

Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

We generate our revenues primarily from sales of (1) admission to our parks, (2) food, merchandise and games inside our parks, and (3) hotel rooms, food and other attractions outside our parks. Our principal costs and expenses, which include salaries and wages, advertising, maintenance, operating supplies, utilities and insurance, are relatively fixed and do not vary significantly with attendance. The

fixed nature of these costs makes attendance a key factor in the profitability of each park. Results of operations include Geauga Lake since its acquisition in April of 2004.

The table below presents certain financial data expressed as a percent of total net revenues and selective statistical information for the periods indicated.

For the years ended December 31,	2004		2003		2002	
(In millions)						
Net revenues:						
Admissions	\$ 276.8	51.1%	\$ 259.4	50.9%	\$ 252.1	50.1%
Food, merchandise, and games	211.2	38.9%	200.7	39.3%	201.1	40.0%
Accommodations and other	54.0	10.0%	49.9	9.8%	49.7	9.9%
Net revenues	542.0	100.0%	510.0	100.0%	502.9	100.0%
Cash operating costs and expenses	369.0	68.1%	334.3	65.6%	332.8	66.2%
Adjusted EBITDA ⁽¹⁾	173.0	31.9%	175.7	34.4%	170.1	33.8%
Depreciation and amortization	50.7	9.4%	44.7	8.8%	41.7	8.3%
Other non-cash costs	4.5	0.8%	5.9	1.1%	7.2	1.4%
Operating income	117.8	21.7%	125.1	24.5%	121.2	24.1%
Interest and other expense, net	20.8	3.8%	21.3	4.2%	32.6	6.5%
Provision for taxes	18.7	3.4%	17.9	3.5%	17.1	3.4%
Net income	\$ 78.3	14.5%	\$ 85.9	16.8%	\$ 71.4	14.2%
Selective Statistical Information:						
Amusement park attendance <i>(in thousands)</i>	11,257		10,700		10,887	
Amusement park per capita spending	\$ 38.21		\$ 37.49		\$ 36.39	
Water park attendance <i>(in thousands)</i>	1,378		1,545		1,493	
Water park per capita spending	\$ 23.35		\$ 21.61		\$ 20.72	

(1) Adjusted EBITDA represents earnings before interest, taxes, depreciation, and all other non-cash costs. Adjusted EBITDA is not a measurement of operating performance computed in accordance with GAAP and should not be considered as a substitute for operating income, net income or cash flows from operating activities computed in accordance with GAAP. We believe that adjusted EBITDA is a meaningful measure of park-level operating profitability because we use it for measuring returns on capital investments, evaluating potential acquisitions, determining awards under incentive compensation plans, and calculating compliance with certain loan covenants. Adjusted EBITDA may not be comparable to similarly titled measures of other companies. A reconciliation of adjusted EBITDA to operating and net income (the most comparable financial measures) is provided in the table above.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. These principles require us to make estimates and assumptions during the normal course of business that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates under

different assumptions and conditions. The following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and operating results and involve a higher degree of judgment and complexity. See Note 2 to our Consolidated Financial Statements for a more complete discussion of our significant accounting policies.



*Spinning Dragons
- Worlds of Fun*

Property and Equipment

Buildings, rides and equipment are depreciated over their estimated useful lives on a straight-line basis over each park's operating season. Expenditures made to maintain such assets in their original operating condition are expensed as incurred, and improvements and upgrades are capitalized. The composite method of depreciation is used for groups of assets obtained together in an acquisition of a business.

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.

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.

Results of Operations

2004 vs. 2003

Net revenues in 2004 increased 6%, or \$32.0 million, to \$542.0 million. The increase in net revenues was the result of a 3% increase in combined attendance across our 12 properties (to 12.6 million from 12.2 million in 2003), a 3% increase in average in-park guest per capita spending (to \$36.59 from \$35.48 in 2003), and a 5% increase in out-of-park revenues. The increase in out-of-park revenues was primarily driven by improvement in occupancy levels at our resort hotels at Cedar Point. Excluding results from the acquisition of Geauga Lake, net revenues in 2004

would have increased 2%, or \$7.5 million, on a 3% decrease in combined attendance, a 3% increase in average in-park guest per capita spending, and a 4% increase in out-of-park revenues.

