total
		Brands	Other	
	£m	£m	£m	£m
Balance at 31 December 2017	814	185	19	1,018
Additions	—	—	1	1
Amortisation for the period	—	—	(1)	(1)
Effect of movements in foreign exchange	(1)	—	—	(1)
Balance at 30 June 2018	813	185	19	1,017

In the 2017 Annual Report and Accounts, disclosure was provided regarding the valuation at 30 December 2017 of the goodwill associated with the Resort Theme Parks Operating Group of £209 million. Having reviewed the development of trading performance and prospects over the interim period, the market conditions which inform the discount rate and long term growth rate used in these valuations, and the areas of sensitivity disclosed in the 2017 Annual Report and Accounts, the Directors remain satisfied that no impairment has arisen in the 26 weeks ended 30 June 2018.

SECTION 4 CAPITAL STRUCTURE AND FINANCING

26 weeks ended 30 June 2018

4.1 NET DEBT

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

	31 December 2017	Net cash flows	Interest charge and amortisation of finance costs	Effect of movements in foreign exchange	30 June 2018
	£m	£m	£m	£m	£m
Cash and cash equivalents	309	(189)	—	(3)	117
Interest-bearing loans and borrowings	(1,278)	150	(21)	(8)	(1,157)
Finance leases	(191)	5	(4)	(5)	(195)
Net debt	(1,160)	(34)	(25)	(16)	(1,235)

Interest-bearing loans and borrowings

During the period the Group refinanced a significant portion of its long term debt. The Group issued \$400 million US Dollar denominated 5.75% senior notes due 2026 and increased its revolving multi-currency credit facility from £300 million to £600 million with the repayment date extended to April 2023. The proceeds were used to repay £250 million of Sterling and \$540 million of US Dollar denominated term loans due to mature in March 2020.

The Group's facilities are:

- A £600 million multi-currency revolving credit facility of which £231 million had been drawn down at 30 June 2018 *(30 December 2017: £nil)*. The margin on this facility is dependent on the Group's adjusted leverage ratio and at 30 June 2018 was at a margin of 1.25% *(30 December 2017: 1.75%)* over the floating interest rates when drawn. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.51% *(30 December 2017: 0.51%)*, and 2.33% *(30 December 2017: 1.61%)* respectively at 30 June 2018.
- A bond in the form of €700 million seven year notes with a coupon rate of 2.75% to mature in March 2022.
- A bond in the form of \$400 million eight year notes with a coupon rate of 5.75% to mature in May 2026.

The interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

The interest-bearing loans and borrowing are unsecured but guaranteed by the Company and certain of its subsidiaries.

4.2 EQUITY

Share capital

	Ordinary shares of £0.01 each	
	Number	£m
On issue and fully paid at 31 December 2017	1,019,572,449	10
Issued in the period	2,500,000	—
On issue and fully paid at 30 June 2018	1,022,072,449	10

During the period the Company issued 2,500,000 ordinary shares at par in connection with the Group's employee share incentive schemes (note 4.3).

The Company also received £3 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Dividends

The following dividends were declared and paid by the Company:

	26 weeks ended 30 June 2018	26 weeks ended 1 July 2017
	£m	£m
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	—	50
Final dividend for the 52 weeks ended 30 December 2017 of 5.0 pence per share	51	—
	51	50

The Directors have declared their intention to pay an interim dividend of 2.5 pence per share *(2017: 2.4 pence per share)*, amounting to £26 million *(2017: £24 million)*. The dividend will be paid on 24 September 2018 to ordinary shareholders on the Register at the close of business on 17 August 2018.

4.3 SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled schemes

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

	PSP(1)	DBP(1)	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 31 December 2017	6,547,590	315,461	4,305,685	4.25	5,385,690	3.49
Granted during the period	3,803,227	454	2,059,750	3.47	4,546,781	2.83
Forfeited during the period	(137,243)	—	(172,150)	4.33	(1,087,644)	3.65
Exercised during the period	(245,389)	(281,772)	(104,277)	3.15	(838,387)	3.26
Lapsed during the period	(1,510,150)	—	—	—	—	—
Expired during the period	—	—	(8,965)	4.52	(12,355)	3.35
At 30 June 2018	8,458,035	34,143	6,080,043	4.01	7,994,085	3.12

(1) Nil cost options

4.3 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	11 April 2018	—	3.43	3.43	n/a	n/a	3.0	n/a
CSOP	11 April 2018	3.47	3.43	0.65	2.2%	23%	4.5	1.0%
AESP	9 April 2018	2.83	3.46	0.79	2.1%	24%	3.2	0.9%
AESP	9 April 2018	2.97	3.46	0.65	2.1%	24%	2.1	0.8%

The total charge for the period relating to employee share-based payment plans was £5 million (*26 weeks ended 1 July 2017: £4 million*) which was charged to staff expenses.

SECTION 5 OTHER NOTES

26 weeks ended 30 June 2018

5.1 INVESTMENTS

	LEGOLAND Malaysia	LEGOLAND Korea	Big Bus Tours	LEGOLAND Dubai Hotel	Total
	£m	£m	£m	£m	£m
Balance at 31 December 2017	9	3	35	12	59
Effect of movements in foreign exchange	—	—	1	—	1
Balance at 30 June 2018	9	3	36	12	60

Financial instruments

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

5.2 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and IDR Resorts Sdn. Bhd. All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

During the period the Group entered into transactions with a major shareholder, KIRKBI Invest A/S; the LEGO Group, a related party of KIRKBI Invest A/S; and LLJ Investco K.K., a subsidiary of KIRKBI A/S.

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 30 June 2018 and 1 July 2017, were as follows:

		Goods and services		
	Sales	Amounts owed by related party	Purchases, royalties and rent	Amounts owed to related party
	£m	£m	£m	£m
30 June 2018				
KIRKBI Invest A/S	—	—	6	4
LEGO Group	1	1	28	4
LLJ Investco K.K.	—	—	6	—
	1	1	40	8
1 July 2017				
KIRKBI Invest A/S	—	—	6	5
LEGO Group	—	1	29	5
LLJ Investco K.K.	—	—	3	3
	—	1	38	13

In 2017 the Group entered into a 50 year lease with LLJ Investco K.K.. The Group's obligations come in the form of fixed rental payments of £6 million per year in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period.

5.2 RELATED PARTY TRANSACTIONS (Continued)

Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park. On this basis, IDR and its subsidiaries are deemed to be related parties.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 30 June 2018 and 1 July 2017, are as follows:

	30 June 2018	1 July 2017
	£m	£m
Sales to related party	1	2
Amounts owed by related party	3	—

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

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the current financial period and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial period; and

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

Andrew Fisher was appointed as a Non-executive Director to the Board of Merlin Entertainments plc with effect from 1 July 2018. Ken Hydon retired from the Board at the 2018 Annual General Meeting. There have been no further appointments or resignations in the period and the remaining Directors are listed in the Merlin Entertainments plc 2017 Annual Report and Accounts. A list of current Directors is maintained on the website (www.merlinentertainments.biz).

By order of the Board

Nick Varney
Chief Executive Officer
1 August 2018

Anne-Francoise Nesmes
Chief Financial Officer
1 August 2018

MERLIN ENTERTAINMENTS PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE 52 WEEKS ENDED 29 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Merlin Entertainments plc

1 Our opinion is unmodified

We have audited the financial statements of Merlin Entertainments plc (the Company) for the 52 weeks ended 29 December 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and the related notes, including the accounting policies in note 1.1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the Directors on 30 September 2013. The period of total uninterrupted engagement is for the six financial years ended 29 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		£14.3 million *(2017: £14.5 million)* 5.0% *(2017: 5.4%)* of Group profit before tax
Coverage: by full scope audit procedures		86% *(2017: 82%)* of total profits and losses(1)
Risks of material misstatement		**vs 2017**
Risks	The impact of uncertainties due to the UK exiting the European Union on our audit	
	Carrying value of Resort Theme Parks (RTP) goodwill	⇔
	Visitor and accommodation revenue recognition	⇔
	Recoverability of parent Company's investment in and amounts owed by Group undertakings	⇔

(1) Total profits and losses coverage is calculated by considering absolute profits and losses before tax, after eliminating inter-group interest income and expense, foreign exchange movements on inter-group loans, and inter-group dividends.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page — (Principal Risks), pages — to — (Audit Committee Report).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in Carrying value of Resort Theme Parks goodwill and Recoverability of the parent Company's investment in and amounts owed by Group undertakings below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the Viability Statement and to consider the Directors' statement that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** we considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks; **Sensitivity analysis:** when addressing Carrying value of Resort Theme Parks goodwill and Recoverability of the parent Company's investment in and amounts owed by Group undertakings and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and **Assessing transparency:** as well as assessing individual disclosures as part of our procedures on Carrying value of Resort Theme Parks goodwill and Recoverability of the parent Company's investment in and amounts owed by Group undertakings we considered all of the Brexit-related disclosures and disclosures in relation to going concern together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks.

	The risk	Our response
		Our results • As reported under Carrying value of Resort Theme Parks goodwill and Recoverability of the parent Company's investment in and amounts owed by Group undertakings, we found the resulting estimates and related disclosures of Brexit and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Carrying value of Resort Theme Parks (RTP) goodwill £212 million *(2017: £209 million)* Refer to pages — to — (Audit Committee Report), page F-84 (accounting policy) and pages F-85 to F-87 (financial disclosures). Risk vs 2017: ⇔	**Forecast based valuation:** A history of business combinations results in significant goodwill balances. The RTP Operating Group is capital intensive and unlike the other Operating Groups has not generated headroom via growth from new site openings. As RTP has been impaired in the past and has a small amount of headroom, there is a risk that its goodwill will not be supportable by its continuing operations. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting future cash flows and determining the most appropriate rate at which to discount them. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of Resort Theme Parks has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3.3) disclose the sensitivity estimated by the Group.	Our procedures included: **Historical comparisons:** • assessing five years' historical accuracy of the Group's forecasting and building comparable variations in forecasting accuracy into our own models that were used to re-perform the valuation; • evaluating expected changes in site-level cash flows (from activities such as new promotions and customer experience improvements) and the planned cost base, in light of the past results of similar activities carried out by the Group; **Benchmarking assumptions:** benchmarking Group earnings multiple and discount rates (including the underlying assumptions used) against market data, including publicly available analysts' reports and peer comparison; **Sensitivity analysis:** assessing the reasonableness of management's sensitivity analysis, including calculating the impact of changes in key assumptions, performing breakeven analysis of the earnings multiple, discount

	The risk	Our response
		rates, forecast cash flows, and modelling the cash flows of a base case scenario; **Comparing valuations:** comparing the sum of the discounted cash flows across the Group to the Group's market capitalisation to assess the reasonableness of the future cash flows, discount rate and long term growth rate; and **Assessing transparency:** assessing whether the Group's sensitivity disclosures regarding the impairment testing adequately reflects the risks inherent in the valuation of goodwill. **Our results** • We found the resulting estimate of the recoverable amount of RTP goodwill to be acceptable *(2017: acceptable)*.
Visitor and accommodation revenue recognition £1,617 million *(2017: £1,529 million)* Refer to pages — to — (Audit Committee Report), page F-71 (accounting policy). Risk vs 2017: ⇔	**Risk of processing error:** Merlin's revenue comes from a number of different channels, locations and systems, sometimes featuring manual processes to match past purchases and deferred revenue to redemptions, or to transfer data to the finance systems. The low value of individual transactions means individual errors would be insignificant, however the high volume of transactions mean systematic failure could lead to difficulty in detecting errors that, in aggregate, may have a material balance.	Our procedures included: **Control design:** at certain sites, where we anticipated being able to rely on such systems, testing of the general IT control environment of the systems used to record revenue and evaluating controls over the revenue process including their operating effectiveness; **Control operation:** testing the design, implementation and operating effectiveness of manual controls supporting revenue recognition, including reconciliations of till records to cash banked and to revenue journal entries in the accounting records; **Expectation vs outcome:** forming an expectation for revenue by analysing total cash received per bank statements as adjusted for non-revenue transactions, sales taxes collected and balance sheet movements and comparing this expectation to revenue recognised; and

	The risk	Our response
		Tests of detail: agreeing a sample of revenue transactions to bank statements or other supporting documentation. Testing of deferred revenue balances through agreeing back to ticketing system records and re-computing specific manual calculations. The extent of this testing reflected the outcome of our controls testing at each location. **Our results** • We found the revenue amounts recognised to be acceptable *(2017: acceptable).*
Recoverability of the parent Company's investment in and amounts owed by Group undertakings Investments in subsidiary £3,137 million *(2017: £3,129 million),* amounts owed by Group undertakings £4 million current, £1,260 million non-current *(2017: £3 million current, £1,449 million non-current)* Refer to pages — to — (Audit Committee Report) and pages F-118 to F-124 (accounting policy and financial disclosures). Risk vs 2017: ⇔	**Low risk, high value:** The carrying amount of the parent Company's investment in and amounts owed by Group undertakings represents 99.9% *(2017: 99.8%)* of the parent Company's total assets. Their recoverability does not lead to a high risk of significant misstatement, nor is it subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that has had the greatest effect on our overall parent Company audit.	Our procedures included: **Tests of detail:** for the investment and amounts owed by Group undertakings where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment and amounts owed by Group undertakings with the expected value of the business based on the Group's market capitalisation as adjusted by monetary assets and liabilities held by the parent Company. **Our results** • We found the Group's assessment of the recoverability of the investment in and amounts owed by Group undertakings to be acceptable *(2017: acceptable).*

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £14,300,000 *(2017: £14,500,000),* determined with reference to a benchmark of Group profit before tax, of which it represents 5.0% *(2017: 5.4%).*

Materiality for the parent Company financial statements as a whole was set at £4,500,000 *(2017: £4,500,000),* determined with reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.1% of the parent Company's total assets *(2017: 0.1%).*

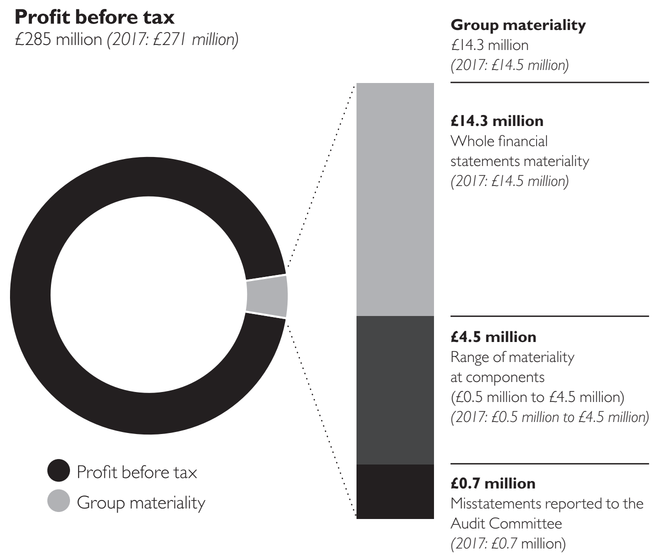
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements affecting profit exceeding £715,000 *(2017: £725,000)* or otherwise exceeding £2,000,000 *(2017: £2,000,000),* in addition to other identified misstatements that warranted reporting on qualitative grounds.

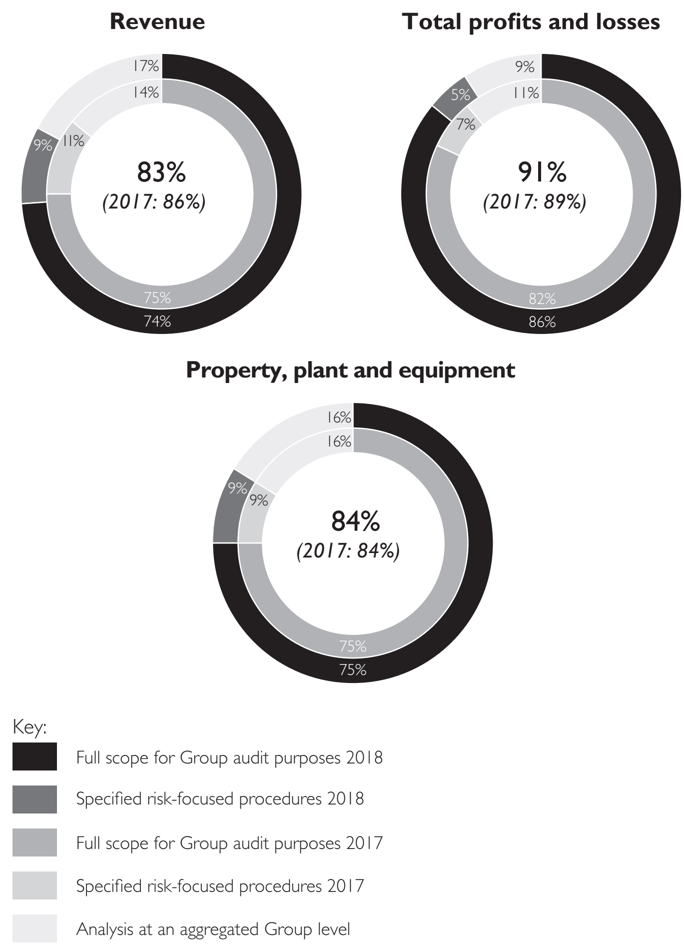
This also includes procedures on finance costs and assets established on consolidation; the total of these balances were audited at Group level. *Full scope audits* for Group reporting purposes were performed at 33 components in the following countries: Australia, China (including Hong Kong), Denmark, Germany, Italy, Japan, Thailand, UK and USA. The components for which we performed *specified risk-focused audit procedures or analysis at an aggregated Group level* were not individually significant but were included in the scope of our Group reporting work to provide further coverage. We select these components on a rotational basis, setting a financial threshold on each of the Group profit before tax, Group revenue and Group property, plant and equipment and using our assessment of risk to select a sample of sites from those that meet at least one of these thresholds.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 9% of total Group profit before tax, 17% of Group revenue and 16% of Group property, plant and equipment is represented by a large number of smaller reporting components, none of which individually represented more than 0.8% of any of the total profits or losses that made up Group profit before tax, total Group revenue or total Group property, plant and equipment. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved each component materiality, which ranged from £500,000 to £4,500,000, having regard to the mix of size and risk profile of the Group across the components. The Group audit team carried out audits for Group reporting purposes of the financial information of components covering 19% *(2017: 33%)* of the total profits and losses that made up Group profit before tax, including the audit of the parent Company. The Group audit team also undertook all audit procedures of certain total Group account balances as mentioned above, covering a further 4% *(2017: 4%)* of total profits and losses that made up Group profit before tax.





The Group team visited one *(2017: two)* overseas component location in California *(2017: Germany and Japan)* to assess the audit risk and strategy. Additionally we performed inspection of the work covering the key audit matters at all component audit teams performing audits for Group reporting purposes. Teleconference meetings were held with all component auditors. At these meetings, the Group audit team provided further input to audit risk and strategy, and the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- ride safety incidents;
- acts of terrorism and/or the impact of the threat of terrorism on consumer behaviours.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence or a broad economic downturn, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report and Accounts

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion, the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within page — that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page —, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditors responsibilities.

Irregularities—ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors and other management (as required by auditing standards) and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following area as that most likely to have such an effect: health and safety, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities arising from fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Green
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House, Tollgate,
Chandlers Ford, Southampton
SO53 3TG

27 February 2019

PRIMARY STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

		2018			2017
	Note	Underlying trading	Exceptional items[4]	Total	Total
		£m	£m	£m	£m
Revenue	2.1	1,688	—	1,688	1,594
Cost of sales	2.1	(298)	—	(298)	(255)
Gross profit		1,390	—	1,390	1,339
Staff expenses	2.1	(448)	—	(448)	(420)
Marketing		(84)	—	(84)	(85)
Rent		(105)	—	(105)	(104)
Other operating expenses		(259)	(4)	(263)	(256)
EBITDA[1]	2.1	494	(4)	490	474
Depreciation and amortisation	3.1, 3.2	(167)	—	(167)	(151)
Operating profit		327	(4)	323	323
Finance income	2.3	10	—	10	3
Finance costs	2.3	(48)	—	(48)	(55)
Profit before tax		289	(4)	285	271
Taxation	2.4	(55)	—	(55)	(62)
Profit for the year[2]		**234**	**(4)**	**230**	**209**
Earnings per share					
Basic earnings per share (p)	2.5			22.5	20.5
Diluted earnings per share (p)	2.5			22.5	20.5
Dividend per share[3] (p)	4.5			8.0	7.4

(1) EBITDA—this is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of attributable profit after tax of joint ventures.

(2) Profit for the year for 2018 and 2017 is wholly attributable to the owners of the Company.

(3) Dividend per share represents the interim paid and final proposed dividend for the year.

(4) Details of exceptional items are provided in note 2.2.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

	Note	2018 £m	2017 £m
Profit for the year		230	209
Other comprehensive income			
Items that cannot be reclassified to the consolidated income statement			
Defined benefit plan remeasurement gains and losses	5.2	(1)	2
		(1)	2
Items that may be reclassified to the consolidated income statement			
Exchange differences on the retranslation of net assets of foreign operations		14	3
Exchange differences relating to the net investment in foreign operations		(5)	(15)
Cash flow hedges—effective portion of changes in fair value		1	4
Income tax on items relating to components of other comprehensive income	2.4	—	(1)
		10	(9)
Other comprehensive income for the year net of income tax		9	(7)
Total comprehensive income for the year		**239**	**202**
Total comprehensive income attributable to:			
Owners of the Company		238	202
Non-controlling interest		1	—
Total comprehensive income for the year		**239**	**202**

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29 December 2018 (2017:30 December 2017)

	Note	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	3.1	2,344	2,092
Goodwill and intangible assets	3.2	1,028	1,018
Investments	5.1	61	59
Other receivables	3.4	14	11
Deferred tax assets	2.4	35	33
		3,482	3,213
Current assets			
Inventories	3.4	47	37
Trade and other receivables	3.4	125	100
Derivative financial assets		3	5
Cash and cash equivalents	4.1	110	309
		285	451
Total assets		3,767	3,664
Current liabilities			
Interest-bearing loans and borrowings	4.2	8	7
Finance leases	4.4	1	1
Derivative financial liabilities		4	3
Trade and other payables	3.4	353	306
Tax payable		43	37
Provisions	3.5	7	5
		416	359
Non-current liabilities			
Interest-bearing loans and borrowings	4.2	1,092	1,271
Finance leases	4.4	199	190
Other payables	3.4	47	28
Provisions	3.5	81	72
Employee benefits	5.2	6	6
Deferred tax liabilities	2.4	182	171
		1,607	1,738
Total liabilities		2,023	2,097
Net assets		**1,744**	**1,567**
Issued capital and reserves attributable to owners of the Company		1,739	1,563
Non-controlling interest		5	4
Total equity	4.5	**1,744**	**1,567**

The financial statements were approved by the Board of Directors on 27 February 2019 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017		10	2	(5)	(3)	1,420	1,424	4	1,428
Profit for the year		—	—	—	—	209	209	—	209
Other comprehensive income for the year net of income tax		—	—	(13)	4	2	(7)	—	(7)
Total comprehensive income for the year		—	—	(13)	4	211	202	—	202
Shares issued		—	8	—	—	—	8	—	8
Equity dividends	4.5	—	—	—	—	(74)	(74)	—	(74)
Equity-settled share-based payments	4.6	—	—	—	—	3	3	—	3
At 30 December 2017		**10**	**10**	**(18)**	**1**	**1,560**	**1,563**	**4**	**1,567**
Profit for the year		—	—	—	—	230	230	—	230
Other comprehensive income for the year net of income tax		—	—	8	1	(1)	8	1	9
Total comprehensive income for the year		—	—	8	1	229	238	1	239
Shares issued	4.5	—	6	—	—	—	6	—	6
Equity dividends	4.5	—	—	—	—	(76)	(76)	—	(76)
Equity-settled share-based payments	4.6	—	—	—	—	8	8	—	8
At 29 December 2018	**4.5**	**10**	**16**	**(10)**	**2**	**1,721**	**1,739**	**5**	**1,744**

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

	Note	2018	2017
		£m	£m
Cash flows from operating activities			
Profit for the year		230	209
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	167	151
Finance income	2.3	(10)	(3)
Finance costs	2.3	48	55
Taxation	2.4	55	62
		490	474
Profit on sale of property, plant and equipment		—	(3)
Working capital changes		(22)	1
Changes in provisions and other non-current liabilities		28	5
		496	477
Tax paid		(46)	(64)
Net cash inflow from operating activities		450	413
Cash flows from investing activities			
Interest received		1	1
Acquisition of investments		—	(12)
Purchase of property, plant and equipment		(332)	(336)
Disposal of property, plant and equipment		—	4
Grants received	5.3	14	—
Net cash outflow from investing activities		(317)	(343)
Cash flows from financing activities			
Proceeds from issue of share capital	4.5	6	8
Equity dividends paid	4.5	(76)	(74)
Proceeds from borrowings		651	178
Repayment of borrowings		(863)	(43)
Capital repayments of finance leases		(2)	(1)
Interest paid		(50)	(46)
Financing costs		(6)	(2)
Settlement of interest rate swaps		5	—
Net cash (outflow)/inflow from financing activities		(335)	20
Net (decrease)/increase in cash and cash equivalents		(202)	90
Cash and cash equivalents at beginning of year	4.1	309	215
Effect of movements in foreign exchange		3	4
Cash and cash equivalents at end of year	4.1	**110**	**309**

NOTES TO THE ACCOUNTS

SECTION 1 BASIS OF PREPARATION

52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

1.1 BASIS OF PREPARATION

Merlin Entertainments plc (the Company) is a public company limited by shares which is incorporated in the United Kingdom and its registered office is Link House, 25 West Street, Poole, Dorset, BH15 1LD.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company continues to prepare its parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries and joint ventures.

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 29 December 2018 *(2017: 52 weeks ended 30 December 2017).* The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments which are measured at their fair value.

The consolidated financial statements are presented in Sterling.

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

Going concern

The Group reported a profit for the year of £230 million *(2017: £209 million)* and generated operating cash inflows of £450 million *(2017: £413 million).*

Following refinancing activities that completed in May 2018, the Group is now funded by senior unsecured notes due for repayment in 2022 and 2026 and a multi-currency revolving credit facility maturing in April 2023. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.2.

After reviewing the Group's and Company's statement of financial position, available facilities, cash flow forecasts and trading budgets, the Directors believe the Group to be operationally and financially sound and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Merlin Entertainments plc and its subsidiaries at the end of each reporting period and include its share of its joint ventures' results using the equity method.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

Where subsidiaries enter into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and accounted for as

1.1 BASIS OF PREPARATION (Continued)

such. In this respect, the subsidiary concerned treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

Foreign currency

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

The results and financial position of those Group companies that do not have a Sterling functional currency are translated into Sterling as follows:

- Assets and liabilities are translated at the closing rate at the end of the reporting period.
- Income and expenses are translated at average exchange rates during the period.
- All resulting exchange differences are recognised in equity in the translation reserve.

The reporting date foreign exchange rates by major currency are provided in note 4.3.

Classification of financial instruments issued by the Group

Financial instruments are recognised on the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The accounting policy for each type of financial instrument is included within the relevant note.

Financial assets are initially measured at fair value, unless otherwise noted, and are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities are initially measured at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs. Other financial liabilities, primarily the Group's interest-bearing loans and borrowings, are measured at amortised cost. Financial liabilities are measured at fair value through profit or loss and are held on the statement of financial position at fair value. A financial liability is derecognised when the Group's obligations are discharged, expire or are cancelled. Finance payments associated with financial liabilities are dealt with as part of finance costs.

An equity instrument is any contract that has a residual interest in the assets of the Group after deducting all of its liabilities. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Where financial instruments consist of a combination of debt and equity, the Group will assess the substance of the arrangement in place and decide how to attribute values to each taking into consideration the policy definitions above.

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1.1 BASIS OF PREPARATION (Continued)

Judgements

Management considers the following areas to be the judgements that have the most significant effect on the amounts recognised in the financial statements. They are explained in more detail in the related notes:

- Useful life of brands (note 3.2)—where brands have been recognised as part of an acquisition, they have been assessed as having indefinite useful lives and management have considered that this judgement remains appropriate.
- Goodwill impairment reviews (note 3.3)—the level at which goodwill is initially allocated and thereafter monitored.

Estimates

Management considers the following area to involve a significant degree of estimation uncertainty:

- Valuation of Resort Theme Parks Operating Group (RTP) assets and impairment (note 3.3)—estimation of discounted cash flows when calculating the value in use of assets.

Other non-significant areas that include a degree of estimation uncertainty are:

- Valuation of assets and impairment, excluding RTP (note 3.3)—estimation of discounted cash flows when calculating the value in use of assets.
- Taxation (note 2.4)—recognition of deferred tax balances and accounting for tax risks.
- Provisions (note 3.5)—estimated outflow to settle the obligation and, where relevant, the appropriate discount and inflation rates to apply.
- Interest-bearing loans and borrowings (note 4.2)—expected period of borrowings when calculating the effective interest rate on those borrowings.
- Share-based payment transactions (note 4.6)—estimation of future performance when estimating vesting rates on share schemes.
- Investments (note 5.1)—expected period of and eventual return on investments when calculating the fair value.
- Employee benefits (note 5.2)—assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

While these areas do not present a significant risk resulting in a material adjustment, they are areas of focus for management.

Those areas that require significant judgements or include estimation uncertainty on adoption of IFRS 16 'Leases' are set out in note 5.5.

New standards and interpretations

The standards that have been implemented in the year that have had the most significant impact are IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers', as explained below. A full list of new accounting standards and interpretations that have been implemented in the year, including those which have had no significant impact, can be found in note 5.5. It also includes those standards that will be implemented next year or in future years, including our assessment of the potential impact of IFRS 16 'Leases'.

IFRS 9 'Financial instruments'

IFRS 9 has been adopted by the Group in 2018. The new standard replaces IAS 39 'Financial instruments: Recognition and measurement' and sets out requirements for recognising and measuring financial assets

1.1 BASIS OF PREPARATION (Continued)

and financial liabilities. The new requirements of the standard have been applied retrospectively, taking advantage of the exemption to not restate comparative information with respect to classification and measurement changes.

The impact of IFRS 9 has not seen material changes to the financial statements for the Group. Further details of each aspect of the new standard have been provided below:

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Under IFRS 9 the number of classification categories has reduced, resulting in all financial assets being measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Areas to note following the adoption of IFRS 9 are:

- There has not been a change to the Group's trade and other receivables balances as a result of the classification changes.
- The election available under IFRS 9 has been taken, allowing minority equity investments to continue to be held at fair value with changes going through other comprehensive income (FVOCI). These equity investments were previously held as available-for-sale, with changes in fair value being recognised through equity. Under IFRS 9 all fair value gains and losses will be reported through OCI, no impairment losses will be recognised in profit or loss and any gains or losses realised on disposal of these investments will no longer be reclassified to profit or loss.
- The classification for financial liabilities is largely similar under the new standard. The Group has not had to adjust any classifications for financial liabilities.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will apply to all financial assets measured at amortised cost or FVOCI, except equity investments, and will be measured in respect of default events that will occur in 12 months from the reporting date or over the lifetime of the financial asset, depending on certain criteria. A review of each category of financial assets has been performed to assess the level of credit risk and the appropriate ECL to use. The Group has assessed that this only applies to its accounting for trade and other receivables and cash and cash equivalents, as detailed below:

- The Group has limited credit risk in respect of trade and other receivables with its customers as the majority pay in advance or at the time of their visit. The estimated ECLs are calculated using both actual credit loss experience and forward looking projections and do not result in material changes to the impairment of trade and other receivables.
- Cash and cash equivalents are held with banks and financial institutions. The estimated ECLs are calculated based on the 12 month expected loss basis and reflect the short term nature of the exposures. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties. Based on this, the ECL is not significant for cash and cash equivalents.

At each reporting date the expected credit losses will be reviewed to reflect changes in credit risk and adjustments made accordingly. There has not been a material adjustment to trade and other receivables or cash as a result of the new methodology.

Hedging

As allowed on initial application, the Group has chosen to apply its hedge accounting policy under IFRS 9 rather than continuing to apply IAS 39. The new standard introduces a more principles-based approach

1.1 BASIS OF PREPARATION (Continued)

with the intention of aligning the accounting for hedging instruments more closely with the Group's risk management strategies and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

All of the Group's existing hedge relationships that were previously designated as effective hedging relationships have continued to qualify for hedge accounting under IFRS 9 and are aligned to the Group's risk management strategy and objective. The new standard is applied prospectively and therefore there are no adjustments on transition.

Additional disclosures or amendments have been provided where required.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients). This approach requires the effect of applying this standard to be recognised at the date of initial application (i.e. 31 December 2017). There is no impact to retained earnings on transition because the timing of recognition of each category of Merlin's revenue under the transfer of risks and rewards principles in IAS 18 matches the timing under the control principles in IFRS 15. In line with adopting IFRS 15 using the cumulative effect method, the information presented for 2017 has not been restated.

Impact

IFRS 15 requires Merlin to make an assessment, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent. Under IAS 18 this assessment was made based on which entity had the exposure to the significant risks and rewards associated with the transaction.

We have reviewed how this change affects situations where a third party is involved, together with Merlin, in providing visitors to Merlin attractions with admission tickets and/or accommodation, or commercial offerings such as photos and games services once inside a Merlin attraction. There is no difference in the pattern of revenue recognition arising from this change.

- Trade partners—Merlin engages with trade partners (such as online travel agents) in selling admission tickets and accommodation to the visiting customer. In instances where this leads to trade partners being considered Merlin's agent, Merlin records revenue at the amount paid by the visiting customer ('gross') and records the amount of underlying commission retained by the agent within cost of sales.
- Commercial offerings—Merlin partners with third parties in the operation of commercial offerings within theme park resorts and Midway attractions. The most significant of these are photo and games operations where the Group has analysed which party is considered to control the relevant operation. The nature of the operations concerned, and the judgements made, impact each Operating Group in different ways.

The following table summarises the impacts of adopting IFRS 15 on the Group's consolidated income statement for the 52 weeks ended 29 December 2018 and each of the line items affected. There was no

1.1 BASIS OF PREPARATION (Continued)

material impact on the Group's statement of financial position, statement of cash flows or statement of comprehensive income:

	As reported	Adjustment	Amounts without adoption of IFRS 15
	£m	£m	£m
2018			
Revenue	1,688	(35)	1,653
Cost of sales	(298)	35	(263)
Gross profit	1,390	—	1,390

Disaggregation of revenue

The following categories of revenue (all excluding VAT and similar taxes) have been disaggregated:

- Visitor revenue—which represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside a Merlin attraction. Ticket revenue is recognised at point of entry. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.
- Accommodation revenue—which represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation.
- Other revenue—which represents sponsorship, function, management and service contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. Management and service contract revenue is recognised in line with the performance obligations in the specific contract.

Information regarding the Group's results including this disaggregation of revenue by nature as required by IFRS 15 is included in note 2.1.

NOTES TO THE ACCOUNTS

SECTION 2 RESULTS FOR THE YEAR

52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

2.1 PROFIT BEFORE TAX

Segmental information

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

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks	Segment results	Other items[4]	Exceptional items[5]	Total
	£m	£m	£m	£m	£m	£m	£m
2018							
Visitor revenue	651	469	287	1,407	—	—	1,407
Accommodation revenue	—	142	68	210	—	—	210
Other revenue	26	26	12	64	7	—	71
Revenue[1]	**677**	**637**	**367**	**1,681**	**7**	**—**	**1,688**
EBITDA[2]	**210**	**242**	**88**	**540**	**(46)**	**(4)**	**490**
Depreciation and amortisation	(71)	(48)	(37)	(156)	(11)	—	(167)
Operating profit[2]	139	194	51	384	(57)	(4)	323
2017[3]							
Visitor revenue	627	481	259	1,367	—	—	1,367
Accommodation revenue	—	102	60	162	—	—	162
Other revenue	29	26	10	65	—	—	65
Revenue[1]	**656**	**609**	**329**	**1,594**	**—**	**—**	**1,594**
EBITDA[2]	**220**	**230**	**72**	**522**	**(48)**	**—**	**474**
Depreciation and amortisation	(68)	(39)	(36)	(143)	(8)	—	(151)
Operating profit[2]	152	191	36	379	(56)	—	323

(1) Revenue is disaggregated into the three categories described in note 1.1.

(2) Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating profit is included for information purposes.

(3) The Group has initially applied IFRS 15 and IFRS 9 at 31 December 2017. Under the transition methods chosen, comparative information is not restated

(4) Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable segments.

(5) Details of exceptional items are provided in note 2.2.

Geographical areas

While each Operating Group is managed on a worldwide basis, part of our strategy is to diversify geographically across the four regions shown below. The information presented is based on the geographical locations of the visitor attractions concerned.

2.1 PROFIT BEFORE TAX (Continued)

Geographical information

	Revenues 2018	Non-current assets 2018	Revenues 2017	Non-current assets 2017
	£m	£m	£m	£m
United Kingdom	527	939	486	921
Continental Europe	413	1,031	389	986
North America	453	748	438	620
Asia Pacific	295	668	281	594
	1,688	3,386	1,594	3,121
Deferred tax (note 2.4)		35		33
Investments (note 5.1)		61		59
		3,482		3,213

Revenue accounting policy

Revenue represents the amounts received from customers (excluding VAT and similar taxes) for admissions tickets, accommodation, retail, food and beverage sales, other commercial offerings, and sponsorship. From time to time, the Group also enters into service contracts for attraction development.

Tickets, annual passes and other services can be bought in advance, generally online, in which case these advanced revenues are held in deferred revenue until the visitor uses those tickets or services. Visitor revenue is then recognised when the visitor enters the attraction. Revenue from the sale of annual passes is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation. Sponsorship revenue is recognised over the relevant contract term. Revenue for attraction development is recognised as performance obligations under the contract are met. Service contract revenue in 2018 and 2017 is not material.

IFRS 15 requires Merlin to make an assessment, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent. The impact of adopting IFRS 15 in the 52 weeks ended 29 December 2018 is detailed in note 1.1.

Cost of sales

Cost of sales of £298 million *(2017: £255 million)* represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activities. Retail inventory, food and beverage consumables and costs associated with the delivery of accommodation are the principal expenses included within this category.

2.1 PROFIT BEFORE TAX (Continued)

Operating expenses

Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2018	2017
Operations	19,057	17,834
Attraction management and central administration	2,066	2,037
	21,123	19,871

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£m	£m
Wages and salaries	381	360
Share-based payments (note 4.6)	8	3
Social security costs	46	44
Other pension costs	13	13
	448	420

Related party transactions with key management personnel

Key management comprises the Executive and Non-executive Directors of the Board and the members of the Executive Committee. Details of the remuneration, shareholdings, share options, pension contributions and payments for loss of office of the Executive Directors are included in the Directors' Remuneration Report on pages — to —.

The remuneration of key management was as follows:

	2018	2017
	£m	£m
Key management emoluments including social security costs	6.7	4.8
Contributions to money purchase pension schemes	0.1	0.1
Share-based payments and other related payments	2.0	1.5
	8.8	6.4

Auditor's remuneration

	2018	2017
	£m	£m
Audit of these financial statements	1.5	1.4
Audit of financial statements of subsidiaries	0.4	0.4
Other assurance services	0.2	0.2
Services relating to corporate finance transactions	0.2	0.1
	2.3	2.1

2.2 EXCEPTIONAL ITEMS

Accounting policy

Due to their nature, certain one-off and non-trading items can be classified separately as exceptional items in order to draw them to the attention of the reader. In the judgement of the Directors this presentation shows the underlying performance of the Group more accurately.

Exceptional items

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

	2018	2017
	£m	£m
Within other operating expenses:		
Productivity Agenda activities(1)	4	—
Exceptional items included within EBITDA and operating profit	4	—
Income tax credit on exceptional items above	—	—
Exceptional items for the year	4	—

(1) Certain one-off operational costs have been incurred in 2018 as part of the Group's Productivity Agenda initiatives that are expected to continue through to 2021, as well as exit costs in respect of certain small, non-core Midway sites. They are separately presented as they are not part of the Group's underlying operating expenses.

2.3 FINANCE INCOME AND COSTS

Accounting policies

Income and costs

Finance income comprises interest income from financial assets and investments, applicable foreign exchange gains and gains on hedging instruments that are recognised in the income statement. Finance costs comprise interest expense, finance charges on finance leases, applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue, using the effective interest method.

Capitalisation of borrowing costs

Where assets take a substantial time to complete, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of those assets.

Finance income

	2018	2017
	£m	£m
In respect of assets not held at fair value		
Interest income	1	3
In respect of assets held at fair value		
Cash flow hedges—reclassified to profit and loss(1)	4	—
Other		
Net foreign exchange gain	5	—
	10	3

2.3 FINANCE INCOME AND COSTS (Continued)

Finance costs

	2018 £m	2017 £m
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	46	47
Re-measurement of financial liabilities measured at amortised cost[2]	—	4
Other interest expense	2	2
Other		
Net foreign exchange loss	—	2
	48	55

Capitalised borrowing costs amounted to £6 million in 2018 (*2017: £3 million*), with a capitalisation rate of 3.4% (*2017: 2.9%*). Tax relief on capitalised borrowing costs amounted to £2 million in 2018 (*2017: £1 million*).

(1) As part of the refinancing undertaken during the year (see note 4.2), the Group restructured its interest rate swaps and was paid a net £5 million to cash-settle certain swaps. The swaps had previously been hedge accounted through equity and £4 million has therefore been recycled through the income statement in the period to 29 December 2018 with the remainder to be recycled in the period to 2020. Further details of the Group's debt are presented in note 4.2.

(2) In 2017 the Group estimated that a refinancing of the bank facilities and multi-currency revolving credit facility was likely within the next 18 months, which was earlier than that previously assumed for accounting purposes. As a result the Group accelerated the amortisation of financing costs in respect of these facilities and the resulting adjustment was recognised as a loss on re-measurement and presented in the income statement as a charge of £4 million.

