

PRICE RANGE OF COMMON STOCK

The Company's Common Stock has been listed on the New York Stock Exchange (the "NYSE") since December 22, 1997 under the symbol "PKS." Between May 30, 1996 and December 19, 1997, the Company's Common Stock was traded on the Nasdaq National Market and quoted under the symbol "PARK." Set forth below are the high and low sales prices for the Common Stock as reported by the NYSE since January 1, 1999.

<u>Year</u>	<u>Quarter</u>	<u>High</u>	<u>Low</u>
2001	First (through March 28, 2001)	22.49	16.38
2000	Fourth	17 ³ / ₁₆	14 ³ / ₁₆
	Third	24	13 ¹ / ₂
	Second	28 ¹ / ₈	20
	First	28 ⁵ / ₁₆	19 ¹ / ₂
1999	Fourth	30 ⁷ / ₁₆	24 ¹ / ₂
	Third	40	28 ⁷ / ₁₆
	Second	40 ¹ / ₄	33 ³ / ₄
	First	37 ¹ / ₄	28 ¹ / ₂

As of March 1, 2001, there were 780 holders of record of the Company's Common Stock. The Company paid no cash dividends on its Common Stock during the three years ended December 31, 2000. The Company does not anticipate paying any cash dividends on its Common Stock during the foreseeable future. The indentures relating to Six Flags, Inc.'s 9½% Senior Notes Due 2009, 9¼% Senior Notes Due 2006, 10% Senior Discount Notes Due 2008 and 9¾% Senior Notes due 2007 (the "Senior Notes") limit the payment of cash dividends to common stockholders. See Note 6 to Notes to Consolidated Financial Statements.

SELECTED FINANCIAL DATA

In the fourth quarter of 1996, the Company acquired four parks. In February and November 1997, respectively, the Company acquired Six Flags New England (formerly Riverside Park) and Six Flags Kentucky Kingdom (formerly Kentucky Kingdom). In 1998, the Company acquired Six Flags and substantially all of the capital stock of Walibi. In May 1999, the Company acquired Six Flags Mexico (formerly Reino Aventura) and two water parks, one of which is owned by Six Flags Over Georgia and not consolidated. In November 1999, the Company acquired Warner Bros. Movie World Germany, the operating season of which ended prior to the acquisition. In December 2000, the Company acquired Enchanted Village. In each case the operations of acquired parks are reflected only for the periods subsequent to their respective acquisition dates. See Note 2 to Notes to Consolidated Financial Statements.

	2000	1999	1998	1997	1996
	(In thousands, except per share data)				
Revenue	\$1,006,981	\$ 926,984	\$ 792,703	\$ 193,904	\$ 93,447
Depreciation and amortization	179,989	154,264	109,841	19,792	8,533
Equity in operations of theme park partnerships	11,833	26,180	24,054	—	—
Interest expense, net	224,767	169,441	115,849	17,775	11,121
Income tax expense	5,622	24,460	40,716	9,615	1,497
Income (loss) before extraordinary loss	(51,959)	(19,230)	35,628	14,099(1)	1,765
Extraordinary loss, net of tax effect	—	(11,296)	(788)	—	—
Net income (loss)	(51,959)	(30,526)	34,840	14,099(1)	1,765
Net loss — pro forma	N/A	N/A	(51,160)	N/A	N/A
Net income (loss) applicable to common stock	(75,247)	(53,814)	17,374	14,099(1)	1,162
Per Share:					
Income (loss) before extraordinary loss:					
Basic	(.96)	(.55)	.27	.39	.07
Diluted	(.96)	(.55)	.26	.38	.06
Pro forma(2)	N/A	N/A	(.98)	N/A	N/A
Extraordinary loss, net of tax effect:					
Basic	—	(.14)	(.01)	—	—
Diluted	—	(.14)	(.01)	—	—
Pro forma(2)	N/A	N/A	(.01)	N/A	N/A
Income (loss):					
Basic	(.96)	(.69)	.26	.39	.07
Diluted	(.96)	(.69)	.25	.38	.06
Pro forma(2)	N/A	N/A	(.99)	N/A	N/A
Cash Dividends — common stock ..	—	—	—	—	—
Net cash provided by operating activities	176,161	197,349	119,010	47,150	11,331
Net cash used in investing activities ..	(337,063)	(506,178)	(1,664,883)	(217,070)	(155,149)
Net cash provided by financing activities	66,949	49,488	1,861,098	250,165	119,074
Total assets	4,191,339	4,161,572	4,052,465	611,321	304,803
Long-term debt(3)	2,322,313	2,204,988	2,064,189	217,026	150,834
EBITDA(4)	369,289	319,031	235,240	54,101	22,994
Adjusted EBITDA(5)	402,496	363,219	258,943	N/A	N/A

