

## Consolidated Balance Sheets

December 31,	2004	2003
<i>(In thousands)</i>		
<b>Assets</b>		
Current Assets:		
Cash	<b>\$ 3,353</b>	\$ 2,194
Receivables	<b>4,766</b>	6,560
Inventories	<b>17,632</b>	14,905
Prepays and other current assets	<b>7,209</b>	6,118
Total current assets	<b>32,960</b>	29,777
Property and Equipment:		
Land	<b>174,143</b>	150,144
Land improvements	<b>153,498</b>	131,765
Buildings	<b>298,037</b>	257,102
Rides and equipment	<b>671,830</b>	553,927
Construction in progress	<b>20,470</b>	10,832
	<b>1,317,978</b>	1,103,770
Less accumulated depreciation	<b>( 371,007 )</b>	( 326,731 )
	<b>946,971</b>	777,039
Intangibles and other assets, net	<b>13,277</b>	12,525
	<b>\$ 993,208</b>	\$ 819,341
<b>Liabilities and Partners' Equity</b>		
Current Liabilities:		
Current maturities of long-term debt	<b>\$ 20,000</b>	\$ 20,000
Accounts payable	<b>21,708</b>	20,757
Distribution payable to partners	<b>24,066</b>	22,319
Accrued interest	<b>6,857</b>	5,621
Accrued taxes	<b>17,832</b>	15,087
Accrued salaries, wages and benefits	<b>13,751</b>	11,406
Self-insurance reserves	<b>14,258</b>	10,901
Other accrued liabilities	<b>3,045</b>	5,603
Total current liabilities	<b>121,517</b>	111,694
Accrued Taxes	<b>52,438</b>	42,448
Other Liabilities	<b>6,686</b>	7,661
Long-Term Debt:		
Revolving credit loans	<b>75,400</b>	37,750
Term debt	<b>366,684</b>	310,897
	<b>442,084</b>	348,647
Partners' Equity:		
Special L.P. interests	<b>5,290</b>	5,290
General partner	<b>—</b>	65
Limited partners, 53,480 and 50,673 units outstanding in 2004 and 2003, respectively	<b>365,193</b>	303,536
Total partners' equity	<b>370,483</b>	308,891
	<b>\$ 993,208</b>	\$ 819,341

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

## Consolidated Statements of Operations

<i>For the years ended December 31,</i>	<b>2004</b>	2003	2002
<i>(In thousands, except per unit amounts)</i>			
<b>Net Revenues:</b>			
Admissions	<b>\$ 276,761</b>	\$ 259,448	\$ 252,143
Food, merchandise and games	<b>211,260</b>	200,677	201,044
Accommodations and other	<b>53,951</b>	49,851	49,664
	<b>541,972</b>	509,976	502,851
<b>Costs and Expenses:</b>			
Cost of food, merchandise and games revenue	<b>56,721</b>	52,779	52,989
Operating expenses	<b>242,062</b>	216,832	216,528
Selling, general and administrative	<b>70,171</b>	64,658	63,231
Non-cash unit option expense (substantially all selling, general and administrative)	<b>4,498</b>	5,865	4,029
Depreciation and amortization	<b>50,690</b>	44,693	41,682
Provision for loss on retirement of assets	<b>—</b>	—	3,200
	<b>424,142</b>	384,827	381,659
Operating Income	<b>117,830</b>	125,149	121,192
Interest Expense	<b>25,263</b>	24,070	24,967
Other (Income) Expense	<b>( 4,463 )</b>	( 2,727 )	7,649
Income Before Taxes	<b>97,030</b>	103,806	88,576
Provision for Taxes	<b>18,715</b>	17,918	17,159
Net Income	<b>\$ 78,315</b>	\$ 85,888	\$ 71,417
Net Income Allocated to General Partner	<b>( 32 )</b>	86	71
Net Income Allocated to Limited Partners	<b>\$ 78,347</b>	\$ 85,802	\$ 71,346
<b>Earnings Per Limited Partner Unit:</b>			
Weighted average limited partner units outstanding - basic	<b>51,968</b>	50,615	50,523
Net income per limited partner unit - basic	<b>\$ 1.51</b>	\$ 1.70	\$ 1.41
Weighted average limited partner units and equivalents outstanding - diluted	<b>53,315</b>	51,334	51,263
Net income per limited partner unit - diluted	<b>\$ 1.47</b>	\$ 1.67	\$ 1.39