In 2004, the addition of Geauga Lake, along with a strong year at Knott's Berry Farm, offset soft attendance numbers at some of our seasonal amusement parks resulting from inconsistent weather during the peak summer months and a moderate capital program. Good weather, together with favorable tourism and pricing trends in the Southern California market, contributed to Knott's strong performance. For the year, combined attendance at our seven amusement parks totaled 11.3 million guests, up 5% from 2003. Excluding the impact of Geauga Lake, combined attendance at our amusement parks would have decreased 1% to 10.6 million. At our five water parks, the comparisons entering 2004 were very difficult following record performances at several of the parks in 2003. For the full year, combined attendance at our five water parks totaled 1.4 million guests, down 11% from 2003, with the majority of that decrease coming at Oceans of Fun in Kansas City, where temperatures stayed well below average all summer long. The 3% increase in our average in-park guest per capita spending level in 2004 was due to solid improvements in guest spending on admissions and foods, as well as a shift in the mix of attendance away from lower per capita parks, such as our water parks.

Excluding depreciation and all other non-cash charges, total operating costs and expenses in 2004 increased 10%, or \$34.7 million, to \$369.0 million from \$334.3 million in 2003. This increase was largely due to the acquisition of Geauga Lake. Excluding operations at Geauga Lake, total cash operating costs and expenses for 2004 would have increased only 2%, or \$6.2 million, from 2003. All operating costs as a percent of revenues remained relatively level between years.

Because we strongly emphasize generating cash flow for distributions to our unitholders, a meaningful measure of our operating results is adjusted EBITDA, which represents earnings before interest, taxes, depreciation, and other non-cash charges and credits. In 2004, adjusted EBITDA decreased 2%, or \$2.7 million, to \$173.0 million, due entirely to an adjusted EBITDA loss of \$4.0 million generated at Geauga Lake during the period subsequent to its acquisition. Excluding the impact of Geauga Lake, adjusted EBITDA would have increased 1%, or \$1.3 million, to \$177.0 million in



*A hug at Camp Snoopy
- Worlds of Fun*

2004, due primarily to increases in average in-park guest per capita spending and out-of-park revenues. The consolidated adjusted EBITDA margin in 2004 decreased to 31.9% from 34.4% in 2003, due almost entirely to the impact of the Geauga Lake operations. On a same park basis, the consolidated EBITDA margin decreased only slightly to 34.2%, due to soft attendance figures at our highest margin park, Cedar Point.

In 2003, we began accounting for unit options using the fair value method under SFAS No. 123, "Accounting for Stock Based Compensation." In 2004, we recorded a \$4.5 million non-cash charge for unit options, compared to a charge of \$5.9 million in 2003.

In 2002, we recorded a \$7.6 million non-cash charge related to the change in fair value of two of our interest rate swap agreements that could not be designated as effective hedges under the applicable accounting rules. In 2004, we recognized a non-cash credit of \$4.5 million for the change in fair value of these swap agreements during the year, which compared to a non-cash credit of \$2.7 million in 2003. These amounts are aggregated with interest expense in the accompanying table.

After these non-cash items, and interest expense and provision for partnership taxes, both of which were up between years due to the Geauga Lake acquisition, net income for 2004 decreased \$7.6 million to \$78.3 million, or \$1.47 per diluted limited partner unit, from \$85.9 million, or \$1.67 per unit, in 2003. Excluding the impact of Geauga Lake, net income for 2004 would have increased \$5.8 million between years to \$91.7 million, or \$1.76 per unit.

2003 vs. 2002

Net revenues in 2003 increased 1.4%, or \$7.1 million, to \$510.0 million from \$502.9 million in 2002. This increase reflects a 3% increase in average in-park guest per capita spending (to \$35.48 from \$34.50 in 2002), a 1% increase in out-of-park revenues and a 1% decrease in combined attendance across our 11 properties (to 12.2 million from 12.4 million in 2002). The increase in out-of-park revenues was from improvements in occupancy levels at our resort hotels at Cedar Point and Knott's Berry Farm.