2.4 TAXATION

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised. This assessment is made after considering a number of factors, including the Group's future trading expectations.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax provisions are based on management's estimate of the amount of tax payable and the likelihood of settlement in relation to matters which have yet to be concluded. These include matters arising from ongoing audits, as well as other uncertain positions. A combination of in-house tax experts, previous experience and professional firms is

2.4 TAXATION (Continued)

used when assessing tax risks. Current provisions represent a number of different matters arising across the various jurisdictions in which the Group operates. It is currently unclear when these matters will be settled, but certain matters have been open for several years and may not be resolved in the coming year.

Recognised in the income statement

	2018 £m	2017 £m
Current tax expense		
Current year	55	65
Adjustment for prior periods	(3)	(3)
Total current income tax	52	62
Deferred tax expense		
Origination and reversal of temporary differences	12	24
Changes in tax rate	(6)	(25)
Adjustment for prior periods	(3)	1
Total deferred tax	3	—
Total tax expense in income statement	55	62

Reconciliation of effective tax rate

	2018 %	2018 £m	2017 %	2017 £m
Profit before tax		285		271
Income tax using the UK domestic corporation tax rate	19.0%	54	19.3%	52
Effect of tax rates in foreign jurisdictions		15		22
Non-deductible expenses		5		8
Income not subject to tax		(11)		(14)
Effect of changes in tax rate		(6)		—
Unrecognised temporary differences		4		4
Effect of recognising deferred tax assets previously unrecognised		—		(1)
Effect of USA tax reform		—		(7)
Adjustment for prior periods		(6)		(2)
Total tax expense in income statement	19.2%	55	22.9%	62

The effective tax rate (ETR) reflects updates to the headline UK rate, including the effect on the measurement of deferred tax.

The difference between the reported ETR of 19.2% and the UK standard tax rate of 19.0% is largely attributable to the Group's geographic mix of profits and reflects higher rates in certain jurisdictions, particularly the USA. In addition, the reported rate is increased by non-deductible expenses which primarily arise as a result of depreciation on capital expenditure from continued investment in our attractions. These factors are offset by the Group's internal financing arrangements, which have been put in place to support development and ongoing funding needs in overseas territories.

The Group's ETR has fallen from 22.9% to 19.0% (based on underlying results). This is primarily driven by the ongoing impact of a package of measures enacted in the Tax Cuts and Jobs Act (USA tax reform) in the USA on 22 December 2017. In particular, the reduction in the US federal tax rate, effective in the 2018 period, has driven a significant reduction in the effect of tax rates in foreign jurisdictions (2018: 5.2%; *2017: 8.2%).* In 2017 the transitional impact of USA tax reform was separately disclosed.

2.4 TAXATION (Continued)

The net £7 million (2.4%) reduction in the prior year ETR comprised:

- the effect of changes in tax rates (£25 million) as deferred tax liabilities were revalued due to the federal tax rate reducing from 35% to 21% effective 1 January 2018; offset by
- an increase in unrecognised temporary differences (£9 million) resulting from new restrictions on interest deductibility; and
- other tax charges and deductions (£9 million) originating from revisions to the USA taxation of foreign investments.

Significant factors impacting the Group's future ETR include the USA tax reform, the ability to continue current financing arrangements and changes to local or international tax laws. With regard to the latter, the European Commission's preliminary finding relating to the UK's Controlled Foreign Company rules is further detailed in note 5.4.

The Finance Act 2016, which provided for reductions in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was substantively enacted on 19 September 2016.

Otherwise, the Group's future ETR will primarily be affected by the geographic mix of profits.

Recognised directly in equity through the statement of other comprehensive income

	2018	2017
	£m	£m
Foreign exchange translation differences relating to the net investment in foreign operations	—	1
Total tax expense in statement of other comprehensive income	—	1

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	20	19	(143)	(130)	(123)	(111)
Other short term temporary differences	29	29	(6)	(8)	23	21
Intangible assets	—	—	(49)	(50)	(49)	(50)
Tax value of loss carry-forwards	2	2	—	—	2	2
Tax assets/(liabilities)	51	50	(198)	(188)	(147)	(138)
Set-off tax	(16)	(17)	16	17	—	—
Net tax assets/(liabilities)	35	33	(182)	(171)	(147)	(138)

Other short term temporary differences primarily relate to financial assets and liabilities and various accruals and prepayments.

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Group has the right and intention to offset these amounts.

2.4 TAXATION (Continued)

Movement in deferred tax during the current year

	31 December 2017	Recognised in income—USA tax reform	Recognised in income—other	Recognised in other comprehensive income	Effect of movements in foreign exchange	29 December 2018
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	(111)	—	(7)	—	(5)	(123)
Other short term temporary differences	21	—	2	—	—	23
Intangible assets	(50)	—	2	—	(1)	(49)
Tax value of loss carry-forwards	2	—	—	—	—	2
Net tax assets/ (liabilities)	(138)	—	(3)	—	(6)	(147)

In 2018 movements recognised in the income statement were principally due to tax allowances utilised in the UK and USA exceeding depreciation.

Movement in deferred tax during the previous year

	1 January 2017	Recognised in income—USA tax reform	Recognised in income—other	Recognised in other comprehensive income	Effect of movements in foreign exchange	30 December 2017
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	(128)	28	(17)	—	6	(111)
Other short term temporary differences	36	(12)	—	(1)	(2)	21
Intangible assets	(50)	—	—	—	—	(50)
Tax value of loss carry-forwards	1	—	1	—	—	2
Net tax assets/ (liabilities)	(141)	16	(16)	(1)	4	(138)

In 2017 movements recognised in the income statement in respect of property, plant and equipment were principally due to the revaluation of deferred tax liabilities in the USA partially offset by allowances utilised in the UK. Movements in other short term temporary differences were mainly due to the impact of the USA tax reforms described previously and the provision for future deductions in respect of employee share options.

Unrecognised deferred tax assets

	2018	2017
	£m	£m
Property, plant and equipment	2	—
Other short term temporary differences	22	22
Tax value of loss carry-forwards	64	61
Net unrecognised tax assets	88	83

2.4 TAXATION (Continued)

The unrecognised deferred tax assets relating to loss carry-forwards include £1 million *(2017: £2 million)* expiring in 0 – 5 years and £8 million *(2017: £6 million)* expiring in 6 – 10 years. The remaining losses and other timing differences do not expire under current tax legislation.

The nature and location of the tax losses carried forward are such that there is currently no expectation that the losses will be utilised.

2.5 EARNINGS PER SHARE

Accounting policy

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

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

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

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

	2018	2017
	£m	£m
Profit attributable to ordinary shareholders	230	209
Exceptional items net of tax (see note 2.2)	4	—
Adjusted profit attributable to ordinary shareholders	234	209

	2018	2017
Basic weighted average number of shares	1,021,234,537	1,018,610,976
Dilutive potential ordinary shares	1,778,532	2,083,168
Diluted weighted average number of shares	1,023,013,069	1,020,694,144

Share incentive plans (see note 4.6) are treated as dilutive to earnings per share when, at the reporting date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

In 2018 and 2017, the PSP has a marginal dilutive effect as the performance measures have been partially achieved. The DBP, CSOP and AESP are marginally dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	2018	2017
	Pence	Pence
Basic earnings per share on profit for the year(1)	22.5	20.5
Exceptional items net of tax	0.4	—
Adjusted earnings per share on adjusted profit for the year(1)	22.9	20.5

2.5 EARNINGS PER SHARE (Continued)

Diluted earnings per share

	2018 Pence	2017 Pence
Diluted earnings per share on profit for the year[1]	22.5	20.5
Exceptional items net of tax	0.4	—
Diluted adjusted earnings per share on adjusted profit for the year[1]	22.9	20.5

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

NOTES TO THE ACCOUNTS

SECTION 3 OPERATING ASSETS AND LIABILITIES

52 weeks ended 29 December 2018 (2017:52 weeks ended 30 December 2017)

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses.

Where components of an item of PPE have different useful lives, they are accounted for separately.

The initial cost of PPE includes all costs incurred in bringing the asset into use and includes external costs for the acquisition, construction and commissioning of the asset, internal project costs (primarily staff expenses) and capitalised borrowing costs.

Assets acquired through business combinations

At the time of a business combination PPE is separately recognised and valued. Given the specialised nature of the PPE acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out below. Residual values are based on industry specific indices.

New sites

Capital expenditure on new attractions includes all the costs of bringing the items of PPE within that attraction into use ready for the opening of the attraction. Pre-opening costs are only capitalised to the extent they are required to bring PPE into its working condition. Other pre-opening costs are expensed as incurred.

On inception of a lease for a new site, where required, the estimated cost of decommissioning any additions is included within PPE and depreciated over the lease term. A corresponding provision is set up as disclosed in note 3.5.

Existing sites

Subsequent expenditure on items of PPE in our existing estate can be broadly split into two categories:

- Capital expenditure which adds new items of PPE to an attraction or which extends the operational life, or enhances existing items, of PPE is accounted for as an addition to PPE. Examples of such expenditure include new rides or displays and enhancements to rides or displays, which increase the appeal of our attractions to visitors.
- Expenditure which is incurred to maintain the items of PPE in a safe and useable state and to maintain the useful life of items of PPE is charged to the income statement as incurred. Examples of such expenditure include regular servicing and maintenance of buildings, rides and displays and ongoing repairs to items of PPE.

Depreciation

Land is not depreciated. Assets under construction are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate. Depreciation is then charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Asset lives for plant and equipment vary depending on the nature of the asset, from short life assets such as IT assets, up to long term infrastructure assets. No residual values are typically considered.

3.1 PROPERTY, PLANT AND EQUIPMENT (Continued)

The estimated useful lives are as follows:

Asset class	Depreciation policy
Freehold/long leasehold buildings	50 years
Leasehold buildings	20 – 50 years (dependent on life of lease)
Plant and equipment	5 – 30 years

Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Cost				
At 1 January 2017	1,186	1,309	190	2,685
Additions—owned assets	10	41	278	329
Additions—leased assets	98	13	—	111
Movements in asset retirement provisions	2	1	—	3
Disposals	(2)	(7)	—	(9)
Transfers	70	188	(258)	—
Effect of movements in foreign exchange	(29)	(23)	(5)	(57)
Balance at 30 December 2017	1,335	1,522	205	3,062
Additions—owned assets	43	37	270	350
Movements in asset retirement provisions (note 3.5)	8	(2)	—	6
Disposals	—	(5)	—	(5)
Transfers	153	104	(257)	—
Effect of movements in foreign exchange	49	28	7	84
Balance at 29 December 2018	1,588	1,684	225	3,497
Depreciation				
At 1 January 2017	281	563	—	844
Depreciation for the year—owned assets	36	105	—	141
Depreciation for the year—leased assets	4	4	—	8
Disposals	(1)	(7)	—	(8)
Effect of movements in foreign exchange	(9)	(6)	—	(15)
Balance at 30 December 2017	311	659	—	970
Depreciation for the year—owned assets	39	117	—	156
Depreciation for the year—leased assets	5	4	—	9
Disposals	—	(5)	—	(5)
Effect of movements in foreign exchange	11	12	—	23
Balance at 29 December 2018	366	787	—	1,153
Carrying amounts				
At 31 December 2016	905	746	190	1,841
At 30 December 2017	1,024	863	205	2,092
At 29 December 2018	1,222	897	225	2,344

Depreciation is calculated in line with the policy stated previously. During the year the Group reviews useful economic lives and tests PPE for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result no material adjustments were made in either 2017 or 2018.

3.1 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group leases buildings and plant and equipment under finance lease agreements secured on those assets. Additions of leased assets in 2017 were in respect of the LEGOLAND Japan finance lease entered into on the opening of the park in April 2017 (note 4.4).

At 29 December 2018 the net carrying amount of leased buildings was £106 million *(2017: £103 million)* and the net carrying amount of leased plant and equipment was £35 million *(2017: £38 million).* Further details in respect of leases and lease obligations are provided in note 4.4.

Capital commitments

At the year end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions and LEGOLAND parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £142 million *(2017: £143 million)* for which no provision has been made.

At year end foreign exchange rates, the Group is intending to invest £148 million in LEGOLAND Korea *(2017: £73 million),* net of project funding from LL Developments (see note 5.3).

3.2 GOODWILL AND INTANGIBLE ASSETS

Accounting policies

Goodwill represents the difference between the cost of an acquisition and the fair value of the identifiable net assets acquired less any contingent liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including amounts into perpetuity. Currently all such brands held are assessed as having indefinite useful economic lives. This assessment is based upon the strong historical performance of the brands over a number of economic cycles, the ability to roll out our brands, and the Directors' intentions regarding the future use of brands. The Directors feel this is a suitable policy for a brands business which invests in and maintains the brands, and foresee no technological developments or competitor actions which would put a finite life on the brands. The brands are tested annually for impairment.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets comprise software licences, sponsorship rights and other contract based intangible assets. They are amortised on a straight-line basis from the date they are available for use. They are stated at cost less accumulated amortisation and impairment losses.

The estimated useful lives of other intangible assets are as follows:

Asset class	Estimated useful life
Licences	Life of licence (up to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

3.2 GOODWILL AND INTANGIBLE ASSETS (Continued)

Goodwill and intangible assets

		Intangible assets		
	Goodwill	Brands	Other	Total
	£m	£m	£m	£m
Cost				
At 1 January 2017	993	196	33	1,222
Additions	—	—	3	3
Effect of movements in foreign exchange	(1)	2	—	1
Balance at 30 December 2017	992	198	36	1,226
Additions	—	—	1	1
Effect of movements in foreign exchange	10	2	—	12
Balance at 29 December 2018	1,002	200	37	1,239
Amortisation				
At 1 January 2017	177	13	15	205
Amortisation for the year	—	—	2	2
Effects of movements in foreign exchange	1			1
Balance at 30 December 2017	178	13	17	208
Amortisation for the year	—	—	2	2
Effect of movements in foreign exchange	1	—	—	1
Balance at 29 December 2018	179	13	19	211
Carrying amounts				
At 31 December 2016	816	183	18	1,017
At 30 December 2017	814	185	19	1,018
At 29 December 2018	823	187	18	1,028

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result of these tests, no impairment charges have been made in the year *(2017: £nil*).

Goodwill

Goodwill is allocated to the Group's operating segments which represent the lowest level at which it is monitored and tested for impairment. It is denominated in the relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2018	2017
	£m	£m
Midway Attractions	568	563
LEGOLAND Parks	43	42
Resort Theme Parks	212	209
	823	814

3.2 GOODWILL AND INTANGIBLE ASSETS (Continued)

Brands

The Group has valued the following acquired brands, all with indefinite useful economic lives. They are all denominated in their relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2018	2017
	£m	£m
Midway Attractions		
Madame Tussauds	28	28
SEA LIFE	17	17
London Eye	10	10
Other	8	8
	63	63
Resort Theme Parks		
Gardaland Resort	52	51
Alton Towers Resort	32	32
THORPE PARK	15	15
Heide Park	13	12
Other	12	12
	124	122
	187	185

The Madame Tussauds brand value is predominantly related to the London attraction but includes value identified with the Group's other Madame Tussauds attractions. The SEA LIFE brand is related to the Group's portfolio of SEA LIFE attractions. The London Eye, Gardaland Resort, Alton Towers Resort, THORPE PARK and Heide Park brands all arise from those specific visitor attractions.

3.3 IMPAIRMENT TESTING

Accounting policies

The carrying amounts of the Group's goodwill, intangible assets and PPE are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists or if the asset has an indefinite life, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount.

3.3 IMPAIRMENT TESTING (Continued)

The level at which the assets concerned are reviewed varies as follows:

Asset	
Goodwill	Goodwill is reviewed at an Operating Group level, being the relevant grouping of cash-generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Group's individual attractions.
Brands	Brands are reviewed at an individual CGU level.
PPE	PPE is reviewed at an individual CGU level, being the Group's individual attractions.

For assets that are in continuing use but do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Calculation of recoverable amount

In accordance with accounting standards the recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate, derived from the Group's post-tax weighted average cost of capital. The Group uses a multiple of EBITDA to estimate fair value which is based on the Group's average market capitalisation as a multiple of the Group's underlying EBITDA. The Group's internally approved five year business plans, being the current year and four future years, are used as the basis for these calculations, with cash flows beyond the four year outlook period then extrapolated using a long term growth rate.

3.3 IMPAIRMENT TESTING (Continued)

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values where their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses are as follows:

Estimate	
Future cash flows	Assumed to be equivalent to the operating cash flows of the businesses less the cash flows in respect of capital expenditure. The Group uses EBITDA less an allocation of central costs, in line with other recharges which occur in the business, as a proxy for the operating cash flows of its attractions as they are not significantly impacted by movements in working capital.
Growth in EBITDA	EBITDA is forecast by an analysis of both projected revenues and costs. Visitor numbers and revenue projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity. Projections of operating costs are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rate	A growth rate of 2.5% *(2017: 2.5%)* was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.
Discount rates to reflect the risks involved	Based on the estimated weighted average cost of capital of a 'market participant' within the main geographical regions where the Group operates, these are drawn from market data and businesses in similar sectors, and adjusted for asset specific risks. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments. Net present values are calculated using pre-tax discount rates derived from the Group's post-tax weighted average cost of capital.

	Pre-tax discount rates		Post-tax discount rates	
	2018	2017	2018	2017
Midway Attractions	9.2%	9.8%	7.5%	7.8%
LEGOLAND Parks	9.2%	10.2%	7.3%	7.6%
Resort Theme Parks	9.8%	10.2%	7.9%	8.3%

3.3 IMPAIRMENT TESTING (Continued)

Sensitivity analysis

Impairment reviews are often sensitive to changes in key assumptions. Sensitivity analysis has therefore been performed on the calculated recoverable amounts considering incremental changes in the key assumptions.

Particular focus is given to material amounts where headroom is more limited. As in prior years, this solely relates to goodwill attributed to the Resort Theme Parks Operating Group (RTP) where the headroom is £93 million *(2017: £32 million).* The Midway Attractions and LEGOLAND Parks Operating Groups, as well as individual brands, show considerable headroom and are not sensitive to even significant changes in any of the key assumptions.

In undertaking sensitivity analysis for RTP, consideration has been given to movements in forecast EBITDA, increases in discount rates and reductions in long term growth rates.

At the year end the Directors consider that the forecasts used reflect the current best estimate of future trading in RIP. It is noted, however, that the calculations are inherently sensitive to the level of growth within RTP, which may be affected by factors such as weather patterns and the wider economic trading environment. While in the short term slower growth would be highly unlikely to affect valuations by a substantial amount, longer term shortfalls that affect the outlook for the fourth year of the plan (which drives the terminal value) would have a more significant impact. If EBITDA for RTP as a whole was forecast to be 9% *(2017:* 3%) lower than currently anticipated for 2023 *(2017: than* anticipated *for 2022),* headroom would be absorbed in full.

Discount rates have been derived from market data. As these rates are intended to be long term in nature they are expected to be reasonably stable in the short term, however market discount rates could increase in future. If the discount rate used across RTP had been higher by a factor of 8% to 10.6% *(2017:* 3% to *10.5%),* headroom would have been absorbed in full.

The long term growth rate, which is applied to the cash flows of the final year in the business plan, was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth. If circumstances caused the rate to lower to 1.4% *(2017: 2.1%),* headroom would be absorbed in full.

3.4 WORKING CAPITAL

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured using the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Trade and other receivables

Trade and other receivables are recognised and carried at the original invoice amount less a loss allowance calculated using the simplified expected credit loss (ECL) model approach. Trade receivables are written off when there is no reasonable expectation of recovery. Other receivables are stated at their amortised cost less any impairment losses. Estimated ECLs are calculated using both actual credit loss experience and forward looking projections.

3.4 WORKING CAPITAL (Continued)

Inventories

	2018	2017
	£m	£m
Maintenance inventory	11	9
Goods for resale	36	28
	47	37

Trade and other receivables

	Current assets		Non-current assets	
	2018	2017	2018	2017
	£m	£m	£m	£m
Trade receivables	29	24	—	—
Other receivables	45	36	2	—
Prepayments and contract assets	51	40	12	11
	125	100	14	11

Ageing of trade receivables

The ageing analysis of trade receivables, net of allowance for non-recoverable amounts, is as follows:

	2018	2017
	£m	£m
Neither past due nor impaired	16	18
Up to 30 days overdue	6	5
Between 30 and 60 days overdue	3	1
Between 60 and 90 days overdue	2	—
Over 90 days overdue	2	—
	29	24

Information about the Group's exposure to credit risk is included in note 4.3.

Trade and other payables

	Current liabilities		Non-current liabilities	
	2018	2017	2018	2017
	£m	£m	£m	£m
Trade payables	47	44	—	—
Accruals	173	149	—	1
Deferred income	119	99	—	—
Other payables	14	14	47	27
	353	306	47	28

Accruals

Accruals comprise balances in relation to both operating and capital costs incurred at the reporting date but for which an invoice has not been received and payment has not yet been made.

3.4 WORKING CAPITAL (Continued)

Deferred income

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases; pre-booked accommodation; and certain sponsorship and similar arrangements. In 2018 this also includes £14 million received in respect of the development of LEGOLAND Korea, which is described further in note 5.3.

3.5 PROVISIONS

Accounting policy

Provisions are recognised when the Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions

	Asset retirement provisions	Other	Total
	£m	£m	£m
Balance at 31 December 2017	56	21	77
Provisions made during the year	10	6	16
Utilised during the year	—	(3)	(3)
Unused amounts reversed	(4)	—	(4)
Unwinding of discount	1	—	1
Effect of movements in foreign exchange	1	—	1
Balance at 29 December 2018	64	24	88
2018			
Current	—	7	7
Non-current	64	17	81
	64	24	88
2017			
Current	—	5	5
Non-current	56	16	72
	56	21	77

Asset retirement provisions

Certain attractions operate on leasehold sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term. These leases are typically of a duration of between 10 and 60 years.

They are established on inception and reviewed annually. The provisions are discounted back to present value with the discount then being unwound through the income statement as part of finance costs. The cost of establishing these provisions is capitalised within the cost of the related asset.

Other

Other provisions largely relate to the estimated cost arising from open insurance claims, tax matters and legal issues.

There are no anticipated future events that would be expected to cause a material change in the timing or amount of outflows associated with the provisions.

4.1 NET DEBT

Analysis of net debt

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

	31 December 2017	Net cash flows(1)	Non-cash movements(2)	Effect of movements in foreign exchange(3)	29 December 2018
	£m	£m	£m	£m	£m
Cash and cash equivalents	309	(202)	—	3	110
Interest-bearing loans and borrowings (note 4.2)	(1,278)	259	(45)	(36)	(1,100)
Finance leases (note 4.4)	(191)	10	(9)	(10)	(200)
Net debt	(1,160)	67	(54)	(43)	(1,190)

(1) Net cash flows include the net drawdown of loans and borrowings and cash interest paid relating to loans and borrowings.

(2) Non-cash movements include the finance costs relating to loans and borrowings from the income statement, together with the fair value movement in relation to the hedged debt (see note 4.2).

(3) As disclosed in notes 4.2 and 4.4 a substantial proportion of the Group's net debt is denominated in Euros, US Dollars and Japanese Yen.

4.2 INTEREST-BEARING LOANS AND BORROWINGS

Accounting policy

Interest-bearing loans and borrowings are initially recognised at fair value less attributable fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate). If the Group's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement, in accordance with IFRS 9.

Interest-bearing loans and borrowings

	2018	2017
	£m	£m
Non-current		
Floating rate bank facilities due 2020	—	649
£600 million *(2017: £300 million)* floating rate revolving credit facility due 2023 *(2017: 2020)*	148	—
€700 million fixed rate notes due 2022	631	622
$400 million fixed rate notes due 2026	313	—
	1,092	1,271
Current		
Interest payable	8	7
	1,100	1,278

During the year the Group refinanced a significant portion of its long term debt. The Group issued $400 million US Dollar denominated 5.75% senior notes due 2026 and increased its revolving multi-

4.2 INTEREST-BEARING LOANS AND BORROWINGS (Continued)

currency credit facility from £300 million to £600 million with the repayment date extended to April 2023. The proceeds, together with surplus cash, were used to repay £250 million of Sterling and $540 million of US Dollar denominated term loans due to mature in March 2020.

The Group's facilities are:

- A £600 million multi-currency revolving credit facility of which £148 million had been drawn down at 29 December 2018 *(2017: £nil)*. The margin on this facility is dependent on the Group's adjusted leverage ratio and at 29 December 2018 was at a margin of 1.25% *(2017: 1.75%)* over the floating interest rates when drawn. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.73% *(2017: 0.51%),* and 2.64% *(2017: 1.61%)* respectively at 29 December 2018.
- A bond in the form of €700 million seven year notes with a coupon rate of 2.75% to mature in March 2022.
- A bond in the form of $400 million eight year notes with a coupon rate of 5.75% to mature in June 2026.

The interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates, are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

The interest-bearing loans and borrowings are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Group is required to comply with certain customary financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €700 million and $400 million notes. All covenant requirements were satisfied throughout the year.

4.3 FINANCIAL RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Group would not have sufficient funds to meet its financial obligations as they fall due. The Group's Treasury department produces short term and long term cash forecasts to identify liquidity requirements and headroom, which are reviewed by the Group's Chief Financial Officer. Surplus cash is actively managed across Group bank accounts to cover local shortfalls or invested in bank deposits or other short term liquid investments such as money market funds. In some countries bank cash pooling arrangements are in place to optimise the use of cash.

As at the reporting date the Group had £110 million of cash and cash equivalents *(2017: £309 million)* and a £600 million revolving credit facility, of which £148 million was drawn down *(2017: £300 million of which £nil drawn down),* in order to meet its obligations and commitments that will fall due.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant.

	0 to <1 year	1 to <2 years	2 to <5 years	5 years and over	Contractual cash flows
	£m	£m	£m	£m	£m
2018					
Floating rate bank facilities due 2023	(5)	(5)	(163)	—	(173)
€700 million fixed rate notes due 2022	(18)	(18)	(657)	—	(693)
$400 million fixed rate notes due 2026	(18)	(18)	(55)	(371)	(462)
Finance lease liabilities	(10)	(10)	(32)	(308)	(360)
Derivatives	—	—	—	1	1
Trade payables	(47)	—	—	—	(47)
	(98)	(51)	(907)	(678)	(1,734)
2017					
Floating rate bank facilities due 2020	(21)	(21)	(654)	—	(696)
€700 million fixed rate notes due 2022	(17)	(17)	(665)	—	(699)
Finance lease liabilities	(10)	(10)	(30)	(304)	(354)
Derivatives	1	1	1	—	3
Trade payables	(44)	—	—	—	(44)
	(91)	(47)	(1,348)	(304)	(1,790)

Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and liabilities. The Group has a policy of actively managing its interest rate risk exposure using a combination of fixed rate debt and interest rate swaps.

At 29 December 2018 the Group had €700 million and $400 million of fixed rate debt *(2017: €700 million).* Interest rate swaps are used to maintain a balance between fixed and floating rate debt. In aggregate *77% (2017: 79%)* of the year end interest-bearing loans and borrowings is at a fixed rate for a weighted average period of 4.6 years *(2017:* 3.4 years). To achieve the desired balance of fixed and floating interest rates across currencies, the Group uses both floating to fixed interest rate swaps (which are part of cash flow hedging relationships) and fixed to floating interest rate swaps (which are part of fair value hedging relationships).

Interest rate swaps are recognised at fair value which is determined by reference to market rates. The fair value is the estimated amount that the Group would receive or pay to exit the swap, taking into account current interest rates, credit risks and bid/ask spreads. Following initial recognition, changes in fair value are recognised immediately in profit or loss, except where the Group adopts hedge accounting.

When hedge accounting, the Group formally documents the relationship between the hedging instruments and hedged items. It makes an assessment, at inception and on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the life of the hedge.

Changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. Cumulative gains and losses would remain in equity until either the hedged transaction is no longer expected to occur, or until the hedged transaction occurs, at which point they will be reclassified to profit or loss.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

Changes in the fair value of interest rate swaps that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the fair value adjustment to the carrying value of the hedged item arising from the hedged risk is amortised to profit and loss from that date. At 29 December 2018 the Group had €40 million *(2017: €40 million)* of fair value interest rates swaps with a value of less than £1 million *(2017: less than £1 million),* and $120 million *(2017:* $nil) of fair value interest rates swaps with a value of £2 million *(2017:* £nil). A 100 basis points fall in the interest rates with a similar duration as the swaps would lead to an increase in value of £8 million *(2017: £1 million)* and a 100 basis points rise in the interest rates with a similar duration as the swaps would lead to a decrease in value of £7 million *(2017: £1 million).*

All interest rate swaps held by the Group are hedge accounted.

Sensitivity analysis

Based on the net debt position as at 29 December 2018, taking into account interest rate swaps, each 100 basis points fall or rise in market interest rates would result in an increase or decrease in net interest paid of £2 million *(2017: less than £1 million).* This has been calculated by applying the interest rate change to the Group's variable rate cash, borrowings and derivatives.

Foreign currency risk

As the Group operates internationally the performance of the business is sensitive to movements in foreign exchange rates. The Group's potential currency exposures comprise transaction and translation exposures.

The Group ensures that its net exposure to foreign currency balances is kept to a minimal level by using foreign currency swaps to exchange balances back into Sterling or by buying and selling foreign currencies at spot rates when necessary. The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates. At 29 December 2018 the fair value of foreign currency swap assets was less than £1 million *(2017: £2 million)* and the foreign currency swap liabilities was £4 million *(2017: £1 million),* none of which are hedge accounted.

Transaction exposures

The revenue and costs of the Group's operations are denominated primarily in the currencies of the relevant local territories. Any significant cross-border trading exposures would be hedged by the use of forward foreign exchange contracts.

Translation exposures

The Group's results, as presented in Sterling, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of its operating units or by using forward foreign exchange contracts. The Group's debt (excluding finance leases) is therefore denominated in Euros, US Dollars and Sterling and at 29 December 2018 consisted of €700 million, $540 million and £38 million and there are forward foreign exchange contracts in place in respect of JPY 13,404 million.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the year (that have been accounted for in the consolidated income statement at average rates) at closing rates. Exchange rates for major currencies are set out below.

Gains or losses also arise on the retranslation of foreign currency denominated borrowings designated as effective net investment hedges of overseas net assets. These are offset in equity by corresponding gains or

4.3 FINANCIAL RISK MANAGEMENT (Continued)

losses arising on the retranslation of the related hedged foreign currency net assets. The Group also treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

The following exchange rates have been used in the translation of the results of foreign operations:

	Closing rate for 2016	Weighted average rate for 2017	Closing rate for 2017	Weighted average rate for 2018	Closing rate for 2018
US Dollar	1.24	1.29	1.35	1.34	1.27
Euro	1.17	1.14	1.13	1.13	1.11

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies were:

	Carrying value				
	Sterling	Euro	US Dollar	Other	Total
	£m	£m	£m	£m	£m
2018					
Cash and cash equivalents	18	13	15	64	110
Floating rate bank facilities due 2023	(38)	—	(110)	—	(148)
€700 million fixed rate notes due 2022	—	(631)	—	—	(631)
$400 million fixed rate notes due 2026	—	—	(313)	—	(313)
Finance lease liabilities	(53)	(37)	—	(110)	(200)
	(73)	(655)	(408)	(46)	(1,182)
2017					
Cash and cash equivalents	199	13	20	77	309
Floating rate bank facilities due 2020	(250)	—	(399)	—	(649)
€700 million fixed rate notes due 2022	—	(622)	—	—	(622)
Finance lease liabilities	(53)	(36)	—	(102)	(191)
	(104)	(645)	(379)	(25)	(1,153)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £111 million *(2017: £105 million).* As described above, gains or losses in the income statement and equity are offset by the retranslation of the related foreign currency net assets or specific intercompany loan balances.

A 10% strengthening of all currencies against Sterling would reduce the fair value of foreign exchange contracts and result in a charge to the income statement of £9 million *(2017: £6 million).*

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is limited to the carrying value of the Group's monetary assets. The Group has limited credit risk with its customers, the vast majority of whom pay in advance or at the time of their visit. There are credit policies in place with regard to its trade receivables with credit evaluations performed on customers requiring credit over a certain amount.

The Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

The Group robustly appraises investments before they are made to ensure the associated credit risk is acceptable. Performance of investments are closely monitored, in some cases through Board participation, to ensure returns are in line with expectations and credit risk remains acceptable. There were no overdue amounts in respect of investments and no impairments have been recorded *(2017: £nill)*.

Fair values

Fair value hierarchy

The Group analyses financial instruments in the following ways:

- Level 1: uses unadjusted quoted prices in active markets.
- Level 2: uses inputs that are derived directly or indirectly from observable prices (other than quoted prices).
- Level 3: uses inputs that are not based on observable market data.

Fair value versus carrying amounts

The fair values of financial assets and liabilities are presented in the table below, together with the carrying amounts shown in the statement of financial position. Short term receivables, payables and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

	Fair value hierarchy	2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
Held at amortised cost					
Floating rate bank facilities due 2023 *(2017: 2020)*	Level 2	(148)	(148)	(649)	(649)
€700 million fixed rate notes due 2022	Level 1	(631)	(641)	(622)	(652)
$400 million fixed rate notes due 2026	Level 1	(313)	(313)	—	—
Finance lease liabilities	Level 3	(200)	(200)	(191)	(191)
Held at fair value					
Derivative financial instruments	Level 2	(1)	(1)	2	2
Investments	Level 3	61	61	59	59
		(1,232)	(1,242)	(1,401)	(1,431)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. The fair values of the finance leases are determined by reference to similar lease agreements. There is no difference between the carrying value and the fair value of investments that has been estimated by reference to discounted cash flows.

There have been no transfers between levels in 2018 or 2017.

4.4 LEASE OBLIGATIONS

Accounting policies

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

4.4 LEASE OBLIGATIONS (Continued)

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the income statement as an integral part of the total lease expense over the lease term. This therefore excludes the potential impact of future performance or rent increases based on inflationary indices.

Lease arrangements

The Group's most significant lease arrangements relate to a sale and leaseback transaction undertaken during 2007, involving the PPE of certain attractions within the Midway Attractions and Resort Theme Parks Operating Groups. The leases are accounted for as finance or operating leases depending on the specific circumstances of each lease and the nature of the attraction. For certain of the sites an individual lease agreement is split for accounting purposes as a combination of finance and operating leases, reflecting the varied nature of assets at the attraction. Each of these sale and leaseback agreements runs for a period of 35 years from inception and allows for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, subject to an adjustment to market rates at that time.

LEGOLAND Japan was opened during 2017. The park was developed under the Group's 'operated and leased' model whereby the Group's local operating company leases the site and park infrastructure from a development partner. The development partners are related parties, being KIRKBI Invest A/S and LLJ Investco K.K, a subsidiary of KIRKBI A/S; with KIRKBI A/S being a shareholder of the Group and a related party (note 5.3). The lease is for a period of 50 years and is accounted for partly as a finance lease and partly as an operating lease depending on the nature of the underlying assets concerned. Land and longer life assets, for example core elements of the park's infrastructure, are accounted for as operating leases. Finance lease assets are those elements that will be substantially or entirely consumed over the lease term. This accounting judgement was underpinned by a review of the cost of construction by asset type together with estimates of the lives of the assets concerned.

The Group also enters into operating leases for sites within the Midway Attractions Operating Group and central areas. These are typically of a duration between 10 and 60 years, with rent increases determined based on local market practice. In addition to a fixed rental element, rents within the Midway Attractions Operating Group can also contain a performance related element, typically based on turnover at the site concerned. Options to renew leases exist at these sites in line with local market practice in the territories concerned.

The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The potential impact on rent charges of future performance or increases based on inflationary indices are each excluded from these calculations.

There are no significant operating restrictions placed on the Group as a result of its lease arrangements.

The impact of the adoption of IFRS 16 is explained in note 5.5.

4.4 LEASE OBLIGATIONS (Continued)

Lease costs and commitments

During 2018 £107 million *(2017: £106 million)* was recognised as an expense in the income statement in respect of operating leases. Of this £18 million *(2017: £18 million)* was contingent on performance.

The lease commitments in the following tables run to the end of the respective lease term and do not include possible lease renewals. Where relevant, the lease commitments noted do not include the potential impact of future performance or rent increases based on inflationary indices.

Finance leases

These tables provide information about the future minimum lease payments and contractual terms of the Group's finance lease liabilities, as follows:

	Future minimum lease payments 2018	Interest 2018	Present value of minimum lease payments 2018	Future minimum lease payments 2017	Interest 2017	Present value of minimum lease payments 2017
	£m	£m	£m	£m	£m	£m
Less than one year	10	9	1	10	9	1
Between one and five years	42	35	7	40	34	6
More than five years	389	197	192	385	201	184
	441	241	200	435	244	191

	Currency	Nominal interest rate	Year of maturity	2018	2017
				£m	£m
Finance lease liabilities	GBP	5.64%	2042	53	53
Finance lease liabilities	EUR	9.11%	2042	37	36
Finance lease liabilities	JPY	1.65%	2067	110	102
				200	191

The nominal interest rate for finance leases in the table above represents the weighted average effective interest rate. This is used because the table above aggregates finance leases with the same maturity date and currency.

Operating leases

The minimum rentals payable as lessee under non-cancellable operating leases are as follows:

	2018	2017
	£m	£m
Less than one year	92	88
Between one and five years	367	353
More than five years	1,393	1,456
	1,852	1,897

4.5 EQUITY AND CAPITAL MANAGEMENT

Capital management

The capital structure of the Group consists of debt which includes borrowings (see note 4.2), cash and cash equivalents and equity attributable to equity holders of the parent Company, as disclosed below. The Group's objective when managing capital is to maintain a strong capital base so as to ensure investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Group.

To enable the Group to meet its objective, the Directors monitor returns on capital through constant review of earnings generated from the Group's capital investment programme and through regular budgeting and planning processes, manage capital in a manner so as to ensure that sufficient funds for capital investment and working capital are available, and ensure that the requirements of the Group's debt covenants are met.

The Group does not routinely make additional issues of capital, other than for the purpose of raising finance to fund significant acquisitions or developments intended to increase the overall value of the Group.

Share plans have been created to allow employees of the Group to participate in the ownership of the Group's equity instruments, in order to ensure employees are focused on growing the value of the Group to achieve the aims of all the shareholders. The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market.

Share capital and reserves

Share capital

	2018 Number	2018 £m	2017 Number	2017 £m
Ordinary shares of £0.01 each				
On issue and fully paid at beginning of year	1,019,572,449	10	1,015,809,266	10
Issued in the year	2,500,000	—	3,763,183	—
On issue and fully paid at end of year	1,022,072,449	10	1,019,572,449	10

Issue of new shares

During the year the Company issued 2,500,000 ordinary shares at nominal value of one pence each in connection with the Group's employee share incentive schemes (note 4.6). At 29 December 2018, 1,136,636 shares were held in an employee benefit trust in order to help settle the Group's equity-settled share schemes.

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

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company.

4.5 EQUITY AND CAPITAL MANAGEMENT (Continued)

The Company has entered into a Relationship Agreement with its major shareholder, KIRKBI, in connection with the exercise of its rights as a major shareholder in the Company and the right to appoint Directors to the Board.

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

	2018	2017
	£m	£m
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	—	50
Interim dividend for the 52 weeks ended 30 December 2017 of 2.4 pence per share	—	24
Final dividend for the 52 weeks ended 30 December 2017 of 5.0 pence per share	51	—
Interim dividend for the 52 weeks ended 29 December 2018 of 2.5 pence per share	25	—
Total dividends paid	76	74

The Directors of the Company propose a final dividend of 5.5 pence per share for the year ended 29 December 2018 *(2017: 5.0 pence per share)*, amounting to £56 million *(2017: £51 million)*. The total dividend for the current year, subject to approval of the final dividend, will be 8.0 pence per share *(2017: 7.4 pence per share)*.

Translation reserve

The translation reserve of £(10)million *(2017: £(18) million)* comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, primarily relating to the statement of financial position at reporting dates. The reporting date foreign exchange rates by major currency are provided in note 4.3.

Hedging reserve

The hedging reserve of £2 million *(2017: £1 million)* comprises the effective portion of the cumulative net change in interest rate swaps related to hedged transactions that have not yet occurred.

4.6 SHARE-BASED PAYMENT TRANSACTIONS

Accounting policy

The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive plans for employees in certain territories. The issues and resulting charges of these plans are not material to the financial statements.

4.6 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled plans

The Group operates four employee share incentive plans: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP) as set out in the Directors' Remuneration Report and the tables below. A summary of the rules for the plans and the performance conditions attaching to the PSP are given in the Directors' Remuneration Report.