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## Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2004</b>	2003	2002
<i>(In thousands)</i>			
<b>Cash Flows From (For) Operating Activities</b>			
Net income	<b>\$ 78,315</b>	\$ 85,888	\$ 71,417
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	<b>50,690</b>	44,693	41,682
Non-cash unit option expense	<b>4,498</b>	5,865	4,029
Provision for loss on retirement of assets	<b>—</b>	—	3,200
Other non-cash (income) expense	<b>( 4,463 )</b>	( 2,727 )	7,649
Issuance of limited partner units as compensation	<b>31</b>	—	—
Change in assets and liabilities, net of effects from acquisition			
(Increase) decrease in inventories	<b>( 1,679 )</b>	( 1,010 )	221
(Increase) decrease in current and other assets	<b>153</b>	( 57 )	( 1,960 )
Increase (decrease) in accounts payable	<b>13</b>	( 7,288 )	6,839
Increase in accrued taxes	<b>12,735</b>	8,027	10,465
Increase (decrease) in self-insurance reserves	<b>3,357</b>	( 349 )	( 250 )
Increase in other current liabilities	<b>1,023</b>	3,732	1,004
Increase (decrease) in other liabilities	<b>3,488</b>	( 1,856 )	2,172
Net cash from operating activities	<b>148,161</b>	134,918	146,468
<b>Cash Flows From (For) Investing Activities</b>			
Acquisition of Geauga Lake assets	<b>( 144,269 )</b>	—	—
Capital expenditures	<b>( 75,878 )</b>	( 39,789 )	( 55,279 )
Net cash (for) investing activities	<b>( 220,147 )</b>	( 39,789 )	( 55,279 )
<b>Cash Flows From (For) Financing Activities</b>			
Acquisition of Geauga Lake assets:			
Net proceeds from public offering of limited partnership units	<b>73,268</b>	—	—
Term debt borrowings	<b>75,000</b>	—	—
Net borrowings (payments) on revolving credit loans	<b>37,650</b>	( 97,400 )	( 97,850 )
Term debt borrowings	<b>—</b>	100,000	100,000
Term debt repayments	<b>( 20,000 )</b>	( 10,000 )	( 10,000 )
Distributions paid to partners	<b>( 92,151 )</b>	( 88,141 )	( 83,448 )
Exercise of limited partnership unit options	<b>86</b>	435	—
Cash paid in repurchase of 0.1% general partner interest	<b>( 708 )</b>	—	—
Net cash from (for) financing activities	<b>73,145</b>	( 95,106 )	( 91,298 )
<b>Cash</b>			
Net increase (decrease) for the period	<b>1,159</b>	23	( 109 )
Balance, beginning of period	<b>2,194</b>	2,171	2,280
Balance, end of period	<b>\$ 3,353</b>	\$ 2,194	\$ 2,171
<b>Supplemental Information</b>			
Cash payments for interest expense	<b>\$ 24,027</b>	\$ 24,402	\$ 23,412
Interest capitalized	<b>1,214</b>	633	807
Cash payments for income taxes	<b>8,832</b>	7,189	7,546

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

## Consolidated Statements of Partners' Equity

<i>For the years ended December 31,</i>	Limited Partner Units Outstanding	Limited Partners' Equity	General Partner's Equity	Special L.P. Interests	Accumulated Other Comprehensive Loss	Total Partners' Equity
<i>(In thousands, except per unit amounts)</i>						
Balance at December 31, 2001	50,513	\$ 309,058	\$ 85	\$ 5,290	\$ ( 6,183 )	\$ 308,250
Net income	—	71,346	71	—	—	71,417
Partnership distributions declared (\$1.66 per limited partner unit)	—	( 83,883 )	( 86 )	—	—	( 83,969 )
Expense recognized for limited partnership unit options	—	4,029	—	—	—	4,029
Limited partnership unit options exercised	36	—	—	—	—	—
Change in unrealized loss on interest rate swap agreements	—	—	—	—	5,593	5,593
Balance at December 31, 2002	50,549	300,550	70	5,290	( 590 )	305,320
Net income	—	85,802	86	—	—	85,888
Partnership distributions declared (\$1.76 per limited partner unit)	—	( 89,116 )	( 91 )	—	—	( 89,207 )
Expense recognized for limited partnership unit options	—	5,865	—	—	—	5,865
Limited partnership unit options exercised	124	435	—	—	—	435
Change in unrealized loss on interest rate swap agreements	—	—	—	—	590	590
Balance at December 31, 2003	50,673	303,536	65	5,290	—	308,891
Net income	—	78,347	( 32 )	—	—	78,315
Partnership distributions declared (\$1.80 per limited partner unit)	—	( 93,874 )	( 24 )	—	—	( 93,898 )
Expense recognized for limited partnership unit options	—	4,498	—	—	—	4,498
Limited partnership unit options exercised	150	86	—	—	—	86
Issuance of limited partner units as compensation	1	31	—	—	—	31
Repurchase of 0.1% general partner interest	—	( 3,441 )	( 9 )	—	—	(3,450)
Issuance of limited partner units to repurchase 0.1% general partner interest	89	2,742	—	—	—	2,742
Net proceeds from sale of limited partnership units	2,567	73,268	—	—	—	73,268
Balance at December 31, 2004	53,480	\$ 365,193	\$ —	\$ 5,290	\$ —	\$ 370,483