In 2003, successful capital programs at Cedar Point and Valleyfair, along with a record year at Michigan's Adventure, partially offset attendance declines at Dorney Park and Worlds of Fun resulting from poor weather and the lack of a major new attraction, and an attendance decline at Knott's

Berry Farm due to soft tourism trends and heavy competition. For the year, combined attendance at our six amusement parks totaled 10.7 million, down less than 2% from 2002's level. At Cedar Point, the addition of Top Thrill Dragster, the world's tallest and fastest roller coaster, contributed to the park's solid performance, while the introduction of the Steel Venom roller coaster at Valleyfair helped generate record revenues at that park. At our five water parks, improved attendance at our California properties, along with a record year at Worlds of Fun's water park, Oceans of Fun, led to a 3% increase in combined attendance to 1.55 million guests. The 3% increase in our overall in-park guest per capita spending level in 2003 was due to solid improvements in guest spending on admissions and merchandise, as well as a shift in the mix of attendance toward higher per capita parks, such as Cedar Point.

Cash operating costs and expenses, excluding depreciation and all other non-cash charges, increased less than 1% to \$334.3 million in 2003 from \$332.8 million in 2002, due to a continued focus at the individual park level to control operating costs during the year. All operating costs as a percent of revenues remained relatively level between years.

In 2003, adjusted EBITDA increased 3% to a record \$175.7 million from \$170.1 million in 2002, due primarily to increases in average in-park guest per capita spending and out-of-park revenues, as well as each park's ability to control operating costs. The consolidated adjusted EBITDA margin improved to 34.4% in 2003 from 33.8% in 2002, due to costs increasing at a slower rate than revenues.

Other non-cash costs in 2003 include a \$5.9 million charge for unit options under SFAS No. 123. In 2002, we recognized a non-cash unit option charge of \$4.0 million under our previous policy of accounting for unit options using the intrinsic value method prescribed by Accounting Principles Board (APB) No. 25, "Accounting for Stock Issued to Employees," as we "marked to market" our variable-priced options only. In addition, we recorded a provision of \$3.2 million for the estimated portion of the net book value of certain fixed assets that might not be recoverable after they were removed from service in 2002.



Steel Force
- Dorney Park

After these non-cash items, and interest expense and provision for partnership taxes, both of which were comparable between years (except for the effect of interest rate swap accounting), net income for 2003 increased \$14.5 million to \$85.9 million, or \$1.67 per diluted limited partner unit, from \$71.4 million, or \$1.39 per unit, in 2002.

Liquidity and Capital Resources

We ended 2004 in sound financial condition in terms of both liquidity and cash flow. The negative working capital ratio (current liabilities divided by current assets) of 3.7 at December 31, 2004 is the result of our highly seasonal business and careful management of cash flow to reduce borrowings. Receivables and inventories are at normally low seasonal levels and credit facilities are in place to fund current liabilities, capital expenditures and pre-opening expenses as required.

Operating Activities

Net cash from operating activities increased \$13.2 million, or 10%, to \$148.2 million in 2004. This increase was primarily due to normal fluctuations in current liabilities and accrued taxes, offset by a decrease in net income of \$7.6 million. The acquisition of Geauga Lake, combined with the timing in payments of liabilities, contributed to the increase in current liabilities and accrued taxes.

Investing Activities

Investing activities consist principally of acquisitions and capital investments we make in our amusement parks and resort properties. During 2004, net cash used for investing activities totaled \$220.1 million, including \$144.3 million for the acquisition of Geauga Lake and \$75.9 million of capital expenditures, compared to \$39.8 million in 2003. The \$36.1 million increase between years in capital expenditures is the result of a moderate capital program for the 2004 season and the early timing of payments on several large capital projects for the 2005 season. We also invested \$21 million in Castaway Bay, our year-round indoor water park resort in Sandusky, Ohio, which opened to the public in November 2004.

For the 2005 operating season, we are investing approximately \$83 million in capital improvements at our 12 properties, including the addition of new world-class roller coasters at Knott's Berry Farm and Dorney Park, as well as the addition of a major new water park at Geauga Lake. We are optimistic that these investments, as well as other improvements at each of the parks, will generate a high level of

public interest and acceptance. However, stable population trends in the parks' market areas and uncontrollable factors, such as weather, the economy, and competition for leisure time and spending, preclude us from anticipating significant long-term increases in attendance. Historically, we have been able to improve our revenues and profitability by continuing to make substantial investments in our parks and resort facilities. This has enabled us to maintain consistently high attendance levels, as well as generate increases in guest per capita spending and revenues from guest accommodations, while carefully controlling operating and administrative expenses.