Analysis of share-based payment charge

	2018 £m	2017 £m
PSP	5	—
CSOP	1	1
AESP	2	2
	8	3

Analysis of awards

	Date of grant	Exercise price (£)	Period when exercisable	Average remaining contractual life (years)	Number of shares 2018	Number of shares 2017
PSP	April 2015 – September 2018	—	2019 – 2021	1.5	8,152,506	6,547,590
DBP	March 2015 – March 2017	—	2019 – 2020	0.4	34,296	315,461
CSOP	November 2013 – September 2018	3.15 – 4.81	2019 – 2028	7.6	5,808,839	4,305,685
AESP	February 2014 – April 2018	2.83 – 4.10	2019 – 2021	2.3	6,615,393	5,385,690
Total					20,611,034	16,554,426

4.6 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The weighted average exercise prices (WAEP) over the year were as follows:

	PSP[1]	DBP[1]	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 1 January 2017	7,430,215	308,272	3,893,704	3.93	6,311,715	3.12
Granted during the year	2,545,871	18,792	1,431,475	4.73	2,125,664	3.97
Forfeited during the year	(191,817)	(6,436)	(378,328)	4.43	(684,369)	3.32
Exercised during the year	(1,501,445)	(5,167)	(632,749)	3.21	(2,264,027)	2.98
Lapsed during the year	(1,735,234)	—	—	—	—	—
Expired during the year	—	—	(8,417)	4.47	(103,293)	2.96
At 30 December 2017	6,547,590	315,461	4,305,685	4.25	5,385,690	3.49
Granted during the year	3,898,736	673	2,134,615	3.47	4,546,781	2.83
Forfeited during the year	(252,950)	(66)	(474,242)	4.13	(1,424,138)	3.55
Exercised during the year	(458,256)	(281,772)	(148,254)	3.15	(1,507,489)	3.24
Lapsed during the year	(1,582,614)	—	—	—	—	—
Expired during the year	—	—	(8,965)	4.52	(385,451)	3.24
At 29 December 2018	8,152,506	34,296	5,808,839	4.00	6,615,393	3.10
Exercisable at end of year						
At 30 December 2017	—	—	1,055,910	3.19	18,898	3.11
At 29 December 2018	—	—	1,613,014	3.76	68,052	3.25

(1) Nil-cost options

The fair value per award granted and the assumptions used in the calculations for the significant grants in 2017 and 2018 are as follows:

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	30 March 2017	—	4.72	4.72	n/a	n/a	3.0	n/a
PSP	11 April 2018	—	3.43	3.43	n/a	n/a	3.0	n/a
CSOP	30 March 2017	4.74	4.72	0.85	1.5%	21%	4.6	0.4%
CSOP	11 April 2018	3.47	3.43	0.65	2.2%	23%	4.5	1.0%
AESP	2 March 2017	4.10	4.82	0.88	1.5%	21%	2.2	0.1%
AESP	3 April 2017	3.96	4.76	0.98	1.5%	21%	3.2	0.2%
AESP	9 April 2018	2.83	3.46	0.79	2.1%	24%	3.2	0.9%
AESP	9 April 2018	2.97	3.46	0.65	2.1%	24%	2.1	0.8%

The key assumptions used in calculating the share-based payments were as follows:

- The binomial valuation methodology is used for the PSP, CSOP and DBP. The Black-Scholes model is used to value the AESP.
- The expected volatility is based on the historical volatility of the Company's shares.
- The risk free rate is equal to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.
- Expected forfeiture rates are based on recent experience of staff turnover levels.
- Behavioural expectations have been taken into account in estimating the award life of the CSOP.
- The charge is spread over the vesting period on a straight-line basis.

5.1 INVESTMENTS

Accounting policy

The Group holds investments in two forms.

Minority equity investments are accounted for as 'fair value through other comprehensive income' (FVOCI), having taken the election available under IFRS 9. This applies to the investments in LEGOLAND Malaysia, LEGOLAND Korea and Big Bus Tours Group Holdings Limited. As no observable market data is available for these minority equity holdings, fair value is determined by reference to discounted future cash flows, with movements recorded in other comprehensive income.

Associates and joint ventures are those entities over whose activities the Group has joint control or significant influence, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised income and expenses on an equity accounted basis, from the date that joint control or influence commences until the date that it ceases.

	LEGOLAND Malaysia	LEGOLAND Korea	Big Bus Tours	LEGOLAND Dubai Hotel	Total
	£m	£m	£m	£m	£m
Balance at 31 December 2017	9	3	35	12	59
Effects of movement in foreign exchange	—	—	2	—	2
At 29 December 2018	9	3	37	12	61

Minority equity investments

LEGOLAND Malaysia

The Group has a minority equity investment in IDR Resorts Sdn. Bhd. (IDR). IDR and its subsidiaries are deemed to be related parties as together they own LEGOLAND Malaysia (see note 5.3).

LEGOLAND Korea

The Group has a minority equity investment in LL Developments, the local investment company providing support to LEGOLAND Korea (see note 5.3).

Big Bus Tours Group Holdings Limited

The Group has an investment in Big Bus Tours Group Holdings Limited, the leading global owner-operator of Hop On Hop Off City Tours. The investment was substantially all in the form of loan notes. The transaction also provided Merlin with a minority equity investment valued at £nil *(2017: £nil)*. During 2017, the loan notes were modified resulting in the financial asset held at historic cost being derecognised and a minority equity investment measured at fair value being recognised instead. No gain or loss arose as a result. This was due to changes made to the rights of the issuer of the loan notes that resulted in them having the characteristics of an equity instrument rather than of debt. At 29 December 2018 the investment is held at £37 million *(2017: £35 million),* and there have been no fair value movements recognised *(2017: £nil)*.

Investments in associates and joint ventures

LEGOLAND Dubai Hotel

On 14 February 2017 the Group invested £12 million in LL Dubai Hotel LLC, which is the company developing the hotel at LEGOLAND Dubai. The Group holds a 40% equity interest.

5.2 EMPLOYEE BENEFITS

Accounting policies

Defined contribution pension schemes

In the case of defined contribution schemes, the Group pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to them. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit pension schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net obligation is calculated for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and offset by the fair value of any scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised in the period they occur directly in equity through other comprehensive income.

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and the total expense relating to those schemes in the current year was £13 million *(2017: £13 million).*

Defined benefit pension schemes

The principal scheme that the Group operates is a closed scheme for certain former UK employees of The Tussauds Group, which was acquired in 2007. The scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The pension schemes have not directly invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

The most recent full actuarial valuation of the scheme was carried out as at 31 December 2015. As a result, the Group agreed to pay annual deficit reduction contributions of £455,500, increasing at 3% per annum until 2021, together with an additional one-off payment of £2,260,000 which was paid in 2017. The next triennial valuation is as at 31 December 2018 and is in progress.

The Group expects less than £1 million in ongoing contributions to be paid to its defined benefit schemes in 2019. The weighted average duration of the defined benefit obligation at 29 December 2018 was 19 years *(2017: 21 years).*

The assets and liabilities of the schemes are:

	2018	2017
	£m	£m
Equities	23	25
Corporate bonds and cash	4	7
Property	5	5
Fair value of scheme assets	32	37
Present value of defined benefit obligations	(38)	(43)
Net pension liability	(6)	(6)

5.2 EMPLOYEE BENEFITS (Continued)

Movement in the net pension liability

	Present value of scheme assets	Present value of defined benefit obligations	Net pension liability
	£m	£m	£m
At 1 January 2017	32	(43)	(11)
Net interest	1	(1)	—
Contributions by employer	3	—	3
Benefits paid	(1)	1	—
Remeasurement gain	2	—	2
At 30 December 2017	37	(43)	(6)
Net interest	1	(1)	—
Contributions by employer	1	—	1
Benefits paid	(1)	1	—
Remeasurement loss	(2)	1	(1)
Assets distributed on settlement	(4)	—	(4)
Liabilities extinguished on settlement	—	4	4
At 29 December 2018	32	(38)	(6)

The amount recognised in the income statement was £nil *(2017: £nil)*. The amount recognised in the statement of other comprehensive income was a loss of £1 million *(2017: gain of £2 million)*.

During the year certain members were given the option to transfer their benefits out of the scheme by way of either a Flexibility at Retirement exercise or an Enhanced Transfer Value exercise. The settlement loss arising from this was £nil.

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) at the year end were:

	2018	2017
Discount rate	2.8%	2.5%
Future salary increases	n/a	3.5%
Rate of price inflation	3.3%	3.2%

The scheme closed to future accrual for active members on 31 May 2018, therefore the link to future salary increases has been severed.

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S2P×A. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 87 and a female would have a life expectancy to age 89.

5.3 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and other co-investors. The defined benefit pension scheme for certain former UK employees of The Tussauds Group is also a related party (see note 5.2).

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

5.3 RELATED PARTY TRANSACTIONS (Continued)

Transactions with shareholders

During the year the Group entered into transactions with a major shareholder, KIRKBI Invest A/S; the LEGO Group, a related party of KIRKBI Invest A/S; and LLJ Investco K.K, a subsidiary of KIRKBI A/S.

Transactions entered into, including the purchase and sale of goods, payment of fees, royalties and rent, and trading balances outstanding at 29 December 2018 and 30 December 2017, were as follows:

	Goods and services			
	Sales	Amount owed by related party	Purchases, royalties and rent	Amount owed to related party
	£m	£m	£m	£m
2018				
KIRKBI Invest A/S	—	—	13	3
LEGO Group	1	2	63	3
LLJ Investco K.K.	—	—	8	—
	1	2	84	6
2017				
KIRKBI Invest A/S	—	—	12	3
LEGO Group	1	1	61	2
LLJ Investco K.K.	—	4	10	—
	1	5	83	5

During 2017 the Group entered into an agreement with KIRKBI Invest A/S to exchange small parcels of land in Billund, Denmark. This was conducted on an arm's length basis. The value of the land sold to KIRKBI was £2 million and the cost of the land purchased was £4 million.

As set out in note 4.4 the Group has entered into a 50 year lease with LLJ Investco K.K. The Group's obligations come in the form of fixed rental payments of £6 million per year in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period.

Transactions with key management personnel

Key management of the Group, being the Executive and Non-executive Directors of the Board, the members of the Executive Committee and their immediate relatives control 1.2% *(2017: 1.2%)* of the voting shares of the Company.

The details of the remuneration, long term incentive plans, shareholdings, share options and pension entitlements of individual Directors are included in the Directors' Remuneration Report on pages — to —. The remuneration of key management is disclosed in note 2.1.

Transactions with other related parties

LEGOLAND Malaysia

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park (see note 5.1). On this basis, IDR and its subsidiaries are deemed to be related parties.

5.3 RELATED PARTY TRANSACTIONS (Continued)

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 29 December 2018 and 30 December 2017, are as follows:

	2018	2017
	£m	£m
Sales to related party	4	5
Amounts owed by related party	3	3

LEGOLAND Korea

During the year the Group entered into transactions with LL Developments, a Korean company which acts under the direction of the Gangwon Province and which will provide funding and infrastructure support of KRW 80 billion to the development of LEGOLAND Korea. Before the end of the reporting period LL Developments provided KRW 20 billion (£14 million) to the Group as the first tranche of this support, which the Group has committed to spend on costs associated with the project. This has been recorded within deferred income (see note 3.4). The funding and infrastructure support will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. The conditions of the funding require that Merlin completes the park's construction and operates the park for a period of time post-opening.

5.4 CONTINGENT LIABILITIES

In 2017 the European Commission (EC) published a preliminary finding that certain elements of the UK's Controlled Foreign Company rules amount to unlawful State Aid. If the EC confirms its preliminary finding and there are no successful appeals, the Group calculates the maximum potential liability, excluding penalties and interest, to be £36 million. Based upon advice taken, the Group does not consider any provision is necessary at this time. The Group continues to monitor developments and a final EC decision is expected in early 2019, but is subject to possible appeal.

5.5 NEW STANDARDS AND INTERPRETATIONS

The following standards, amendments to standards and interpretations have been issued in the year in addition to the ones covered in note 1.1. There has been no significant impact to the Group as a result of their issue.

- IFRIC 22 'Foreign currency transactions and advance consideration'
- Amendments to IAS 40 'Transfers of investment property'
- Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'
- Amendments to IFRS 4 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'
- Amendments to IAS 28 'Investments in associates and joint ventures'

EU endorsed IFRS and interpretations with effective dates after 31 December 2018 relevant to the Group will be implemented in the financial year when the standards become effective.

IFRS 16

Background

IFRS 16 'Leases' is effective for 2019 reporting periods onwards and introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 replaces existing leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases—incentives' and SIC-27 'Evaluating the substance of transactions involving the legal form of a lease'. Under IFRS 16 the Group, as the lessee, will recognise an asset representing its right to use the underlying leased asset,

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

and a lease liability representing its obligation to make lease payments. The Group will elect to take recognition exemptions for short term leases and leases of low-value items. Leases that fall within the Group's defined parameters for these exemptions will be excluded from the IFRS 16 lease accounting requirements and be expensed on a straight-line basis over the life of the lease.

The Group has considered its entire lease portfolio which substantially relates to land, buildings and infrastructure assets, as follows:

- For leases previously classified as operating leases, the Group will recognise a new asset in the form of a right-of-use (ROU) asset, together with an associated lease liability. The income statement will then reflect a depreciation charge for the ROU asset and an interest expense on the lease liability. This will replace the previous accounting for operating leases that were expensed within operating expenses on a straight-line basis over the term of the lease.
- Existing finance leases have also been reviewed against the new standard. As a result a number of leases entered into under historic sale and leaseback transactions have been re-assessed due to differences in the accounting treatment between IAS 17 and IFRS 16 of unguaranteed residual values. This has required re-assessment of the values of leased assets at inception and their treatment under IFRS 16 in subsequent periods. Regarding classification, these assets were accounted for as PPE under IAS 17 but are treated as ROU assets under IFRS 16.

Judgements and estimates

IFRS 16 requires certain judgements and estimates to be made. The most significant of these relate to the following:

- The discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Group's lease portfolio this results in two approaches. For a small volume of high value leases, the rate implicit in the lease can be calculated and is therefore adopted. Otherwise, for the majority of leases the rate used is based on estimates of incremental borrowing costs. These will depend on the territory of the relevant lease and hence the currency used; the date of lease inception; and the lease term. As a result, reflecting the breadth of the Group's lease portfolio; the transition approach adopted which has required estimation of historic discount rates; and estimations as to lease lives, there are a large number of discount rates within a wide range.
- IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. This judgement will require review at each reporting period. A small number of large leases held by the Group came into effect as part of a sale and leaseback transaction that occurred in 2007. These leases have an initial lease period of 35 years, with an option to extend for two further periods of 35 years, subject to an adjustment to market rates at that time. As the Group is currently less than 12 years into this period its assessment is that at this point, it is not reasonably certain that these leases will be renewed, taking into account the factors noted above. This judgement will be reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Impact assessment

As at 29 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to £1,852 million *(2017: £1,897 million)* on an undiscounted basis (see note 4.4). Of these

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

commitments an insignificant value relates to short term and low value leases which will continue to be recognised on a straight-line basis as an expense within the income statement.

For leases within the scope of IFRS 16 the nature of expenses will change from a straight-line operating lease expense to a depreciation charge and an interest expense. Under existing accounting standards, during 2018 £107 million was recognised as an expense in respect of operating leases. Where the Group's rental expense is linked to turnover or other performance criteria, or relates to short term and low value leases, these elements will continue to be recorded as rent within operating expenses. Based on 2018 results the impact on EBITDA of adopting IFRS 16 would therefore have been an increase of approximately £85 million. Due to the Group's most significant leases being in their earlier stages, the 'front loading' impact of the finance costs results in an initial reduction in reported earnings. There would therefore have been a decrease in reported profit before tax of approximately £15 million.

As at 30 December 2018, the Group expects to recognise ROU assets of approximately £1,020 million, including ROU assets in respect of existing finance leases and asset retirement provisions on leased properties, both previously classified under property, plant and equipment. The Group expects to recognise total lease liabilities of approximately £1,200 million, including existing finance lease liabilities of £200 million. The impact of adopting IFRS 16 on net debt would therefore be approximately £1,000 million.

A net accruals and prepayments adjustment will reduce liabilities by approximately £30 million, primarily resulting from the derecognition of balances in relation to IAS 17 lease accounting where leases were expensed to the income statement on a straight-line basis. An increase in deferred tax assets of approximately £30 million is also anticipated. Based on information currently available the adjustments will in aggregate result in a decrease in net assets of approximately £100 million. The numbers above are approximate as there has been a need to re-assess the accounting treatment for leases which contained elements of both operating leases and finance leases. This has involved reviewing the historic values of leased assets at inception and their treatment under IFRS 16 in subsequent periods on an asset by asset basis. We will refine these approximate numbers as we embed the processes for accounting under IFRS 16 into the business.

The Group's leverage threshold loan covenants are under 'frozen-GAAP' and as such the adoption of IFRS 16 is not expected to impact the ability to comply with them.

Transition

The Group plans to apply IFRS 16 initially on 30 December 2018, using the fully retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors', by restating the 52 week period ending 29 December 2018 and making an opening equity adjustment as at 31 December 2017. The Group is not required to make any adjustment for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The IASB has also issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2019. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- IFRS 17 'Insurance contracts'
- IFRIC Interpretation 23 'Uncertainty over income tax treatment'

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Amendments to IAS 28 'Long-term interests in associates and joint ventures'
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued in December 2017)

5.6 ULTIMATE PARENT COMPANY INFORMATION

The largest group in which the results of the Company are consolidated is that headed by Merlin Entertainments plc, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

5.7 SUBSEQUENT EVENTS

On 21 February 2019, the Company entered into an agreement to sell its Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. for a cash consideration of A$174 million, subject to certain adjustments related to the timing of completion. These attractions form part of the Midway Attractions Operating Group. In 2018 revenue and underlying EBITDA for the two sites were £35 million and £11 million respectively.

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The Group has the following investments in subsidiaries and joint ventures:

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
AAE Unit Trust	Australia(1)	—	100.0%	100.0%
AQDEV Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Aquia Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Holdings Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Reservation Centre Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Falls Creek Ski Lifts Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Gebi Falls Creek Pty Ltd	Australia(3)	Ordinary	64.7%	64.7%
Illawarra Tree Topps Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Melbourne Pty Ltd	Australia(2)	Ordinary	100.0%	100.0%
Limlimbu Ski Flats Ltd	Australia(4)	Ordinary	64.0%	64.0%
Living and Leisure Australia Limited	Australia(1)	Ordinary	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia(1)	Ordinary	100.0%	100.0%
Living and Leisure Australia Trust	Australia(1)	—	100.0%	100.0%
Living and Leisure Finance Trust	Australia(1)	—	100.0%	100.0%
LLA Aquariums Pty Limited	Australia(1)	Ordinary	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Melbourne Underwater World Trust	Australia(1)	—	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC DP Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC Hotels Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
MHSC Properties Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC Transportation Services Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Mount Hotham Management and Reservation Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Mount Hotham Skiing Company Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MUW Holdings Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Northbank Development Trust	Australia(1)	—	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia(5)	Ordinary	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Australia Unit Trust	Australia(1)	—	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Holdings Limited	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Korea Unit Trust	Australia(1)	—	100.0%	100.0%
Oceanis NB Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Northbank Trust	Australia(1)	—	100.0%	100.0%
Oceanis Unit Trust	Australia(1)	—	100.0%	100.0%
Sydney Attractions Group Pty Ltd	Australia(2)	Ordinary	100.0%	100.0%
Sydney Tower Observatory Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
The Otway Fly Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
The Otway Fly Unit Trust	Australia(1)	—	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Underwater World Sunshine Coast Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
US Fly Trust	Australia(1)	—	100.0%	100.0%
White Crystal (Mount Hotham) Pty Ltd	Australia(3)	Ordinary	82.2%	82.2%
Madame Tussauds Austria GmbH	Austria(6)	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria(6)	Ordinary	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium(7)	Ordinary	100.0%	100.0%
Christchurch Investment Company Limited	British Virgin Islands(8)	Ordinary	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada(9)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Beijing) Company Limited	China(10)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China(11)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Wuhan) Company Limited	China(12)	Ordinary	100.0%	100.0%
Merlin Entertainments Hong Kong Limited	China(13)	Ordinary	100.0%	100.0%
Merlin Entertainments (Shanghai) Company Limited	China(56)	Ordinary	100.0%	—
Merlin Exhibition (Chongqing) Company Limited	China(14)	Ordinary	100.0%	100.0%
Merlin Exhibition (Shenyang) Company Limited	China(15)	Ordinary	100.0%	100.0%
Merlin Indoor Children's Playground (Shanghai) Company Limited	China(16)	Ordinary	100.0%	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China(17)	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark(18)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark(18)	Ordinary	100.0%	100.0%

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
SEA LIFE Helsinki Oy	Finland[19]	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France[20]	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany[21]	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany[22]	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany[23]	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany[23]	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany[21]	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany[24]	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany[24]	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany[23]	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany[21]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany[21]	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany[21]	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany[21]	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany[22]	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany[22]	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India[25]	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited	Ireland[26]	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 2 Limited	Ireland[26]	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland[27]	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy[28]	Ordinary	99.9%	99.9%
Incoming Gardaland S.r.l.	Italy[29]	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy[28]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy[28]	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy[28]	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy[30]	Ordinary	(a) 49.4%	(a) 49.4%
Ronchi S.p.A.	Italy[28]	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan[31]	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan[32]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à.r.l. (b)	Luxembourg[33]	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à. r.l.	Luxembourg[33]	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à. r.l.	Luxembourg[33]	Ordinary	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia[34]	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia[35]	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia[34]	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands[36]	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Scheveningen B.V.	Netherlands[37]	Ordinary	100.0%	—
Madame Tussauds Amsterdam B.V.	Netherlands[38]	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands[39]	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands[40]	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand[41]	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand[41]	Ordinary	100.0%	100.0%

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal[42]	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore[43]	Ordinary	100.0%	100.0%
Busan Aquaria Twenty One Co. Ltd	South Korea[44]	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea[45]	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Company Limited	South Korea[44]	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain[46]	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand[47]	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand[48]	Ordinary	100.0%	100.0%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey[49]	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE[50]	—	(c) 48.0%	(c) 48.0%
Merlin Holdings Limited	UAE[51]	Ordinary	(c) 1.0%	(c) 1.0%
Alton Towers Limited	UK[52]	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK[52]	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited (company limited by guarantee)	UK[52]	—	100.0%	100.0%
Charcoal CLG 2 Limited (company limited by guarantee)	UK[52]	—	100.0%	100.0%
Charcoal Holdco Limited	UK[52]	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK[52]	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK[52]	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK[52]	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK[52]	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK[52]	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK[52]	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK[52]	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK[52]	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK[52]	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK[52]	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK[52]	Ordinary	100.0%	100.0%
London Dungeon Limited	UK[52]	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK[52]	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK[52]	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK[52]	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Attractions Operations Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainment Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments (NBD) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments Crown (UK) Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK[52]	Ordinary	100.0%	100.0%

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
Merlin Entertainments Group Operations Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin UK Finance 1A Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin UK Finance 2A Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin UK Finco 1 Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin UK Finco 2 Limited	UK[52]	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK[52]	Ordinary	100.0%	100.0%
Pirate Adventure Golf Limited	UK[52]	Ordinary	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited	UK[52]	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited	UK[52]	Ordinary	100.0%	100.0%
SEA LIFE Trustees Limited	UK[52]	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK[52]	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK[52]	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK[52]	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK[52]	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK[52]	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK[52]	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK[52]	Ordinary	100.0%	100.0%
Tussauds Limited	UK[52]	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK[52]	Ordinary	100.0%	100.0%
Lake George Fly LLC	USA[53]	—	100.0%	100.0%
LEGOLAND California LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center Arizona LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center Columbus LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center Michigan LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center Philadelphia LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Center San Antonio LLC	USA[54]	—	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA[54]	—	100.0%	100.0%
LEGOLAND New York LLC	USA[54]	—	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA[54]	—	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA[54]	—	100.0%	100.0%
Madame Tussauds Nashville LLC	USA[54]	—	100.0%	100.0%
Madame Tussaud's New York LLC	USA[54]	—	100.0%	100.0%
Madame Tussauds Orlando LLC	USA[54]	—	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA[54]	—	100.0%	100.0%
Madame Tussauds Washington LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments Crown (US) Inc	USA[54]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA[54]	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments North America LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments Short Breaks LLC	USA[54]	—	100.0%	100.0%
Merlin Entertainments US NewCo LLC	USA[54]	—	100.0%	100.0%

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
San Francisco Dungeon LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Center San Antonio LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Charlotte LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Meadowlands LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Michigan LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Minnesota LLC	USA(54)	—	100.0%	100.0%
SEA LIFE Orlando LLC	USA(54)	—	100.0%	100.0%
SEA LIFE US LLC	USA(54)	—	100.0%	100.0%
The Tussauds Group LLC	USA(54)	—	100.0%	100.0%

Joint venture undertaking	Country of incorporation	Class of share held	Ownership 2018	Ownership 2017
LL Dubai Hotel LLC	UAE(55)	Ordinary	40.0%	40.0%

(a) Merlin Entertainments plc has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.

(b) Merlin Entertainments Group Luxembourg 3 S.à r.l. is held by the Company. All other subsidiaries are held by intermediate subsidiaries.

(c) Merlin Entertainments plc has 100% of the beneficial ownership of these entities.

Registered offices

(1) Level 11, 50 Queen Street, Melbourne, VIC, 3000, Australia

(2) Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia

(3) 3 Ireland Street Bright, VIC, 3741, Australia

(4) Falls Creek Road, 3699 Falls Creek, Victoria, Australia

(5) Doncaster Road 861, 3109 Melbourne—Doncaster East, Victoria, Australia

(6) Riesenradplatz 5-6, 1020 Wien, Vienna, Austria

(7) Koning Albert 1 Laan 116, 8370, Blankenberge, Belgium

(8) P.O. Box 3340, Road Town, Tortola, British Virgin Islands

(9) Suite 5300 Commerce Court West, 199 Bay Street, Toronto, ON, M5L 1B9, Canada

(10) No. 4, 6, 8, 10, 12, 14, 16, 18 Qianmen Avenue, Dongcheng District, Beijing, China

(11) 10/F New World Building, No 2-68 Nanjing Xi Road, Shanghai 200003, China

(12) 21, Han Street, Wuchang District, (Shops 40/41/42) Building 5, Lot J2, Wuhan, China

(13) 3F, St John's Building, No. 33 Garden Road, Central, Hong Kong

(14) 4-11, Fu 9, No. 133, Nanpin Road, Nan'an District, Chongqing, China

(15) No. 2 Jia- 1, Bolan Road, Heping District, Shenyang, China

(16) L2-25, 2F, 3F Parkside Plaza, Putuo District, Shanghai, China

(17) 189, Dadhue Road, Pu Tuo District, Shanghai, 200062, China

(18) Aastvej 10, 7190 Billund, Denmark

(19) Tivolitie 10, Helsinki 00510, Finland

(20) Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 7711 Marne-La-Vallée, France

(21) Kehrwieder 5, 20457 Hamburg, Germany

5.8 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

(22) Heidenhof 1, 29614 Soltau, Germany

(23) Legoland Allee, 89312, Gunzburg, Germany

(24) Prinzregentenstrasse 18, 80538 Munich, Germany

(25) 44, Regal Building, Connaught Place, New Delhi, Central Delhi DL, 110001, India

(26) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland

(27) First Floor, Fitzwilton House, Wilton Place, Dublin 2, Ireland

(28) Via Derna 4, Castelnuovo del Garda, 37014, Verona, Italy

(29) Via Vivaldi n.7, Castelnuovo del Garda Verona, 37014, Verona, Italy

(30) Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy

(31) 2-2-1, Kinjoufutou Minato-ku, Nagoya-shi, Japan

(32) Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan

(33) 20, Rue Eugène Ruppert, L-2453, Luxembourg

(34) Suite 2-4, Level 2, Tower Block, Menera Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia

(35) No. 7, Jalan LEGOLAND, Bandar Medini Iskandar Malaysia, 79250 Iskandar Puteri, Johor, Malaysia

(36) Fred. Roeskestraat 123, 1076 EE Amsterdam, Netherlands

(37) Gevers Deynootweg 970, 2586 BW Den Haag, Netherlands

(38) Dam 20 GEBOUW P&C, 1012 NP Amsterdam, Netherlands

(39) Croeselaan 18, Utrecht, Netherlands

(40) Rokin 78, 1012 KW Amsterdam, Netherlands

(41) Level 12, 55 Shortland Street, Auckland 1010, New Zealand

(42) Avenida Da Boavista 3265, 7th Floor, 4100-137 Porto, Portugal

(43) 10, Changi Business Park Central 2, #05-01, HansaPoint@CBP, 486030, Singapore

(44) 1411-4, Jung 1 -dong, Haenudee-Gu, Busan, Republic of Korea

(45) Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea

(46) Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain

(47) 989 Siam Discovery Center 6, 6A, 7 and 8th Floors, Rama 1 Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok 10330, Thailand

(48) B1-B2 Floor Siam Paragon, 991 Rama 1 Road, Khweng Patumwan, Bangkok 10330, Thailand

(49) Kocatepe Mah, Pasa Cad, Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey

(50) Office 1601, 48 Burj Gate, Burj Khalifa, Dubai, United Arab Emirates

(51) Emaar Square, Building 3, Level 5, P.O. Box 37172, Dubai, United Arab Emirates

(52) Link House, 25 West Street, Poole, Dorset, BHI5 1LD, United Kingdom

(53) 80 State Street, Albany, New York 12207-2543, United States

(54) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States

(55) 201-01 Emaar Square, PO Box 123311, Dubai, United Arab Emirates

(56) Room 01b&32&K1, Third Floor of LC Mall, No. 1-2, 2389 Zhangyang Road, Shanghai Pilot Free Trade Zone, China

MERLIN ENTERTAINMENTS PLC

COMPANY FINANCIAL STATEMENTS

Company statement of financial position at 29 December 2018 (2017: 30 December 2017)

	Note	2018	2017
		£m	£m
Non-current assets			
Investments	iii	3,137	3,129
Other receivables	iv	1,260	1,449
		4,397	4,578
Current assets			
Other receivables	iv	4	3
Cash and cash equivalents		2	7
		6	10
Total assets		4,403	4,588
Current liabilities			
Interest-bearing loans and borrowings	vi	7	7
Other payables	v	9	8
Tax payable		1	—
		17	15
Non-current liabilities			
Interest-bearing loans and borrowings	vi	942	1,271
Other payables	v	201	—
		1,143	1,271
Total liabilities		1,160	1,286
Net assets		**3,243**	**3,302**
Issued capital and reserves attributable to owners of the Company	vii	3,243	3,302
Total equity		**3,243**	**3,302**

The notes on pages F-118 to F-124 form part of these financial statements.

The parent Company financial statements were approved by the Board of Directors on 27 February 2019 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity at 29 December 2018 (2017: 30 December 2017)

	Note	Share capital	Share premium	Retained earnings	Total equity
		£m	£m	£m	£m
At 1 January 2017		10	2	3,178	3,190
Profit for the year		—	—	175	175
Total comprehensive income for the year		—	—	175	175
Shares issued		—	8	—	8
Equity dividends	vii	—	—	(74)	(74)
Share incentive schemes:					
—movement in reserves for employee share schemes	iii	—	—	3	3
At 30 December 2017		**10**	**10**	**3,282**	**3,302**
Profit for the year		—	—	3	3
Total comprehensive income for the year		—	—	3	3
Shares issued	vii	—	6	—	6
Equity dividends	vii	—	—	(76)	(76)
Share incentive schemes:					
—movement in reserves for employee share schemes	iii	—	—	8	8
At 29 December 2018	vii	**10**	**16**	**3,217**	**3,243**

NOTES TO MERLIN ENTERTAINMENTS PLC
COMPANY FINANCIAL STATEMENTS
52 weeks ended 29 December 2018 (2017:52 weeks ended 30 December 2017)

i ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated financial statements of Merlin Entertainments plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset, BH15 ILD. Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Merlin Entertainments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based payment' in respect of Group settled share-based payments;
- Certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instrument disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared for the 52 weeks ended 29 December 2018 *(2017: 52 weeks ended 30 December 2017).*

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a profit and loss account of the Company.

A summary of the Company's significant accounting policies is set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less provision for impairment. The carrying amount of the Company's investments in subsidiaries is reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated. If the carrying value of the investment exceeds the recoverable amount, the investment is considered to be impaired and is written down to the recoverable amount. The impairment loss is recognised in the income statement.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement

i ACCOUNTING POLICIES (Continued)

of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Share-based payments

The fair value of equity-settled share-based payments is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and charged as the employees become unconditionally entitled to the rights.

The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market. The fair value of the share plans is recognised as an expense over the expected vesting period net of deferred tax with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive schemes for employees in certain territories. The issues and resulting charges of these schemes are not material to the financial statements.

Loans to Group undertakings

Loans to Group undertakings are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Classification of financial instruments issued by the Group

Financial instruments are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. The accounting policy for each type of financial instrument is included within the relevant note.

i ACCOUNTING POLICIES (Continued)

Financial assets are initially measured at fair value, unless otherwise noted, and are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities are initially measured at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs. Other financial liabilities, primarily the Company's interest-bearing loans and borrowings, are measured at amortised cost. Financial liabilities are measured at fair value through profit or loss and are held on the statement of financial position at fair value. A financial liability is derecognised when the Company's obligations are discharged, expire or are cancelled. Finance payments associated with financial liabilities are dealt with as part of finance costs.

An equity instrument is any contract that has a residual interest in the assets of the Company after deducting all of its liabilities. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Where financial instruments consist of a combination of debt and equity, the Company will assess the substance of the arrangement in place and decide how to attribute values to each taking into consideration the policy definitions above.

Interest-bearing loans and borrowings

These are initially recognised at the principal value of the loan concerned, less any related fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate).

If the Company's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

ii OPERATING EXPENSES

Staff numbers and costs

The average number of persons employed by the Company during the year was nine *(2017: nine).* All employees were Directors of the Company.

The employment costs of the Directors of the Company have been borne by Merlin Entertainments Group Limited for their services to the Group as a whole. The costs related to these Directors are included within the Directors' Remuneration Report on pages — to —. One Director accrued benefits under defined contribution schemes during the year *(2017: one).*

Auditor's remuneration

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis (note 2.1 of the consolidated financial statements).

iii INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking
	£m
Cost and carrying value	
At 1 January 2017	3,126
Capital contributions to subsidiaries	3
At 30 December 2017	3,129
Capital contributions to subsidiaries	8
At 29 December 2018	3,137

Where subsidiary undertakings incur charges for share-based payments in respect of share options and awards granted by the Company, a capital contribution of the same amount is recognised as an investment in subsidiary undertakings with a corresponding credit to shareholders' equity.

The subsidiary undertaking at the year end is as follows:

Company	Activity	Country of incorporation	Shareholding	Description of shares held
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Holding company	Luxembourg	100.0%	Ordinary

A full list of Group companies is included in note 5.8 of the consolidated financial statements on pages F-109 to F-115.

iv OTHER RECEIVABLES

	Current assets		Non-current assets	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amounts owed by Group undertakings	4	3	1,260	1,449

Amounts owed by Group undertakings comprise funds loaned by the Company to fellow Group undertakings. The non-current loans have maturities of 2020 and 2022 and carry interest rates that are based on the costs of servicing the external bank facilities and loan notes.

v OTHER PAYABLES

	Current liabilities		Non-current liabilities	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amounts owed to Group undertakings	8	7	201	—
Accruals	1	1	—	—
	9	8	201	—

Amounts owed by Group undertakings comprise funds loaned to the Company by fellow Group undertakings. The non-current loans have a maturity date of 2027 and carry interest rates that are based on the costs of servicing the external bank facilities and loan notes.

vi INTEREST-BEARING LOANS AND BORROWINGS

	2018	2017
	£m	£m
Non-current		
Floating rate bank facilities due 2020	—	649
£600 million *(2017: £300 million)* floating rate revolving credit facility due 2023 *(2017: 2020)*	—	—
€700 million fixed rate notes due 2022	631	622
$400 million fixed rate notes due 2026	311	—
	942	1,271
Current		
Interest payable	7	7
	949	1,278

During the year the Group refinanced a significant portion of its long term debt. The Group issued $400 million US Dollar denominated 5.75% senior notes due 2026 and increased its revolving multi-currency credit facility from £300 million to £600 million with the repayment date extended to April 2023. The proceeds were used to repay £250 million of Sterling and $540 million of US Dollar denominated term loans due to mature in March 2020.

The Group's facilities are:

- A £600 million multi-currency revolving credit facility of which £148 million had been drawn down by a Group undertaking at 29 December 2018 *(2017: £nil)*. The margin on this facility is dependent on the Group's adjusted leverage ratio and at 29 December 2018 was at a margin of 1.25% *(2017: 1.75%)* over the floating interest rates when drawn. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.73% *(2017: 0.51%)*, and 2.64% *(2017: 1.61%)* respectively at 29 December 2018.
- A bond in the form of €700 million seven year notes with a coupon rate of 2.75% to mature in March 2022.
- A bond in the form of $400 million eight year notes with a coupon rate of 5.75% to mature in June 2026.

The interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates, are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

The interest-bearing loans and borrowings are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Group is required to comply with certain customary financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €700 million and $400 million notes. All covenant requirements were satisfied throughout the year.

vii EQUITY

Share capital

	2018 Number	2018 £m	2017 Number	2017 £m
Ordinary shares of £0.01 each				
At beginning of the year	1,019,572,449	10	1,015,809,266	10
Shares issued	2,500,000	—	3,763,183	—
At end of the year	1,022,072,449	10	1,019,572,449	10

Issue of new shares

During the year the Company issued 2,500,000 ordinary shares at nominal value of one pence each in connection with the Group's employee share incentive schemes (note 4.6 in the consolidated financial statements). The Company also received £6 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Retained earnings

The profit after tax for the year in the accounts of Merlin Entertainments plc is £3 million *(2017: profit after tax of £175 million).* All of the Company's retained earnings are distributable (with the exception of those movements in reserves for employee share schemes).

Dividends

	2018 £m	2017 £m
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	—	50
Interim dividend for the 52 weeks ended 30 December 2017 of 2.4 pence per share	—	24
Final dividend for the 52 weeks ended 30 December 2017 of 5.0 pence per share	51	—
Interim dividend for the 52 weeks ended 29 December 2018 of 2.5 pence per share	25	—
Total dividends paid	76	74

The Directors of the Company propose a final dividend of 5.5 pence per share for the year ended 29 December 2018 *(2017: 5.0 pence per share)*, amounting to £56 million *(2017: £51 million).* The total dividend for the current year, subject to approval of the final dividend, will be 8.0 pence per share *(2017: 7.4 pence per share)*.

In making this proposal the Directors have considered the resources available to the Company and its subsidiaries. Specifically they have taken account of the Company's significant distributable profits, as noted above, as well as the position and liquidity of the Group disclosed in the consolidated statement of financial position as explained in the Group going concern disclosures on page F-64.

viii RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings, which principally relate to the provision of funding within the Group, are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts (notes iv and v).

viii RELATED PARTY TRANSACTIONS (Continued)

During the financial year the Company received a dividend from Merlin Entertainments Group Luxembourg 3 S.à r.l. of £nil *(2017: £174 million)*.

For full details of transactions and arrangements with the Company's largest shareholder, see note 5.3 of the consolidated financial statements.

FINANCIAL RECORD

	2018	2017	2016(1) (52 weeks)	2016(1) (53 weeks)	2015	2014
	£m	£m	£m	£m	£m	£m
Results						
Revenue	1,688	1,594	1,428	1,457	1,278	1,249
Underlying EBITDA	494	474	433	451	402	411
Underlying operating profit	327	323	302	320	291	311
Operating profit	323	323	302	320	291	311
Profit before tax	285	271	259	277	237	226
Adjusted earnings per share (p)	22.9	20.5	19.5	20.8	17.8	17.7
Dividend per share (p)	8.0	7.4	7.1	7.1	6.5	6.2
Consolidated statement of financial position						
Property, plant and equipment	2,344	2,092	n/a	1,841	1,495	1,410
Intangible assets	1,028	1,018	n/a	1,017	923	942
Cash and cash equivalents	110	309	n/a	215	152	285
Non-current interest-bearing loans and borrowings	1,092	1,271	n/a	1,147	1,003	1,131
Total equity	1,744	1,567	n/a	1,428	1,149	1,063
Consolidated statement of cash flows						
Net cash flow from operating activities	450	413	n/a	433	325	357
Changes in working capital	(22)	1	n/a	23	(19)	(4)
Net (decrease)/increase in cash and cash equivalents	(202)	90	n/a	40	(137)	16

(1) In 2016 the consolidated Group financial statements were prepared on a '53 week' basis for the period ending 31 December 2016. In most years we report on a '52 week' period. In certain years an additional week is included to ensure that the statutory financial year end date stays in line with the end of December. The '52 week' information for 2016 is also presented here to provide a more direct comparison of performance. The difference between the two periods is the week ending 31 December 2016.

MERLIN ENTERTAINMENTS PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERLIN ENTERTAINMENTS PLC

1 Our opinion is unmodified

We have audited the financial statements of Merlin Entertainments plc (the Company) for the 52 week period ended 30 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and the related notes, including the accounting policies in note 1.1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 December 2017 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the Directors on 30 September 2013. The period of total uninterrupted engagement to date is for the five financial periods ended 30 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		£14.5 million *(2016: £14.5 million)* 5.4% *(2016: 5.2%)* of Group profit before tax
Coverage: by full scope audit procedures		82% *(2016: 79%)* of total profits and losses[(1)]
Risks of material misstatement		**vs 2016**
Recurring risks	Carrying value of Resort Theme Parks goodwill	◀▶
	Revenue recognition	◀▶
	Recoverability of parent Company's investment in and inter-group balances with subsidiaries	◀▶

(1) Total profits and losses coverage is calculated by considering absolute profits and losses before tax, after eliminating inter-group interest income and expense, foreign exchange movements on inter-group loans, and inter-group dividends.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. The matters and results were addressed based on procedures solely undertaken for the purpose of forming our opinion on the financial statements as a whole, and are consequently incidental to that opinion. We therefore do not provide a separate opinion on these matters.