### Summary of Comprehensive Income

	2004	2003	2002
Net income	<b>\$ 78,315</b>	\$ 85,888	\$ 71,417
Other comprehensive income on interest rate swap agreements	—	590	5,593
Total Comprehensive Income	<b>\$ 78,315</b>	\$ 86,478	\$ 77,010

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## Notes To Consolidated Financial Statements

### (1) Partnership Organization:

Cedar Fair, L.P. (the "Partnership") is a Delaware limited partnership that commenced operations in 1983 when it acquired Cedar Point, Inc., and became a publicly traded partnership in 1987. The Partnership's General Partner is Cedar Fair Management, Inc., an Ohio corporation whose shares are held by an Ohio trust (the "General Partner"). The General Partner owns a 0.001% interest in the Partnership's income, losses and cash distributions, except in defined circumstances, and has full control over all activities of

the Partnership. At December 31, 2004, there were 53,480,243 outstanding limited partnership units registered on The New York Stock Exchange, net of 876,940 units held in treasury.

At a special meeting of limited partners held on June 8, 2004, unitholders approved a plan to allow unitholders to elect the board of directors of the General Partner. Under the approved plan, the Partnership's former general partner, Cedar Fair Management Company, was removed and replaced, and the unitholders elected the members of a staggered board of directors of a new general partner, Cedar Fair Management, Inc. In addition, the partnership agreement was amended to reduce the General Partner's interest in the Partnership from 0.1% to 0.001%, and the new General Partner was granted the authority to implement a

unitholders' rights plan, which would allow the board of directors to resist a change or potential change in control of the Partnership if they deem that it is not in the best interest of all unitholders. The equity interest of the former general partner was redeemed by the Partnership for \$0.7 million in cash and 89,172 Cedar Fair, L.P. units valued at \$2.7 million.

The General Partner may, with the approval of a specified percentage of the limited partners, make additional capital contributions to the Partnership, but is only obligated to do so if the liabilities of the Partnership cannot otherwise be paid or there exists a negative balance in its capital account at the time of its withdrawal from the Partnership. The

General Partner, in accordance with the terms of the Partnership Agreement, is required to make regular cash distributions on a quarterly basis of all the Partnership's available cash, as defined.

### (2) Summary of Significant Accounting Policies:

The following policies are used by the Partnership in its preparation of the accompanying consolidated financial statements.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Partnership and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances are eliminated in consolidation.

#### *Segment Reporting*

Although the Partnership manages its parks with a high degree of autonomy, each park offers similar products and services to similar customers. Therefore, the Partnership operates within the single reportable segment of amusement/water parks with accompanying resort facilities.

#### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each period. Actual results could differ from those estimates.

#### *Inventories*

The Partnership's inventories primarily consist of purchased products, such as merchandise and food, for sale to its customers. All inventories are valued at the lower of first-in, first-out (FIFO) cost or market.

#### *Property and Equipment*

Property and equipment are recorded at cost. Expenditures made to maintain such assets in their original operating condition are expensed as incurred, and improvements and upgrades are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The composite method is used for the group of assets acquired as a whole in 1983, as well as for the groups of like assets of each subsequent business acquisition. The unit method is used for all individual assets purchased. Depreciation expense totaled \$50.1 million in 2004, \$44.3 million in 2003, and \$41.2 million in 2002.



Wildwater Kingdom  
- Dorney Park

KidWorks  
- Geauga Lake



Under the composite depreciation method, assets with similar estimated lives are grouped together and the several pools of assets are depreciated on an aggregate basis. No gain or loss is recognized on normal retirements of composite assets. Instead, the acquisition cost of a retired asset reduces accumulated depreciation for the composite group. Abnormal retirements of composite assets could result in the recognition of a gain or loss. Management periodically reviews the composite groups to ensure that retirements have not extended the asset lives beyond their estimated remaining economic life.