Financing Activities

Net cash provided by financing activities totaled \$73.1 million in 2004, compared to net cash utilized of \$95.1 million and \$91.3 million in 2003 and 2002, respectively. In connection with our acquisition of Geauga Lake in April 2004, we issued \$75.0 million of senior notes with terms of seven to eleven years at a fixed rate of 4.72%, and we completed an equity offering of 2.6 million limited partner units, which generated net proceeds of \$73.3 million. In addition, net revolving credit borrowings totaled \$37.7 million in 2004. Cash used in financing activities during the year reflects \$20.0 million for scheduled term loan repayments, \$92.2 million to pay cash distributions, and \$0.7 million to repurchase the former General Partner's interest in the Partnership.

Capital Resources

At December 31, 2004, we had \$387 million of fixed-rate term debt, with staggered maturities ranging from 2005 to 2018, as well as a \$180 million revolving credit facility, which is available through March 2007. Borrowings under the revolving credit facility totaled \$75.4 million as of December 31, 2004. Of the total term debt, \$20 million is scheduled to mature in 2005. Based on interest rates in effect at yearend for variable-rate debt, and after giving effect to interest rate swap agreements described below, cash interest payments for 2005 would total approximately \$24-25 million, in line with interest paid in 2004. In addition, cash distributions in 2005, at the recently declared new annual rate of \$1.84 per unit, would total approximately \$98 million, 7% higher than the distributions paid in 2004.

Credit facilities and cash flow from operations are expected to be adequate to meet planned capital expenditures, as well as seasonal working capital needs and regular quarterly cash distributions for the foreseeable future.

Contractual Obligations

The following table summarizes certain obligations at December 31, 2004 (*in millions*):

	Payments Due by Period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt (1)	\$ 567.6	\$ 37.6	\$ 165.5	\$ 73.0	\$ 291.5
Capital expenditures (2)	22.9	17.0	5.9	—	—
	\$ 590.5	\$ 54.6	\$ 171.4	\$ 73.0	\$ 291.5

(1) Represents maturities on long-term debt obligations, plus contractual interest payments on all fixed-rate debt. See Note 3 in "Notes to Consolidated Financial Statements" for further information.

(2) Represents contractual obligations in place at yearend for purchase of new rides and attractions. Obligations not denominated in U.S. dollars have been converted based on the exchange rates existing on December 31, 2004.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet financing arrangements.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks from fluctuations in interest rates and, from time to time, currency exchange rates on imported rides and equipment. The objective of our financial risk management is to reduce the potential negative impact of interest rate and foreign currency exchange rate fluctuations to acceptable levels. We do not acquire market risk sensitive instruments for trading purposes.

We have converted \$100 million of our term debt to variable rates averaging LIBOR plus 0.64% through the use of several swap agreements for a period of 5-14 more years. The fair market value of these swaps, which have been designated as fair value hedges on long-term debt, was a net asset of \$1.7 million at December 31, 2004, and has been reflected on the balance sheet in "Intangibles and other assets" with a corresponding increase to "Term debt." At December 31, 2004, \$285 million of our outstanding long-term debt represented fixed-rate debt and \$175.4 million represented variable-rate debt.

After giving effect to our interest rate swap agreements, and assuming an average annual balance on our revolving credit borrowings, the cash flow impact of a hypothetical one percentage point change in the applicable interest rates on our variable-rate debt would be approximately \$1.7 million as of December 31, 2004.

Impact of Inflation

Substantial increases in costs and expenses could impact our operating results to the extent such increases could possibly not be passed along to our guests. In particular, increases in labor, supplies, taxes and utility expenses could have an impact on our operating results. The majority of our employees are seasonal and are paid hourly rates, which although not tied directly to federal and state minimum wage laws, do follow those wage trends. Historically, we have been able to pass along cost increases to guests through increases in admission, food, merchandise and other prices, and we believe that we will continue to have the ability to do so to a large extent in the future. We believe that the effects of inflation, if any, on our operating results and financial condition have been and will continue to be minor.

Forward-Looking Statements

Some of the statements contained in this Annual Report, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, constitute forward-looking statements. These statements may involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors, including general economic conditions, competition for consumer spending, adverse weather conditions, unanticipated construction delays, the absence of historical operating experience for Geauga Lake, and other factors could affect attendance at our parks and cause actual results to differ materially from our expectations.