	The risk	Our response
Carrying value of Resort Theme Parks goodwill £209 million *(2016: £202 million)* Refer to pages — to — (Audit Committee Report) and pages F-155 to F-158 (accounting policy and financial disclosures). Risk vs 2016: ◀▶	**Forecast based valuation:** A history of business combinations results in significant goodwill balances. The Resort Theme Parks (RTP) Operating Group is capital intensive and unlike the other Operating Groups has not generated headroom via growth from new site openings. As RTP has been impaired in the past and has a small amount of headroom there is a risk that its goodwill will not be supportable by its continuing operations. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting future cash flows and determining the most appropriate rate to discount them. In particular, the recovery rate of the UK theme parks, especially Alton Towers, following the accident on 'The Smiler' ride in 2015, is a materially sensitive assumption supporting the RTP goodwill valuation.	Our procedures included: **Extrapolating past forecasting accuracy:** assessing five years' historical accuracy of the Group's forecasting and building comparable variations in forecasting accuracy into our own models that were used to re-perform the valuation; **Historical accuracy:** comparing expected changes in cash flows (from activities such as new promotions and customer experience improvements) and the planned cost base, against the past results of similar activities carried out by the Group; **Benchmarking assumptions:** benchmarking Group earnings multiple and discount rates (including the underlying assumptions used) against market data, including publicly available analysts' reports and peer comparison using our own valuation experts; **Sensitivity analysis:** assessing the reasonableness of management's sensitivity analysis, which included calculating the impact of changes in key assumptions, performing breakeven analysis of the earnings multiple, discount rates, forecast cash flows, and modelling the cash flows of a base case scenario; **Comparing valuations:** comparing the sum of the discounted cash flows across the Group to the Group's market capitalisation to assess the reasonableness of the future cash flows, discount rate and long term growth rate; and

	The risk	Our response
		Assessing transparency: assessing whether the Group's sensitivity disclosures regarding the impairment testing adequately reflect the risks inherent in the valuation of goodwill. **Our results** • We found the resulting estimate of the recoverable amount of Resort Theme Parks goodwill to be acceptable (*2016: acceptable*).
Revenue recognition £1,594 million *(2016: £1,457 million)* Refer to pages — to — (Audit Committee Report) and page F-144 (accounting policy). Risk vs 2016: ◀▶	**Accurate recording:** Merlin's revenues come from a number of different channels, locations and systems, sometimes featuring manual processes to match past purchases to redemptions or to transfer data to the finance systems. The low value of individual transactions means individual errors would be insignificant, however they would be difficult to detect and the high volume of transactions mean systemic failure could lead to errors that aggregate into material balances.	Our procedures included: **Control design:** testing of the general IT control environment of the systems used to record revenue and evaluating controls over the revenue process including their operating effectiveness; **Control operation:** testing the design, implementation and operating effectiveness of manual controls supporting revenue recognition, including reconciliations of till records to cash banked and to revenue journal entries in the accounting records; **Expectation vs outcome:** forming an expectation for revenue by analysing total cash received per bank statements as adjusted for non-revenue transactions, sales taxes collected and balance sheet movements and comparing this expectation to revenue recognised; and **Tests of detail:** agreeing a sample of revenue transactions to bank statements or other supporting information. Testing of deferred and accrued revenue balances through agreeing back to ticketing system records and re-computing any manual calculations. **Our results** • We found the recording of the revenue to be acceptable *(2016: acceptable)*.

	The risk	Our response
Recoverability of the parent Company's investment in and inter-group receivable balances with subsidiaries £4,581 million *(2016: £4,344 million)* Refer to pages — to — (Audit Committee Report) and pages F-191 to F-196 (accounting policy and financial disclosures). Risk vs 2016: ◀▶	**Low risk, high value:** The carrying amount of the parent Company's investment in and inter-group receivable balances from subsidiaries represents 99.8% *(2016: 100%)* of the parent Company's total assets. Their recoverability does not lead to a high risk of significant misstatement, nor is it subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: **Tests of detail:** for the investment and inter-group balances where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment and inter-group receivable balances with the expected value of the business based on the Group's market capitalisation as adjusted by monetary assets and liabilities held by the parent Company. **Our results** • We found the Group's assessment of the recoverability of the investment in and inter-group receivable balances from subsidiaries to be acceptable *(2016: acceptable)*.

We continue to perform procedures over the valuation of the Group's other non-current assets. However, as we have concluded there are less significant judgements made and a low risk of misstatement, we have not assessed this area as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £14,500,000 *(2016: £14,500,000)*, determined with reference to a benchmark of profit before tax, of which it represents 5.4% *(2016: 5.2%)*.

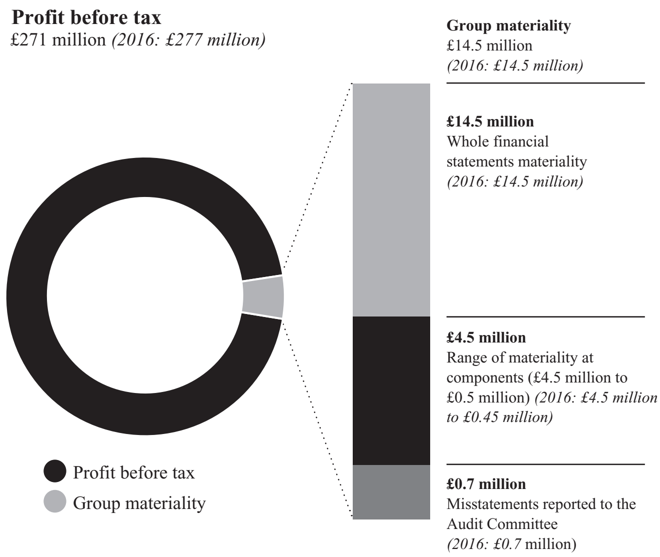
Materiality for the parent Company financial statements was set at £4,500,000 *(2016: £4,500,000)* by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.1% of the parent Company's total assets *(2016: 0.1%)*.

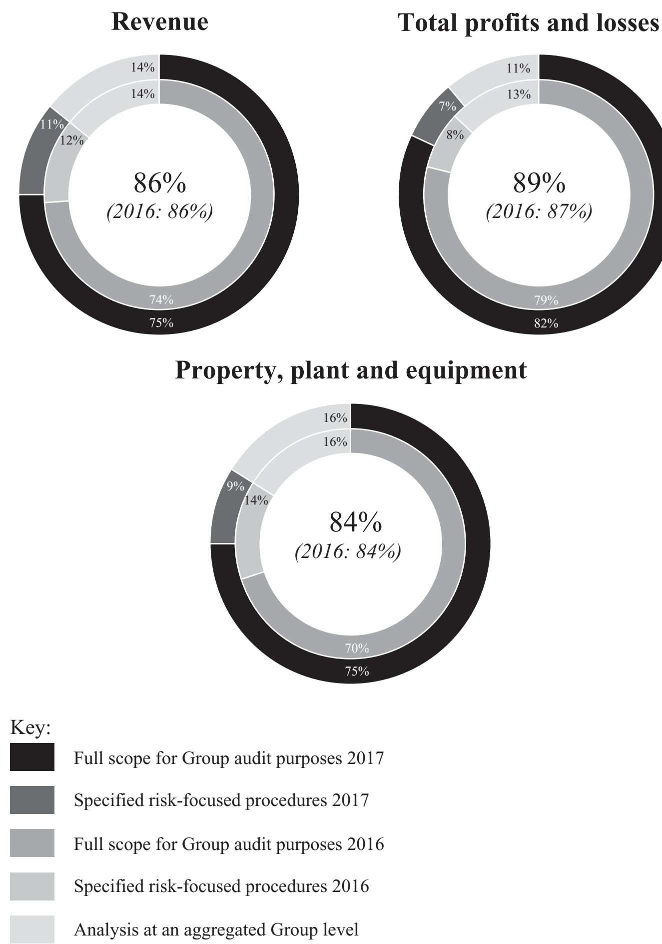
We reported to the Audit Committee any corrected or uncorrected identified misstatements affecting profit exceeding £700,000 *(2016: £700,000)* or otherwise exceeding £2,000,000 *(2016: £2,000,000)*, in addition to other audit misstatements that warranted reporting on qualitative grounds.

The scope of our work included the audit of 82% *(2016: 79%)* of the total profits and losses that made up Group profit before tax, 75% *(2016: 74%)* of total Group revenue and 75% *(2016: 70%)* of total Group property, plant and equipment. This included the audit, for Group reporting purposes, of the financial information of certain components. It also included procedures on finance costs and assets established on consolidation; the total of these balances were audited at Group level. Audits for Group reporting purposes, including those performed by the Group audit team, were performed at components in the following countries: Australia, China (including Hong Kong), Denmark, Germany, Italy, Japan, UK and USA. The components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work and provided further coverage over the Group's results of 7% *(2016: 8%)* of total profits or losses that made up Group profit before tax. We select these components on a rotational basis, setting a financial threshold on each of the Group profit before tax, Group revenue and Group property, plant and equipment and using our assessment of risk to select a sample of sites from those that meet at least one of these thresholds.

The remaining 11% *(2016: 13%)* of total profits and losses that made up Group profit before tax, 14% *(2016: 14%)* of total Group revenue and 16% *(2016: 16%)* of total Group property, plant and equipment were represented by a large number of smaller reporting components. None of these components individually represent more than 1.2% *(2016: 1.8%)* of any of the total profits or losses that made up Group profit before tax, total Group revenue or total Group property, plant and equipment.

For the remaining components, analysis at an aggregated level was performed to re-examine our assessment that there were no significant risks of material misstatement within these components.





The Group team approved the component materialities, which ranged from £500,000 to £4,500,000 *(2016: £450,000 to £4,500,000)* having regard to the mix of size and risk profile across components, and where applicable, giving consideration to the local statutory materiality set by the component teams where this was lower.

The Group audit team carried out audits for Group reporting purposes of the financial information of components covering 33% *(2016: 34%)* of the total profits and losses that made up Group profit before tax, including the audit of the parent Company. The Group audit team also undertook all audit procedures of certain total Group account balances as mentioned above, covering a further 4% *(2016: 3%)* of the total profits and losses that made up Group profit before tax.

Detailed audit and specified procedure instructions were sent to component auditors. These instructions covered the significant audit areas required to be addressed by these audits, which included the relevant risks of material misstatement detailed above, and set out the information required to be reported back to the Group audit team. The Group audit team visited key component locations in Germany and Japan. Additionally we performed inspection of the work covering the key audit matters at all component audit teams performing audits for Group reporting purposes. Teleconferences were held with all component auditors. During these meetings, the Group team provided further input to audit risk and strategy, and the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 1.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page — is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report and Accounts

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion, the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within page — that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate Governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page —, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Irregularities—ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related annual accounts items.

In addition we considered the impact of laws and regulations in the specific area of health and safety, recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Green
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG

28 February 2018

PRIMARY STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

	Note	2017	2016
		£m	£m
Revenue	2.1	1,594	1,457
Cost of sales	2.1	(255)	(227)
Gross profit		1,339	1,230
Staff expenses	2.1	(420)	(382)
Marketing		(85)	(75)
Rent		(104)	(93)
Other operating expenses		(256)	(229)
EBITDA(1)	2.1	474	451
Depreciation and amortisation	3.1, 3.2	(151)	(131)
Operating profit		323	320
Finance income	2.3	3	3
Finance costs	2.3	(55)	(46)
Profit before tax		271	277
Taxation	2.4	(62)	(66)
Profit for the year(2)		**209**	**211**
Earnings per share			
Basic earnings per share (p)	2.5	20.5	20.8
Diluted earnings per share (p)	2.5	20.5	20.7
Dividend per share(3) **(p)**	4.5	7.4	7.1

(1) EBITDA—this is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of attributable profit after tax of joint ventures.

(2) Profit for the year for 2017 and 2016 is wholly attributable to the owners of the Company.

(3) Dividend per share represents the interim paid and final proposed dividend for the year.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

	Note	2017	2016
		£m	£m
Profit for the year		209	211
Other comprehensive income			
Items that cannot be reclassified to the consolidated income statement			
Defined benefit plan remeasurement gains and losses	5.2	2	(6)
Income tax on items relating to components of other comprehensive income	2.4	—	1
		2	(5)
Items that may be reclassified to the consolidated income statement			
Exchange differences on the retranslation of net assets of foreign operations		3	176
Exchange differences relating to the net investment in foreign operations		(15)	(45)
Cash flow hedges—effective portion of changes in fair value		4	(3)
Income tax on items relating to components of other comprehensive income	2.4	(1)	(1)
		(9)	127
Other comprehensive income for the year net of income tax		(7)	122
Total comprehensive income for the year[(1)]		**202**	**333**

(1) Total comprehensive income for 2017 and 2016 is wholly attributable to the owners of the Company.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 December 2017 (2016: 31 December 2016)

	Note	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	3.1	2,092	1,841
Goodwill and intangible assets	3.2	1,018	1,017
Investments	5.1	59	49
Other receivables	3.4	11	13
Deferred tax assets	2.4	33	38
		3,213	2,958
Current assets			
Inventories	3.4	37	36
Trade and other receivables	3.4	100	86
Derivative financial assets		5	3
Cash and cash equivalents	4.1	309	215
		451	340
Total assets		3,664	3,298
Current liabilities			
Interest-bearing loans and borrowings	4.2	7	5
Finance leases	4.4	1	—
Derivative financial liabilities		3	5
Trade and other payables	3.4	306	300
Tax payable		37	39
Provisions	3.5	5	3
		359	352
Non-current liabilities			
Interest-bearing loans and borrowings	4.2	1,271	1,147
Finance leases	4.4	190	88
Other payables	3.4	28	28
Provisions	3.5	72	65
Employee benefits	5.2	6	11
Deferred tax liabilities	2.4	171	179
		1,738	1,518
Total liabilities		2,097	1,870
Net assets		**1,567**	**1,428**
Issued capital and reserves attributable to owners of the Company		1,563	1,424
Non-controlling interest		4	4
Total equity	4.5	**1,567**	**1,428**

The financial statements were approved by the Board of Directors on 28 February 2018 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 27 December 2015		10	—	(135)	—	1,270	1,145	4	1,149
Profit for the year		—	—	—	—	211	211	—	211
Other comprehensive income for the year net of income tax		—	—	130	(3)	(5)	122	—	122
Total comprehensive income for the year		—	—	130	(3)	206	333	—	333
Shares issued		—	2	—	—	—	2	—	2
Equity dividends	4.5	—	—	—	—	(67)	(67)	—	(67)
Equity-settled share-based payments	4.6	—	—	—	—	11	11	—	11
At 31 December 2016		**10**	**2**	**(5)**	**(3)**	**1,420**	**1,424**	**4**	**1,428**
Profit for the year		—	—	—	—	209	209	—	209
Other comprehensive income for the year net of income tax		—	—	(13)	4	2	(7)	—	(7)
Total comprehensive income for the year		—	—	(13)	4	211	202	—	202
Shares issued	4.5	—	8	—	—	—	8	—	8
Equity dividends	4.5	—	—	—	—	(74)	(74)	—	(74)
Equity-settled share-based payments	4.6	—	—	—	—	3	3	—	3
At 30 December 2017	4.5	**10**	**10**	**(18)**	**1**	**1,560**	**1,563**	**4**	**1,567**

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

	Note	2017	2016
		£m	£m
Cash flows from operating activities			
Profit for the year		209	211
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	151	131
Finance income	2.3	(3)	(3)
Finance costs	2.3	55	46
Taxation	2.4	62	66
		474	451
Profit on sale of property, plant and equipment		(3)	(1)
Working capital changes		1	23
Changes in provisions and other non-current liabilities		5	10
		477	483
Tax paid		(64)	(50)
Net cash inflow from operating activities		413	433
Cash flows from investing activities			
Interest received		1	1
Acquisition of remaining share of joint venture		—	(1)
Acquisition of investments	5.1	(12)	(32)
Purchase of property, plant and equipment		(336)	(259)
Disposal of property, plant and equipment		4	4
Net cash outflow from investing activities		(343)	(287)
Cash flows from financing activities			
Proceeds from issue of share capital	4.5	8	2
Equity dividends paid	4.5	(74)	(67)
Proceeds from borrowings	4.2	178	—
Repayment of borrowings	4.2	(43)	—
Capital repayments of finance leases		(1)	—
Interest paid		(46)	(41)
Financing costs		(2)	—
Net cash inflow/(outflow) from financing activities		20	(106)
Net increase in cash and cash equivalents		90	40
Cash and cash equivalents at beginning of year	4.1	215	152
Effect of movements in foreign exchange		4	23
Cash and cash equivalents at end of year	4.1	**309**	**215**

NOTES TO THE ACCOUNTS

SECTION 1 BASIS OF PREPARATION

52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

1.1 BASIS OF PREPARATION

Merlin Entertainments plc (the Company) is a public company limited by shares which is incorporated in the United Kingdom and its registered office is Link House, 25 West Street, Poole, Dorset BH15 1LD.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company continues to prepare its parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries and joint ventures.

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 30 December 2017 *(2016: 53 weeks ended 31 December 2016)*. The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments which are measured at their fair value.

The consolidated financial statements are presented in Sterling.

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

Going concern

The Group reported a profit for the year of £209 million *(2016: £211 million)* and generated operating cash inflows of £413 million *(2016: £433 million)*. The Group is funded by senior unsecured bank facilities due for repayment in 2020 and senior unsecured notes due for repayment in 2022. During the year an additional €200 million of the Group's notes were issued at 103.5% of their nominal value (£178 million) with the proceeds partly used to repay €50 million (£43 million) of the term debt. It is likely in the next 18 months that the Group will look to refinance the bank facilities due for repayment in 2020. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.2.

After reviewing the Group's and Company's statement of financial position, available facilities, cash flow forecasts and trading budgets, including various downside sensitivities, the Directors believe the Group to be operationally and financially sound and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Merlin Entertainments plc and its subsidiaries at the end of each reporting period and include its share of its joint ventures' results using the equity method.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

1.1 BASIS OF PREPARATION (Continued)

Where subsidiaries enter into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and accounted for as such. In this respect, the subsidiary concerned treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

Foreign currency

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

The results and financial position of those Group companies that do not have a Sterling functional currency are translated into Sterling as follows:

- Assets and liabilities are translated at the closing rate at the end of the reporting period.
- Income and expenses are translated at average exchange rates during the period.
- All resulting exchange differences are recognised in equity in the translation reserve.

The reporting date foreign exchange rates by major currency are provided in note 4.3.

Classification of financial instruments issued by the Group

Financial instruments can consist of a combination of debt and equity and the Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability, and the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1.1 BASIS OF PREPARATION (Continued)

Judgements

Management consider the following areas to be the judgements that have the most significant effect on the amounts recognised in the financial statements. They are explained in more detail in the related notes:

- Useful life of brands (note 3.2)—where a brand has been recognised as part of an acquisition they have been assessed as having indefinite useful lives.
- Goodwill impairment reviews (note 3.3)—the level at which goodwill is initially allocated and thereafter monitored.

Estimates

Management consider the following area to involve a significant degree of estimation uncertainty:

- Valuation of Resort Theme Parks Operating Group (RTP) assets and impairment (note 3.3)—estimation of discounted cash flows when calculating the value in use of assets.

Other non-significant areas that include a degree of estimation uncertainty are:

- Valuation of assets and impairment, excluding RTP (note 3.3)—estimation of discounted cash flows when calculating the value in use of assets.
- Taxation (note 2.4)—recognition of deferred tax balances and accounting for tax risks.
- Provisions (note 3.5)—estimated outflow to settle the obligation and, where relevant, the appropriate discount and inflation rates to apply.
- Interest-bearing loans and borrowings (note 4.2)—expected period of borrowings when calculating the effective interest rate on those borrowings.
- Share-based payment transactions (note 4.6)—estimation of future performance when estimating vesting rates on share schemes.
- Investments (note 5.1)—expected period of and eventual return on investments when calculating the effective interest rate.
- Employee benefits (note 5.2)—assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

While these areas do not present a significant risk resulting in a material adjustment, they are areas of focus for management.

New standards and interpretations

A full list of new accounting standards and interpretations can be found in note 5.5. This includes standards that have been implemented in the year, which have had no significant impact. It also includes those standards that will be implemented next year or in future years, including our assessment of the potential impacts of IFRS 9 ‘Financial instruments’, IFRS 15 ‘Revenue from contracts with customers’ and IFRS 16 ‘Leases’.

2.1 PROFIT BEFORE TAX

Segmental information

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

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks	Segment results	Other Items[(1)]	Total
	£m	£m	£m	£m	£m	£m
2017						
Segment revenue	656	609	329	1,594	—	1,594
Segment profit, being segment EBITDA	220	230	72	522	(48)	474
Segment depreciation and amortisation	(68)	(39)	(36)	(143)	(8)	(151)
Segment operating profit	152	191	36	379	(56)	323
2016						
Segment revenue	638	495	322	1,455	2	1,457
Segment profit, being segment EBITDA	236	193	70	499	(48)	451
Segment depreciation and amortisation	(64)	(28)	(32)	(124)	(7)	(131)
Segment operating profit	172	165	38	375	(55)	320

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

Geographical areas

While each Operating Group is managed on a worldwide basis, part of our strategy is to diversify geographically across the four regions shown below. The information presented is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenues 2017	Non-current assets 2017	Revenues 2016	Non-current assets 2016
	£m	£m	£m	£m
United Kingdom	486	921	486	881
Continental Europe	389	986	367	919
North America	438	620	404	628
Asia Pacific	281	594	200	443
	1,594	3,121	1,457	2,871
Deferred tax (note 2.4)		33		38
Investments (note 5.1)		59		49
		3,213		2,958

2.1 PROFIT BEFORE TAX (Continued)

Revenue accounting policy

Revenue arises from the operation of visitor attractions and theme park resorts. Revenue represents the amounts received from customers (excluding VAT and similar taxes) for admissions tickets, accommodation revenue, retail, food and beverage sales and sponsorship.

Ticket revenue is recognised at point of entry. Revenue from the sale of annual passes is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation. Sponsorship revenue is recognised over the relevant contract term. From time to time, the Group enters into service contracts for attraction development and revenue is recognised under these contracts on a percentage completion basis. Service contract revenue in 2017 and 2016 is not material.

Cost of sales

Cost of sales of £255 million *(2016: £227 million)* represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activities. Retail inventory, food and beverage consumables and costs associated with the delivery of accommodation are the principal expenses included within this category.

Operating expenses

Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2017	2016
Operations	17,834	17,422
Attraction management and central administration	2,037	2,067
	19,871	19,489

The aggregate payroll costs of these persons were as follows:

	2017 £m	2016 £m
Wages and salaries	360	321
Share-based payments (note 4.6)	3	11
Social security costs	44	39
Other pension costs	13	11
	420	382

Related party transactions with key management personnel

Key management comprises the Executive and Non-executive Directors of the Board and the members of the Executive Committee. Details of the remuneration, shareholdings, share options, pension contributions and payments for loss of office of the Executive Directors are included in the Directors' Remuneration Report on pages — to —.

2.1 PROFIT BEFORE TAX (Continued)

The remuneration of key management was as follows:

	2017 £m	2016 £m
Key management emoluments including social security costs	4.8	4.8
Contributions to money purchase pension schemes	0.1	0.2
Share-based payments and other related payments	1.5	2.8
	6.4	7.8

Auditor's remuneration

	2017 £m	2016 £m
Audit of these financial statements	1.4	1.3
Audit of financial statements of subsidiaries	0.4	0.3
Other assurance services	0.2	0.3
Other services relating to taxation compliance	—	0.4
Services relating to corporate finance transactions	0.1	—
	2.1	2.3

2.2 EXCEPTIONAL ITEMS

Accounting policy

Due to their nature, certain one-off and non-trading items can be classified separately as exceptional items in order to draw them to the attention of the reader. In the judgement of the Directors this presentation shows the underlying performance of the Group more accurately.

There were no exceptional items in 2017 or 2016.

2.3 FINANCE INCOME AND COSTS

Accounting policies

Income and costs

Finance income comprises interest income from financial assets and investments, applicable foreign exchange gains and gains on hedging instruments that are recognised in the income statement. Finance costs comprise interest expense, finance charges on finance leases, applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue, using the effective interest method.

Capitalisation of borrowing costs

Where assets take a substantial time to complete, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of those assets.

2.3 FINANCE INCOME AND COSTS (Continued)

Finance income

	2017 £m	2016 £m
In respect of assets not held at fair value		
Interest income	3	2
Other		
Net foreign exchange gain	—	1
	3	3

Finance costs

	2017 £m	2016 £m
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	47	43
Re-measurement of financial liabilities measured at amortised cost (note 4.2)	4	—
Other interest expense	2	3
Other		
Net foreign exchange loss	2	—
	55	46

Capitalised borrowing costs amounted to £3 million in 2017 *(2016: £2 million),* with a capitalisation rate of 2.9% *(2016: 2.9%).* Tax relief on capitalised borrowing costs amounted to £1 million in 2017 *(2016: £1million)*.

2.4 TAXATION

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised. This assessment is made after considering a number of factors, including the Group's future trading expectations.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax provisions are based on management's estimate of the amount of tax payable and the likelihood of settlement in relation to matters

2.4 TAXATION (Continued)

which have yet to be concluded. These include matters arising from ongoing audits, as well as other uncertain positions. A combination of in-house tax experts, previous experience and professional firms is used when assessing tax risks. Current provisions represent a number of different matters arising across the various jurisdictions in which the Group operates. It is currently unclear when these matters will be settled, but certain matters have been open for several years and may not be resolved in the coming year.

Recognised in the income statement

	2017 £m	2016 £m
Current tax expense		
Current year	65	63
Adjustment for prior periods	(3)	2
Total current income tax	62	65
Deferred tax expense		
Origination and reversal of temporary differences	24	7
Changes in tax rate	(25)	(5)
Adjustment for prior periods	1	(1)
Total deferred tax	—	1
Total tax expense in income statement	62	66

Reconciliation of effective tax rate

	2017 %	2017 £m	2016 %	2016 £m
Profit before tax		271		277
Income tax using the UK domestic corporation tax rate	19.3%	52	20.0%	56
Non-deductible expenses		8		9
Income not subject to tax		(14)		(12)
Effect of tax rates in foreign jurisdictions		22		19
Effect of changes in tax rate		—		(5)
Unrecognised temporary differences		4		(1)
Effect of recognising deferred tax assets previously unrecognised		(1)		(1)
Effect of USA tax reform		(7)		—
Adjustment for prior periods		(2)		1
Total tax expense in income statement	22.9%	62	23.8%	66

The effective tax rate (ETR) reflects updates to the headline UK rate, including the effect on the measurement of deferred tax.

The difference between the reported ETR of 22.9% and the UK standard tax rate of 19.3% is largely attributable to the Group's geographic mix of profits and reflects higher rates in certain jurisdictions, particularly the USA, in relation to the current and prior year. In addition, the reported rate is increased by non-deductible expenses which primarily arise as a result of depreciation on capital expenditure from continued investment in our attractions. These factors are offset by the Group's internal financing arrangements, which have been put in place to support development and ongoing funding needs in overseas territories, and the impact of the package of measures enacted in the Tax Cuts and Jobs Act (USA tax reform) in the USA on 22 December 2017.

2.4 TAXATION (Continued)

The Group's ETR has fallen from 23.8% to 22.9%. This is driven by the USA tax reform. The net £7 million (2.4%) reduction in current year ETR comprises:

(i) the effect of changes in tax rates (£25 million) as deferred tax liabilities have been revalued due to the federal tax rate reducing from 35% to 21% effective 1 January 2018; offset by

(ii) an increase in unrecognised temporary differences (£9 million) resulting from new restrictions on interest deductibility; and

(iii) other tax charges and deductions (£9 million) originating from revisions to the USA taxation of foreign investments.

Significant factors impacting on the Group's future ETR include the USA tax reform, the ability to continue current financing arrangements and changes to local or international tax laws. With regard to the latter, the European Commission's preliminary findings relating to the UK's Controlled Foreign Company rules are further detailed in note 5.4.

Otherwise, the Group's future ETR will primarily be affected by the geographic mix of profits.

Recognised directly in equity through the statement of other comprehensive income

	2017	2016
	£m	£m
Foreign exchange translation differences relating to the net investment in foreign operations	1	1
Remeasurement gains and losses on defined benefit plans	—	(1)
Total tax expense in statement of other comprehensive income	1	—

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	19	20	(130)	(148)	(111)	(128)
Other short term temporary differences	29	42	(8)	(6)	21	36
Intangible assets	—	—	(50)	(50)	(50)	(50)
Tax value of loss carry-forwards	2	1	—	—	2	1
Tax assets/(liabilities)	50	63	(188)	(204)	(138)	(141)
Set-off tax	(17)	(25)	17	25	—	—
Net tax assets/(liabilities)	33	38	(171)	(179)	(138)	(141)

Other short term temporary differences primarily relate to financial assets and liabilities and various accruals and prepayments.

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Group has the right and intention to offset these amounts.

2.4 TAXATION (Continued)

Movement in deferred tax during the current year

	1 January 2017	Recognised in income—USA tax reform	Recognised in income—other	Recognised in other comprehensive income	Effect of movements in foreign exchange	30 December 2017
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	(128)	28	(17)	—	6	(111)
Other short term temporary differences	36	(12)	—	(1)	(2)	21
Intangible assets	(50)	—	—	—	—	(50)
Tax value of loss carry-forwards	1	—	1	—	—	2
Net tax assets/(liabilities)	(141)	16	(16)	(1)	4	(138)

In 2017 movements recognised in the income statement in respect of property, plant and equipment were principally due to the revaluation of deferred tax liabilities in the USA partially offset by allowances utilised in the UK. Movements in other short term temporary differences were mainly due to the impact of the USA tax reforms described previously and the provision for future deductions in respect of employee share options.

Movement in deferred tax during the previous year

	27 December 2015	Recognised in income	Recognised in other comprehensive income	Effect of movements in foreign exchange	31 December 2016
	£m	£m	£m	£m	£m
Property, plant and equipment	(102)	(5)	—	(21)	(128)
Other short term temporary differences	26	4	1	5	36
Intangible assets	(47)	2	—	(5)	(50)
Tax value of loss carry-forwards	3	(2)	—	—	1
Net tax assets/(liabilities)	(120)	(1)	1	(21)	(141)

In 2016 movements recognised in the income statement in respect of property, plant and equipment were principally due to tax allowances utilised in the UK and USA offset by the impact of rate reductions in Italy. Movements in other short term temporary differences were mainly due to providing for future deductions in respect of employee share options.

Unrecognised deferred tax assets

	2017	2016
	£m	£m
Property, plant and equipment	—	2
Other short term temporary differences	22	16
Tax value of loss carry-forwards	61	57
Net unrecognised tax assets	83	75

The unrecognised deferred tax assets relating to loss carry-forwards include £2 million *(2016: £2 million)* expiring in 0 – 5 years and £6 million *(2016: £2 million)* expiring in 6 – 10 years. The remaining losses and other timing differences do not expire under current tax legislation.

The nature and location of the tax losses carried forward are such that there is currently no expectation that the losses will be utilised.

2.5 EARNINGS PER SHARE

Accounting policy

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

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

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

	2017	2016
	£m	£m
Profit attributable to ordinary shareholders	209	211

	2017	2016
Basic weighted average number of shares	1,018,610,976	1,014,358,232
Dilutive potential ordinary shares	2,083,168	3,785,770
Diluted weighted average number of shares	1,020,694,144	1,018,144,002

Share incentive plans (see note 4.6) are treated as dilutive to earnings per share when, at the reporting date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

In 2017 and 2016, the PSP has a marginal dilutive effect as the performance measures have been partially achieved. The DBP, CSOP and AESP are marginally dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	2017	2016
	Pence	Pence
Basic earnings per share on profit for the year[(1)]	20.5	20.8
Diluted earnings per share on profit for the year[(1)]	20.5	20.7

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

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses.

Where components of an item of PPE have different useful lives, they are accounted for separately.

The initial cost of PPE includes all costs incurred in bringing the asset into use and includes external costs for the acquisition, construction and commissioning of the asset, internal project costs (primarily staff expenses) and capitalised borrowing costs.

Assets acquired through business combinations

At the time of a business combination PPE is separately recognised and valued. Given the specialised nature of the PPE acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out below. Residual values are based on industry specific indices.

New sites

Capital expenditure on new attractions includes all the costs of bringing the items of PPE within that attraction into use ready for the opening of the attraction. Pre-opening costs are only capitalised to the extent they are required to bring PPE into its working condition. Other pre-opening costs are expensed as incurred.

On inception of a lease for a new site, where required, the estimated cost of decommissioning any additions is included within PPE and depreciated over the lease term. A corresponding provision is set up as disclosed in note 3.5.

Existing sites

Subsequent expenditure on items of PPE in our existing estate can be broadly split into two categories:

- Capital expenditure which adds new items of PPE to an attraction or which extends the operational life of, or enhances existing items of, PPE is accounted for as an addition to PPE. Examples of such expenditure include new rides or displays and enhancements to rides or displays, which increase the appeal of our attractions to visitors.
- Expenditure which is incurred to maintain the items of PPE in a safe and usable state and to maintain the useful life of items of PPE is charged to the income statement as incurred. Examples of such expenditure include regular servicing and maintenance of buildings, rides and displays and ongoing repairs to items of PPE.

Depreciation

Land is not depreciated. Assets under construction are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate. Depreciation is then charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Asset lives for plant and equipment vary depending on the nature of the asset, from short life assets such as IT assets, up to long term infrastructure assets. No residual values are typically considered.

3.1 PROPERTY, PLANT AND EQUIPMENT (Continued)

The estimated useful lives are as follows:

Asset class	Depreciation policy
Freehold/long leasehold buildings	50 years
Leasehold buildings	20 – 50 years (dependent on life of lease)
Plant and equipment	5 – 30 years

Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Cost				
Balance at 27 December 2015	977	1,058	100	2,135
Acquisition of remaining share of joint venture	—	1	—	1
Additions—owned assets	13	55	205	273
Movements in asset retirement provisions	5	1	—	6
Disposals	(5)	(8)	—	(13)
Transfers	39	86	(125)	—
Effect of movements in foreign exchange	157	116	10	283
Balance at 31 December 2016	1,186	1,309	190	2,685
Additions—owned assets	10	41	278	329
Additions—leased assets	98	13	—	111
Movements in asset retirement provisions (note 3.5)	2	1	—	3
Disposals	(2)	(7)	—	(9)
Transfers	70	188	(258)	—
Effect of movements in foreign exchange	(29)	(23)	(5)	(57)
Balance at 30 December 2017	1,335	1,522	205	3,062
Depreciation				
Balance at 27 December 2015	210	430	—	640
Depreciation for the year—owned assets	38	87	—	125
Depreciation for the year—leased assets	1	3	—	4
Disposals	(3)	(7)	—	(10)
Effect of movements in foreign exchange	35	50	—	85
Balance at 31 December 2016	281	563	—	844
Depreciation for year—owned assets	36	105	—	141
Depreciation for year—leased assets	4	4	—	8
Disposals	(1)	(7)	—	(8)
Effect of movements in foreign exchange	(9)	(6)	—	(15)
Balance at 30 December 2017	311	659	—	970
Carrying amounts				
At 27 December 2015	767	628	100	1,495
At 31 December 2016	905	746	190	1,841
At 30 December 2017	1,024	863	205	2,092

Depreciation is calculated in line with the policy stated previously. During the year the Group reviews useful economic lives and tests PPE for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result no material adjustments were made in either 2016 or 2017.

3.1 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group leases buildings and plant and equipment under finance lease agreements secured on those assets. Additions of leased assets in the period of £111 million are in respect of the LEGOLAND Japan finance lease entered into on the opening of the park in April 2017 (note 4.4).

At 30 December 2017 the net carrying amount of leased buildings was £103 million *(2016: £16 million)* and the net carrying amount of leased plant and equipment was £38 million *(2016: £29 million).* Further details in respect of leases and lease obligations are provided in note 4.4.

Capital commitments

At the year end the Group had a number of outstanding capital commitments in respect of capital expenditure at its existing attractions, including accommodation, and for Midway attractions that are under construction. These are expected to be settled within two financial years of the reporting date. These amount to £104 million *(2016: £82 million)* for which no provision has been made.

At year end foreign exchange rates, the Group is expecting to invest a further £39 million *(2016: £62 million)* in the LEGOLAND Japan Resort in relation to the hotel and SEA LIFE Centre due to open in 2018. In addition, at year end foreign exchange rates, the Group is intending to invest £73 million *(2016: £72 million)* in LEGOLAND Korea and £250 million in LEGOLAND New York.

3.2 GOODWILL AND INTANGIBLE ASSETS

Accounting policies

Goodwill represents the difference between the cost of an acquisition and the fair value of the identifiable net assets acquired less any contingent liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including amounts into perpetuity. Currently all such brands held are assessed as having indefinite useful economic lives. This assessment is based upon the strong historical performance of the brands over a number of economic cycles, the ability to roll out our brands, and the Directors' intentions regarding the future use of brands. The Directors feel this is a suitable policy for a brands business which invests in and maintains the brands, and foresee no technological developments or competitor actions which would put a finite life on the brands. The brands are tested annually for impairment.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets comprise software licences, sponsorship rights and other contract based intangible assets. They are amortised on a straight-line basis from the date they are available for use. They are stated at cost less accumulated amortisation and impairment losses.

The estimated useful lives of other intangible assets are as follows:

Asset class	Estimated useful life
Licences	Life of licence (up to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

3.2 GOODWILL AND INTANGIBLE ASSETS (Continued)

Goodwill and intangible assets

	Intangible assets			
	Goodwill	Brands	Other	Total
	£m	£m	£m	£m
Cost				
Balance at 27 December 2015	906	182	28	1,116
Additions	—	—	1	1
Effect of movements in foreign exchange	87	14	4	105
Balance at 31 December 2016	993	196	33	1,222
Additions	—	—	3	3
Effect of movements in foreign exchange	(1)	2	—	1
Balance at 30 December 2017	992	198	36	1,226
Amortisation				
Balance at 27 December 2015	169	12	12	193
Amortisation for the year	—	—	2	2
Effects of movements in foreign exchange	8	1	1	10
Balance at 31 December 2016	177	13	15	205
Amortisation for the year	—	—	2	2
Effect of movements in foreign exchange	1	—	—	1
Balance at 30 December 2017	178	13	17	208
Carrying amounts				
At 27 December 2015	737	170	16	923
At 31 December 2016	816	183	18	1,017
At 30 December 2017	814	185	19	1,018

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result of these tests, no impairment charges have been made in the year *(2016: £nil).*

Goodwill

Goodwill is allocated to the Group's operating segments which represent the lowest level at which it is monitored and tested for impairment. It is denominated in the relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2017	2016
	£m	£m
Midway Attractions	563	572
LEGOLAND Parks	42	42
Resort Theme Parks	209	202
	814	816

3.2 GOODWILL AND INTANGIBLE ASSETS (Continued)

Brands

The Group has valued the following acquired brands, all with indefinite useful economic lives. They are all denominated in their relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2017	2016
	£m	£m
Midway Attractions		
Madame Tussauds	28	29
SEA LIFE	17	16
London Eye	10	10
Other	8	8
	63	63
Resort Theme Parks		
Gardaland Resort	51	49
Alton Towers Resort	32	32
THORPE PARK	15	15
Heide Park	12	12
Other	12	12
	122	120
	185	183

The Madame Tussauds brand value is predominantly related to the London attraction but includes value identified with the Group's other Madame Tussauds attractions. The SEA LIFE brand is related to the Group's portfolio of SEA LIFE attractions. The London Eye, Gardaland Resort, Alton Towers Resort, THORPE PARK and Heide Park brands all arise from those specific visitor attractions.

3.3 IMPAIRMENT TESTING

Accounting policies

The carrying amounts of the Group's goodwill, intangible assets and PPE are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists or if the asset has an indefinite life, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount.

The level at which the assets concerned are reviewed varies as follows:

Asset	
Goodwill	Goodwill is reviewed at an Operating Group level, being the relevant grouping of cash-generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Group's individual attractions.
Brands	Brands are reviewed at an individual CGU level.
PPE	PPE is reviewed at an individual CGU level, being the Group's individual attractions.

3.3 IMPAIRMENT TESTING (Continued)

For assets that are in continuing use but do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Calculation of recoverable amount

In accordance with accounting standards, the recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. The Group uses a multiple of EBITDA to estimate fair value which is based on the Group's average market capitalisation as a multiple of the Group's underlying EBITDA.

Where recoverable amount was based upon value in use, testing was performed by reference to the forward looking consolidated guidance communicated externally in October 2017, as well as subsequent scenario planning. This guidance was based on the Group's internally approved five year business plan, being the current year and four future years, adjusted to reflect the potential for a continuation in the near term of the unforeseeable and uncontrollable events experienced in 2017, such as global terrorism continuing to impact our largest locations and extreme weather during peak trading periods.

Whilst it is possible that similar events may occur in the future, these events are such that their nature, timing and extent cannot be precisely forecast, nor can management reliably estimate which site or Operating Group they may affect.

In preparing the impairment calculations for the Resort Theme Parks Operating Group (RTP), where headroom is most limited, management have therefore reviewed the growth expectations for each of the parks, forming their best estimate based on a balanced assessment of what risks might crystallise for each site in the short to medium term; key to this was the pace of recovery of RTP in the UK, the potential for disruptive terrorist activities and historical weather patterns in Southern Europe. Reference was also made to current trading information, such as sales of annual passes and pre-booked accommodation.

On the basis of these forecasts no impairment has been indicated.

3.3 IMPAIRMENT TESTING (Continued)

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values where their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses are as follows:

Estimate	
Future cash flows	Assumed to be equivalent to the operating cash flows of the businesses less the cash flows in respect of capital expenditure. The Group uses EBITDA less an allocation of central costs, in line with other recharges which occur in the business, as a proxy for the operating cash flows of its attractions as they are not significantly impacted by movements in working capital.
Growth in EBITDA	EBITDA is forecast by an analysis of both projected revenues and costs. Visitor numbers and revenue projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity. Operating costs projections are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rate	A growth rate of 2.5% *(2016: 2.5%)* was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.
Discount rates to reflect the risks involved	Based on the estimated weighted average cost of capital of a 'market participant' within the main geographical regions where the Group operates, these are drawn from market data and businesses in similar sectors, and adjusted for asset specific risks. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments. Net present values are calculated using pre-tax discount rates derived from the Group's post-tax weighted average cost of capital.

	Pre-tax discount rates		Post-tax discount rates	
	2017	**2016**	**2017**	**2016**
Midway Attractions	9.8%	10.5%	7.8%	8.1%
LEGOLAND Parks	10.2%	10.8%	7.6%	7.7%
Resort Theme Parks	10.2%	11.0%	8.3%	8.7%

3.3 IMPAIRMENT TESTING (Continued)

Sensitivity analysis

Impairment reviews are often sensitive to changes in key assumptions. Sensitivity analysis has therefore been performed on the calculated recoverable amounts considering incremental changes in the key assumptions.

When reviewing the outputs of the impairment testing and performing sensitivity analysis, particular focus is given to material amounts where headroom is more limited. As in prior years, this solely relates to goodwill attributed to the Resort Theme Parks Operating Group (RTP) where the headroom is £32 million *(2016: £26 million)*. The Midway Attractions and LEGOLAND Parks Operating Groups, as well as individual brands, show considerable headroom and are not sensitive to even significant changes in any of the key assumptions.

In undertaking sensitivity analysis for RTP, consideration has been given to movements in forecast EBITDA, increases in discount rates and reductions in long term growth rates.