Under the unit method of depreciation, individual assets are depreciated over their estimated useful lives, with gains and losses on all asset retirements recognized currently in income.

The weighted average useful lives combining both methods are approximately:

Land improvements	23 years
Buildings	29 years
Rides	19 years
Equipment	10 years

#### *Impairment of Long-Lived Assets*

Effective January 1, 2002, the Partnership adopted Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires that long-lived assets be reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. During the first quarter of 2002, the Partnership removed certain fixed assets from service at its parks, and recorded a provision of \$3.2 million for the estimated portion of the net book value of these assets that may not be recoverable.

#### *Goodwill*

Goodwill as of December 31, 2004 and 2003 totaled approximately \$9.1 million. Effective January 1, 2002, the Partnership adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill no longer be amortized, but instead be tested regularly for impairment. An impairment charge would be recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. The fair value of a reporting unit and the related implied fair value of its respective goodwill are established through

independent fair-market appraisals. This statement did not have a material impact on the consolidated operating results or financial position of the Partnership, as no impairment has been identified.

#### *Self-Insurance Reserves*

Reserves are recorded for the estimated amounts of guest and employee claims and expenses incurred each period that are not covered by insurance. These estimates are established based upon historical claims data and third-party estimates of settlement costs for incurred claims. These reserves are periodically reviewed for changes in these factors and adjustments are made as needed.

#### *Derivative Financial Instruments*

The Partnership accounts for the use of derivative financial instruments according to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and related amendments. For derivative instruments that hedge the exposure of variability in short-term rates, designated as cash flow hedges, the effective portion of the change in fair value of the derivative instrument is reported as a component of "Other comprehensive income (loss)" and reclassified into earnings in the period during which the hedged transaction affects earnings. For derivative instruments that hedge the exposure to changes in the fair value of certain fixed-rate debt, designated as fair value hedges, the effective portion of the change in fair value of the derivative instrument is reported in "Other assets" or "Other liabilities" with a corresponding adjustment to the liability being hedged. For the ineffective portion of a derivative, the change in fair value, if any, is recognized currently in earnings together with the changes in fair value of derivatives not designated as hedges. Derivative financial instruments used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in either the fair value or cash flows of the related underlying exposures.

#### *Revenue Recognition*

Revenues on multi-day admission tickets are recognized over the estimated number of visits expected for each type of ticket and are adjusted at the end of each seasonal period. All other revenues are recognized on a daily basis based on actual guest spending at our facilities, or over the park operating season in the case of certain marina dockage revenues.



Lookout Lagoon  
- Castaway Bay

### Advertising Costs

The Partnership expenses all costs associated with its advertising, promotion and marketing programs over each park's operating season, including certain costs incurred prior to the season that are amortized over the season. Advertising expense totaled \$34.5 million in 2004, \$30.8 million in 2003 and \$29.9 million in 2002. Amounts incurred through yearend for the following year's advertising programs are included in prepaid expenses.

### Income Taxes

Because of its legal structure, the Partnership is not subject to corporate income taxes; rather the Partnership's tax attributes (except those of its corporate subsidiaries) are to be included in the individual tax returns of its partners. Neither the Partnership's financial reporting income, nor the cash distributions to unitholders, can be used as a substitute for the detailed tax calculations that the Partnership must perform annually for its partners. Net income from the Partnership is not treated as "passive income" for federal income tax purposes. As a result, partners subject to the passive activity loss rules are not permitted to offset income from the Partnership with passive losses from other sources.

Award winning live  
entertainment  
- Cedar Point



The tax returns of the Partnership are subject to examination by state and federal tax authorities. If

such examinations result in changes to taxable income, the tax liability of the partners could be changed accordingly. Only the tax returns of the Partnership's corporate subsidiaries have been examined through March 1999.

Federal and state tax legislation in 1997 provided a permanent income tax exemption to existing publicly traded partnerships, such as Cedar Fair, L.P., with new taxes levied on partnership gross income (net revenues less cost of food, merchandise and games) beginning in 1998. The Partnership recorded a tax provision for these federal and state partnership taxes of \$18.7 million, \$17.9 million and \$17.2 million in 2004, 2003 and 2002, respectively.

The provision for income taxes for the Partnership's corporate subsidiaries has not been material in any period presented. The Partnership provides reserves for liabilities that may arise from tax exposures which result from specific positions taken in its tax returns or from tax planning strategies employed to minimize its tax liabilities. Management determines tax exposure items based on positions asserted by tax authorities, as well as management's own assessment of exposures from unasserted items. The calculation of the provision for taxes involves significant estimates and assumptions and actual results could differ from those estimates.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes at the Partnership's corporate subsidiaries. The significant components of deferred tax assets and liabilities as of December 31, 2004 are as follows:

<i>(In thousands)</i>	2004
<b>Deferred tax assets:</b>	
Options and deferred compensation	\$ 10,026
Accrued expenses	2,119
<b>Gross deferred tax assets</b>	<b>12,145</b>
<b>Deferred tax liabilities:</b>	
Depreciation	6,543
Short-period tax liability	4,700
Other, net	78
<b>Gross deferred tax liabilities</b>	<b>11,321</b>
<b>Net deferred tax asset</b>	<b>\$ 824</b>

The net current and non-current components of deferred taxes recognized in the consolidated balance sheet are as follows:

<i>(In thousands)</i>	2004
Net current deferred tax asset	\$ 743
Net non-current deferred tax asset	81
<b>Net deferred tax asset</b>	<b>\$ 824</b>

The net current deferred tax asset amount is included in "Prepays and other current assets" and the net non-current deferred tax asset amount is included in "Intangibles and other assets" in the accompanying 2004 consolidated balance sheet.

### Unit-Based Compensation

Prior to 2003, the Partnership accounted for all equity-based compensation awards, including unit options, using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB Opinion No. 25, the Partnership's variable-priced options were "marked to market" over their vesting period whenever the exercise price was lower than the market price of limited partnership units. Approximately \$4.0 million in non-cash compensation expense, with an offsetting credit to partners' equity, was recognized in 2002 under APB Opinion No. 25.

Effective January 1, 2003, the Partnership began to account for unit options under the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Partnership selected the modified prospective method of adoption described in SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." Approximately \$4.5 million and \$5.9 million in non-cash compensation expense was recognized in 2004 and 2003, respectively, which is the same amount that would have been recognized had the provisions of SFAS No. 123 been applied from its original effective date. In accordance with the modified prospective method of adoption,

results for prior years were not restated. Had the Partnership continued to account for options under APB Opinion No. 25, non-cash unit option expense would have been essentially unchanged in 2004 and approximately \$13.3 million higher in 2003 compared to the amount recognized under SFAS No. 123.

Had compensation expense for the option plan been determined from inception using the provisions of SFAS No. 123, the effect on the Partnership's net income and earnings per unit in 2002 would have been as follows:

Year Ended December 31,	2002
<i>(In thousands, except per unit amounts)</i>	
Net income, as reported	\$ 71,417
Plus: Total unit-based compensation expense included in reported net income	4,029
Less: Total unit-based compensation expense determined under fair value-based method for all awards	( 4,988 )
Pro forma net income	<u>\$ 70,458</u>
Earnings per unit:	
Basic – as reported	\$ 1.41
Basic – pro forma	1.39
Diluted – as reported	\$ 1.39
Diluted – pro forma	<u>1.38</u>

### Earnings Per Unit

For purposes of calculating the basic and diluted earnings per limited partner unit, no adjustments have been made to the reported amounts of net income. The unit amounts used are as follows:

	2004	2003	2002
<i>(In thousands except per unit amounts)</i>			
Basic weighted average units outstanding	<b>51,968</b>	50,615	50,523
Effect of dilutive units:			
Unit options (Note 5)	<b>1,163</b>	719	740
Phantom units (Note 6)	<b>184</b>	—	—
Diluted weighted average units outstanding	<b>53,315</b>	51,334	51,263
Net income per unit – basic	<b>\$ 1.51</b>	\$ 1.70	\$ 1.41
Net income per unit – diluted	<b>\$ 1.47</b>	\$ 1.67	\$ 1.39

### (3) Long- Term Debt:

Long-term debt at December 31, 2004 and 2003 consisted of the following:

<i>(In thousands)</i>	<b>2004</b>	2003
Revolving credit loans	<b>\$ 75,400</b>	\$ 37,750
Term debt:		
August 1994 senior notes at 8.43% (due 2005-2006)	<b>20,000</b>	30,000
January 1998 senior notes at 6.68% (due 2007-2011)	<b>50,000</b>	50,000
August 2001 senior notes at 6.40% (due 2005-2008)	<b>40,000</b>	50,000
February 2002 senior notes at 6.44% average rate (due 2007-2015)	<b>100,000</b>	100,000
December 2003 senior notes at 5.38% average rate (due 2009-2018)	<b>100,000</b>	100,000
April 2004 senior notes at 4.72% (due 2011-2015)	<b>75,000</b>	—
Fair value hedges on December 2003 senior notes	<b>1,684</b>	897
	<b>462,084</b>	368,647
Less current portion	<b>20,000</b>	20,000
	<b>\$ 442,084</b>	\$ 348,647

#### *Revolving Credit Loans*

In December 2003, the Partnership entered into a new credit agreement with seven banks under which it has available a \$180 million revolving credit facility through March 2007. This credit facility was expanded to \$230 million for part of 2004 in order to initially accommodate the acquisition of Geauga Lake. As of December 31, 2004, borrowings under the credit facility were \$75.4 million at an effective rate of 3.1%. The maximum outstanding revolving credit balance during 2004 was \$210.2 million under the expanded credit facility.