At the year end the Directors consider that the forecasts used reflect the current best estimate of future trading in RTP. It is noted, however, that the calculations are inherently sensitive to the pace of the recovery at Alton Towers, weather patterns and the wider economic trading environment. While in the short term a slower recovery would be highly unlikely to affect valuations by a substantial amount, longer term shortfalls that affect the outlook for the fourth year of the plan (which drives the terminal value) would have a more significant impact. If EBITDA for RTP as a whole was forecast to be 3% *(2016: 3%)* lower than currently anticipated for 2022 *(2016: that anticipated for 2021)*, headroom would be absorbed in full.

Furthermore, the Directors considered a scenario with the continued manifestation of the risks described in the October 2017 strategic update, being headwinds from global terrorism, extreme weather and a slower pace of recovery at Alton Towers. Management's view is that were the negative impacts suffered in 2017 to continue, aligned with its core discipline around prudent capital allocation and consistent with other attractions in the estate with a slower rate of growth, capital investment would be further tempered to reflect the reduction in incremental returns which could be generated. In this scenario the headroom would be reduced from £32 million to £11 million.

While it is not impossible for either shortfall to occur, the Directors do not consider it to be probable based on the strength of the product development, diversity across the businesses in RTP and our proven track record in scaling our cost base and capital plan to respond to changing demand.

Discount rates have been derived from market data. As these rates are intended to be long term in nature, they are expected to be reasonably stable in the short term, however market discount rates could increase in the future. If the discount rate used across RTP had been higher by a factor of 3% to 10.5% *(2016: 3% to 11.3%),* headroom would have been absorbed in full. The Directors have formed their best estimate of the discount rate and do not consider that such a move in the rate is appropriate, but it is not impossible that a different view of discount rates could be required in the future.

The long term growth rate, which is applied to the cash flows of the final year in the business plan, was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth. The Directors do not consider it probable that this rate will prove to be inappropriate in the future, but note that if circumstances caused the rate to lower to 2.1% *(2016: 2.1%),* headroom would be absorbed in full.

3.4 WORKING CAPITAL

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured using the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for any amounts considered by management to be uncollectible. Bad debts are written off when identified. Other receivables are stated at their amortised cost less impairment losses.

Inventories

	2017	2016
	£m	£m
Maintenance inventory	9	9
Goods for resale	28	27
	37	36

Trade and other receivables

	Current assets		Non-current assets	
	2017	2016	2017	2016
	£m	£m	£m	£m
Trade receivables	24	20	—	—
Other receivables	36	29	—	—
Prepayments and accrued income	40	37	11	13
	100	86	11	13

Ageing of trade receivables

The ageing analysis of trade receivables, net of allowance for non-recoverable amounts, is as follows:

	2017	2016
	£m	£m
Neither past due nor impaired	18	13
Up to 30 days overdue	5	4
Between 30 and 60 days overdue	1	1
Over 60 days overdue	—	2
	24	20

3.4 WORKING CAPITAL (Continued)

Trade and other payables

	Current liabilities		Non-current liabilities	
	2017	2016	2017	2016
	£m	£m	£m	£m
Trade payables	44	63	—	—
Accruals	149	139	1	1
Deferred income	99	84	—	—
Other payables	14	14	27	27
	306	300	28	28

Accruals

Accruals comprise balances in relation to both operating and capital costs incurred at the reporting date but for which an invoice has not been received and payment has not yet been made.

Deferred income

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases; pre-booked accommodation; and certain sponsorship and similar arrangements.

3.5 PROVISIONS

Accounting policy

Provisions are recognised when the Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.5 PROVISIONS (Continued)

Provisions

	Asset retirement provisions	Other	Total
	£m	£m	£m
Balance at 1 January 2017	52	16	68
Provisions made during the year	3	8	11
Utilised during the year	—	(2)	(2)
Unused amounts reversed	—	(1)	(1)
Unwinding of discount	1	—	1
Balance at 30 December 2017	56	21	77
2017			
Current	—	5	5
Non-current	56	16	72
	56	21	77
2016			
Current	—	3	3
Non-current	52	13	65
	52	16	68

Asset retirement provisions

Certain attractions operate on leasehold sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term. These leases are typically of a duration of between 10 and 60 years.

They are established on inception and reviewed annually. The provisions are discounted back to present value with the discount then being unwound through the income statement as part of finance costs. The cost of establishing these provisions is capitalised within the cost of the related asset.

Other

Other provisions largely relate to the estimated cost arising from open insurance claims, tax matters and legal issues.

There are no anticipated future events that would be expected to cause a material change in the timing or amount of outflows associated with the provisions.

4.1 NET DEBT

Analysis of net debt

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

	1 January 2017	Net cash flows[(1)]	Interest charge and amortisation of finance costs[(2)]	Assets acquired under finance lease	Effect of movements in foreign exchange[(3)]	30 December 2017
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	215	90	—	—	4	309
Interest-bearing loans and borrowings (note 4.2)	(1,152)	(98)	(42)	—	14	(1,278)
	(937)	(8)	(42)	—	18	(969)
Finance leases (note 4.4)	(88)	9	(8)	(111)	7	(191)
Net debt	(1,025)	1	(50)	(111)	25	(1,160)

(1) Net cash flows include the net drawdown of loans and borrowings and cash interest paid relating to loans and borrowings; and exclude cash interest paid relating to interest rate swaps of £3 million.

(2) Interest charge and amortisation of finance costs include the finance costs relating to loans and borrowings from the income statement; and exclude the finance costs relating to interest rate swaps of £3 million.

(3) As disclosed in notes 4.2 and 4.4 a substantial proportion of the Group's borrowings are denominated in Euros, US Dollars and Japanese Yen.

4.2 INTEREST-BEARING LOANS AND BORROWINGS

Accounting policy

Interest-bearing loans and borrowings are initially recognised at fair value less attributable fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate). If the Group's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement, in accordance with IAS 39.

Interest-bearing loans and borrowings

	2017	2016
	£m	£m
Non-current		
Floating rate bank facilities due 2020	649	723
£300 million floating rate revolving credit facility due 2020	—	—
€700 million *(2016: €500 million)* fixed rate notes due 2022	622	424
	1,271	1,147
Current		
Interest payable	7	5
	1,278	1,152

4.2 INTEREST-BEARING LOANS AND BORROWINGS (Continued)

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

The Group's facilities at the year end are:

- Bank facilities comprising £250 million and $540 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.51% *(2016: 0.37%)* and 1.61% *(2016: 0.99%)* respectively at 30 December 2017. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and at 30 December 2017 was 2.0% *(2016: 2.0%)*.
- A £300 million multi-currency revolving credit facility of which £nil had been drawn down at 30 December 2017 *(2016: £nil)*. The margin on this facility is also dependent on the Group's adjusted leverage ratio and at 30 December 2017 was at a margin of 1.75% *(2016: 1.75%)* over the same floating interest rates when drawn.
- €700 million *(2016: €500 million)* notes with a coupon rate of 2.75% to mature in March 2022.

The Group has estimated that a refinancing of the bank facilities and multi-currency revolving credit facility is likely within the next 18 months, which is earlier than that previously assumed for accounting purposes. As a result the Group has accelerated the amortisation of financing costs in respect of these facilities and the resulting adjustment has been recognised as a loss on re-measurement and presented in the income statement as a charge of £4 million (see note 2.3). The fees related to the fixed rate notes are being amortised to the maturity of the notes as the notes are currently expected to be held to their full term.

The borrowings (including the revolving credit facility) and the €700 million notes are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Group is required to comply with certain financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €700 million notes. All covenant requirements were satisfied throughout the year.

4.3 FINANCIAL RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Group would not have sufficient funds to meet its financial obligations as they fall due. The Group's Treasury Department produces short term and long term cash forecasts to identify liquidity requirements and headroom, which are reviewed by the Group's Chief Financial Officer. Surplus cash is actively managed across Group bank accounts to cover local shortfalls or invested in bank deposits or other short term liquid investments such as money market funds. In some countries bank cash pooling arrangements are in place to optimise the use of cash.

As at the reporting date the Group had £309 million of cash and cash equivalents *(2016: £215 million)* and a £300 million revolving credit facility, of which £nil was drawn down *(2016: £300 million of which £nil drawn down),* in order to meet its obligations and commitments that will fall due.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant.

	0 to <1 years	1 to <2 years	2 to <5 years	5 years and over	Contractual cash flows
	£m	£m	£m	£m	£m
2017					
Floating rate bank facilities due 2020	(21)	(21)	(654)	—	(696)
€700 million fixed rate notes due 2022	(17)	(17)	(665)	—	(699)
Finance lease liabilities	(10)	(10)	(30)	(304)	(354)
Derivatives	1	1	1	—	3
Trade payables	(44)	—	—	—	(44)
	(91)	(47)	(1,348)	(304)	(1,790)

	0 to <1 years	1 to <2 years	2 to <5 years	5 years and over	Contractual cash flows
	£m	£m	£m	£m	£m
2016					
Floating rate bank facilities due 2020	(20)	(20)	(754)	—	(794)
€500 million fixed rate notes due 2022	(12)	(12)	(24)	(444)	(492)
Finance lease liabilities	(7)	(7)	(20)	(170)	(204)
Derivatives	(3)	(3)	(4)	—	(10)
Trade payables	(63)	—	—	—	(63)
	(105)	(42)	(802)	(614)	(1,563)

Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and liabilities. The Group has a policy of actively managing its interest rate risk exposure using a combination of fixed rate debt and interest rate swaps.

At 30 December 2017 the Group had €700 million of fixed rate debt *(2016: €500 million).* Taken together with the floating rate bank facilities and interest rate swaps (the accounting for which is set out below), in aggregate 79% *(2016: 74%)* of the year end interest-bearing loans and borrowings is at a fixed rate for a weighted average period of 3.4 years *(2016: 4.2 years)*.

Interest rate swaps are recognised at fair value which is determined by reference to market rates. The fair value is the estimated amount that the Group would receive or pay to exit the swap, taking into account current interest rates, credit risks and bid/ask spreads. Following initial recognition, changes in fair value are recognised immediately in profit or loss, except where the Group adopts hedge accounting.

When hedge accounting, the Group formally documents the relationship between the hedging instruments and hedged items. It makes an assessment, at inception and on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the life of the hedge.

Changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. Cumulative gains and losses remain in equity until either the hedged transaction is no longer expected to occur, or until the hedged transaction occurs, at which point they will be reclassified to profit or loss.

Changes in the fair value of interest rate swaps that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or

4.3 FINANCIAL RISK MANAGEMENT (Continued)

liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the fair value adjustment to the carrying value of the hedged item arising from the hedged risk is amortised to profit and loss from that date. At 30 December 2017 the Group had €40 million of fair value interest rates swaps with a value of less than £1 million; a 100 basis points fall or rise in the Euro interest rate with a similar duration as the swap would lead to a change in value of £1 million.

All interest rate swaps held by the Group are hedge accounted.

Sensitivity analysis

Based on the net debt position as at 30 December 2017, taking into account interest rate swaps, each 100 basis points fall or rise in market interest rates would result in an increase or decrease in net interest paid of less than £1 million *(2016: £1million).* This has been calculated by applying the interest rate change to the Group's variable rate cash, borrowings and derivatives.

Foreign currency risk

As the Group operates internationally the performance of the business is sensitive to movements in foreign exchange rates. The Group's potential currency exposures comprise transaction and translation exposures.

The Group ensures that its net exposure to foreign currency balances is kept to a minimal level by using foreign currency swaps to exchange balances back into Sterling or by buying and selling foreign currencies at spot rates when necessary. The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates. At 30 December 2017 the fair value of foreign currency swap assets was £2 million *(2016: £3 million)* and of foreign currency swap liabilities was £1 million *(2016: £2 million).*

Transaction exposures

The revenue and costs of the Group's operations are denominated primarily in the currencies of the relevant local territories. Any significant cross-border trading exposures would be hedged by the use of forward foreign exchange contracts.

Translation exposures

The Group's results, as presented in Sterling, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of its operating units or by using forward foreign exchange contracts. The Group's debt (excluding finance leases) is therefore denominated in Euros, US Dollars and Sterling and at 30 December 2017 consisted of €700 million, $540 million and £250 million and there are forward foreign exchange contracts in place in respect of JPY 12,128 million.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the year (that have been accounted for in the consolidated income statement at average rates) at closing rates. Exchange rates for major currencies are set out below.

Gains or losses also arise on the retranslation of foreign currency denominated borrowings designated as effective net investment hedges of overseas net assets. These are offset in equity by corresponding gains or losses arising on the retranslation of the related hedged foreign currency net assets. The Group also treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

The following exchange rates have been used in the translation of the results of foreign operations:

	Closing rate for 2015	Weighted average rate for 2016	Closing rate for 2016	Weighted average rate for 2017	Closing rate for 2017
US Dollar	1.49	1.37	1.24	1.29	1.35
Euro	1.36	1.23	1.17	1.14	1.13

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies were:

	Carrying value				
	Sterling	Euro	US Dollar	Other	Total
	£m	£m	£m	£m	£m
2017					
Cash and cash equivalents	199	13	20	77	309
Floating rate bank facilities due 2020	(250)	—	(399)	—	(649)
€700 million fixed rate notes due 2022	—	(622)	—	—	(622)
Finance lease liabilities	(53)	(36)	—	(102)	(191)
	(104)	(645)	(379)	(25)	(1,153)
2016					
Cash and cash equivalents	117	10	27	61	215
Floating rate bank facilities due 2020	(248)	(42)	(433)	—	(723)
€500 million fixed rate notes due 2022	—	(424)	—	—	(424)
Finance lease liabilities	(54)	(34)	—	—	(88)
	(185)	(490)	(406)	61	(1,020)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £105 million *(2016: £83 million).* As described above, gains or losses in the income statement and equity are offset by the retranslation of the related foreign currency net assets or specific intercompany loan balances.

A 10% strengthening of all currencies against Sterling would reduce the fair value of foreign exchange contracts and result in a charge to the income statement of £6 million *(2016: £5 million).*

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is limited to the carrying value of the Group's monetary assets. The Group has limited credit risk with its customers, the vast majority of whom pay in advance or at the time of their visit. There are credit policies in place with regard to its trade receivables with credit evaluations performed on customers requiring credit over a certain amount.

The Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position.

The Group robustly appraises investments before they are made to ensure the associated credit risk is acceptable. Performance of investments are closely monitored, in some cases through Board participation, to ensure returns are in line with expectations and credit risk remains acceptable. There were no overdue amounts in respect of investments and no impairments have been recorded *(2016: £nil).* The Group has no collateral in respect of its investments.

4.3 FINANCIAL RISK MANAGEMENT (Continued)

Fair values

Fair value hierarchy

The Group analyses financial instruments in the following ways:

- Level 1: uses unadjusted quoted prices in active markets.
- Level 2: uses inputs that are derived directly or indirectly from observable prices (other than quoted prices).
- Level 3: uses inputs that are not based on observable market data.

Fair value versus carrying amounts

The fair values of financial assets and liabilities are presented in the table below, together with the carrying amounts shown in the statement of financial position. Short term receivables, payables and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

		2017		2016	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
Held at amortised cost					
Floating rate bank facilities due 2020	Level 2	(649)	(649)	(723)	(724)
€700 million *(2016: €500 million)* fixed rate notes due 2022	Level 1	(622)	(652)	(424)	(445)
Finance lease liabilities	Level 3	(191)	(191)	(88)	(88)
Investments (note 5.1)	Level 3	—	—	37	37
Held at fair value					
Derivative financial instruments	Level 2	2	2	(2)	(2)
Investments (note 5.1)	Level 3	59	59	12	12
		(1,401)	(1,431)	(1,188)	(1,210)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. The fair values of the finance leases are determined by reference to similar lease agreements. There is no difference between the carrying value and the fair value of investments that has been estimated by reference to discounted cash flows.

There have been no transfers between levels in 2017 or 2016.

4.4 LEASE OBLIGATIONS

Accounting policies

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

4.4 LEASE OBLIGATIONS (Continued)

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the income statement as an integral part of the total lease expense over the lease term. This therefore excludes the potential impact of future performance or rent increases based on inflationary indices.

Lease arrangements

The Group's most significant lease arrangements relate to a sale and leaseback transaction undertaken during 2007, involving the PPE of certain attractions within the Midway Attractions and Resort Theme Parks Operating Groups. The leases are accounted for as finance or operating leases depending on the specific circumstances of each lease and the nature of the attraction. For certain of the sites an individual lease agreement is split for accounting purposes as a combination of finance and operating leases, reflecting the varied nature of assets at the attraction.

Each of these sale and leaseback agreements runs for a period of 35 years from inception and allows for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, subject to an adjustment to market rates at that time.

LEGOLAND Japan was opened during the year. The park was developed under the Group's 'operated and leased' model whereby the Group's local operating company leases the site and park infrastructure from a development partner. The development partners are related parties, being KIRKBI Invest A/S and LLJ Investco K.K, a subsidiary of KIRKBI A/S; with KIRKBI A/S being a shareholder of the Group and a related party (note 5.3).

The lease is for a period of 50 years and is accounted for partly as a finance lease and partly as an operating lease depending on the nature of the underlying assets concerned. Land and longer life assets, for example core elements of the park's infrastructure, are accounted for as operating leases. Finance lease assets are those elements that will be substantially or entirely consumed over the lease term. This accounting judgement is underpinned by a review of the cost of construction by asset type together with estimates of the lives of the assets concerned. The liability when the finance lease was entered into on the opening of the park in April 2017 was £111 million.

The Group also enters into operating leases for sites within the Midway Attractions Operating Group and central areas. These are typically of a duration between 10 and 60 years, with rent increases determined based on local market practice. In addition to a fixed rental element, rents within the Midway Attractions Operating Group can also contain a performance related element, typically based on turnover at the site concerned. Options to renew leases exist at these sites in line with local market practice in the territories concerned.

The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The potential impact on rent charges of future performance or increases based on inflationary indices are each excluded from these calculations.

There are no significant operating restrictions placed on the Group as a result of its lease arrangements.

4.4 LEASE OBLIGATIONS (Continued)

Lease costs and commitments

During 2017 £106 million *(2016: £96 million)* was recognised as an expense in the income statement in respect of operating leases. Of this £18 million *(2016: £13 million)* was contingent on performance.

The lease commitments in the following tables run to the end of the respective lease term and do not include possible lease renewals. Where relevant, the lease commitments noted do not include the potential impact of future performance or rent increases based on inflationary indices.

Finance leases

These tables provide information about the future minimum lease payments and contractual terms of the Group's finance lease liabilities, as follows:

	Future minimum lease payments 2017	Interest 2017	Present value of minimum lease payments 2017	Future minimum lease payments 2016	Interest 2016	Present value of minimum lease payments 2016
	£m	£m	£m	£m	£m	£m
Less than one year	10	9	1	7	7	—
Between one and five years	40	34	6	27	27	—
More than five years	385	201	184	258	170	88
	435	244	191	292	204	88

	Currency	Nominal interest rate	Year of maturity	2017	2016
				£m	£m
Finance lease liabilities	GBP	5.64%	2042	53	54
Finance lease liabilities	EUR	9.11%	2042	36	34
Finance lease liabilities	JPY	1.65%	2067	102	—
				191	88

The nominal interest rate for finance leases in the table above represents the weighted average effective interest rate. This is used because the table above aggregates finance leases with the same maturity date and currency.

Operating leases

The minimum rentals payable as lessee under non-cancellable operating leases are as follows:

	2017	2016
	£m	£m
Less than one year	88	83
Between one and five years	353	329
More than five years	1,456	1,325
	1,897	1,737

The Group has also entered into a lease agreement as part of the development of LEGOLAND Korea. Under the terms of the lease the Group would lease the site and park infrastructure from the development partner for a period of 50 years. The lease would be accounted for as a finance or operating lease from the date the park starts operating, depending on the specific circumstances of the lease and the nature of the assets at the attraction.

4.5 EQUITY AND CAPITAL MANAGEMENT

Capital management

The capital structure of the Group consists of debt which includes borrowings (see note 4.2), cash and cash equivalents and equity attributable to equity holders of the parent Company, as disclosed below. The Group's objective when managing capital is to maintain a strong capital base so as to ensure investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Group.

To enable the Group to meet its objective, the Directors monitor returns on capital through constant review of earnings generated from the Group's capital investment programme and through regular budgeting and planning processes, manage capital in a manner so as to ensure that sufficient funds for capital investment and working capital are available, and the requirements of the Group's debt covenants are met.

The Group does not routinely make additional issues of capital, other than for the purpose of raising finance to fund significant acquisitions or developments intended to increase the overall value of the Group.

Share plans have been created to allow employees of the Group to participate in the ownership of the Group's equity instruments, in order to ensure employees are focused on growing the value of the Group to achieve the aims of all the shareholders. The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market.

Share capital and reserves

Share capital

	2017 Number	2017 £m	2016 Number	2016 £m
Ordinary shares of £0.01 each				
On issue and fully paid at beginning of year	1,015,809,266	10	1,013,746,032	10
Issued in the year	3,763,183	—	2,063,234	—
On issue and fully paid at end of year	1,019,572,449	10	1,015,809,266	10

Issue of new shares

During the year the Company issued 3,763,183 ordinary shares for consideration of £nil in connection with the Group's employee share incentive schemes (note 4.6).

The Company also received £8 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company.

The Company has entered into a Relationship Agreement with its major shareholder, KIRKBI, in connection with the exercise of its rights as a major shareholder in the Company and the right to appoint Directors to the Board.

4.5 EQUITY AND CAPITAL MANAGEMENT (Continued)

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

	2017	2016
	£m	£m
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	—	45
Interim dividend for the 53 weeks ended 31 December 2016 of 2.2 pence per share	—	22
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	50	—
Interim dividend for the 52 weeks ended 30 December 2017 of 2.4 pence per share	24	—
Total dividends paid	74	67

The Directors of the Company propose a final dividend of 5.0 pence per share for the year ended 30 December 2017 *(2016: 4.9* pence per *share),* amounting to £51 million *(2016: £50 million).* The total dividend for the current year, subject to approval of the final dividend, will be 7.4 pence per share *(2016:* 7.1 pence per *share).*

Translation reserve

The translation reserve of £(18) million *(2016: £(5) million)* comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, primarily relating to the statement of position at reporting dates. The reporting date foreign exchange rates by major currency are provided in note 4.3.

Hedging reserve

The hedging reserve of £1 million *(2016: £(3) million)* comprises the effective portion of the cumulative net change in interest rate swaps related to hedged transactions that have not yet occurred.

4.6 SHARE-BASED PAYMENT TRANSACTIONS

Accounting policy

The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive plans for employees in certain territories. The issues and resulting charges of these plans are not material to the financial statements.

Equity-settled plans

The Group operates four employee share incentive plans: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP) as set out in the Directors' Remuneration Report and the tables below. A summary of the rules for the plans and the performance conditions attaching to the PSP are given in the Directors' Remuneration Report.

4.6 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Analysis of share-based payment charge

	2017 £m	2016 £m
PSP	—	7
DBP	—	1
CSOP	1	1
AESP	2	2
	3	11

Analysis of awards

	Date of grant	Exercise price (£)	Period when exercisable	Average remaining contractual life (years)	Number of shares 2017	Number of shares 2016
PSP	November 2013 – September 2017	—	2018 – 2020	1.3	6,547,590	7,430,215
DBP	March 2015 – March 2017	—	2018 – 2020	0.4	315,461	308,272
CSOP	November 2013 – September 2017	3.15 – 4.81	2018 – 2027	7.8	4,305,685	3,893,704
AESP	January 2014 – April 2017	2.96 – 4.10	2018 – 2020	1.8	5,385,690	6,311,715
Total					16,554,426	17,943,906

The weighted average exercise prices (WAEP) over the year were as follows:

	PSP[1] Number	DBP[1] Number	CSOP Number	CSOP WAEP £	AESP Number	AESP WAEP £
At 27 December 2015	5,633,093	361,734	3,192,347	3.58	5,502,199	3.10
Granted during the year	2,300,004	27,519	1,337,925	4.61	1,692,389	3.19
Forfeited during the year	(502,882)	(5,518)	(382,014)	3.89	(530,897)	3.13
Exercised during the year	—	(75,463)	(239,561)	3.19	(235,360)	3.13
Expired during the year	—	—	(14,993)	3.61	(116,616)	3.10
At 31 December 2016	7,430,215	308,272	3,893,704	3.93	6,311,715	3.12
Granted during the year	2,545,871	18,792	1,431,475	4.73	2,125,664	3.97
Forfeited during the year	(191,817)	(6,436)	(378,328)	4.43	(684,369)	3.32
Exercised during the year	(1,501,445)	(5,167)	(632,749)	3.21	(2,264,027)	2.98
Lapsed during the year	(1,735,234)	—	—	—	—	—
Expired during the year	—	—	(8,417)	4.47	(103,293)	2.96
At 30 December 2017	6,547,590	315,461	4,305,685	4.25	5,385,690	3.49
Exercisable at end of year						
At 31 December 2016	—	—	1,584,579	3.15	—	—
At 30 December 2017	—	—	1,055,910	3.19	18,898	3.11

(1) Nil cost options

4.6 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value per award granted and the assumptions used in the calculations for the significant grants in 2016 and 2017 are as follows:

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	1 April 2016	—	4.65	4.65	n/a	n/a	3.0	n/a
PSP	30 March 2017	—	4.72	4.72	n/a	n/a	3.0	n/a
DBP	24 March 2016	—	4.54	4.54	n/a	n/a	3.0	n/a
CSOP	1 April 2016	4.60	4.65	0.91	1.4%	21%	4.6	0.7%
CSOP	30 March 2017	4.74	4.72	0.85	1.5%	21%	4.6	0.4%
AESP	16 February 2016	3.53	4.15	0.77	1.6%	21%	2.2	0.4%
AESP	16 March 2016	3.15	4.62	1.46	1.4%	21%	3.3	0.7%
AESP	2 March 2017	4.10	4.82	0.88	1.5%	21%	2.2	0.1%
AESP	3 April 2017	3.96	4.76	0.98	1.5%	21%	3.2	0.2%

The key assumptions used in calculating the share-based payments were as follows:

- The binomial valuation methodology is used for the PSP, CSOP and DBP. The Black-Scholes model is used to value the AESP.
- The expected volatility is based on the historical volatility of the Company's shares.
- The risk free rate is equal to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.
- Expected forfeiture rates are based on recent experience of staff turnover levels.
- Behavioural expectations have been taken into account in estimating the award life of the CSOP.
- The charge is spread over the vesting period on a straight-line basis.

5.1 INVESTMENTS

Accounting policy

The Group holds investments in two forms.

Minority equity investments are accounted for as 'available for sale' financial assets at fair value. They are not consolidated. As no observable market data is available for these minority equity holdings, fair value is determined by reference to discounted future cash flows, with movements recorded in other comprehensive income. No fair value movements have been recorded and there is no material sensitivity to the assumptions used. Previously, investments in loan notes were accounted for as financial assets at historic cost with interest accrued on an effective interest rate basis. This calculation required estimation of the expected period over which the investment will be held together with the value of the investment at the end of that period. Interest was recognised within finance income (see note 2.3). During 2017, these notes were modified such that they were derecognised and a minority equity investment recognised in their place.

Associates and joint ventures are those entities over whose activities the Group has joint control or significant influence, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised income and expenses on an equity accounted basis, from the date that joint control or influence commences until the date that it ceases.

	LEGOLAND Malaysia	LEGOLAND Korea	Big Bus Tours	LEGOLAND Dubai Hotel	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2017	9	3	37	—	49
Interest income receivable	—	—	2	—	2
Effects of movement in foreign exchange	—	—	(4)	—	(4)
Derecognition of historic cost investment	—	—	(35)	—	(35)
Additions	—	—	35	12	47
At 30 December 2017	9	3	35	12	59

LEGOLAND Malaysia

The Group has a minority equity investment in IDR Resorts Sdn. Bhd. (IDR). IDR and its subsidiaries are deemed to be related parties as together they own LEGOLAND Malaysia (see note 5.3).

LEGOLAND Korea

The Group has a minority equity investment in the consortium company developing LEGOLAND Korea.

Big Bus Tours Group Holdings Limited

In 2016 the Group invested $44 million (£32 million) in Big Bus Tours Group Holdings Limited, the leading global owner-operator of Hop On Hop Off City Tours. The investment was substantially all in the form of loan notes. In calculating the effective interest rate for the loan notes, the Group considered its latest best estimate of future performance. The transaction also provided Merlin with a minority equity investment valued at £nil *(2016: £nil)*. During 2017, the loan notes were modified, resulting in the financial asset held at historic cost being derecognised and a minority equity investment measured at fair value being recognised instead. No gain or loss arose as a result. This was due to changes made to the rights of the issuer of the loan notes that resulted in them having the characteristics of an equity instrument rather than of debt.

5.1 INVESTMENTS (Continued)

Investments in associates and joint ventures

LEGOLAND Dubai Hotel

On 14 February 2017 the Group invested £12 million in LL Dubai Hotel LLC, which is the company developing the hotel at LEGOLAND Dubai. The Group holds a 40% equity interest.

Pirate Adventure Golf Limited

On 12 September 2017 the Group acquired the remaining 50% of the Pirate Adventure Golf Limited joint venture *(2016: carrying value of £nil).* The consideration was £0.2 million, settled in cash, and the fair value of the net assets acquired was £0.2 million. Pirate Adventure Golf was accounted for as a wholly controlled subsidiary from 12 September 2017. Pirate Adventure Golf Limited is a UK entity that forms part of the Midway Attractions Operating Group.

5.2 EMPLOYEE BENEFITS

Accounting policies

Defined contribution pension schemes

In the case of defined contribution schemes, the Group pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to them. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit pension schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net obligation is calculated for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and offset by the fair value of any scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised in the period they occur directly in equity through other comprehensive income.

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and the total expense relating to those schemes in the current year was £13 million *(2016: £11 million).*

Defined benefit pension schemes

The principal scheme that the Group operates is a closed scheme for certain former UK employees of the Tussauds Group, which was acquired in 2007. The scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The pension schemes have not directly invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

The most recent full actuarial valuation of the scheme was carried out as at 31 December 2015. As a result, the Group agreed to pay annual deficit reduction contributions of £455,500, increasing at 3% per annum until 2021, together with an additional one-off payment of £2,260,000 which was paid in 2017.

The Group expects £1 million in ongoing contributions to be paid to its defined benefit schemes in 2018. The weighted average duration of the defined benefit obligation at 30 December 2017 was 21 years *(2016: 21 years)*.

5.2 EMPLOYEE BENEFITS (Continued)

The assets and liabilities of the schemes are:

	2017	2016
	£m	£m
Equities	25	22
Corporate bonds and cash	7	6
Property	5	4
Fair value of scheme assets	37	32
Present value of defined benefit obligations	(43)	(43)
Net pension liability	(6)	(11)

Movement in the net pension liability

	Present value of scheme assets	Present value of defined benefit obligations	Net pension liability
	£m	£m	£m
At 27 December 2015	28	(33)	(5)
Net interest	1	(1)	—
Contributions by employer	1	—	1
Benefits paid	(1)	1	—
Remeasurement gain/(loss)	3	(9)	(6)
Effect of movement in foreign exchange	—	(1)	(1)
At 31 December 2016	32	(43)	(11)
Net interest	1	(1)	—
Contributions by employer	3	—	3
Benefits paid	(1)	1	—
Remeasurement gain	2	—	2
At 30 December 2017	37	(43)	(6)

The amount recognised in the income statement was £nil *(2016: £nil)*. The amount recognised in the statement of other comprehensive income was a profit of £2 million *(2016: loss of £6 million)*. In 2016 the loss primarily resulted from changes in actuarial estimates in respect of discount rates.

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) at the year end were:

	2017	2016
Discount rate	2.5%	2.7%
Future salary increases	3.5%	3.7%
Rate of price inflation	3.2%	3.4%

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S2P×A. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 87 and a female would have a life expectancy to age 89.

5.3 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and IDR Resorts Sdn. Bhd. All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

During the year the Group entered into transactions with a major shareholder, KIRKBI Invest A/S; the LEGO Group, a related party of KIRKBI Invest A/S; and LLJ Investco K.K., a subsidiary of KIRKBI A/S.

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 30 December 2017 and 31 December 2016, were as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases, royalties and rent	Amounts owed to related party
	£m	£m	£m	£m
2017				
KIRKBI Invest A/S	—	—	12	3
LEGO Group	1	1	61	2
LLJ Investco K.K.	—	4	10	—
	1	5	83	5
2016				
KIRKBI Invest A/S	1	2	11	5
LEGO Group	1	1	51	3
LLJ Investco K.K.	—	—	—	—
	2	3	62	8

As set out in note 4.4 the Group has entered into a 50 year lease with LLJ Investco K.K.. The Group's obligations come in the form of fixed rental payments of £6 million per year in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period.

During the year the Group entered into an agreement with KIRKBI Invest A/S to exchange small parcels of land in Billund, Denmark. This was conducted on an arm's length basis. The value of the land sold to KIRKBI was £2 million and the cost of the land purchased was £4 million.

Transactions with key management personnel

Key management of the Group, being the Executive and Non-executive Directors of the Board, the members of the Executive Committee and their immediate relatives control 1.2% *(2016: 1.2%)* of the voting shares of the Company.

The details of the remuneration, Long Term Incentive Plans, shareholdings, share options and pension entitlements of individual Directors are included in the Directors' Remuneration Report on pages — to —. The remuneration of key management is disclosed in note 2.1.

Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park (see note 5.1). On this basis, IDR and its subsidiaries are deemed to be related parties.

5.3 RELATED PARTY TRANSACTIONS (Continued)

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 30 December 2017 and 31 December 2016, are as follows:

	2017	2016
	£m	£m
Sales to related party	5	6
Amounts owed by related party	3	2

5.4 CONTINGENT LIABILITIES

The European Commission (EC) published its preliminary decision in November 2017, finding that certain elements of the UK's Controlled Foreign Company rules amount to unlawful State Aid. The impact of a negative decision could result in a significant increase in the Group's future effective tax rate. A final decision from the EC is expected in late 2018 but is subject to possible appeal.

5.5 NEW STANDARDS AND INTERPRETATIONS

The following standards and interpretations, issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee, have been adopted by the Group with no significant impact on its consolidated financial statements:

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

EU endorsed IFRS and interpretations with effective dates after 31 December 2017 relevant to the Group will be implemented in the financial year when the standards become effective.

IFRS 9

IFRS 9 'Financial instruments' is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The new standard sets out requirements for recognising and measuring financial assets and financial liabilities. The Group has assessed the impact of the adoption of this new standard on its consolidated financial statements and plans to apply the new requirements retrospectively, taking advantage of the exemption to not restate comparative information with respect to classification and measurement changes.

The Group does not anticipate any material changes to the statement of financial position as a result of its adoption of IFRS 9 and the expected impact on the Group's equity at the start of the 2018 financial year is not material. The actual impact of adopting the standard at the start of the 2018 financial year may change until the Group presents its first financial statements including the impact of the new standard.

Further details of each aspect of the new standard have been provided below:

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Under IFRS 9 the number of classification categories has reduced, resulting in all financial assets being measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

- The Group does not believe that the new classification requirements will have a material impact on its accounting for trade and other receivables.
- At 30 December 2017, the Group held equity investments classified as available-for-sale of £59 million. The election available under IFRS 9 will be taken, allowing the minority equity investments to continue to be held at fair value with changes going through other comprehensive

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

income (FVOCI). All fair value gains and losses will be reported through OCI, no impairment losses will be recognised in profit or loss and any gains or losses realised on disposal of these investments will no longer be reclassified to profit or loss.

IFRS 9 largely retains the existing requirements for classification of financial liabilities under IAS 39. The Group's assessment did not identify any changes to classification and measurement of financial liabilities at the start of the 2018 financial year.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will apply to all financial assets measured at amortised cost or FVOCI, except equity investments, and will be measured in respect of default events that will occur in 12 months from the reporting date or over the lifetime of the financial asset, depending on certain criteria. A review of each category of financial assets has been performed to assess the level of credit risk and the appropriate ECL to use. The Group has assessed that this only applies to its accounting for trade and other receivables and cash and cash equivalents, as detailed below:

- The Group has limited credit risk in respect of trade and other receivables with its customers as the majority pay in advance or at the time of their visit. The estimated ECLs were calculated using both actual credit loss experience and forward looking projections and do not anticipate material changes to the impairment of trade and other receivables.
- Cash and cash equivalents are held with banks and financial institutions. The estimated ECLs were calculated based on the 12 month expected loss basis and reflect the short term nature of the exposures. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties. Based on this, the Group has estimated that the ECL is not material for cash and cash equivalents.

At each reporting date the expected credit losses will be reviewed to reflect changes in credit risk and adjustments made accordingly.

Hedging

As allowed when initially applying IFRS 9, the Group has chosen to apply its hedge accounting policy under IFRS 9 rather than continuing to apply IAS 39. The new standard introduces a more principles based approach with the intention of aligning the accounting for hedging instruments more closely with the Group's risk management strategies and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

The Group anticipates that all existing hedge relationships that are currently designated as effective hedging relationships will continue to qualify for hedge accounting under IFRS 9 and are aligned to the Group's risk management strategy and objective.

IFRS 9 includes additional disclosure requirements, particularly around hedge accounting, credit risk and ECLs. The Group will assess required changes in presentation in advance of the next reporting period end.

IFRS 15

IFRS 15 'Revenue from contracts with customers' is effective for annual periods beginning on or after 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity as at the beginning of the 2018 financial year is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at the beginning of the 2018

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

financial year may change because relevant accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction contracts', IFRIC 13 'Customer loyalty programmes' as well as SIC 31 'Barter transactions involving advertising services'.

Admission tickets, annual passes, accommodation and commercial offerings

Revenue from admission tickets, accommodation and commercial offerings is recognised at the time of the visit. For annual passes, revenue is recognised evenly over the validity period. Under IFRS 15 the timing of revenue recognition by the Group is expected to be unchanged, with a £nil estimated impact on retained earnings and non-controlling interest at the beginning of the 2018 financial year.

The majority of Merlin's revenue comes directly from the visiting customer, either in advance or at the time of the visit, and simply represents the amounts received from the visiting customer (excluding VAT and similar taxes). This is unaffected by IFRS 15.

- Trade partners—Merlin engages with trade partners (such as online travel agents), in selling admission tickets and accommodation to the end customer. Under IFRS 15, the Group has reassessed these arrangements under the control model required by the new standard (in contrast to the risk and reward model under IAS 18). In some instances this leads to trade partners being considered agents for Merlin rather than customers themselves. This is expected to result in an increase to the value of revenue with a corresponding change to cost of sales (but no impact on EBITDA).
- Commercial offerings—in a small number of contracts, Merlin engages with third parties to assist in the operation of commercial offerings within theme park resorts and Midway attractions. The Group currently determines who acts as the agent or principal on a case-by-case basis. Under IFRS 15, the Group has reassessed these arrangements under the control model required by the new standard (in contrast to the risk and reward model under IAS 18). In some cases, this leads to a different determination of who acts as the agent or principal. This is expected to result in a change to the value of revenue with a corresponding change to cost of sales (but no impact on EBITDA).

The impact on the value of revenue in the Group's consolidated financial statements is expected to be low.

Sponsorship agreements and service contracts for attraction development

Currently, the Group recognises revenue on sponsorship agreements and service contracts for attraction development over the period of the contract. Under IFRS 15 the timing of revenue recognition by the Group is expected to be unchanged, with a £nil estimated impact on retained earnings and non-controlling interest at the beginning of the 2018 financial year.

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised on the date of initial application, being the first day of the 2018 financial year. As a result, the Group will not apply the requirements of IFRS 15 to the comparative period.

IFRS 16

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items.

5.5 NEW STANDARDS AND INTERPRETATIONS (Continued)

The Group has completed an initial assessment of the potential impact on its consolidated financial statements and is in the process of refining this assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on the composition of the Group's lease portfolio at that date, any significant events or significant changes in circumstances that affect whether it is reasonably certain to exercise options and the extent to which the Group chooses to use recognition exemptions.

The Group has considered its entire lease portfolio and substantially it all relates to land, buildings and infrastructure assets. As such, the most significant impact identified is that the Group will recognise new assets and liabilities for these leases. As at 30 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to £1,897 million on an undiscounted basis (see note 4.4). The Group's future minimum lease payments under finance leases amounted to £435 million on an undiscounted basis.

In addition, the nature of expenses will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group's rental expenses linked to turnover, which totalled £18 million during 2017, will continue to be recorded as a rent charge within operating expenses. The effect of this will be an increase in reported EBITDA. Due to the Group's most significant leases being in their earlier stages, the 'front loading' impact of the finance costs will result in an initial reduction in reported earnings albeit this would be expected to even out over the lease term.

The Group's leverage threshold loan covenants described in note 4.2 are under 'frozen-GAAP' and as such the adoption of IFRS 16 is not expected to impact the ability to comply with them.

Transition

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4, though the effect of this is not expected to be material.