Borrowings under the agreement bear interest at LIBOR plus 0.875% per annum, with other rate options. The agreement also requires the

Partnership to pay a commitment fee of 0.20% per annum on the unused portion of the credit facility. The Partnership, at its option, may make prepayments without penalty and reduce the loan commitments.

The Partnership's policy is to capitalize interest on major construction projects. Interest of \$1.2 million, \$0.6 million and \$0.8 million was capitalized in 2004, 2003 and 2002, respectively.

#### *Term Debt*

In April of 2004, the Partnership entered into a new note agreement for the issuance of \$75 million in senior notes with maturities in 2011 - 2015 at an interest rate of 4.72%. The proceeds were used to repay revolving credit borrowings principally related to the acquisition of Geauga Lake.

At December 31, 2004, the scheduled annual maturities of term debt were as follows (in thousands):

2005	\$ 20,000
2006	20,000
2007	40,000
2008	20,000
2009	30,000
Thereafter	255,000
	<b>\$ 385,000</b>

The fair value of the aggregate future repayments on term debt at December 31, 2004, as required by SFAS No. 107, would be approximately \$402.7 million, based on borrowing rates currently available to the Partnership on long-term debt with similar terms and average maturities. The Partnership may make prepayments on any of these notes with defined premiums.

#### *Covenants*

Under the terms of the debt agreements, the Partnership, among other restrictions, is required to maintain a specified level of partners' equity, and comply with certain cash flow and interest coverage ratios. The Partnership was in compliance with these covenants as of December 31, 2004.

*Splash Zone  
- Soak City*



#### (4) Derivative Financial Instruments:

The Partnership has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are only used within the Partnership's overall risk management program to manage certain interest rate and foreign currency risks from time to time.

In 2003, the Partnership entered into interest rate swap agreements as a means of converting \$100 million of new fixed-rate senior notes to variable rates averaging LIBOR plus 0.64% over their full terms. The fair market value of these swaps, which have been designated as fair value hedges on long-term debt, was a net asset of approximately \$1.7 million at December 31, 2004. At December 31, 2004, the hedges were highly effective, and accordingly, the fair values have been reflected on the balance sheet in "Intangibles and other assets" with a corresponding increase to "Term debt."

Two of the Partnership's interest rate swap agreements, which were entered into in 2001, contained provisions that did not meet the definition of derivative instruments that can be designated as hedges under SFAS No. 133. Consequently, the Partnership recognized a \$7.6 million charge in other expense in 2002 related to the change in fair value of these two swaps. In 2004 and 2003, the Partnership recorded a non-cash credit of \$4.5 million and \$2.7 million, respectively, for the change in fair value of the same swaps. The remaining \$459,000 accrual is included in "Other accrued liabilities," and will reverse into income during the first quarter of 2005 as the contracts expire.

#### (5) Partners' Equity:

##### *Special L.P. Interests*

In accordance with the Partnership Agreement, certain partners were allocated \$5.3 million of 1987 and 1988 taxable income (without any related cash distributions) for which they received Special L.P. Interests. The Special L.P. Interests do not participate in cash distributions and have no voting rights. However, the holders of Special L.P. Interests will receive in the aggregate \$5.3 million upon liquidation of the Partnership.

##### *Unit Options*

In August 2000, the Partnership's unitholders approved the establishment of a new Equity Incentive Plan allowing the award of up to 4.8 million unit options and other forms of equity as an element of compensation to senior management and other key employees, including the grant of 2.3 million unit options, with a variable exercise price, in connection with the restructuring of the Partnership's general partner fee and executive compensation systems. As of December 31, 2004, the Partnership has 1,728,300 variable-price options and 712,250 fixed-price options outstanding under the plan. All options vest over a five-year period and have a maximum term of ten years. The variable-price options have an exercise price that declines by the value of cash distributions declared on the underlying limited partnership units.