The Group plans to apply IFRS 16 initially on 30 December 2018, for the 52 week period ending 28 December 2019, using the retrospective approach. Therefore the cumulative effect of adopting IFRS 16 will be recognised, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors', by restating the 52 week period ending 29 December 2018 and making an opening equity adjustment as at 31 December 2017. The Group is not required to make any adjustment for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

Other standards

The IASB has also issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2018. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- IFRIC 22 'Foreign currency transactions and advance consideration'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'
- Annual Improvements to IFRS Standards 2014-2016 Cycle: IFRS 1 and IAS 28

5.6 ULTIMATE PARENT COMPANY INFORMATION

The largest group in which the results of the Company are consolidated is that headed by Merlin Entertainments plc, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The Group has the following investments in subsidiaries and joint ventures:

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2017	Ownership 2016
AAE Unit Trust	Australia[1]	—	100.0%	100.0%
AQDEV Pty Limited	Australia[2]	Ordinary	100.0%	100.0%
Aquia Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Holdings Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Australian Alpine Reservation Centre Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Falls Creek Ski Lifts Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Gebi Falls Creek Pty Ltd	Australia[3]	Ordinary	57.0%	57.0%
Hotham Heights Developments Ltd	Australia[3]	Ordinary	65.0%	65.0%
Illawarra Tree Topps Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Melbourne Pty Ltd	Australia[2]	Ordinary	100.0%	100.0%
Limlimbu Ski Flats Ltd	Australia[4]	Ordinary	64.0%	64.0%
Living and Leisure Australia Limited	Australia[1]	Ordinary	100.0%	100.0%
Living and Leisure Australia Trust	Australia[1]	—	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia[1]	Ordinary	100.0%	100.0%
Living and Leisure Finance Trust	Australia[1]	—	100.0%	100.0%
LLA Aquariums Pty Limited	Australia[1]	Ordinary	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Melbourne Underwater World Trust	Australia[1]	—	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia[2]	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
MHSC DP Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
MHSC Hotels Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
MHSC Properties Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
MHSC Transportation Services Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Mount Hotham Management and Reservation Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Mount Hotham Skiing Company Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
MUW Holdings Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Northbank Development Trust	Australia[1]	—	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia[5]	Ordinary	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Oceanis Australia Unit Trust	Australia[1]	—	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Oceanis Holdings Limited	Australia[1]	Ordinary	100.0%	100.0%
Oceanis Korea Unit Trust	Australia[1]	—	100.0%	100.0%
Oceanis NB Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
Oceanis Northbank Trust	Australia[1]	—	100.0%	100.0%
Oceanis Unit Trust	Australia[1]	—	100.0%	100.0%
Sydney Attractions Group Pty Ltd	Australia[2]	Ordinary	100.0%	100.0%
Sydney Tower Observatory Pty Limited	Australia[2]	Ordinary	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia[2]	Ordinary	100.0%	100.0%
The Otway Fly Pty Ltd	Australia[1]	Ordinary	100.0%	100.0%
The Otway Fly Unit Trust	Australia[1]	—	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia[2]	Ordinary	100.0%	100.0%

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2017	Ownership 2016
Underwater World Sunshine Coast Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
US Fly Trust	Australia(1)	—	100.0%	100.0%
White Crystal (Mount Hotham) Pty Ltd	Australia(3)	Ordinary	82.6%	82.6%
Madame Tussauds Austria GmbH	Austria(6)	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria(6)	Ordinary	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium(7)	Ordinary	100.0%	100.0%
Christchurch Investment Company Limited	British Virgin Islands(8)	Ordinary	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada(9)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Beijing) Company Limited	China(10)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China(11)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Wuhan) Company Limited	China(12)	Ordinary	100.0%	100.0%
Merlin Entertainments Hong Kong Limited	China(12)	Ordinary	100.0%	100.0%
Merlin Exhibition (Chongqing) Company Limited	China(14)	Ordinary	100.0%	100.0%
Merlin Exhibition (Shenyang) Company Limited	China(54)	Ordinary	100.0%	—
Merlin Indoor Children's Playground (Shanghai) Company Limited	China(15)	Ordinary	100.0%	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China(16)	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark(17)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark(17)	Ordinary	100.0%	100.0%
SEA LIFE Helsinki Oy	Finland(18)	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France(19)	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany(21)	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany(22)	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany(22)	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany(23)	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany(23)	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany(22)	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany(24)	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany(21)	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany(21)	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India(25)	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited	Ireland(26)	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 2 Limited	Ireland(26)	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland(27)	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy(28)	Ordinary	99.9%	99.9%
Incoming Gardaland S.r.l.	Italy(29)	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy(28)	Ordinary	100.0%	100.0%

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2017	Ownership 2016
Merlin Entertainments Group Italy S.r.l.	Italy(28)	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy(28)	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy(30)	Ordinary	49.4%(a)	49.4%(a)
Ronchi S.p.A.	Italy(28)	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan(31)	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan(32)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.(b)	Luxembourg(33)	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à r.l.	Luxembourg(33)	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à r.l.	Luxembourg(33)	Ordinary	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia(34)	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia(52)	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia(34)	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands(35)	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands(36)	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands(37)	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands(38)	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand(39)	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand(39)	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal(40)	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore(41)	Ordinary	100.0%	100.0%
Busan Aquaria Twenty One Co. Ltd	South Korea(42)	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea(43)	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Company Limited	South Korea(42)	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain(44)	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand(45)	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand(46)	Ordinary	100.0%	100.0%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey(47)	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE(48)	—	48.0%(c)	48.0%(c)
Merlin Holdings Limited	UAE(53)	Ordinary	1.0%(c)	1.0%(c)
Alton Towers Limited	UK(49)	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited *(company limited by guarantee)*	UK(49)	—	100.0%	100.0%
Charcoal CLG 2 Limited *(company limited by guarantee)*	UK(49)	—	100.0%	100.0%
Charcoal Holdco Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK(49)	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK(49)	Ordinary	100.0%	100.0%

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2017	Ownership 2016
Iconic Images International Limited[e]	UK[49]	Ordinary	—	100.0%
LEGOLAND US Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK[49]	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK[49]	Ordinary	100.0%	100.0%
London Dungeon Limited	UK[49]	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK[49]	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK[49]	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Attractions Management Limited[e]	UK[49]	Ordinary	—	100.0%
Merlin Attractions Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainment Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (NBD) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Crown (UK) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin UK Finance 1A Limited	UK[49]	Ordinary	100.0%	—
Merlin UK Finance 2A Limited	UK[49]	Ordinary	100.0%	—
Merlin UK Finco 1 Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin UK Finco 2 Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
Pirate Adventure Golf Limited[d]	UK[49]	Ordinary	100.0%	50.0%
SEA LIFE Centre (Blackpool) Limited	UK[49]	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited	UK[49]	Ordinary	100.0%	100.0%
SEA LIFE Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK[49]	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK[49]	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK[49]	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK[49]	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Limited	UK[49]	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK[49]	Ordinary	100.0%	100.0%
Lake George Fly LLC	USA[50]	—	100.0%	100.0%
LEGOLAND California LLC	USA[51]	—	100.0%	100.0%
LEGOLAND Discovery Center Arizona LLC	USA[51]	—	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA[51]	—	100.0%	100.0%

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2017	Ownership 2016
LEGOLAND Discovery Center Columbus LLC	USA(51)	—	100.0%	—
LEGOLAND Discovery Centre (Dallas) LLC	USA(51)	—	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA(51)	—	100.0%	100.0%
LEGOLAND Discovery Center Michigan LLC	USA(51)	—	100.0%	100.0%
LEGOLAND Discovery Center Philadelphia LLC	USA(51)	—	100.0%	100.0%
LEGOLAND Discovery Center San Antonio LLC	USA(51)	—	100.0%	—
LEGOLAND Discovery Centre US LLC	USA(51)	—	100.0%	100.0%
LEGOLAND New York LLC	USA(51)	—	100.0%	—
Madame Tussauds Hollywood LLC	USA(51)	—	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA(51)	—	100.0%	100.0%
Madame Tussauds Nashville LLC	USA(51)	—	100.0%	100.0%
Madame Tussaud's New York LLC	USA(50)	—	100.0%	100.0%
Madame Tussauds Orlando LLC	USA(51)	—	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA(51)	—	100.0%	100.0%
Madame Tussauds Washington LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments Crown (US) Inc	USA(51)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA(51)	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments North America LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments Short Breaks LLC	USA(51)	—	100.0%	100.0%
Merlin Entertainments US NewCo LLC	USA(51)	—	100.0%	100.0%
San Francisco Dungeon LLC	USA(51)	—	100.0%	100.0%
SEA LIFE Center San Antonio LLC	USA(51)	—	100.0%	—
SEA LIFE Charlotte LLC	USA(51)	—	100.0%	100.0%
SEA LIFE Meadowlands LLC	USA(51)	—	100.0%	100.0%
SEA LIFE Michigan LLC	USA(51)	—	100.0%	100.0%
SEA LIFE Minnesota LLC	USA(51)	—	100.0%	100.0%
SEA LIFE Orlando LLC	USA(51)	—	100.0%	100.0%
SEA LIFE US LLC	USA(51)	—	100.0%	100.0%
The Tussauds Group LLC	USA(51)	—	100.0%	100.0%
LL Dubai Hotel LLC	UAE(55)	Ordinary	40.0%	—

(a) Merlin Entertainments plc has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.

(b) Merlin Entertainments Group Luxembourg 3 S.à r.l. is held by the Company. All other subsidiaries are held by intermediate subsidiaries.

(c) Merlin Entertainments plc has 100% of the beneficial ownership of these entities.

(d) The Group acquired the remaining 50% of the Pirate Adventure Golf joint venture on 12 September 2017.

(e) Companies dissolved on 6 December 2017.

Registered offices

(1) Level 11, 50 Queen Street, Melbourne, VIC, 3000, Australia

(2) Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

(3) 3 Ireland Street Bright, VIC, 3741, Australia

(4) Falls Creek Road, 3699 Falls Creek, Victoria, Australia

(5) Doncaster Road 861, 3109 Melbourne—Doncaster East, Victoria, Australia

(6) Riesenradplatz 5-6, 1020 Wien, Vienna, Austria

(7) Koning Albert 1 Laan 116, 8370, Blankenberge, Belgium

(8) P.O. Box 3340, Road Town, Tortola, British Virgin Islands

(9) Suite 5300 Commerce Court West, 199 Bay Street, Toronto, ON, M5L 1B9, Canada

(10) No. 4, 6, 8, 10, 12, 14, 16, 18 Qianmen Avenue, Dongcheng District, Beijing, China

(11) 10/F New World Building, No 2-68 Nanjing Xi Road, Shanghai 200003, China

(12) 21, Han Street, Wuchang District, (Shops 40/41/42) Building 5, Lot J2, Wuhan, China

(13) 3F, St John's Building, No. 33 Garden Road, Central, Hong Kong

(14) 4-11, Fu 9, No. 133, Nanpin Road, Nan'an District, Chongqing, China

(15) L2-25, 2F, 3F Parkside Plaza, Putuo District, Shanghai, China

(16) 189, Dadhue Road, Pu Tuo District, Shanghai, 200062, China

(17) Aastvej 10, 7190 Billund, Denmark

(18) Tivolitie 10, Helsinki 00510, Finland

(19) Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 7711 Marne-La-Vallée, France

(20) Cremon 11, 20457 Hamburg, Germany

(21) Heidenhof 1, 29614 Soltau, Germany

(22) Legoland Allee, 89312, Gunzburg, Germany

(23) Prinzregentenstrasse 18, 80538 Munich, Germany

(24) Klein Vehedig, Hafenstrasse 9, 78462 Konstanz, Germany

(25) 44, Regal Building, Connaught Place, New Delhi, Central Delhi DL, 110001, India

(26) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland

(27) First Floor, Fitzwilton House, Wilton Place, Dublin 2, Ireland

(28) Via Derna 4, Castelnuovo del Garda, 37014, Verona, Italy

(29) Via Vivaldi n.7, Castelnuovo del Garda Verona, 37014, Verona, Italy

(30) Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy

(31) 2-2-1, Kinjoufutou Minato-ku, Nagoya-shi, Japan

(32) Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan

(33) 20, Rue Eugène Ruppert, L-2453, Luxembourg

(34) Suite 2-4, Level 2, Tower Block, Menera Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia

(35) Fred. Roeskestraat 123, 1076 EE Amsterdam, Netherlands

(36) Dam 20 GEBOUW P&C, 1012 NP Amsterdam, Netherlands

(37) Croeselaan 18, Utrecht, Netherlands

(38) Rokin 78, 1012 KW Amsterdam, Netherlands

(39) Level 12, 55 Shortland Street, Auckland 1010, New Zealand

(40) Avenida Da Boavista 3265, 7th Floor, 4100-137 Porto, Portugal

(41) 10, Changi Business Park Central 2, #05-01, HansaPoint@CBP, 486030, Singapore

5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (Continued)

(42) 1411-4, Jung 1-dong, Haenudee-Gu, Busan, Republic of Korea

(43) Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea

(44) Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain

(45) 989 Siam Discovery Center 6, 6A, 7 and 8th Floors, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok 10330, Thailand

(46) B1-B2 Floor Siam Paragon, 991 Rama 1 Road, Khweng Patumwan, Bangkok 10330, Thailand

(47) Kocatepe Mah, Pasa Cad, Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey

(48) Office 1601, 48 Burj Gate, Burj Khalifa, Dubai, United Arab Emirates

(49) Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom

(50) 80 State Street, Albany, New York 12207-2543, United States

(51) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States

(52) No. 7, Jalan LEGOLAND, Bandar Medini Iskandar Malaysia, 79250 Iskandar Puteri, Johor, Malaysia

(53) Emaar Square, Building 3, Level 5, P.O. Box 37172, Dubai, United Arab Emirates

(54) No. 2 Jia-1, Bolan Road, Heping District, Shenyang, China

(55) 201-01 Emaar Square, PO Box 123311, Dubai, United Arab Emirates

Company statement of financial position at 30 December 2017 (2016: 31 December 2016)

	Note	2017 £m	2016 £m
Non-current assets			
Investments	iii	3,129	3,126
Other receivables	iv	1,449	1,214
		4,578	4,340
Current assets			
Other receivables	iv	3	4
Cash and cash equivalents		7	—
		10	4
Total assets		4,588	4,344
Current liabilities			
Interest-bearing loans and borrowings	vi	7	5
Other payables	v	8	2
		15	7
Non-current liabilities			
Interest-bearing loans and borrowings	vi	1,271	1,147
Total liabilities		1,286	1,154
Net assets		**3,302**	**3,190**
Issued capital and reserves attributable to owners of the Company	vii	3,302	3,190
Total equity		**3,302**	**3,190**

The notes on pages F-191 to F-196 form part of these financial statements.

The parent Company financial statements were approved by the Board of Directors on 28 February 2018 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

MERLIN ENTERTAINMENTS PLC

COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity at 30 December 2017 (2016: 31 December 2016)

	Note	Share capital	Share premium	Retained earnings	Total equity
		£m	£m	£m	£m
At 27 December 2015		10	—	3,100	3,110
Profit for the year		—	—	134	134
Total comprehensive income for the year		—	—	134	134
Shares issued		—	2	—	2
Equity dividends	vii	—	—	(67)	(67)
Share incentive schemes:					
—movement in reserves for employee share schemes	iii	—	—	11	11
At 31 December 2016		**10**	**2**	**3,178**	**3,190**
Profit for the year		—	—	175	175
Total comprehensive income for the year		—	—	175	175
Shares issued	vii	—	8	—	8
Equity dividends	vii	—	—	(74)	(74)
Share incentive schemes:					
—movement in reserves for employee share schemes	iii	—	—	3	3
At 30 December 2017	vii	**10**	**10**	**3,282**	**3,302**

NOTES TO MERLIN ENTERTAINMENTS PLC

COMPANY FINANCIAL STATEMENTS

52 weeks ended 30 December 2017 (2016: 53 weeks ended 31 December 2016)

I ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated financial statements of Merlin Entertainments plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset BH 15 1LD. Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Merlin Entertainments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based payment' in respect of group settled share-based payments; and
- certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instrument disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared for the 52 weeks ended 30 December 2017 *(2016: 53 weeks ended 31 December 2016)*.

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a profit and loss account of the Company.

A summary of the Company's significant accounting policies is set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less provision for impairment. The carrying amount of the Company's investments in subsidiaries is reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated. If the carrying value of the investment exceeds the recoverable amount, the investment is considered to be impaired and is written down to the recoverable amount. The impairment loss is recognised in the income statement.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement

I ACCOUNTING POLICIES (Continued)

of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Share-based payments

The fair value of equity-settled share-based payments is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and charged as the employees become unconditionally entitled to the rights.

The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market. The fair value of the share plans is recognised as an expense over the expected vesting period net of deferred tax with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive schemes for employees in certain territories. The issues and resulting charges of these schemes are not material to the financial statements.

Loans to Group undertakings

Loans to Group undertakings are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

I ACCOUNTING POLICIES (Continued)

Classification of financial instruments issued by the Group

Financial instruments often consist of a combination of debt and equity and the Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability, and the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Interest-bearing loans and borrowings

These are initially recognised at the principal value of the loan concerned, less any related fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate).

If the Group's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

II OPERATING EXPENSES

Staff numbers and costs

The average number of persons employed by the Company during the year was nine *(2016: nine)*. All employees were Directors of the Company.

The employment costs of the Directors of the Company have been borne by Merlin Entertainments Group Limited for their services to the Group as a whole. The costs related to these Directors are included within the Directors' Remuneration Report on pages — to —. One Director accrued benefits under defined contribution schemes during the year *(2016: one)*.

Auditor's remuneration

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis (note 2.1 of the consolidated financial statements).

III INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking
	£m
Cost and carrying value	
At 27 December 2015	3,115
Capital contributions to subsidiaries	11
At 31 December 2016	3,126
Capital contributions to subsidiaries	3
At 30 December 2017	3,129

Where subsidiary undertakings incur charges for share-based payments in respect of share options and awards granted by the Company, a capital contribution in the same amount is recognised as an investment in subsidiary undertakings with a corresponding credit to shareholders' equity.

The subsidiary undertaking at the year end is as follows:

Company	Activity	Country of incorporation	Shareholding	Description of shares held
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Holding company	Luxembourg	100.0%	Ordinary

A full list of Group companies is included in note 5.7 of the consolidated financial statements on page F-182.

IV OTHER RECEIVABLES

	Current assets		Non-current assets	
	2017	2016	2017	2016
	£m	£m	£m	£m
Amounts owed by Group undertakings	3	4	1,449	1,214

Amounts owed by Group undertakings comprise funds loaned by the Company to fellow Group undertakings. The non-current loans have maturities of 2020 and 2022 and carry interest rates that are based on the costs of servicing the external bank facilities and loan notes.

V OTHER PAYABLES

	2017	2016
	£m	£m
Amounts owed to Group undertakings	7	1
Accruals	1	1
	8	2

VI INTEREST-BEARING LOANS AND BORROWINGS

	2017	2016
	£m	£m
Non-current		
Floating rate bank facilities due 2020	649	723
£300 million floating rate revolving credit facility due 2020	—	—
€700 million *(2016: €500 million)* fixed rate notes due 2022	622	424
	1,271	1,147
Current		
Interest payable	7	5
	1,278	1,152

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

The facilities are:

- Bank facilities comprising £250 million and $540 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.51% *(2016: 0.37%)* and 1.61% *(2016: 0.99%)* respectively at 30 December 2017. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and at 30 December 2017 was 2.0% *(2016: 2.0%)*.
- A £300 million multi-currency revolving credit facility of which £nil had been drawn down at 30 December 2017 *(2016: £nil)*. The margin on this facility is also dependent on the Group's adjusted leverage ratio and at 30 December 2017 was at a margin of 1.75% *(2016: 1.75%)* over the same floating interest rates when drawn.
- €700 million *(2016: €500 million)* notes with a coupon rate of 2.75% to mature in March 2022.

The Group has estimated that a refinancing of the bank facilities and multi-currency revolving credit facility is likely within the next 18 months, which is earlier than that previously assumed for accounting purposes. As a result, the amortisation of financing costs in respect of these facilities has been accelerated. The fees related to the fixed rate notes are being amortised to the maturity of the notes as the notes are currently expected to be held to their full term. The borrowings (including the revolving credit facility) and the €700 million notes are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Company is required to comply with certain financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA on a consolidated basis to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €700 million notes. All covenant requirements were satisfied throughout the year.

VII EQUITY

Share capital

	2017	2017	2016	2016
	Number	£m	Number	£m
Ordinary shares of £0.01 each				
At beginning of the year	1,015,809,266	10	1,013,746,032	10
Shares issued	3,763,183	—	2,063,234	—
At end of the year	1,019,572,449	10	1,015,809,266	10

VII EQUITY (Continued)

Issue of new shares

During the year the Company issued 3,763,183 ordinary shares for consideration of £nil in connection with the Group's employee share incentive schemes (note 4.6 of the consolidated financial statements). The Company also received £8 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Retained earnings

The profit after tax for the year in the accounts of Merlin Entertainments plc is £175 million *(2016: profit after tax of £134 million)*. All of the Company's retained earnings are distributable (with the exception of those movements in reserves for employee share schemes).

Dividends

	2017	2016
	£m	£m
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	—	45
Interim dividend for the 53 weeks ended 31 December 2016 of 2.2 pence per share	—	22
Final dividend for the 53 weeks ended 31 December 2016 of 4.9 pence per share	50	—
Interim dividend for the 52 weeks ended 30 December 2017 of 2.4 pence per share	24	—
Total dividends paid	74	67

The Directors of the Company propose a final dividend of 5.0 pence per share for the year ended 30 December 2017 *(2016: 4.9 pence per share)*, amounting to £51 million *(2016: £50 million)*. The total dividend for the current year, subject to approval of the final dividend, will be 7.4 pence per share *(2016: 7.1 pence per share)*.

In making this proposal the Directors have considered the resources available to the Company and its subsidiaries. Specifically they have taken account of the Company's significant distributable profits, as noted above, as well as the position and liquidity of the Group disclosed in the consolidated statement of financial position as explained in the Group going concern disclosures on page F-140.

VIII RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings, which principally relate to the provision of funding within the Group, are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts (note iv).

During the financial year the Company received a dividend from Merlin Entertainments Group Luxembourg 3 S.à r.l. of £174 million *(2016: £135 million)*.

For full details of transactions and arrangements with the Company's largest shareholder, see note 5.3 of the consolidated financial statements.

FINANCIAL RECORD

	2017	2016 (52 weeks)	2016 (53 weeks)	2015	2014	2013
	£m	£m	£m	£m	£m	£m
Results						
Revenue	1,594	1,428	1,457	1,278	1,249	1,192
Underlying EBITDA	474	433	451	402	411	390
Underlying operating profit	323	302	320	291	311	290
Operating profit	323	302	320	291	311	260
Profit before tax	271	259	277	237	226	172
Adjusted earnings per share (p)	20.5	19.5	20.8	17.8	17.7	16.9
Dividend per share (p)	7.4	7.1	7.1	6.5	6.2	n/a
Consolidated statement of financial position						
Property, plant and equipment	2,092	n/a	1,841	1,495	1,410	1,321
Intangible assets	1,018	n/a	1,017	923	942	961
Cash and cash equivalents	309	n/a	215	152	285	264
Non-current interest-bearing loans and borrowings	1,271	n/a	1,147	1,003	1,131	1,179
Total equity	1,567	n/a	1,428	1,149	1,063	944
Consolidated statement of cash flows						
Net cash flow from operating activities	413	n/a	433	325	357	365
Changes in working capital	1	n/a	23	(19)	(4)	30
Net increase/(decrease) in cash and cash equivalents	90	n/a	40	(137)	16	125

OTHER FINANCIAL INFORMATION

Foreign exchange rate sensitivity

The Group's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non Sterling earnings.

The tables below show the impact on 2016 52 week revenues and EBITDA of re-translating them at 2017 foreign exchange (FX) rates.

Currency	2016 average FX rates	2017 average FX rates	%age movement in FX rates	Revenue impact
				£m
USD	1.37	1.29	6.1%	25
EUR	1.23	1.14	7.3%	22
AUD	1.83	1.68	8.1%	8
Other				12
Increase in 2016 revenues at 2017 FX rates				67

Currency	2016 average FX rates	2017 average FX rates	%age movement in FX rates	EBITDA impact
				£m
USD	1.37	1.28	6.8%	11
EUR	1.21	1.13	7.0%	7
AUD	1.81	1.67	8.4%	2
Other				5
Increase in 2016 EBITDA at 2017 FX rates				25

Return on capital employed (ROCE)

The return is based on underlying operating profit after tax. Tax is calculated for the purposes of ROCE by applying the Group's underlying ETR for the year *(2017: 22.9%, 2016: 23.8%)* to the Group's underlying operating profit.

The capital employed element of the calculation is based on average net operating assets for the relevant period between the opening and closing statements of financial position. Net operating assets include all net assets other than deferred tax, derivative financial assets and liabilities, and net debt.

On a 52 week basis no change in net assets is assumed, except for the 53rd week return, which has adjusted net debt.

	2017	2016 (53 weeks)	2016 (52 weeks)
	£m	£m	£m
Underlying operating profit	323	320	302
Taxation	(74)	(76)	(72)
Return	**249**	**244**	**230**
Net assets	1,567	1,428	1,414
Less:			
Deferred tax assets	(33)	(38)	(38)
Deferred tax liabilities	171	179	179
Net debt (note 4.1)	1,160	1,025	1,039
Derivative financial assets	(5)	(3)	(3)
Derivative financial liabilities	3	5	5
Net operating assets at the period end	2,863	2,596	2,596
Capital employed	**2,730**	**2,401**	**2,401**
ROCE	**9.1%**	**10.2%**	**9.6%**

MERLIN ENTERTAINMENTS PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE 53 WEEKS ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERLIN ENTERTAINMENTS PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Merlin Entertainments plc for the 53 week period ended 31 December 2016 set out on pages F-209 to F-265. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2016 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the AS Regulation.

2 Our assessment of risks of material misstatement

The context for our audit is that there has been:

- a generally stable environment in which the Group has operated;
- no significant change to the Group's strategy and operations that our audit has had to address (we have considered the accesso® admissions system where it was relevant to our audit in this period); and
- a slight, but not significant increase in our assessed materiality given the growth of the Group in the period.

We summarise below the risks of material misstatement (unchanged from 2015) that had the greatest effect on our audit (in decreasing order of audit significance) and our key audit procedures to address those risks:

OVERVIEW

Materiality: Group financial statements as a whole

- £14.5 million *(2015: £14.3 million)*
- 5.2% *(2015: 6.0%)* of Group profit before tax

Coverage

- 79% *(2015: 75%)* of Total Profits and Losses [1]

[1] Total Profits and Losses coverage is calculated by considering absolute profits and losses before tax, after eliminating intra-group interest income and expense, foreign exchange movements on intra-group loans, and intra-group dividends.

RISK OF MATERIAL MISSTATEMENT vs 2015

Recurring risks

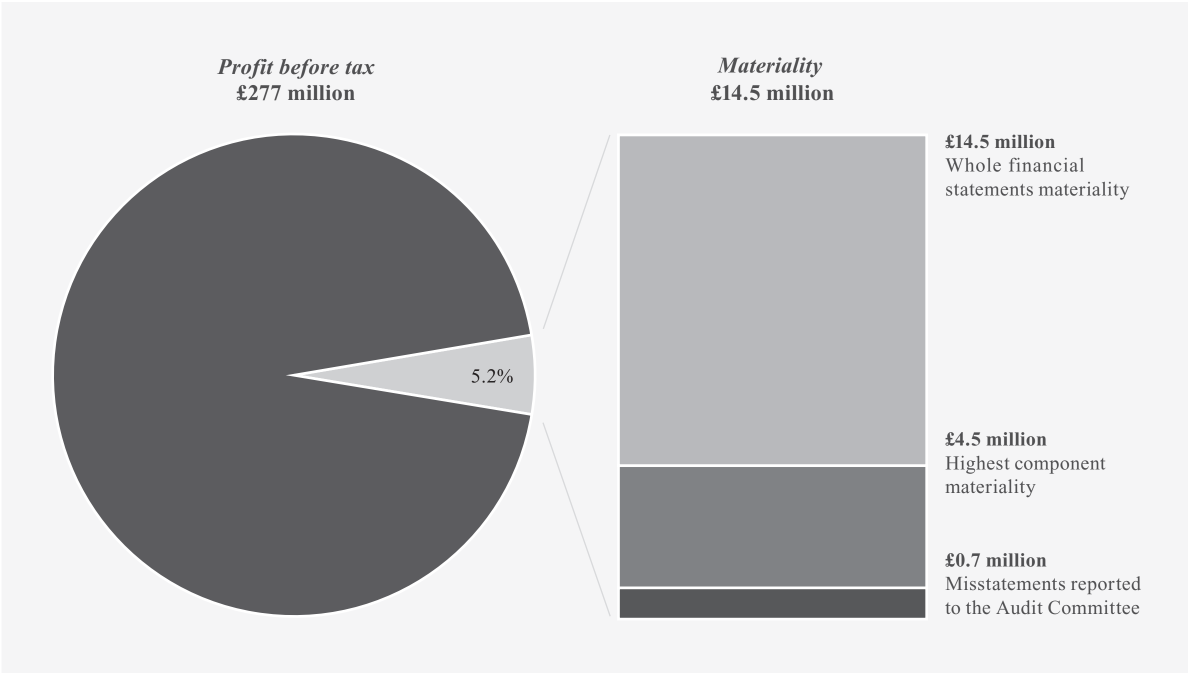
- Carrying value of non-current assets ◄►
- Revenue recognition ◄►

	The risk	Our response
Carrying value of non-current assets £2,958 million *(2015: £2,475 million)* *Refer to pages — to — (Audit Committee Report) and pages F-230 to F-232 (accounting policy and financial disclosures).* Risk vs 2015: ◀▶	**Forecast based valuation:** A history of business combinations and the capital intensive nature of the business model increases the magnitude of non-current assets. There is a risk that the future performance may lead to the value of non-current assets not being recoverable in full. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. This uncertainty arises due to challenges in forecasting—expected changes in visitation at existing attractions, particularly where there have been recent changes in the overall offering, promotions or planned customer experience improvements. Other factors such as the unpredictable impact of competition, the weather, and the political and economic environment on trading performance also add to the uncertainty. Specifically in relation to the Resort Theme Parks goodwill, events during 2015 at Alton Towers reduced valuation headroom, disrupted previous trading patterns and created greater uncertainty over forecasts.	Our procedures included: • **Extrapolating past forecasting accuracy:** assessing five years' historical accuracy of the Group's forecasting, and subsequently building comparable variations in forecasting accuracy into our own model that reperformed and sensitised the valuation; • **Challenging forecasts:** comparing expected changes in cash flows (from activities such as new promotions and customer experience improvements) and the planned cost base against the past results of similar activities carried out by the Group; • **Benchmarking assumptions:** supported by valuation experts, benchmarking Group earnings multiple and discount rates against market data, including publicly available analysts' reports and peer comparison; • **Sensitivity analysis:** calculating the impact of changes in key assumptions and performing breakeven analysis of the earnings multiple, discount rates and forecast cash flows; • **Comparing valuations:** comparing the sum of all the discounted cash flows across the Group to the Group's market capitalisation to assess the reasonableness of the underlying assumptions; and • **Assessing transparency:** assessing whether the Group's sensitivity disclosures regarding the impairment testing adequately reflect the risks inherent in the valuation of goodwill.

	The risk	Our response
Revenue recognition £1,457 million *(2015: £1,278 million)* *Refer to pages — to — (Audit Committee Report) and pages F-127 to F-128 (accounting policy)* Risk vs 2015: ◀▶	**Accurate recording:** Merlin's revenues arise from a number of different sources, locations and systems, sometimes featuring manual processes to match cash payments to redemptions or to transfer data to the finance systems. The low value of individual transactions means individual errors would be insignificant, but difficult to detect, and the high volume of transactions mean systemic failure could lead to errors that aggregate rapidly into material balances.	Our procedures are performed by each component auditor, under guidance issued by the Group team, and included: • **System design:** testing of the general IT control environment of the systems used to record revenue, followed by testing of the controls that check completeness and accuracy of revenue entries arising from these systems; • **Control design:** testing of the design implementation and operating effectiveness of manual controls supporting the systems, including reconciliations of till records to revenue journal entries in the accounting records; • **Analytical review:** predictive analytical procedures (taking into account factors such as trends in seasonality, changes in pricing and visitation); and • **Tests of detail:** performing reconciliations of total cash received to revenue recorded, confirming the appropriate timing of sales cut-off by checking the specific posting of revenue for days either side of the period end; and substantive testing of deferred and accrued revenue balances through agreeing back to ticketing system records and checking underlying calculations.

3 Our application of materiality and an overview of the scope of our audit

Materiality of the Group financial statements



Materiality for the Group financial statements as a whole was set at £14,500,000 *(2015: £14,300,000),* determined with reference to a benchmark of profit before tax, of which it represents 5.2% *(2015: 6%).* This is lower than the benchmark percentage used in 2015 to align with emerging industry consensus for audits of businesses of this size and profile.

We reported to the Audit Committee any corrected or uncorrected identified misstatements affecting profit with a value in excess of £700,000 *(2015: £715,000)* or otherwise in excess of £2,000,000 *(2015: £1,600,000),* in addition to other audit misstatements that warranted reporting on qualitative grounds.

Scope of the Group audit

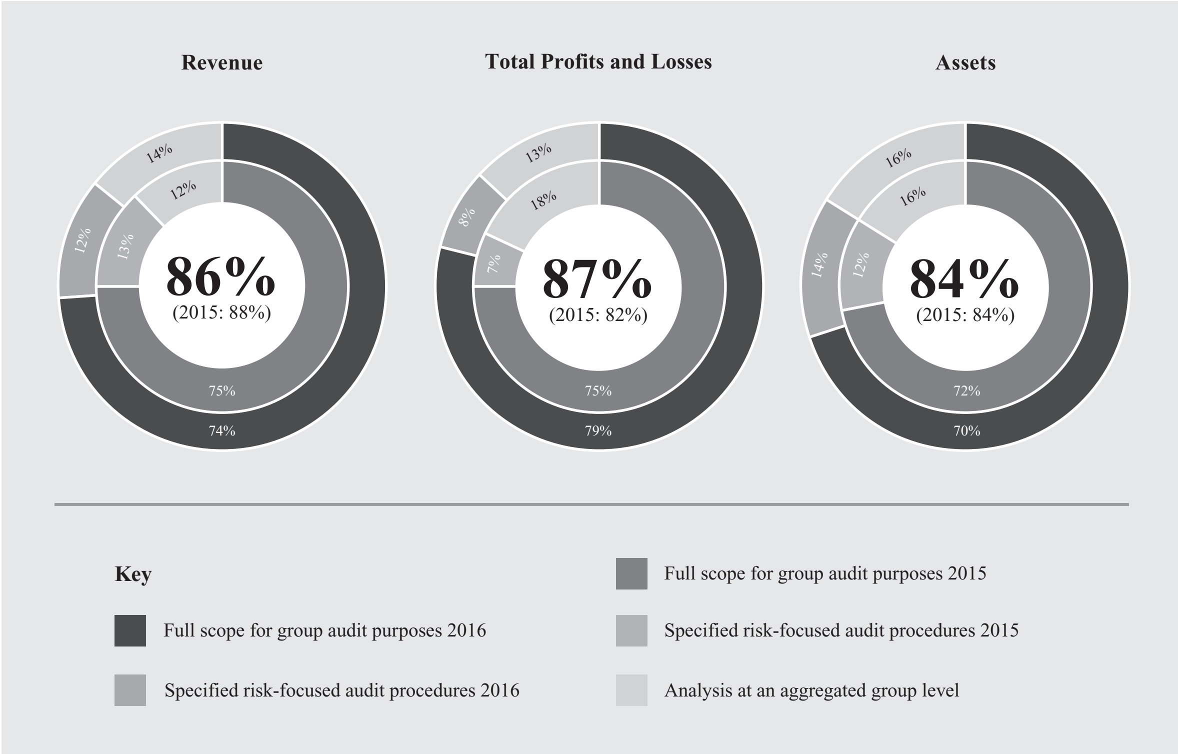
We audited 79% *(2015: 75%)* of the Total Profits and Losses that made up Group profit before tax, 74% *(2015: 75%)* of total Group revenue and 70% *(2015: 72%)* of total Group assets. This included the audit, for Group reporting purposes, of the financial information of certain components. It also included audit procedures on finance costs and assets arising on consolidation; the total of these balances were audited at Group level.

Audits for Group reporting purposes, including those performed by the Group audit team, were performed at components in the following locations: Australia, China (including Hong Kong), Denmark, Germany, Italy, UK and USA.

The remaining 21% *(2015: 25%)* of Total Profits and Losses that made up Group profit before tax, 26% *(2015: 25%)* of total Group revenue and 30% *(2015: 28%)* of total Group assets were represented by a large number of smaller reporting components. None of these components individually represent more than 1.8% *(2015: 4.4%)* of any of the Total Profits and Losses that made up Group profit before tax, total Group revenue or total Group assets.

We obtained further coverage by performing specified risk-focused audit procedures over the reasonableness of the financial result and position at 22 of these reporting components covering a further 8% *(2015: 7%)* of Total Profits and Losses that made up Group profit before tax. These components are largely Midway attractions where, although individual sites tend to be relatively small, the Group is growing via the roll out of new attractions. We select these sites on a rotational basis, setting a financial threshold on each of Group profit before tax, Group revenue and Group assets and using our assessment of risk to select a sample of sites from those that meet at least one of these thresholds.

For the remaining components, analysis at an aggregated level was performed to re-examine our assessment that there were no significant risks of material misstatement within these components.



Performance and oversight of component audits

The audits undertaken for group reporting purposes at the key reporting components of the Group were all performed to component materiality levels, where applicable giving consideration to the local statutory materiality set by the component teams where this was lower. These component materiality levels were set individually for each component by the Group audit team and ranged from £450,000 to £4,500,000 having regard to the mix of size and risk profile across components.

The Group audit team carried out audits for group reporting purposes of the financial information of components covering 34% *(2015: 39%)* of the Total Profits and Losses that made up Group profit before tax, including the only individually financially significant component, Merlin Attractions Operations Limited.

The Group audit team also undertook all audit procedures on certain total Group account balances as mentioned above, gaining coverage over a further 3% *(2015: 6%)* of the Total Profits and Losses that made up Group profit before tax. The largest component audited by a component audit team represented 17% *(2015:12%)* of the Total Profits and Losses that made up Group profit before tax.

Detailed audit and specified procedure instructions were sent to component auditors. These instructions covered the significant audit areas that should be addressed by these audits, which included the relevant risks of material misstatement detailed above, and set out the information required to be reported back to the Group audit team.

The Group audit team visited two key component locations in the USA and one in Denmark, which included inputting to the audit risk assessment and strategy. Teleconferences were also held with these component auditors and all other reporting components that were not visited. During these meetings, the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page —, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group continuing in operation over the four years to 2020; or
- the disclosures in note 1.1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page —, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages — to — relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page —, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco20l4a** which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

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

1 March 2017

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CONSOLIDATED INCOME STATEMENT

For the 53 weeks ended 31 December 2016 (2015: 52 weeks ended 26 December 2015)

		2016			2015		
	Note	Underlying trading	Exceptional items[4]	Total	Underlying trading	Exceptional items[4]	Total
		£m	£m	£m	£m	£m	£m
Revenue	2.1	1,457	—	1,457	1,278	—	1,278
Cost of sales	2.1	(227)	—	(227)	(193)	—	(193)
Gross profit		1,230	—	1,230	1,085	—	1,085
Staff expenses	2.1	(382)	—	(382)	(327)	—	(327)
Marketing		(75)	—	(75)	(68)	—	(68)
Rent		(93)	—	(93)	(87)	—	(87)
Other operating expenses		(229)	—	(229)	(201)	—	(201)
EBITDA[1]	2.1	451	—	451	402	—	402
Depreciation and amortisation	3.1, 3.2	(131)	—	(131)	(111)	—	(111)
Operating profit		320	—	320	291	—	291
Finance income	2.3	3	—	3	5	1	6
Finance costs	2.3	(46)	—	(46)	(46)	(14)	(60)
Profit before tax		277	—	277	250	(13)	237
Taxation	2.4	(66)	—	(66)	(70)	3	(67)
Profit for the year[2]		**211**	**—**	**211**	**180**	**(10)**	**170**
Earnings per share							
Basic earnings per share (p)	2.5			20.8			16.8
Diluted earnings per share (p)	2.5			20.7			16.8
Dividend per share[3] (p)	4.5			7.1			6.5

(1) EBITDA—this is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of attributable profit after tax of joint ventures.

(2) Profit for the year for 2016 and 2015 is wholly attributable to the owners of the Company.

(3) Dividend per share represents the interim paid and final proposed dividend for the year.