*Wild Thing  
-Valleyfair*



*KidWorks  
-Valleyfair*

A summary of option activity during 2004, 2003 and 2002 follows:

	<i>Number of Units</i>	<i>Weighted Average Exercise Price</i>
<b>2002</b>		
Options outstanding at beginning of year	2,807,300	\$ 17.81
Granted	331,000	23.49
Exercised	( 117,350 )	16.49
Forfeited	( 15,500 )	17.12
Options outstanding at end of year	3,005,450	\$ 17.28
Options exercisable at end of year	1,107,730	\$ 16.14
<b>2003</b>		
Options outstanding at beginning of year	3,005,450	\$ 17.28
Granted	55,000	28.45
Exercised	( 255,250 )	14.81
Forfeited	( 8,300 )	18.25
Options outstanding at end of year	2,796,900	\$ 16.42
Options exercisable at end of year	1,417,270	\$ 15.31
<b>2004</b>		
<b>Options outstanding at beginning of year</b>	<b>2,796,900</b>	<b>\$ 16.42</b>
<b>Granted</b>	<b>—</b>	<b>—</b>
<b>Exercised</b>	<b>( 283,570 )</b>	<b>15.65</b>
<b>Forfeited</b>	<b>( 72,780 )</b>	<b>16.13</b>
<b>Options outstanding at end of year</b>	<b>2,440,550</b>	<b>\$ 15.18</b>
<b>Options exercisable at end of year</b>	<b>1,706,570</b>	<b>\$ 14.09</b>

The following table sets forth information about the fair value of option grants using a binomial option-pricing model and the weighted-average assumptions used for such grants. There were no options granted in 2004.

	2003	2002
Weighted-average fair value of options granted	\$ 4.05	\$ 2.53
Risk free interest rate	4.5 %	5.3 %
Expected distribution yield	6.2 %	6.8 %
Expected volatility factor	19.4 %	18.0 %
Expected life	10 years	10 years

The following table summarizes information about unit options outstanding at December 31, 2004:

<i>Type</i>	<i>Options Outstanding</i>			<i>Options Exercisable</i>		
	<i>Range of Exercise Prices</i>	<i>Number Outstanding</i>	<i>Weighted Average Remaining Contractual Life</i>	<i>Weighted Average Exercise Price</i>	<i>Number Exercisable</i>	<i>Weighted Average Exercise Price</i>
Variable	\$ 11.09 - \$ 26.66	1,728,300	5.2 years	\$12.21	1,359,100	\$ 12.11
Fixed	\$ 17.85 - \$ 28.45	712,250	6.7 years	22.38	347,470	21.84
	\$ 11.09 - \$ 28.45	2,440,550	5.6 years	\$15.18	1,706,570	\$ 14.09

#### **(6) Senior Management Long-Term Incentive Compensation Plan:**

In 2002, the Partnership established a long-term incentive compensation plan for senior management, under which annual awards of "phantom units" are made based upon the Partnership's operating performance. The awards accrue additional "phantom units" on the date of each quarterly distribution paid by the Partnership, calculated at the NYSE closing price on that date. Awards vest over a four-year period and will be paid through a combination of limited partnership units and cash. The effect for outstanding "phantom units" has been included in the diluted earnings per unit calculation beginning in 2004, as at least half of the awards are expected to be settled in limited partnership units. The aggregate market value of the "phantom units" vested and outstanding at yearend, which has been reflected on the balance sheet in "Other liabilities," was \$5.4 million in 2004, \$4.2 million in 2003 and \$1.5 million in 2002.

#### **(7) Retirement Plans:**

The Partnership has trustee, noncontributory retirement plans for the majority of its full-time employees. Contributions are discretionary and amounts accrued were \$3,556,000 in 2004, \$3,298,000 in 2003, and \$3,541,000 in 2002. These plans also permit employees to contribute specified percentages of their salary, matched up to a limit by the Partnership. Matching contributions, net of forfeitures, approximated \$754,000 in 2004, \$1,015,000 in 2003, and \$1,305,000 in 2002.

In addition, approximately 140 employees are covered by union-sponsored, multi-employer pension plans for which approximately \$654,000, \$645,000 and \$550,000 were contributed for the years ended December 31, 2004, 2003, and 2002, respectively. The Partnership believes that, as of December 31, 2004, it would have no withdrawal liability as defined by the Multiemployer Pension Plan Amendments Act of 1980.

#### **(8) Contingencies:**

The Partnership is a party to a number of lawsuits arising in the normal course of business. In the opinion of management, these matters will not have a material effect in the aggregate on the Partnership's financial statements.