(4) Details of exceptional items are provided in note 2.2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 53 weeks ended 31 December 2016 (2015: 52 weeks ended 26 December 2015)

	Note	2016	2015
		£m	£m
Profit for the year		211	170
Other comprehensive income			
Items that cannot be reclassified to *the consolidated income statement*			
Defined benefit plan remeasurement gains and losses	5.2	(6)	(1)
Income tax on items relating to components of other comprehensive income	2.4	1	—
		(5)	(1)
Items that may be reclassified to *the consolidated income statement*			
Exchange differences on the retranslation of net assets of foreign operations		176	(36)
Exchange differences relating to the net investment in foreign operations		(45)	3
Cash flow hedges—effective portion of changes in fair value		(3)	(2)
Cash flow hedges—reclassified to profit and loss	2.2	—	14
Income tax on items relating to components of other comprehensive income	2.4	(1)	(2)
		127	(23)
Other comprehensive income for the year net of income tax		122	(24)
Total comprehensive income for the year(1)		**333**	**146**

(1) Total comprehensive income for 2016 and 2015 is wholly attributable to the owners of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 (2015: 26 December 2015)

	Note	2016	2015
		£m	£m
Non-current assets			
Property, plant and equipment	3.1	1,841	1,495
Goodwill and intangible assets	3.2	1,017	923
Investments	5.1	49	11
Other receivables	3.4	13	11
Deferred tax assets	2.4	38	35
		2,958	2,475
Current assets			
Inventories	3.4	36	30
Trade and other receivables	3.4	86	76
Derivative financial assets		3	2
Cash and cash equivalents	4.1	215	152
		340	260
Total assets		3,298	2,735
Current liabilities			
Interest-bearing loans and borrowings	4.2	5	4
Derivative financial liabilities		5	1
Trade and other payables	3.4	300	235
Tax payable		39	22
Provisions	3.5	3	4
		352	266
Non-current liabilities			
Interest-bearing loans and borrowings	4.2	1,147	1,003
Finance leases	4.4	88	82
Other payables	3.4	28	24
Provisions	3.5	65	51
Employee benefits	5.2	11	5
Deferred tax liabilities	2.4	179	155
		1,518	1,320
Total liabilities		1,870	1,586
Net assets		**1,428**	**1,149**
Issued capital and reserves attributable to owners of the Company		1,424	1,145
Non-controlling interest		4	4
Total equity	4.5	**1,428**	**1,149**

The financial statements were approved by the Board of Directors on 1 March 2017 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 53 weeks ended 31 December 2016 (2015: 52 weeks ended 26 December 2015)

	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 28 December 2014		10	—	(101)	(11)	1,161	1,059	4	1,063
Profit for the year		—	—	—	—	170	170	—	170
Other comprehensive income for the year net of income tax		—	—	(34)	11	(1)	(24)	—	(24)
Total comprehensive income for the year		—	—	(34)	11	169	146	—	146
Equity dividends	4.5	—	—	—	—	(64)	(64)	—	(64)
Equity-settled share-based payments	4.6	—	—	—	—	4	4	—	4
At 26 December 2015		**10**	**—**	**(135)**	**—**	**1,270**	**1,145**	**4**	**1,149**
Profit for the year		—	—	—	—	211	211	—	211
Other comprehensive income for the year net of income tax		—	—	130	(3)	(5)	122	—	122
Total comprehensive income for the year		—	—	130	(3)	206	333	—	333
Shares issued	4.5	—	2	—	—	—	2	—	2
Equity dividends	4.5	—	—	—	—	(67)	(67)	—	(67)
Equity-settled share-based payments	4.6	—	—	—	—	11	11	—	11
At 31 December 2016	4.5	**10**	**2**	**(5)**	**(3)**	**1,420**	**1,424**	**4**	**1,428**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 53 weeks ended 31 December 2016 (2015: 52 weeks ended 26 December 2015)

	Note	2016	2015
		£m	£m
Cash flows from operating activities			
Profit for the year		211	170
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	131	111
Finance income	2.3	(3)	(6)
Finance costs	2.3	46	60
Taxation	2.4	66	67
		451	402
Profit on sale of property, plant and equipment		(1)	—
Working capital changes		23	(19)
Changes in provisions and other non-current liabilities		10	1
		483	384
Tax paid		(50)	(59)
Net cash inflow from operating activities		433	325
Cash flows from investing activities			
Interest received		1	1
Acquisition of remaining share of joint venture	5.1	(1)	—
Acquisition of investments	5.1	(32)	(5)
Acquisition of property, plant and equipment		(259)	(215)
Disposal of property, plant and equipment		4	—
Net cash outflow from investing activities		(287)	(219)
Cash flows from financing activities			
Proceeds from issue of share capital	4.5	2	—
Equity dividends paid	4.5	(67)	(64)
Proceeds from borrowings		—	1,002
Financing costs		—	(14)
Interest paid		(41)	(42)
Settlement of interest rate swaps	2.2	—	(13)
Repayment of borrowings		—	(1,112)
Net cash outflow from financing activities		(106)	(243)
Net increase/(decrease) in cash and cash equivalents		40	(137)
Cash and cash equivalents at beginning of year	4.1	152	285
Effect of movements in foreign exchange		23	4
Cash and cash equivalents at end of year	4.1	**215**	**152**

SECTION 1 BASIS OF PREPARATION

53 weeks ended 31 December 2016 (52 weeks ended 26 December 2015)

1.1 Basis of preparation

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom and its registered office is 3 Market Close, Poole, Dorset, BH15 1NQ.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries and joint ventures.

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 53 weeks ended 31 December 2016 *(2015: 52 weeks ended 26 December 2015)*. The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments which are measured at their fair value.

The consolidated financial statements are presented in Sterling.

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

Going concern

The Group reported a profit for the year of £211 million *(2015: £170 million)* and generated operating cash inflows of £433 million *(2015: £325 million)*. The Group is funded by senior unsecured bank facilities due for repayment in 2020 and senior unsecured notes due for repayment in 2022. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.2.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Merlin Entertainments plc and its subsidiaries at the end of each reporting period and include its share of its joint ventures' results using the equity method.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

Where subsidiaries enter into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and accounted for as such. In this respect, the subsidiary concerned treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

1.1 Basis of preparation (Continued)

Foreign currency

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

The results and financial position of those Group companies that do not have a Sterling functional currency are translated into Sterling as follows:

- Assets and liabilities are translated at the closing rate at the end of the reporting period.
- Income and expenses are translated at average exchange rates during the year.
- All resulting exchange differences are recognised in equity in the translation reserve.

The reporting date foreign exchange rates by major currency are provided in note 4.3.

Classification of financial instruments issued by the Group

Financial instruments often consist of a combination of debt and equity and the Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability, and where such an instrument takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In this regard the following areas involve a higher degree of judgement, estimation or complexity and are explained in more detail in the related notes:

- Taxation (note 2.4)—recognition of deferred tax balances and accounting for tax risks.
- Impairment testing (note 3.3)—estimation of discounted cash flows when calculating the value in use of assets.

Other judgements and estimates which are less significant include:

- Provisions (note 3.5)—estimated outflow to settle the obligation and where relevant, the appropriate discount and inflation rates to apply.

1.1 Basis of preparation (Continued)

- Interest-bearing loans and borrowings (note 4.2)—expected period of borrowings when calculating the effective interest rate on those borrowings.
- Share-based payment transactions (note 4.6)—estimation of future performance when estimating vesting rates on share schemes.
- Investments (note 5.1)—expected period of and eventual return on investments when calculating the effective interest rate for interest income recognised.
- Employee benefits (note 5.2)—assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

New standards and interpretations

A full list of new accounting standards and interpretations can be found in note 5.5. This includes standards that have been implemented in the year, which have had no significant impact. It also includes those standards that will be implemented next year or in future years, including our assessment of the potential impacts of the new standards on Revenue and Leasing.

SECTION 2 RESULTS FOR THE YEAR

53 weeks ended 31 December 2016 (52 weeks ended 26 December 2015)

2.1 Profit before tax

Segmental information

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

	Midway Attractions	LEGOLAND Parks	Resort Theme Parks	Segment results	Other items[1]	Total
	£m	£m	£m	£m	£m	£m
2016						
Segment revenue	638	495	322	1,455	2	1,457
Segment profit, being segment EBITDA	236	193	70	499	(48)	451
Segment depreciation and amortisation	(64)	(28)	(32)	(124)	(7)	(131)
Segment operating profit	172	165	38	375	(55)	320
2015						
Segment revenue	561	429	285	1,275	3	1,278
Segment profit, being segment EBITDA	221	169	47	437	(35)	402
Segment depreciation and amortisation	(54)	(23)	(29)	(106)	(5)	(111)
Segment operating profit	167	146	18	331	(40)	291

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

Geographical areas

While each Operating Group is managed on a worldwide basis, part of our strategy is to diversify geographically across the four regions shown below. The information presented is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenues 2016	Non-current assets 2016	Revenues 2015	Non-current assets 2015
	£m	£m	£m	£m
United Kingdom	486	881	467	851
Continental Europe	367	919	300	764
North America	404	628	336	481
Asia Pacific	200	443	175	333
	1,457	2,871	1,278	2,429
Deferred tax (note 2.4)		38		35
Investments (note 5.1)		49		11
		2,958		2,475

Revenue accounting policy

Revenue arises from the operation of visitor attractions and theme park resorts. Revenue represents the amounts received from customers (excluding VAT and similar taxes) for admissions tickets, accommodation revenue, retail, food and beverage sales and sponsorship.

2.1 Profit before tax (Continued)

Ticket revenue is recognised at point of entry. Revenue from the sale of annual passes is deferred and then recognised over the period that the pass is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation. Sponsorship revenue is recognised over the relevant contract term. From time to time, the Group enters into service contracts for attraction development and revenue is recognised under these contracts on a percentage completion basis. Service contract revenue in 2016 and 2015 is not material.

The IASB has issued IFRS 15 'Revenue from contracts with customers' which will become effective from the 2018 accounting period. Details on our assessment of the impact of this new standard and how we are approaching its implementation are set out in note 5.5.

Cost of sales

Cost of sales of £227 million *(2015: £193 million)* represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activities. Retail inventory, food and beverage consumables and costs associated with the delivery of accommodation are the principal expenses included under this category.

Operating expenses

Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2016	2015
Operations	17,422	16,980
Attraction management and central administration	2,067	1,841
	19,489	18,821

The aggregate payroll costs of these persons were as follows:

	2016 £m	2015 £m
Wages and salaries	321	279
Share-based payments (note 4.6)	11	4
Social security costs	39	34
Other pension costs	11	10
	382	327

Related party transactions

Key management comprises Executive and Non-executive Directors of the Board and the members of the Executive Committee. Details of the remuneration, shareholdings, share options, pension contributions and payments for loss of office of the Executive Directors are included in the Directors' Remuneration Report on pages — to —.

2.1 Profit before tax (Continued)

The remuneration of key management was as follows:

	2016 £m	2015 £m
Key management emoluments including social security costs	4.8	4.2
Contributions to money purchase pension schemes	0.2	0.3
Share-based payments and other related payments	2.8	1.4
	7.8	5.9

Auditor's remuneration

	2016 £m	2015 £m
Audit of these financial statements	1.3	1.2
Audit of financial statements of subsidiaries	0.3	0.3
Other assurance services	0.3	0.4
Other services relating to taxation compliance	0.4	0.4
	2.3	2.3

2.2 Exceptional items

Accounting policy

Due to their nature, certain one-off and non-trading items have been classified separately as exceptional items in order to draw them to the attention of the reader. In the judgement of the Directors this presentation shows the underlying performance of the Group more accurately.

Exceptional items

There were no exceptional items in 2016. The following items were exceptional in 2015 and were shown separately on the face of the consolidated income statement:

	2016 £m	2015 £m
Within finance income and costs		
Foreign exchange gain	—	(1)
Cash flow hedges—reclassified to profit and loss	—	14
Exceptional items before income tax	—	13
Income tax credit on exceptional items above	—	(3)
Exceptional items for the year	—	10

As part of the refinancing undertaken during 2015, the Group incurred net exceptional financing costs of £13 million. The Group restructured its interest rate swaps as part of a wider refinancing of the debt facilities, and paid a net £13 million to cash settle certain swaps. In respect of these swaps, £14 million had previously been hedge accounted through equity and was therefore recycled through the income statement. This was then offset by foreign exchange gains of £l million as part of the wider refinancing.

2.3 Finance income and costs

Accounting policies

Income and costs

Finance income comprises interest income from financial assets and investments, applicable foreign exchange gains and gains on hedging instruments that are recognised in the income statement. Finance costs comprise interest expense, finance charges on finance leases, applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue, using the effective interest method.

Capitalisation of borrowing costs

Where assets take a substantial time to complete, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of those assets.

Finance income

	2016 £m	2015 £m
Underlying trading		
In respect of assets not held at fair value		
Interest income	2	2
Other		
Net foreign exchange gain	1	3
	3	5
Exceptional items		
Other		
Net foreign exchange gain (note 2.2)	—	1
	3	6

Finance costs

	2016 £m	2015 £m
Underlying trading		
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	43	44
Other interest expense	3	2
	46	46
Exceptional items		
In respect of liabilities not held at fair value		
Cash flow hedges—reclassified to profit and loss (note 2.2)	—	14
	46	60

Capitalised borrowing costs amounted to £2 million in 2016 *(2015: £2 million),* with a capitalisation rate of 2.9% *(2015: 3.2%).* Tax relief on capitalised borrowing costs amounted to £l million in 2016 *(2015: £nil).*

2.4 Taxation

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised. This assessment is made after considering a number of factors, including the Group's budget and strategic plan.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax provisions are based on management's judgement of the amount of tax payable and the likelihood of settlement in relation to matters which have yet to be concluded. These include matters arising from ongoing audits, as well as other uncertain positions. A combination of in-house tax experts, previous experience and professional firms is used when assessing tax risks. It is currently unclear when these matters will be settled.

Recognised in the income statement

	2016 £m	2015 £m
Current tax expense		
Current year	63	60
Adjustment for prior periods	2	(4)
Total current income tax	65	56
Deferred tax expense		
Origination and reversal of temporary differences	7	7
Changes in tax rate	(5)	—
Adjustment for prior periods	(1)	4
Total deferred tax	1	11
Total tax expense in income statement	66	67

2.4 Taxation (Continued)

Reconciliation of effective tax rate

	2016 %	2016 £m	2015 %	2015 £m
Profit before tax		277		237
Income tax using the UK domestic corporation tax rate	20.0%	56	20.3%	48
Non-deductible expenses		9		9
Income not subject to tax		(12)		(4)
Effect of tax rates in foreign jurisdictions		19		18
Effect of changes in tax rate		(5)		—
Unrecognised temporary differences		(1)		—
Effect of recognising deferred tax assets previously unrecognised		(1)		(4)
Adjustment for prior periods		1		—
Total tax expense in income statement	23.8%	66	28.1%	67

The effective tax rate (ETR) reflects updates to the headline UK rate, including the effect on the measurement of deferred tax.

The difference between the reported ETR of 23.8% and the UK standard tax rate of 20.0% is largely attributable to the Group's geographic mix of profits and reflects higher rates in certain jurisdictions, such as the US. In addition, the reported rate is favourably affected by the Group's internal financing arrangements which have been put in place to support development and ongoing funding needs in overseas territories. This is offset by non-deductible expenses which primarily arise as a result of depreciation on capital expenditure from continued investment in our attractions.

The Group's ETR has fallen from 27.9% (based on underlying results) to 23.8%, primarily due to the restructure of the Group's external debt and internal financing arrangements in 2015. In addition, the revaluation of deferred tax liabilities due to the future fall in the Italian tax rate resulted in a one off benefit.

The Group's future ETR will primarily be affected by the geographic mix of profits and any changes to local tax rates, particularly in the USA. Other significant factors include the ability to continue current financing arrangements and changes to local or international tax laws.

Recognised directly in equity through the statement of other comprehensive income

	2016 £m	2015 £m
Foreign exchange translation differences relating to the net investment in foreign operations	1	1
Effective portion of changes in fair value of cash flow hedges	—	1
Remeasurement gains and losses on defined benefit plans	(1)	—
Total tax expense in statement of other comprehensive income	—	2

2.4 Taxation (Continued)

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	20	21	(148)	(123)	(128)	(102)
Other short term temporary differences	42	32	(6)	(6)	36	26
Intangible assets	—	—	(50)	(47)	(50)	(47)
Tax value of loss carry-forwards	1	3	—	—	1	3
Tax assets/(liabilities)	63	56	(204)	(176)	(141)	(120)
Set-off tax	(25)	(21)	25	21	—	—
Net tax assets/(liabilities)	38	35	(179)	(155)	(141)	(120)

Other short term temporary differences primarily relate to financial assets and liabilities and various accruals and prepayments.

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Group has the right and intention to offset these amounts.

Movement in deferred tax during the current year

	27 December 2015	Recognised in income	Recognised in other comprehensive income	Effect of movements in foreign exchange	31 December 2016
	£m	£m	£m	£m	£m
Property, plant and equipment	(102)	(5)	—	(21)	(128)
Other short term temporary differences	26	4	1	5	36
Intangible assets	(47)	2	—	(5)	(50)
Tax value of loss carry-forwards	3	(2)	—	—	1
Net tax assets/(liabilities)	(120)	(1)	1	(21)	(141)

In 2016 movements recognised in the income statement in respect of property, plant and equipment were principally due to tax allowances utilised in the UK and USA offset by the impact of rate reductions in Italy. Movements in other short term temporary differences were mainly due to providing for future deductions in respect of employee share options.

2.4 Taxation (Continued)

Movement in deferred tax during the previous year

	28 December 2014	Recognised in income	Recognised in other comprehensive income	Effect of movements in foreign exchange	26 December 2015
	£m	£m	£m	£m	£m
Property, plant and equipment	(84)	(18)	—	—	(102)
Other short term temporary differences	24	4	(2)	—	26
Intangible assets	(47)	—	—	—	(47)
Tax value of loss carry-forwards	—	3	—	—	3
Net tax liabilities	(107)	(11)	(2)	—	(120)

In 2015 movements in net deferred tax liabilities recognised in income in respect of property, plant and equipment were principally due to tax allowances utilised in the UK and USA. Net deferred tax asset movements in other short term temporary differences were primarily due to movements in financial assets and liabilities, accruals and prepayments in the USA.

Unrecognised deferred tax assets

	2016	2015
	£m	£m
Property, plant and equipment	2	3
Other short term temporary differences	16	16
Intangible assets	—	1
Tax value of loss carry-forwards	57	47
Net unrecognised tax assets	75	67

The unrecognised deferred tax assets relating to loss carry-forwards include £2 million *(2015: £1 million)* expiring in 0-5 years and £2 million *(2015: £1 million)* expiring 6-10 years. The remaining losses and other timing differences do not expire under current tax legislation.

The tax losses arose in jurisdictions which are not expected to generate taxable profits in the foreseeable future and therefore there is currently no expectation that the losses will be utilised.

2.5 Earnings per share

Accounting policy

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

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

2.5 Earnings per share (Continued)

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

	2016 £m	2015 £m
Profit attributable to ordinary shareholders	211	170
Exceptional items net of tax (see note 2.2)	—	10
Adjusted profit attributable to ordinary shareholders	211	180

	2016	2015
Basic weighted average number of shares	1,014,358,232	1,013,746,032
Dilutive potential ordinary shares	3,785,770	1,720,789
Diluted weighted average number of shares	1,018,144,002	1,015,466,821

Share incentive plans (see note 4.6) are treated as dilutive to earnings per share when, at the reporting date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

In 2016 and 2015, the PSP has a dilutive effect as the performance measures have been partially achieved. The DBP, CSOP and AESP are dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	2016 Pence	2015 Pence
Basic earnings per share on profit for the year	20.8	16.8
Exceptional items net of tax	—	1.0
Adjusted earnings per share on adjusted profit for the year	20.8	17.8

Diluted earnings per share

	2016 Pence	2015 Pence
Diluted earnings per share on profit for the year	20.7	16.8
Exceptional items net of tax	—	1.0
Diluted adjusted earnings per share on adjusted profit for the year	20.7	17.8

SECTION 3 OPERATING ASSETS AND LIABILITIES

53 weeks ended 31 December 2016 (52 weeks ended 26 December 2015)

3.1 Property, plant and equipment

Accounting policies

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses.

Where components of an item of PPE have different useful lives, they are accounted for separately.

The initial cost of PPE includes all costs incurred in bringing the asset into use and includes external costs for the acquisition, construction and commissioning of the asset, internal project costs (primarily staff expenses) and capitalised borrowing costs.

Assets acquired through business combinations

At the time of a business combination PPE is separately recognised and valued. Given the specialised nature of the PPE acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out below. Residual values are based on industry specific indices.

New sites

Capital expenditure on new attractions includes all the costs of bringing the items of PPE within that attraction into use ready for the opening of the attraction. Pre-opening costs are only capitalised to the extent they are required to bring PPE into its working condition. Other pre-opening costs are expensed as incurred.

On inception of a lease for a new site, the estimated cost of decommissioning any additions is included within PPE and depreciated over the lease term. A corresponding provision is set up as disclosed in note 3.5.

Existing sites

Subsequent expenditure on items of PPE in our existing estate can be broadly split into two categories:

- Capital expenditure which adds new items of PPE to an attraction or which extends the operational life of, or enhances existing items of PPE is accounted for as an addition to PPE. Examples of such expenditure include new rides or displays and enhancements to rides or displays, which increase the appeal of our attractions to visitors.
- Expenditure which is incurred to maintain the items of PPE in a safe and useable state and to maintain the useful life of items of PPE is charged to the income statement as incurred. Examples of such expenditure include regular servicing and maintenance of buildings, rides and displays and ongoing repairs to items of PPE.

Depreciation

Land is not depreciated. Assets under construction are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate. Depreciation is then charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Asset lives for plant and equipment vary depending on the nature of the asset, from short life assets such as IT assets, up to long term infrastructure assets. No residual values are typically considered.

3.1 Property, plant and equipment (Continued)

The estimated useful lives are as follows:

Asset class	Depreciation policy
Freehold / long leasehold buildings	50 years
Leasehold buildings	20 – 50 years (dependent on life of lease)
Plant and equipment	5 – 30 years

Property, plant and equipment	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Cost				
Balance at 28 December 2014	919	954	91	1,964
Additions	25	42	151	218
Movements in asset retirement provisions	3	—	—	3
Disposals	(6)	(10)	—	(16)
Transfers	53	88	(141)	—
Effect of movements in foreign exchange	(17)	(16)	(1)	(34)
Balance at 26 December 2015	977	1,058	100	2,135
Acquisition of remaining share of joint venture (note 5.1)	—	1	—	1
Additions	13	55	205	273
Movements in asset retirement provisions (note 3.5)	5	1	—	6
Disposals	(5)	(8)	—	(13)
Transfers	39	86	(125)	—
Effect of movements in foreign exchange	157	116	10	283
Balance at 31 December 2016	1,186	1,309	190	2,685
Depreciation				
Balance at 28 December 2014	187	367	—	554
Depreciation for the year—owned assets	28	78	—	106
Depreciation for the year—leased assets	1	3	—	4
Disposals	(6)	(10)	—	(16)
Effect of movements in foreign exchange	—	(8)	—	(8)
Balance at 26 December 2015	210	430	—	640
Depreciation for year—owned assets	38	87	—	125
Depreciation for year—leased assets	1	3	—	4
Disposals	(3)	(7)	—	(10)
Effect of movements in foreign exchange	35	50	—	85
Balance at 31 December 2016	281	563	—	844
Carrying amounts				
At 28 December 2014	732	587	91	1,410
At 26 December 2015	767	628	100	1,495
At 31 December 2016	905	746	190	1,841

Depreciation is calculated in line with the policy stated above. During the year the Group reviews useful economic lives and tests PPE for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result no material adjustments were made in either 2015 or 2016.

The Group leases buildings and plant and equipment under finance lease agreements secured on those assets. At 31 December 2016 the net carrying amount of leased buildings was £16 million *(2015: £16 million)* and the net carrying amount of leased plant and equipment was £29 million *(2015: £30 million).* Further details in respect of leases and lease obligations are provided in note 4.4.

3.1 Property, plant and equipment (Continued)

Capital commitments

At the year end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions, including accommodation, and for Midway attractions that are under construction. These are expected to be settled within two financial years of the reporting date. These amount to £82 million *(2015: £32 million)* for which no provision has been made.

At year end foreign exchange rates, the Group is expecting to invest a further £62 million *(2015: £36 million)* in the LEGOLAND Japan Resort. In addition, at year end foreign exchange rates, the Group is intending to invest £72 million *(2015: £62 million)* in LEGOLAND Korea.

3.2 Goodwill and intangible assets

Accounting policies

Goodwill represents the difference between the cost of an acquisition and the fair value of the identifiable net assets acquired less any contingent liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including amounts into perpetuity. Currently all such brands held are regarded as having indefinite useful economic lives. This is based upon the strong historical performance of the brands over a number of economic cycles, the ability to roll out our brands, and the Directors' intentions regarding the future use of brands. The Directors feel this is a suitable policy for a brands business which invests in and maintains the brands, and foresee no technological developments or competitor actions which would put a finite life on the brands. The brands are tested annually for impairment.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets comprise software licences, sponsorship rights and other contract based intangible assets. They are amortised on a straight-line basis from the date they are available for use. They are stated at cost less accumulated amortisation and impairment losses.

The estimated useful lives of other intangible assets are as follows:

Asset class	Estimated useful life
Licences	Life of licence (up to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

3.2 Goodwill and intangible assets (Continued)

		Intangible assets		
	Goodwill	Brands	Other	Total
	£m	£m	£m	£m
Cost				
Balance at 28 December 2014	925	186	26	1,137
Additions	—	—	3	3
Effect of movements in foreign exchange	(19)	(4)	(1)	(24)
Balance at 26 December 2015	906	182	28	1,116
Additions	—	—	1	1
Effect of movements in foreign exchange	87	14	4	105
Balance at 31 December 2016	993	196	33	1,222
Amortisation				
Balance at 28 December 2014	171	12	12	195
Amortisation for the year	—	—	1	1
Effects of movements in foreign exchange	(2)	—	(1)	(3)
Balance at 26 December 2015	169	12	12	193
Amortisation for the year	—	—	2	2
Effect of movements in foreign exchange	8	1	1	10
Balance at 31 December 2016	177	13	15	205
Carrying amounts				
At 28 December 2014	754	174	14	942
At 26 December 2015	737	170	16	923
At 31 December 2016	816	183	18	1,017

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result of these tests, no impairment charges have been made in the year *(2015: £nil)*.

Goodwill

Goodwill is allocated to the Group's operating segments which represent the lowest level at which it is monitored and tested for impairment. It is denominated in the relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2016	2015
	£m	£m
Midway Attractions	572	524
LEGOLAND Parks	42	37
Resort Theme Parks	202	176
	816	737

3.2 Goodwill and intangible assets (Continued)

Brands

The Group has valued the following acquired brands, all with indefinite useful economic lives. They are all denominated in their relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2016	2015
	£m	£m
Midway Attractions		
Madame Tussauds	29	26
SEA LIFE	16	15
London Eye	10	10
Other	8	8
	63	59
Resort Theme Parks		
Gardaland Resort	49	42
Alton Towers Resort	32	32
THORPE PARK	15	15
Heide Park	12	10
Other	12	12
	120	111
	183	170

The Madame Tussauds brand value is predominantly related to the London attraction but includes value identified with the Group's other Madame Tussauds attractions. The SEA LIFE brand is related to the Group's portfolio of SEA LIFE attractions. The London Eye,Gardaland Resort, Alton Towers Resort, THORPE PARK and Heide Park brands all arise from those specific visitor attractions.

3.3 Impairment testing

Accounting policies

The carrying amounts of the Group's goodwill, intangible assets and PPE are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists or if the asset has an indefinite life, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount.

The level at which the assets concerned are reviewed varies as follows:

Asset	
Goodwill	Goodwill is reviewed at an Operating Group level, being the relevant grouping of cash-generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Group's individual attractions.
Brands	Brands are reviewed individually.
PPE	PPE is reviewed at an attraction level.

For assets that are in continuing use but do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

3.3 Impairment testing (Continued)

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Calculation of recoverable amount

In accordance with accounting standards the recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. The Group uses a multiple of EBITDA to estimate fair value which is based on the Group's average market capitalisation as a multiple of the Group's underlying EBITDA. The Group's internally approved five year business plans, being the current year and four future years, are used as the basis for these calculations, with cash flows beyond the four year outlook period being extrapolated by using a long term growth rate.

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values where their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses are as follows:

Estimate	
Future cash flows	Assumed to be equivalent to the operating cash flows of the businesses less the cash flows in respect of capital expenditure. The Group uses EBITDA as a proxy for the operating cash flows of its attractions as they are not significantly impacted by movements in working capital.
Growth in EBITDA	EBITDA is forecast by an analysis of both projected revenues and costs. Visitor numbers and revenue projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity. Operating costs projections are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rate	A growth rate of 2.5% *(2015: 2.5%)* was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.
Discount rates to reflect the risks involved	Based on the estimated weighted average cost of capital of a'market participant' within the main geographical regions where the Group operates, these are drawn from market data and businesses in similar sectors, and adjusted for asset specific risks. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments. Net present values are calculated using an appropriate pre-tax discount rate of between 9.0% and 12.9% *(2015: 9.1% and 12.7%),* derived from the Group's post-tax weighted average cost of capital of between 7.1% and 9.6% *(2015: 7.2% and 9.4%).*

3.3 Impairment testing (Continued)

Sensitivity analysis

Impairment reviews are often sensitive to changes in key assumptions. Sensitivity analysis has therefore been performed on the calculated recoverable amounts considering incremental changes in the key assumptions of EBITDA, discount rate and long term growth rate in relation to value in use calculations.

When reviewing the outputs of the sensitivity analysis, particular focus is given to material amounts where headroom is more limited. As in prior years, this solely relates to goodwill attributed to the Resort Theme Parks Operating Group (RTP) where the headroom is £26 million *(2015: £55 million).* The Midway Attractions and LEGOLAND Parks Operating Groups, as well as individual brands, show considerable headroom and are not sensitive to even significant changes in any of the key assumptions.

For RTP, where recoverable amount was based upon value in use, testing was performed on forward looking data extracted from the Group's strategic plan. As this plan was prepared before the peak summer trading season, revised amounts have been included in the four year outlook period that reflect management's latest best estimates of future performance. These take into account trading in this first full year following the accident at Alton Towers in 2015. This first full year of trading also informs management's forecasts of the ongoing anticipated recovery of Alton Towers.

In undertaking sensitivity analysis for RTP, consideration has been given to increases in discount rates, movements in EBITDA and long term growth rates. At the year end the Directors consider that the forecasts used reflect the current best estimate of future trading in RTP. It is noted however that the calculations are inherently sensitive to the pace of the recovery at Alton Towers. While in the short term a delay in the pace of the ongoing recovery would be highly unlikely to affect valuations by a substantial amount, longer term shortfalls that affect the outlook for the fourth year of the plan (which drives the terminal value) would have a more significant impact. If EBITDA for RTP as a whole were forecast to be 3% *(2015: 6%)* lower than currently anticipated for 2021, headroom would be absorbed in full. While it is not impossible for such a shortfall to occur, the Directors do not consider it to be probable based on the strength of the product development, diversity across the businesses in RTP and our proven track record in scaling our cost base to respond to changing demand.

Discount rates have been derived from market data. As these rates are intended to be long term in nature they are expected to be reasonably stable in the short term, however market discount rates could increase in future. If the discount rate used across RTP had been higher by a factor of 3% *(2015:6%),* headroom would have been absorbed in full. The Directors have formed their best estimate of the discount rate and do not consider that such a move in the rate is appropriate, but it is not impossible that a different view of discount rates could be required in the future.

The long term growth rate, which is applied to the cash flows of the final year in the business plan, was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth. The Directors do not consider it probable that this rate will prove to be inappropriate in the future, but note that if circumstances caused the rate to lower to 2.1% *(2015: 1.7%),* headroom would be absorbed in full.

3.4 Working capital

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured using the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

3.4 Working capital (Continued)

Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for any amounts considered by management to be uncollectible. Bad debts are written off when identified. Other receivables are stated at their amortised cost less impairment losses.

Inventories

	2016	2015
	£m	£m
Maintenance inventory	9	7
Goods for resale	27	23
	36	30

Trade and other receivables

	Current assets		Non-current assets	
	2016	2015	2016	2015
	£m	£m	£m	£m
Trade receivables	20	20	—	—
Other receivables	29	25	—	—
Prepayments and accrued income	37	31	13	11
	86	76	13	11

Ageing of trade receivables

The ageing analysis of trade receivables, net of allowance for non-recoverable amounts, is as follows:

	2016	2015
	£m	£m
Neither past due nor impaired	13	10
Up to 30 days overdue	4	8
Between 30 and 60 days overdue	1	1
Over 60 days overdue	2	1
	20	20

Trade and other payables

	Current liabilities		Non-current liabilities	
	2016	2015	2016	2015
	£m	£m	£m	£m
Trade payables	63	41	—	—
Accruals	139	108	1	2
Deferred income	84	72	—	—
Other payables	14	14	27	22
	300	235	28	24

3.4 Working capital (Continued)

Accruals

Accruals comprise balances in relation to both operating and capital costs incurred at the reporting date but for which an invoice has not been received and payment has not yet been made.

Deferred income

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases; pre-booked accommodation; and certain sponsorship and similar arrangements.

3.5 Provisions

Accounting policy

Provisions are recognised when the Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions

	Asset retirement provisions	Other	Total
	£m	£m	£m
Balance at 27 December 2015	40	15	55
Provisions made during the year	6	2	8
Utilised during the year	—	(2)	(2)
Unused amounts reversed	—	(1)	(1)
Unwinding of discount	2	—	2
Effect of movements in foreign exchange	4	2	6
Balance at 31 December 2016	52	16	68
2016			
Current	—	3	3
Non-current	52	13	65
	52	16	68
2015			
Current	—	4	4
Non-current	40	11	51
	40	15	55

Asset retirement provisions

Certain attractions operate on leasehold sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term. These leases are typically of a duration of between ten and 60 years.

They are established on inception and reviewed annually. The provisions are discounted back to present value with the discount then being unwound through the income statement as part of finance costs. The cost of establishing these provisions is capitalised within the cost of the related asset.

3.5 Provisions (Continued)

Other

Other provisions largely relate to the estimated cost arising from open insurance claims, tax matters and legal issues.

There are no anticipated future events that would be expected to cause a material change in the timing or amount of outflows associated with the provisions.

SECTION 4 CAPITAL STRUCTURE AND FINANCING

53 weeks ended 31 December 2016 (52 weeks ended 26 December 2015)

4.1 Net debt

Analysis of net debt

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

	27 December 2015	Net cash flows	Non-cash movement	Effect of movements in foreign exchange[(1)]	31 December 2016
	£m	£m	£m	£m	£m
Cash and cash equivalents	152	40	—	23	215
Interest-bearing loans and borrowings (note 4.2)	(1,007)	—	(4)	(141)	(1,152)
	(855)	40	(4)	(118)	(937)
Finance leases (note 4.4)	(82)	—	(1)	(5)	(88)
Net debt	(937)	40	(5)	(123)	(1,025)

(1) As disclosed in note 4.2 a substantial proportion of the Group's borrowings are denominated in Euros and US Dollars.

4.2 Interest-bearing loans and borrowings

Accounting policy

Interest-bearing loans and borrowings are initially recognised at fair value less attributable fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate). If the Group subsequently determines that the expected life has changed, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement.

Interest-bearing loans and borrowings

	2016	2015
	£m	£m
Non-current		
Floating rate bank facilities due 2020	723	640
£300 million floating rate revolving credit facility due 2020	—	—
€500 million fixed rate notes due 2022	424	363
	1,147	1,003
Current		
Interest payable	5	4
	1,152	1,007

The Group's facilities are:

- Bank facilities comprising £250 million, $540 million and €50 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR, the USD benchmark rate and EURIBOR, which were 0.37%, 0.99% and (0.32)% respectively at 31 December 2016 *(2015: 0.59%, 0.57% and (0.13)%)*. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and at 31 December 2016 was 2.0% *(2015: 2.0%)*.

4.2 Interest-bearing loans and borrowings (Continued)

- A £300 million multi-currency revolving credit facility. The margin on this facility is also dependent on the Group's adjusted leverage ratio and at 31 December 2016 was at a margin of 1.75% *(2015: 1.75%)* over the same floating interest rates when drawn.
- A bond in the form of €500 million seven year notes with a coupon rate of 2.75% to mature in March 2022.

The fees related to the facilities are being amortised to the maturity of the debt as the debt is currently expected to be held for its full term. The borrowings under the bank facilities (including the revolving credit facility) and the €500 million bonds are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Group is required to comply with certain financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €500 million notes. All covenant requirements were satisfied throughout the year

4.3 Financial risk management

Liquidity risk

Liquidity risk is the risk that the Group would not have sufficient funds to meet its financial obligations as they fall due. The Group's Treasury Department produces short term and long term cash forecasts to identify liquidity requirements and headroom, which are reviewed by the Group's Chief Financial Officer. Surplus cash is actively managed across Group bank accounts to cover local shortfalls or invested in bank deposits or other short term liquid investments such as money market funds. In some countries bank cash pooling arrangements are in place to optimise the use of cash.

As at the reporting date the Group had £215 million of cash and cash equivalents *(2015: £152 million)* and a £300 million revolving credit facility, of which £nil was drawn down *(2015: £300 million of which £nil drawn down)*, in order to meet its obligations and commitments that will fall due.

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant.

	0 to <1 year	1 to <2 years	2 to <5 years	5 years and over	Contractual cash flows
	£m	£m	£m	£m	£m
2016					
Floating rate bank facilities due 2020	(20)	(20)	(754)	—	(794)
€500 million fixed rate notes due 2022	(12)	(12)	(24)	(444)	(492)
Finance lease liabilities	(7)	(7)	(20)	(170)	(204)
Trade payables and derivatives	(66)	(3)	(4)	—	(73)
	(105)	(42)	(802)	(614)	(1,563)
2015					
Floating rate bank facilities due 2020	(17)	(17)	(685)	—	(719)
€500 million fixed rate notes due 2022	(10)	(10)	(31)	(382)	(433)
Finance lease liabilities	(6)	(6)	(19)	(162)	(193)
Trade payables and derivatives	(45)	(4)	(8)	—	(57)
	(78)	(37)	(743)	(544)	(1,402)

Interest rate risk

The Group is exposed to interest rate risk on both interest bearing assets and liabilities. The Group has a policy of actively managing its interest rate risk exposure using a combination of fixed rate debt and interest rate swaps.

4.3 Financial risk management (Continued)

At 31 December 2016 the Group had €500 million of fixed rate debt *(2015: €500 million).* Taken together with those floating rate bank facilities that have been swapped to a fixed rate using interest rate swaps (the accounting of which is set out below), in aggregate 74% *(2015: 75%)* of the year end interest-bearing loans and borrowings is at a fixed rate for a weighted average period of 4.2 years *(2015: 5.2 years)*.

Interest rate swaps are recognised at fair value which is determined by reference to market rates. The fair value is the estimated amount that the Group would receive or pay to exit the swap, taking into account current interest rates, credit risks and bid/ask spreads. Following initial recognition, changes in fair value are recognised immediately in the income statement, except where the Group adopts hedge accounting.

When hedge accounting, the Group formally documents the relationship between the hedging instruments and hedged items. It makes an assessment, at inception and on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the life of the hedge. The effective portion of changes in fair value is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, cumulative gains or losses previously recognised in other comprehensive income would be recognised immediately in profit or loss. All interest rate swaps held by the Group are hedge accounted.

Sensitivity analysis

Based on the net debt position as at 31 December 2016, taking into account interest rate swaps, each 100 basis points (bp) fall or rise in market interest rates would result in an increase or decrease in net interest paid of £1 million *(2015: £nil).* This has been calculated by applying the interest rate change to the Group's variable rate cash, borrowings and derivatives.

Foreign currency risk

As the Group operates internationally the performance of the business is sensitive to movements in foreign exchange rates. The Group's potential currency exposures comprise transaction and translation exposures.

The Group ensures that its net exposure to foreign currency balances is kept to a minimal level by using foreign currency swaps to exchange balances back into Sterling or by buying and selling foreign currencies at spot rates when necessary. The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates. At 31 December 2016 the fair value of foreign currency swaps was £1 million *(2015: £1 million).*

Transaction exposures

The revenue and costs of the Group's operations are denominated primarily in the currencies of the relevant local territories. Any significant cross-border trading exposures are hedged by the use of forward foreign exchange contracts.

Translation exposures

The Group's results, as presented in Sterling, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of its operating units. The Group's debt is therefore denominated in Euros, US Dollars and Sterling and at 31 December 2016 consisted of €550 million, $540 million and £250 million.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the year (that have been accounted for in the consolidated

4.3 Financial risk management (Continued)

income statement at average rates) at closing rates. Exchange rates for major currencies are set out on the following page.

Gains or losses also arise on the retranslation of foreign currency denominated borrowings designated as effective net investment hedges of overseas net assets.These are offset in equity by corresponding gains or losses arising on the retranslation of the related hedged foreign currency net assets.The Group also treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

The following exchange rates have been used in the translation of the results of foreign operations:

	Closing rate for 2014	Weighted average rate for 2015	Closing rate for 2015	Weighted average rate for 2016	Closing rate for 2016
US Dollar	1.56	1.54	1.49	1.37	1.24
Euro	1.28	1.39	1.36	1.23	1.17
Australian Dollar	1.92	2.04	2.05	1.83	1.71

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies were:

	Carrying value				
	Sterling	Euro	US Dollar	Other	Total
	£m	£m	£m	£m	£m
2016					
Cash and cash equivalents	117	10	27	61	215
Floating rate bank facilities due 2020	(248)	(42)	(433)	—	(723)
€500 million fixed rate notes due 2022	—	(424)	—	—	(424)
Finance lease liabilities	(54)	(34)	—	—	(88)
	(185)	(490)	(406)	61	(1,020)
2015					
Cash and cash equivalents	90	7	10	45	152
Floating rate bank facilities due 2020	(247)	(36)	(357)	—	(640)
€500 million fixed rate notes due 2022	—	(363)	—	—	(363)
Finance lease liabilities	(54)	(28)	—	—	(82)
	(211)	(420)	(347)	45	(933)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £83 million *(2015: £72 million).* As described above, gains or losses in the income statement and equity are offset by the retranslation of the related foreign currency net assets or specific intercompany loan balances.

A 10% strengthening of all currencies against Sterling would reduce the fair value of foreign exchange contracts and result in a charge to the income statement of £5 million *(2015: £4 million).*

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is limited to the carrying value of the Group's monetary assets. The Group has limited credit risk with its customers, the vast majority of whom pay in advance or at the time of their visit. There are credit policies in place with regard to its trade receivables with credit evaluations performed on customers requiring credit over a certain amount.

4.3 Financial risk management (Continued)

The Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position.

The Group robustly appraises investments before they are made to ensure the associated credit risk is acceptable. Performance of investments are closely monitored, in some cases through Board participation, to ensure returns are in line with expectations and credit risk remains acceptable. There were no overdue amounts in respect of investments and no impairments have been recorded *(2015: £nil)*. The Group has no collateral in respect of its investments.

Fair values

Fair value hierarchy

The Group analyses financial instruments in the following ways:

- Level 1: uses unadjusted quoted prices in active markets.
- Level 2: uses inputs that are derived directly or indirectly from observable prices (other than quoted prices).
- Level 3: uses inputs that are not based on observable market data.

Fair value versus carrying amounts

The fair values of financial assets and liabilities are presented in the table below, together with the carrying amounts shown in the statement of financial position. Short term receivables, payables and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

		2016		2015	
	Fair value hierachy	Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
Held at amortised cost					
Floating rate bank facilities due 2020	Level 2	(723)	(724)	(640)	(631)
€500 million fixed rate notes due 2022	Level 1	(424)	(445)	(363)	(358)
Finance lease liabilities	Level 3	(88)	(88)	(82)	(82)
Investments	Level 3	37	37	—	—
Held at fair value					
Derivative financial instruments	Level 2	(2)	(2)	1	1
Investments	Level 3	12	12	11	11
		(1,188)	(1,210)	(1,073)	(1,059)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. The fair values of the finance leases are determined by reference to similar lease agreements. There is no difference between the carrying value and the fair value of investments that has been estimated by reference to discounted cash flows.