#### **(9) Acquisition:**

On April 8, 2004, the Partnership completed the acquisition of Six Flags Worlds of Adventure, located near Cleveland, Ohio, from Six Flags, Inc., in a cash transaction valued at \$144.3 million. The transaction involved the acquisition of substantially all of the assets of the park, including the adjacent hotel and campground, but excluded all animals located at the park, all personal property assets directly related to those animals, the use of the name "Six Flags" and the intellectual property related to that name, and the license to use Warner Bros. characters, all of which were retained by Six Flags. The Partnership assumed the complete operations and management of the park as of April 9, 2004 and renamed the park "Geauga Lake." The transaction was financed with \$75 million of term debt borrowings at a fixed rate of 4.72% and an average term of nine years, with the balance initially financed through the Partnership's expanded revolving credit agreement with a group of banks.

On July 20, 2004, the Partnership completed a public offering of 2,400,000 limited partner units at \$30.00 per unit, and an additional 167,000 units were sold to the underwriters on August 17, 2004 to cover over-allotments. The Partnership used the net proceeds from the sale of the units (approximately \$73.3 million) to repay borrowings under its revolving credit facility principally related to the acquisition of Geauga Lake.

Geauga Lake's assets, liabilities and results of operations since April 9, 2004 are included in the accompanying consolidated financial statements. The acquisition has been accounted for as a purchase, and accordingly the purchase price has been allocated to property and equipment (\$144.2 million), inventories (\$1.0 million) and current liabilities (\$0.9 million) based upon their estimated fair values at the date of acquisition. Pro forma information has not been presented in the financial statements as the effect of the acquisition was deemed not to be significant.



*Power Tower and Corkscrew - Cedar Point*

*Giant Wheel & Wicked Twister - Cedar Point*



## Reports of Independent Registered Public Accounting Firms

To the Partners of Cedar Fair, L.P.:

We have audited the accompanying consolidated balance sheet of Cedar Fair, L.P. and subsidiaries (the "Partnership") as of December 31, 2004, and the related consolidated statements of operations, partners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2004 consolidated financial statements present fairly, in all material respects, the financial position of Cedar Fair, L.P. and subsidiaries as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report (not presented herein) dated March 14, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an adverse opinion on the effectiveness of the Partnership's internal control over financial reporting because of a material weakness.

DELOITTE & TOUCHE LLP

Cleveland, Ohio

March 14, 2005

To the Partners of Cedar Fair, L.P.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of cash flows and of partners' equity present fairly, in all material respects, the financial position of Cedar Fair, L.P. and subsidiaries at December 31, 2003, and the results of their operations and their cash flows for each of the two years ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Partnership changed the manner in which it accounts for equity-based compensation in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," as of January 1, 2003.

PricewaterhouseCoopers LLP  
Cleveland, Ohio,  
March 10, 2004.



ThunderHawk  
-Dorney Park

## Quarterly Operating Results <sup>(1)</sup>

<i>(Unaudited)</i>	Net revenues	Operating income (loss)	Net income (loss)	Net income (loss) per limited partner unit-diluted
<i>(In thousands ,except per unit amounts)</i>				
<b>2004</b>				
<b>1st Quarter</b>	<b>\$ 23,210</b>	<b>\$ ( 24,085 )</b>	<b>\$ ( 29,885 )</b>	<b>\$ ( 0.59 )</b>
<b>2nd Quarter</b>	<b>145,001</b>	<b>22,894</b>	<b>13,179</b>	<b>0.25</b>
<b>3rd Quarter</b>	<b>305,602</b>	<b>125,186</b>	<b>108,873</b>	<b>2.02</b>
<b>4th Quarter</b>	<b>68,159</b>	<b>( 6,165 )</b>	<b>( 13,852 )</b>	<b>( 0.26 )</b>
	<b>\$ 541,972</b>	<b>\$ 117,830</b>	<b>\$ 78,315</b>	<b>\$ 1.47</b>
<b>2003</b>				
1st Quarter	\$ 21,499	\$ ( 24,325 )	\$ ( 31,534 )	\$ ( 0.62 )
2nd Quarter	145,215	27,552	16,692	0.33
3rd Quarter	282,212	125,970	111,427	2.16
4th Quarter	61,050	( 4,048 )	( 10,697 )	( 0.21 )
	\$ 509,976	\$ 125,149	\$ 85,888	\$ 1.67

(1) To assure that our highly seasonal operations will not result in misleading comparisons of interim periods, the Partnership has adopted the following reporting procedures: (a) seasonal operating costs are expensed over the operating season, including some costs incurred prior to the season which are deferred and amortized over the season, and (b) all other costs are expensed as incurred or ratably over the entire year.