There have been no transfers between levels in 2016 or 2015.

4.4 Lease obligations

Accounting policies

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Where land and buildings

4.4 Lease obligations (Continued)

are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. In January 2016 the IASB issued IFRS 16 'Leases' which is expected to become effective from the 2019 accounting period. Details on our assessment of the impact of this new standard and how we are approaching its implementation are set out in note 5.5.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the income statement as an integral part of the total lease expense over the lease term.This therefore excludes the potential impact of future performance or rent increases based on inflationary indices.

Lease arrangements

The Group's most significant lease arrangements relate to a sale and leaseback transaction undertaken during 2007, involving the PPE of certain attractions within the Midway Attractions and Resort Theme Parks Operating Groups. The leases are accounted for as finance or operating leases depending on the specific circumstances of each lease and the nature of the attraction. For certain of the sites an individual lease agreement is split for accounting purposes as a combination of finance and operating leases, reflecting the varied nature of assets at the attraction. During 2012 the Group undertook a further sale and leaseback transaction of the LEGOLAND Windsor Hotel.This is being accounted for as an operating lease.

Each of these sale and leaseback agreements runs for a period of 35 years from inception and allows for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, subject to an adjustment to market rates at that time.

The Group also enters into operating leases for sites within the Midway Attractions Operating Group and central areas. These are typically of a duration between ten and 60 years, with rent increases determined based on local market practice. In addition to a fixed rental element, rents within the Midway Attractions Operating Group can also contain a performance related element, typically based on turnover at the site concerned. Options to renew leases exist at these sites in line with local market practice in the territories concerned.

The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The potential impact on rent charges of future performance or increases based on inflationary indices are each excluded from these calculations.

There are no significant operating restrictions placed on the Group as a result of its lease arrangements.

Lease costs and commitments

During 2016 £96 million *(2015: £89 million)* was recognised as an expense in the income statement in respect of operating leases. Of this £13 million *(2015: £12 million)* was contingent on performance.

4.4 Lease obligations (Continued)

The lease commitments in the following tables run to the end of the respective lease term and do not include possible lease renewals. Where relevant, the lease commitments noted do not include the potential impact of future performance or rent increases based on inflationary indices.

Finance leases

These tables provide information about the future minimum lease payments and contractual terms of the Group's finance lease liabilities, as follows:

	Future minimum lease payments 2016	Interest 2016	Present value of minimum lease payments 2016	Future minimum lease payments 2015	Interest 2015	Present value of minimum lease payments 2015
	£m	£m	£m	£m	£m	£m
Less than one year	7	7	—	6	6	—
Between one and five years	27	27	—	25	25	—
More than five years	258	170	88	244	162	82
	292	204	88	275	193	82

	Currency	Nominal interest rate	Year of maturity	2016	2015
				£m	£m
Finance lease liabilities	GBP	5.64%	2042	54	54
Finance lease liabilities	EUR	9.11%	2042	34	28
				88	82

The nominal interest rate for finance leases in the table above represents the weighted average effective interest rate. This is used because the table above aggregates finance leases with the same maturity date and currency.

Operating leases

The minimum rentals payable as lessee under non-cancellable operating leases are as follows:

	2016	2015
	£m	£m
Less than one year	83	76
Between one and five years	329	291
More than five years	1,325	1,271
	1,737	1,638

The Group has also entered into lease agreements as part of the developments of LEGOLAND Japan and LEGOLAND Korea which are being developed under the Group's 'operated and leased' model. Following the opening of the parks, the Group's local operating company in each territory will lease the site and park infrastructure from each of the development partners for a period of 50 years. The leases will be accounted for as finance or operating leases from the date the parks start operating depending on the specific circumstances of each lease and the nature of the assets at the attractions.

4.5 Equity and capital management

Capital management

The capital structure of the Group consists of debt which includes borrowings (see note 4.2), cash and cash equivalents and equity attributable to equity holders of the parent Company, as disclosed below. The

4.5 Equity and capital management (Continued)

Group's objective when managing capital is to maintain a strong capital base so as to ensure investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Group.

To enable the Group to meet its objective, the Directors monitor returns on capital through constant review of earnings generated from the Group's capital investment programme and through regular budgeting and planning processes, manage capital in a manner so as to ensure that sufficient funds for capital investment and working capital are available, and the requirements of the Group's debt covenants are met.

The Group does not routinely make additional issues of capital, other than for the purpose of raising finance to fund significant acquisitions or developments intended to increase the overall value of the Group.

Share plans have been created to allow employees of the Group to participate in the ownership of the Group's equity instruments, in order to ensure employees are focused on growing the value of the Group to achieve the aims of all the shareholders. The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market.

Share capital and reserves

Share capital

	2016 Number	2016 £m	2015 Number	2015 £m
Ordinary shares of £0.01 each				
On issue and fully paid at beginning of year	1,013,746,032	10	1,013,746,032	10
Issued in the year	2,063,234	—	—	—
On issue and fully paid at end of year	1,015,809,266	10	1,013,746,032	10

Issue of new shares

During the year the Company issued 2,063,234 ordinary shares for consideration of £2 million (taken to the share premium account) in connection with the Group's employee share incentive plans (note 4.6).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company.

The Company has entered into a Relationship Agreement with its major shareholder, KIRKBI, in connection with the exercise of its rights as a major shareholder in the Company and the right to appoint Directors to the Board.

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

4.5 Equity and capital management (Continued)

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

	2016	2015
	£m	£m
Final dividend for the 52 weeks ended 27 December 2014 of 4.2 pence per share	—	43
Interim dividend for the 52 weeks ended 26 December 2015 of 2.1 pence per share	—	21
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	45	—
Interim dividend for the 53 weeks ended 31 December 2016 of 2.2 pence per share	22	—
Total dividends paid	67	64

The Directors of the Company propose a final dividend of 4.9 pence per share for the year ended 31 December 2016 *(2015: 4.4 pence per share)*. The total dividend for the current year, subject to approval of the final dividend, will be 7.1 pence per share *(2015: 6.5 pence per share)*.

Translation reserve

The translation reserve of £(5) million *(2015: £(135) million)* comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, primarily relating to the statement of position at reporting dates. The reporting date foreign exchange rates by major currency are provided in note 4.3.

Hedging reserve

The hedging reserve of £(3) million *(2015: £nil)* comprises the effective portion of the cumulative net change in interest rate swaps related to hedged transactions that have not yet occurred.

4.6 Share-based payment transactions

Accounting policy

The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive plans for employees in certain territories.The issues and resulting charges of these plans are not material to the financial statements.

Equity-settled plans

The Group operates four employee share incentive plans: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP) as set out in the Directors' Remuneration Report and the tables below. A summary of the rules for the plans and the performance conditions attaching to the PSP are given in the Directors' Remuneration Report.

4.6 Share-based payment transactions (Continued)

Analysis of share-based payment charge

	2016	2015
	£m	£m
PSP	7	1
DBP	1	—
CSOP	1	1
AESP	2	2
	11	4

Analysis of awards

	Date of grant	Exercise price (£)	Period when exercisable	Average remaining contractual life (years)	Number of shares 2016	Number of shares 2015
PSP	November 2013 – September 2016	—	2017 – 2019	1.2	7,430,215	5,633,093
DBP	March 2015 – March 2016	—	2018 – 2019	1.3	308,272	361,734
CSOP	November 2013 – September 2016	3.15 – 4.81	2017 – 2026	8.0	3,893,704	3,192,347
AESP	January 2014 – March 2016	2.96 – 3.53	2017 – 2019	1.6	6,311,715	5,502,199
Total					17,943,906	14,689,373

The weighted average exercise prices (WAEP) over the year were as follows:

	PSP[1]	DBP[1]	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 28 December 2014	3,611,209	—	2,305,252	3.19	3,180,962	2.98
Granted during the year	2,426,028	383,843	1,083,850	4.38	2,823,813	3.24
Forfeited during the year	(404,144)	(22,109)	(196,755)	3.46	(473,366)	3.11
Exercised during the year	—	—	—	—	(4,213)	2.98
Expired during the year	—	—	—	—	(24,997)	2.98
At 26 December 2015	5,633,093	361,734	3,192,347	3.58	5,502,199	3.10
Granted during the year	2,300,004	27,519	1,337,925	4.61	1,692,389	3.19
Forfeited during the year	(502,882)	(5,518)	(382,014)	3.89	(530,897)	3.13
Exercised during the year	—	(75,463)	(239,561)	3.19	(235,360)	3.13
Expired during the year	—	—	(14,993)	3.61	(116,616)	3.10
At 31 December 2016	7,430,215	308,272	3,893,704	3.93	6,311,715	3.12
Exercisable at end of year						
At 26 December 2015	—	—	—	—	—	—
At 31 December 2016	—	—	1,584,579	3.15	—	—

(1) Nil cost options

4.6 Share-based payment transactions (Continued)

The fair value per award granted and the assumptions used in the calculations for the significant grants in 2015 and 2016 are as follows:

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	2 Apri1 2015	—	4.47	4.47	n/a	n/a	3.0	n/a
	1 April 2016	—	4.65	4.65	n/a	n/a	3.0	n/a
DBP	25 March 2015	—	4.45	4.45	n/a	n/a	3.0	n/a
	24 March 2016	—	4.54	4.54	n/a	n/a	3.0	n/a
CSOP	1 April 2015	4.42	4.42	0.99	1.4%	24%	4.7	1.0%
	1 April 2016	4.60	4.65	0.91	1.4%	21%	4.6	0.7%
AESP	17 February 2015	3.43	4.04	0.71	1.5%	18%	2.2	0.7%
	17 March 2015	3.23	4.38	1.20	1.4%	20%	3.3	0.9%
	16 February 2016	3.53	4.15	0.77	1.6%	21%	2.2	0.4%
	16 March 2016	3.15	4.62	1.46	1.4%	21%	3.3	0.7%

The key assumptions used in calculating the share-based payments were as follows:

- The binomial valuation methodology is used for the PSP, CSOP and DIP The Black-Scholes model is used to value the AESP.
- The expected volatility is based on the historical volatility of the Company's shares.
- The risk free rate is equal to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.
- Expected forfeiture rates are based on recent experience of staff turnover levels.
- Behavioural expectations have been estimated in estimating the award life.
- The charge is spread over the vesting period on a straight-line basis.

SECTION 5 OTHER NOTES

53 weeks ended 31 December 2016 (52 weeks ended 26 December 2015)

5.1 Investments

Accounting policy

The Group holds investments in two forms. Investments in loan notes are accounted for as financial assets at historic cost with interest accrued on an effective interest rate basis. This calculation requires estimation of the expected period over which the investment will be held together with the value of the investment at the end of that period. Interest on loan notes is recognised within finance income (see note 2.3).

Minority equity investments are accounted for as 'available for sale' financial assets at fair value. They are not consolidated. As no observable market data is available for these minority equity holdings, fair value is determined by reference to discounted future cash flows, with movements recorded in other comprehensive income. No fair value movements have been recorded and there is no material sensitivity to the assumptions used.

	LEGOLAND Malaysia	LEGOLAND Korea	Big Bus Tours	Total
	£m	£m	£m	£m
Balance at 27 December 2015	8	3	—	11
Additions	—	—	32	32
Interest income receivable	—	—	1	1
Movements in fair value	—	—	—	—
Effects of movement in foreign exchange	1	—	4	5
Balance at 31 December 2016	9	3	37	49

LEGOLAND Malaysia

The Group has a minority equity investment in IDR Resorts Sdn. Bhd. (IDR). IDR and its subsidiaries are deemed to be related parties as together they own LEGOLAND Malaysia (see note 5.3).

LEGOLAND Korea

The Group has a minority equity investment in the consortium company developing LEGOLAND Korea.

Big Bus Tours Group Holdings Limited

In 2016 the Group invested $44 million (£32 million) in Big Bus Tours Group Holdings Limited, the leading global owner-operator of Hop On Hop Off City Tours. The investment was substantially all in the form of loan notes. The transaction also provided Merlin with a minority equity investment valued at £nil.

Investments in joint ventures

On 16 June 2016 the Group acquired the remaining 50% of the SEA LIFE Helsinki joint venture *(2015: carrying value* of *£nil).* The consideration was £1 million, settled in cash and the fair value of the net assets acquired was £1 million. SEA LIFE Helsinki was accounted for as a wholly owned subsidiary from 16 June 2016.

5.2 Employee benefits

Accounting policies

Defined contribution pension schemes

In the case of defined contribution schemes, the Group pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to them. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

5.2 Employee benefits (Continued)

Defined benefit pension schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net obligation is calculated for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and offset by the fair value of any scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised in the period they occur directly in equity through other comprehensive income.

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and the total expense relating to those schemes in the current year was £11 million *(2015: £l0 million).*

Defined benefit pension schemes

The principal scheme that the Group operates is a closed scheme for certain former UK employees of The Tussauds Group, which was acquired in 2007. The scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The pension schemes have not directly invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

The most recent full actuarial valuation of the scheme was carried out as at 1 January 2013. As a result, the Group agreed to pay deficit reduction contributions of £455,500 per annum until 2018, together with an additional one-off payment of £350,000 which was paid in 2014. The 2016 valuation is currently being finalised. We do not anticipate any material increase in ongoing contributions as a result.

The Group expects £1 million in ongoing contributions to be paid to its defined benefit schemes in 2017. The weighted average duration of the defined benefit obligation at 31 December 2016 was 21 years *(2015: 20 years).*

The assets and liabilities of the schemes are:

	2016 £m	2015 £m
Equities	22	19
Corporate bonds and cash	6	5
Property	4	4
Fair value of scheme assets	32	28
Present value of defined benefit obligations	(43)	(33)
Net pension liability	(11)	(5)

5.2 Employee benefits (Continued)

Movement in the net pension liability

	Present value of scheme assets	Present value of defined benefit obligations	Net pension liability
	£m	£m	£m
At 28 December 2014	28	(33)	(5)
Net interest	1	(1)	—
Contributions by employer	1	—	1
Benefits paid	(1)	1	—
Remeasurement loss	(1)	—	(1)
At 26 December 2015	28	(33)	(5)
Net interest	1	(1)	—
Contributions by employer	1	—	1
Benefits paid	(1)	1	—
Remeasurement gain/(loss)	3	(9)	(6)
Effect of movement in foreign exchange	—	(1)	(1)
At 31 December 2016	32	(43)	(11)

The amount recognised in the income statement was £nil *(2015: £nil).* The amount recognised in the statement of other comprehensive income was a loss of £6 million *(2015: loss of £1 million).* This primarily results from changes in actuarial estimates in respect of discount rates.

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) at the year end were:

	2016	2015
Discount rate	2.7%	3.9%
Future salary increases	3.7%	3.5%
Rate of price inflation	3.4%	3.2%

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S2PxA. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 87 and a female would have a life expectancy to age 89.

5.3 Related party transactions

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and IDR Resorts Sdn. Bhd. All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

During the year the Group entered into transactions with a major shareholder, KIRKBI Invest A/S, and the LEGO Group, a related party of KIRKBI Invest A/S.

5.3 Related party transactions (Continued)

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 31 December 2016 and 26 December 2015, were as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases and royalties	Amounts owed to related party
	£m	£m	£m	£m
2016				
KIRKBI InvestA/S	1	2	11	5
LEGO Group	1	1	51	3
	2	3	62	8
2015				
KIRKBI InvestA/S	—	—	9	2
LEGO Group	1	1	47	2
	1	1	56	4

Transactions with key management personnel

Key management of the Group, being the Executive and Non-executive Directors of the Board, the members of the Executive Committee and their immediate relatives control 1.2% *(2015: 1.7%)* of the voting shares of the Company.

The details of the remuneration, Long Term Incentive Plans, shareholdings, share options and pension entitlements of individual Directors are included in the Directors' Remuneration Report on pages — to —. The remuneration of key management is disclosed in note 2.1.

Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park (see note 5.1). On this basis, IDR and its subsidiaries are deemed to be related parties.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 31 December 2016 and 26 December 2015, are as follows:

	2016	2015
	£m	£m
Sales to related party	6	5
Amounts owed by related party	2	3

5.4 Contingent liabilities

The Group has no material contingent liabilities.

At 26 December 2015 the Group disclosed a contingent liability relating to the accident at Alton Towers Resort on 'The Smiler' ride. This was settled in 2016.

5.5 New standards and interpretations

The following standards and interpretations, issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee, have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRS 11 'Joint arrangements'—accounting for acquisitions of interests in joint operations.

5.5 New standards and interpretations (Continued)

- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets'—clarification of acceptable methods of depreciation and amortisation.
- IAS 27 'Separate financial statements'—equity method.
- IFRS 5 'Non-current assets held for sale and discontinued operations'—changes in method for disposal.
- IFRS 7 'Financial Instruments: Disclosures'—continuing involvement for servicing contracts.
- IAS 19 'Employee Benefits'—discount rate in a regional market sharing the same currency—e.g. the Eurozone.
- IAS 1 'Presentation of financial statements'—disclosure initiative.

EU endorsed IFRS and interpretations with effective dates after 31 December 2016 relevant to the Group will be implemented in the financial year when the standards become effective.

The IASB has issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2017. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

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

During 2014 the IASB issued IFRS 15 'Revenue from contracts with customers', which will become effective from the 2018 accounting period. Therefore the new standard will be relevant to the 2017 comparative period in that year's financial statements. The Group's revenue is generated by high volumes of low value cash transactions. These are predominantly in respect of visits to the Group's attractions, stays in the Group's accommodation, or spend on retail sales or food and beverage while at an attraction. They require very limited judgement on the timing or pattern of revenue recognition compared to other industry sectors. The Group considers that the implementation of this new standard will not have any significant impact on the consolidated financial statements.

In January 2016 the IASB issued IFRS 16 'Leases', which is expected to become effective from the 2019 accounting period and will result in significant changes to the presentation of the Group's consolidated financial statements. Under IAS 17 the Group has lease commitments of £1,737 million (see note 4.4). Under IFRS 16 the Group's lease commitments will be accounted for 'on balance sheet'. Typically IFRS 16 will result in an increase in reported EBITDA as rentals will predominantly be accounted for as finance costs rather than as an operating expense. A combination of the 'front loading' impact of those finance costs together with depreciation charged on the right of use asset also may result in an initial reduction in reported earnings albeit this would even out over the lease term.

We are currently performing impact assessments and financial modelling on the potential impact of the new standard. Substantially all of the Group's lease costs and ongoing commitments are in respect of leases for attractions and support functions so our initial focus has therefore been on significant sites within the portfolio. We will expand this review across the estate during 2017.

IFRS 9 'Financial instruments' is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard may require the Group to revise its accounting processes and internal controls related to reporting financial instruments. Based on its preliminary assessment, the Group's accounting for investments may be altered, but is not expected to be material.

5.6 Ultimate parent company information

The largest group in which the results of the Company are consolidated is that headed by Merlin Entertainments plc, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

5.7 Subsidiary and joint venture undertakings

The Group has the following investments in subsidiaries and joint ventures:

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2016	Ownership 2015
AAE Unit Trust	Australia(1)	—	100.0%	100.0%
AQDEV Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Aquia Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Holdings Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Enterprises Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Australian Alpine Reservation Centre Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Falls Creek Ski Lifts Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Gebi Falls Creek Pty Ltd	Australia(3)	Ordinary	57.0%	57.0%
Hotham Heights Developments Ltd	Australia(3)	Ordinary	65.0%	65.0%
Illawarra Tree Topps Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Melbourne Pty Ltd	Australia(2)	Ordinary	100.0%	100.0%
Limlimbu Ski Flats Ltd	Australia(4)	Ordinary	64.0%	64.0%
Living and Leisure Australia Limited	Australia(1)	Ordinary	100.0%	100.0%
Living and Leisure Australia Trust	Australia(1)	—	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia(1)	Ordinary	100.0%	100.0%
Living and Leisure Finance Trust	Australia(1)	—	100.0%	100.0%
LLA Aquariums Pty Limited	Australia(1)	Ordinary	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Melbourne Underwater World Trust	Australia(1)	—	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC DP Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC Hotels Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC Properties Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MHSC Transportation Services Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Mount Hotham Management and Reservation Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Mount Hotham Skiing Company Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
MUW Holdings Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Northbank Development Trust	Australia(1)	—	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia(5)	Ordinary	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Australia Unit Trust	Australia(1)	—	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Holdings Limited	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Korea Unit Trust	Australia(1)	—	100.0%	100.0%
Oceanis NB Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
Oceanis Northbank Trust	Australia(1)	—	100.0%	100.0%
Oceanis Unit Trust	Australia(1)	—	100.0%	100.0%
Parkthorn Properties Pty Ltd(e)	Australia	Ordinary	—	100.0%
Sydney Attractions Group Pty Ltd	Australia(2)	Ordinary	100.0%	100.0%

5.7 Subsidiary and joint venture undertakings (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2016	Ownership 2015
Sydney Tower Observatory Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
The Otway Fly Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
The Otway Fly Unit Trust	Australia(1)	—	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia(2)	Ordinary	100.0%	100.0%
Underwater World Sunshine Coast Pty Ltd	Australia(1)	Ordinary	100.0%	100.0%
US Fly Trust	Australia(1)	—	100.0%	100.0%
White Crystal (Mount Hotham) Pty Ltd	Australia(3)	Ordinary	82.6%	82.6%
Madame Tussauds Austria GmbH	Austria(6)	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria(6)	Ordinary	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium(7)	Ordinary	100.0%	100.0%
Christchurch Investment Company Limited	British Virgin Islands(8)	Ordinary	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada(9)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Beijing) Company Limited	China(10)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China(11)	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Wuhan) Company Limited	China(12)	Ordinary	100.0%	100.0%
Merlin Entertainments Hong Kong Limited	China(13)	Ordinary	100.0%	100.0%
Merlin Exhibition (Chongqing) Company Limited	China(14)	Ordinary	100.0%	100.0%
Merlin Indoor Children's Playground (Shanghai) Company Limited	China(15)	Ordinary	100.0%	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China(16)	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark(17)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark(17)	Ordinary	100.0%	100.0%
SEA LIFE Helsinki Oy(f)	Finland(18)	Ordinary	100.0%	50.0%
SEA LIFE France SARL	France(19)	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany(21)	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany(22)	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany(22)	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany(23)	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany(23)	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany(22)	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany(20)	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany(24)	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany(21)	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany(21)	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India(25)	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited	Ireland(26)	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 2 Limited	Ireland(26)	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland(27)	Ordinary	100.0%	100.0%

5.7 Subsidiary and joint venture undertakings (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2016	Ownership 2015
Gardaland S.r.l.	Italy(28)	Ordinary	99.9%	99.9%
Incoming Gardaland S.r.l.	Italy(29)	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy(28)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy(28)	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy(28)	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy(30)	Ordinary	49.4%(a)	49.4%(a)
Ronchi S.p.A.	Italy(28)	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan(31)	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan(32)	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.(b)	Luxembourg(33)	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à r.l.	Luxembourg(33)	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à r.l.	Luxembourg(33)	Ordinary	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia(34)	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia(52)	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia(34)	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands(35)	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands(36)	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands(37)	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands(38)	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand(39)	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand(39)	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal(40)	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore(41)	Ordinary	100.0%	100.0%
Busan Aquaria Twenty One Co. Ltd	South Korea(42)	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea(43)	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Company Limited	South Korea(42)	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain(44)	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand(45)	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand(46)	Ordinary	100.0%	100.0%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey(47)	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE(48)	—	48.0%(c)	—
Merlin Holdings Limited	UAE(53)	Ordinary	1.0%(c)	—
Alton Towers Limited	UK(49)	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited *(company limited by guarantee)*	UK(49)	—	100.0%	100.0%
Charcoal CLG 2 Limited *(company limited by guarantee)*	UK(49)	—	100.0%	100.0%
Charcoal Holdco Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK(49)	Ordinary	100.0%	100.0%
Charcoal Newco la Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK(49)	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK(49)	Ordinary	100.0%	100.0%

5.7 Subsidiary and joint venture undertakings (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2016	Ownership 2015
Chessington Zoo Limited	UK[49]	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK[49]	Ordinary	100.0%	100.0%
Iconic Images International Limited	UK[49]	Ordinary	100.0%	100.0%
KZ China Holdco Limited[d]	UK[49]	Ordinary	—	100.0%
KZ Mexico Holdco Limited[d]	UK[49]	Ordinary	—	100.0%
LEGOLAND US Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK[49]	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK[49]	Ordinary	100.0%	100.0%
London Dungeon Limited	UK[49]	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK[49]	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK[49]	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK[49]	Ordinary	100.0%	100.0%
M.E.G.H. Limited[d]	UK[49]	Ordinary	—	100.0%
Merlin Attractions Management Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Attractions Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainment Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (NBD) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Crown (UK) Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Finance Limited[d]	UK[49]	Ordinary	—	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group International Limited[d]	UK[49]	Ordinary	—	100.0%
Merlin Entertainments Group Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin UK Finco 1 Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin UK Finco 2 Limited	UK[49]	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK[49]	Ordinary	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited	UK[49]	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited *(formerly Tussauds Hotels Limited)*	UK[49]	Ordinary	100.0%	100.0%
SEA LIFE Trustees Limited	UK[49]	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK[49]	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK[49]	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK[49]	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK[49]	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK[49]	Ordinary	100.0%	100.0%
Tussauds Holdings Limited[d]	UK[49]	Ordinary	—	100.0%
Tussauds Limited	UK[49]	Ordinary	100.0%	100.0%

5.7 Subsidiary and joint venture undertakings (Continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2016	Ownership 2015
Tussauds Theme Parks Limited[(d)]	UK[(49)]	Ordinary	—	100.0%
Warwick Castle Limited	UK[(49)]	Ordinary	100.0%	100.0%
Wizard AcquisitionCo Limited[(d)]	UK[(49)]	Ordinary	—	100.0%
Wizard BondCo Limited[(d)]	UK[(49)]	Ordinary	—	100.0%
Wizard EquityCo Limited[(d)]	UK[(49)]	Ordinary	—	100.0%
Wizard NewCo Limited[(d)]	UK[(49)]	Ordinary	—	100.0%
Lake George Fly LLC	USA[(50)]	—	100.0%	100.0%
LEGOLAND California LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Center Arizona LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Center Michigan LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Center Philadelphia LLC	USA[(51)]	—	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussauds Nashville LLC	USA[(51)]	—	100.0%	—
Madame Tussaud's NewYork LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussauds Orlando LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA[(51)]	—	100.0%	100.0%
Madame Tussauds Washington LLC	USA[(51)]	—	100.0%	100.0%
Merlin Entertainments Crown (US) Inc	USA[(51)]	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA[(51)]	—	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA[(51)]	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA[(51)]	—	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA[(51)]	—	100.0%	100.0%
Merlin Entertainments North America LLC	USA[(51)]	—	100.0%	100.0%
Merlin Entertainments Short Breaks LLC	USA[(51)]	—	100.0%	—
Merlin Entertainments US NewCo LLC	USA[(51)]	—	100.0%	100.0%
San Francisco Dungeon LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE Charlotte LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE Meadowlands LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE Michigan LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE Minnesota LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE Orlando LLC	USA[(51)]	—	100.0%	100.0%
SEA LIFE US LLC	USA[(51)]	—	100.0%	100.0%
The Tussauds Group LLC	USA[(51)]	—	100.0%	100.0%
Joint venture				
Pirate Adventure Golf Limited	UK[(49)]	Ordinary	50.0%	50.0%

(a) Merlin Entertainments plc has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.

(b) Merlin Entertainments Group Luxembourg 3 S.à r.l. is held by the Company. All other subsidiaries are held by intermediate subsidiaries.

(c) Merlin Entertainments plc has 100% of the beneficial ownership of these entities.

(d) Company dissolved in 2016.

(e) Company disposed of in 2016.

5.7 Subsidiary and joint venture undertakings (Continued)

(f) The Group acquired the remaining 50% of the SEA LIFE Helsinki joint venture in 2016.

Registered offices

(1) Level 11, 50 Queen Street, Melbourne,VIC, 3000, Australia

(2) Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia

(3) 3 Ireland Street Bright,VIC, 3741, Australia

(4) Falls Creek Road, 3699 Falls Creek, Victoria, Australia

(5) Doncaster Road 861, 3109 Melbourne—Doncaster East, Victoria, Australia

(6) Riesenradplatz 5-6, 1020 Wien, Vienna, Austria

(7) Koning Albert 1 Laan 116, 8370, Blankenberge, Belgium

(8) P.O. Box 3340, Road Town, Tortola, British Virgin Islands

(9) Suite 5300 Commerce Court West, 199 Bay Street, Toronto, ON, M5L 1B9, Canada

(10) No. 4, 6, 8, 10, 12, 14, 16, 18 Qianmen Avenue, Dongcheng District, Beijing, China

(11) 10/F New World Building, No 2-68 Nanjing Xi Road, Shanghai 200003, China

(12) 21, Han Street, Wuchang District, (Shops 40/41/42) Building 5, Lot J2, Wuhan, China

(13) Shop P101, The Peak Tower, The Peak, Hong Kong

(14) 4-11, Fu 9, No. 133, Nanpin Road, Nan'an District, Chongqing, China

(15) L2-25, 2F, 3F Parkside Plaza, Putuo District, Shanghai, China

(16) 189, Dadhue Road, Pu Tuo District, Shanghai, 200062, China

(17) Aastvej 10, 7190 Billund, Denmark

(18) Tivolitie 10, Helsinki 00510, Finland

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(30) Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy

(31) 2-2-1, Kinjoufutou Minato-ku, Nagoya-shi, Japan

(32) Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan

(33) Polaris-Vertigo Building, 2-4 rue Eugene Rupprt, L-2453, Luxembourg

(34) Suite 2-4, Level 2, Tower Block, Menera Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia

(35) Fred. Roeskestraat 123, 1076 EE Amsterdam, Netherlands

(36) Dam 20 GEBOUW P&C, 1012 NP Amsterdam, Netherlands

(37) Croeselaan 18, Utrecht, Netherlands

(38) Rokin 78, 1012 KW Amsterdam, Netherlands

5.7 Subsidiary and joint venture undertakings (Continued)

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(40) Avenida Da Boavista 3265, 7th Floor, 4100 - 137 Porto, Portugal

(41) 10, Changi Business Park Central 2, #05-01, HansaPoint@CBP 486030, Singapore

(42) 1411-4, Jung 1-dong, Haenudee-Gu, Busan, Republic of Korea

(43) Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea

(44) Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain

(45) 989 Siam Discovery Center 6th, 6Ath, 7th and 8th Floors, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok 10330, Thailand

(46) B1-B2 Floor Siam Paragon, 991 Rama 1 Road, Khweng Patumwan, Bangkok 10330, Thailand

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(48) Office 1601, 48 Burj Gate, Burj Khalifa, Dubai, United Arab Emirates

(49) 3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom

(50) 80 State Street, Albany, New York 12207-2543, United States

(51) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States

(52) No. 7, Jalan LEGOLAND, Bandar Medini Iskandar Malaysia, 79250 Iskandar Puteri, Johor, Malaysia

(53) Emaar Square, Building 3, Level 5, P.O. Box 37172, Dubai, United Arab Emirates

MERLIN ENTERTAINMENTS PLC COMPANY FINANCIAL STATEMENTS

Company Statement of Financial Position at 31 December 2016 (2015: 26 December 2015)

	Note	2016	2015
		£m	£m
Non-current assets			
Investments	iii	3,126	3,115
Other receivables	iv	1,214	1,062
		4,340	4,177
Current assets			
Other receivables	iv	4	31
		4	31
Total assets		4,344	4,208
Current liabilities			
Interest-bearing loans and borrowings	vi	5	4
Other payables	v	2	91
		7	95
Non-current liabilities			
Interest-bearing loans and borrowings	vi	1,147	1,003
Total liabilities		1,154	1,098
Net assets		**3,190**	**3,110**
Issued capital and reserves attributable to owners of the Company	vii	3,190	3,110
Total equity		**3,190**	**3,110**

The notes on pages F-261 to F-265 form part of these financial statements.

The parent Company financial statements were approved by the Board of Directors on 1 March 2017 and were signed on its behalf by:

Nick Varney
Chief Executive Officer

Anne-Francoise Nesmes
Chief Financial Officer

Company Statement of Changes in Equity at 31 December 2016 (2015: 26 December 2015)

	Note	Share capital	Share premium	Retained earnings	Total equity
		£m	£m	£m	£m
At 28 December 2014		10	—	3,157	3,167
Profit for the year		—	—	3	3
Total comprehensive income for the year		—	—	3	3
Equity dividends		—	—	(64)	(64)
Share incentive schemes:					
Movement in reserves for employee share schemes	iii	—	—	4	4
At 26 December 2015		**10**	**—**	**3,100**	**3,110**
Profit for the year		—	—	134	134
Total comprehensive income for the year		—	—	134	134
Shares issued		—	2	—	2
Equity dividends		—	—	(67)	(67)
Share incentive schemes:					
Movement in reserves for employee share schemes	iii	—	—	11	11
At 31 December 2016	vii	**10**	**2**	**3,178**	**3,190**

i Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated financial statements of Merlin Entertainments plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3 Market Close, Poole, Dorset, BHI5 I NQ. Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Merlin Entertainments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based payment' in respect of group settled share-based payments;
- Certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared for the 53 weeks ended 31 December 2016 *(2015: 52 weeks ended 26 December 2015)*.

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a profit and loss account of the Company.

A summary of the Company's significant accounting policies is set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less provision for impairment. The carrying amount of the Company's investments in subsidiaries is reviewed annually to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated. If the carrying value of the investment exceeds the recoverable amount, the investment is considered to be impaired and is written down to the recoverable amount. The impairment loss is recognised in the income statement.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

i Accounting policies (Continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Share-based payments

The fair value of equity-settled share-based payments is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and charged as the employees become unconditionally entitled to the rights.

The Group's equity-settled share plans are settled either by the issue of shares by Merlin Entertainments plc or by the purchase of shares in the market. The fair value of the share plans is recognised as an expense over the expected vesting period net of deferred tax with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

The Group operates cash-settled versions of the employee incentive schemes for employees in certain territories. The issues and resulting charges of these schemes are not material to the financial statements.

Loans to group undertakings

Loans to group undertakings are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Classification of financial instruments issued by the Group

Financial instruments often consist of a combination of debt and equity and the Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity

i Accounting policies (Continued)

instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability, and where such an instrument takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Interest-bearing loans and borrowings

These are initially recognised at the principal value of the loan concerned, less any related fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate).

If the Group subsequently determines that the expected life has changed, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

ii Employees

The average number of employees of the Company during the year was nine *(2015: seven)*. All employees were Directors of the Company.

The employment costs of the Directors of the Company have been borne by Merlin Entertainments Group Limited for their services to the Group as a whole. The costs related to these Directors are included within the Directors' Remuneration Report on pages — to —. One Director accrued benefits under defined contribution schemes during the year *(2015: one)*.

iii Investment in subsidiary undertaking

	Shares in subsidiary undertaking
	£m
Cost and carrying value	
At 28 December 2014	3,111
Capital contributions to subsidiaries	4
At 26 December 2015	3,115
Capital contributions to subsidiaries	11
At 31 December 2016	3,126

Where subsidiary undertakings incur charges for share-based payments in respect of share options and awards granted by the Company, a capital contribution in the same amount is recognised as an investment in subsidiary undertakings with a corresponding credit to shareholders' equity.

iii Investment in subsidiary undertaking (Continued)

The subsidiary undertaking at the year end is as follows:

Company	Activity	Country of incorporation	Shareholding	Description of shares held
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Holding company	Luxembourg	100.0%	Ordinary

A full list of Group companies is included in note 5.7 of the consolidated financial statements on page F-252.

iv Other receivables

	Current assets		Non-current assets	
	2016	2015	2016	2015
	£m	£m	£m	£m
Amounts owed by group undertakings	4	31	1,214	1,062

Amounts owed by group undertakings comprise funds loaned by the Company to fellow group undertakings. The non-current loans have maturities of 2020 and 2022 and carry interest rates that are based on the costs of servicing the external bank facilities and loan notes.

v Other payables

	2016	2015
	£m	£m
Amounts owed to group undertakings	1	90
Accruals	1	1
	2	91

vi Borrowings

	2016	2015
	£m	£m
Non-current		
Floating rate bank facilities due 2020	723	640
£300 million floating rate revolving credit facility due 2020	—	—
€500 million fixed rate notes due 2022	424	363
	1,147	1,003
Current		
Interest payable	5	4
	1,152	1,007

The facilities are:

- Bank facilities comprising £250 million, $540 million and €50 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR, the USD benchmark rate and EURIBOR, which were 0.37%, 0.99% and (0.32)% respectively at 31 December 2016. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and at 31 December 2016 was 2.0%.
- A £300 million multi-currency revolving credit facility. The margin on this facility is also dependent on the Group's adjusted leverage ratio and at 31 December 2016 was at a margin of 1.75% over the same floating interest rates when drawn.

vi Borrowings (Continued)

- A bond in the form of €500 million seven year notes with a coupon rate of 2.75% to mature in March 2022.

The fees related to the facilities are being amortised to the maturity of the debt as the debt is currently expected to be held for its full term. The borrowings under the bank facilities (including the revolving credit facility) and the €500 million bonds are unsecured but guaranteed by the Company and certain of its subsidiaries.

The Company is required to comply with certain financial and non-financial covenants in the bank facilities, including a requirement to maintain certain ratios of EBITDA to both net finance costs and net debt. It is also required to comply with certain non-financial covenants in the €500 million notes. All covenant requirements were satisfied throughout the year.

vii Equity

Share capital

	2016 Number	2016 £m	2015 Number	2015 £m
Ordinary shares of *£0.01 each*				
At beginning of the year	1,013,746,032	10	1,013,746,032	10
Shares issued	2,063,234	—	—	—
At end of the year	1,015,809,266	10	1,013,746,032	10

Issue of new shares

During the year the Company issued 2,063,234 ordinary shares for consideration of £2 million (taken to the share premium account) in connection with the Group's employee share incentive plans (note 4.6).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Retained earnings

The profit after tax for the year in the accounts of Merlin Entertainments plc is £134 million *(2015: profit after tax of £3 million)*.

All of the Company's retained earnings are distributable (with the exception of those movements in reserves for employee share schemes).

Dividends

	2016 £m	2015 £m
Final dividend for the 52 weeks ended 27 December 2014 of 4.2 pence per share	—	43
Interim dividend for the 52 weeks ended 26 December 2015 of 2.1 pence per share	—	21
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	45	—
Interim dividend for the 53 weeks ended 31 December 2016 of 2.2 pence per share	22	—
Total dividends paid	67	64

The Directors of the Company propose a final dividend of 4.9 pence per share for the year ended 31 December 2016 *(2015: 4.4 pence per share)*. The total dividend for the current year, subject to approval of the final dividend, will be 7.1 pence per share *(2015: 6.5 pence per share)*.

In making this proposal the Directors have considered the resources available to the Company and its subsidiaries. Specifically they have taken account of the Company's significant distributable profits, as noted above, as well as the position and liquidity of the Group disclosed in the consolidated statement of financial position as explained in the Group going concern disclosures on page F-214.

FINANCIAL RECORD

	2016	2015	2014	2013	2012
	£m	£m	£m	£m	£m
Results					
Revenue	1,457	1,278	1,249	1,192	1,074
Underlying EBITDA	451	402	411	390	346
Underlying operating profit	320	291	311	290	258
Operating profit	320	291	311	260	199
Profit before tax	277	237	226	172	98
Adjusted earnings per share (p)	20.8	17.8	17.7	16.9	n/a
Dividend per share (p)	7.1	6.5	6.2	n/a	n/a
Consolidated statement of financial position					
Property, plant and equipment	1,841	1,495	1,410	1,321	1,290
Intangible assets	1,017	923	942	961	970
Cash and cash equivalents	215	152	285	264	142
Non-current interest-bearing loans and borrowings	1,147	1,003	1,131	1,179	1,333
Total equity	1,428	1,149	1,063	944	617
Consolidated statement of cash flows					
Net cash flow from operating activities	433	325	357	365	348
Changes in working capital	23	(19)	(4)	30	24
Net increase/(decrease) in cash and cash equivalents	40	(137)	16	125	81

OTHER FINANCIAL INFORMATION

Foreign exchange rate sensitivity

The Group's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non Sterling earnings. The tables below show the impact on 2015 revenues and EBITDA of re-translating them at 2016 foreign exchange (FX) rates.

Currency	2015 average FX rates	2016 average FX rates	%age movement in FX rates	Revenue impact
				£m
USD	1.54	1.37	11.3%	42
EUR	1.39	1.23	11.5%	30
AUD	2.04	1.83	10.4%	9
Other				20
Increase in 2015 revenues at 2016 FX rates				**101**

Currency	2015 average FX rates	2016 average FX rates	%age movement in FX rates	EBITDA impact
				£m
USD	1.54	1.37	11.3%	17
EUR	1.40	1.21	13.4%	12
AUD	2.06	1.81	12.1%	3
Other				7
Increase in 2015 EBITDA at 2016 FX rates				**39**

Return on capital employed (ROCE)

The return is based on underlying operating profit after tax. Tax is calculated for the purposes of ROCE by applying the Group's underlying ETR for the year *(2016: 23.8%, 2015: 27.9%)* to the Group's underlying operating profit.

The capital employed element of the calculation is based on average net operating assets for the relevant period between the opening and closing statements of financial position. Net operating assets include all net assets other than deferred tax, derivative financial assets and liabilities, and net debt.

On a 52 week basis no change in net assets is assumed, except for the 53rd week return, which has adjusted net debt.

	2016 (53 weeks)	2016 (52 weeks)	2015
	£m	£m	£m
Underlying operating profit	320	302	291
Taxation	(76)	(72)	(81)
Return	**244**	**230**	**210**
Net assets	1,428	1,414	1,149
Less:			
Deferred tax assets	(38)	(38)	(35)
Deferred tax liabilities	179	179	155
Net debt (note 4.1)	1,025	1,039	937
Derivative financial assets	(3)	(3)	(2)
Derivative financial liabilities	5	5	1
Net operating assets at the period end	2,596	2,596	2,205
Capital employed	**2,401**	**2,401**	**2,160**
ROCE	**10.2%**	**9.6%**	**9.7%**

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