-
- (1) Included in determining net income for 1997 is an \$8.4 million (\$5.1 million after tax effect) termination fee, net of expenses.
 - (2) Includes results of operations of the former Six Flags and Walibi as if the acquisitions and associated financings had occurred on January 1, 1998.
 - (3) Includes current portion. Also includes at December 31, 1998 \$182.9 million of certain zero coupon notes due December 1999, which had been defeased for covenant purposes and which have since been retired. Excluding defeased notes, long-term debt was \$1,877.8 million at December 31, 1998. Does not give effect at December 31, 2000 to the 2001 equity and debt offerings.
 - (4) EBITDA is defined as earnings before interest expense, net, income tax expense (benefit), noncash compensation, depreciation and amortization and other expenses, including minority interest and gain or loss on sale of assets. The Company has included information concerning EBITDA because it is used by certain investors as a measure of a company's ability to service and/or incur debt. EBITDA is not required by generally accepted accounting principles ("GAAP") and should not be considered in isolation or as an alternative to net income (loss), net cash provided by operating, investing and financing activities or other financial data prepared in accordance with GAAP or as an indicator of the Company's operating performance. This information should be read in conjunction with the Statements of Cash Flows contained in the Consolidated Financial Statements. For 1998 only, EBITDA is shown on a pro forma basis as if the former Six Flags and Walibi had been acquired on January 1, 1998.
 - (5) Adjusted EBITDA is defined as EBITDA of the Company plus the Company's share (based on its ownership interests) of the EBITDA of Six Flags Over Georgia (including Six Flags White Water), Six Flags Over Texas, and Six Flags Marine World (the "Partnership Parks"), determined on a pro forma basis for 1998 only as if the former Six Flags, Walibi and the Company's interests in the Partnership Parks had been acquired on January 1, 1998.

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

GENERAL

The Company's revenue is derived from the sale of tickets for entrance to its parks (approximately 54.1%, 54.0%, and 53.4% in 2000, 1999 and 1998, respectively) and the sale of food, merchandise, games and attractions inside its parks, as well as sponsorship and other income (approximately 45.9%, 46.0% and 46.6%, in 2000, 1999 and 1998, respectively). The Company's principal costs of operations include salaries and wages, employee benefits, advertising, outside services, maintenance, utilities and insurance. The Company's expenses are relatively fixed. Costs for full-time employees, maintenance, utilities, advertising and insurance do not vary significantly with attendance, thereby providing the Company with a significant degree of operating leverage as attendance increases and fixed costs per visitor decrease.

Results of operations for 2000 include the results of Enchanted Village and Wild Waves only from its acquisition in December 2000. Historical results of opera-

tions for 1999 include the results of operations of Six Flags Mexico, White Water Atlanta and Splashtown from the dates of their respective acquisitions in May 1999 and include the results of operations of Warner Bros. Movie World Germany from its acquisition in November 1999 (following its 1999 operating season). Results of Walibi and the former Six Flags are included in 1998 results only from the dates of their respective acquisitions (March 26, 1998, in the case of Walibi, and April 1, 1998, in the case of the former Six Flags).

The Company believes that significant opportunities exist to acquire additional theme parks. In addition, the Company intends to continue its on-going expansion of the rides and attractions and overall improvement of its parks to maintain and enhance their appeal. Management believes this strategy has contributed to increased attendance, lengths of stay and in-park spending and, therefore, profitability.

Results of Operations

Years Ended December 31, 2000 and 1999

Revenue. Revenue in 2000 totaled \$1,007.0 million compared to \$927.0 million for 1999, representing an 8.6% increase. The increase over the prior year was primarily due to increased per capita spending at the Company's domestic parks and the inclusion for the entire 2000 year of the revenues of Movie World Germany acquired in November 1999. The Company believes that revenues in 2000 were adversely affected by unusually difficult weather, particularly in June and July, in a large number of its major markets. Reported revenues from the Company's European parks as translated into U.S. dollars were adversely impacted by a decline in European currencies during the 2000. Revenue growth in 2000 would have been approximately \$20.0 million higher had European currency exchange rates remained at 1999 levels.

Operating expenses. Operating expenses for 2000 increased \$22.3 million compared to actual expenses for 1999 but decreased \$14.0 million from the prior year on a same park basis (including the pre-acquisition results for 1999 of the parks acquired in that year). The 6.3% increase in actual expenses is exclusively attributable to the inclusion for the entire year ended December 31, 2000 of two consolidated parks acquired in May 1999 and one acquired in November 1999 (the "Acquired Parks"). If the full year results of the Acquired Parks were included in both periods, as a percentage of revenues operating expenses would have been 37.4% in 2000 and 39.5% in 1999.

Selling, General and Administrative; noncash compensation. Selling, general and administrative expenses (excluding noncash compensation) for 2000 increased \$2.5 million compared to expenses for 1999 but decreased \$12.6 million from the prior year on a same park basis. As a percentage of revenue (including the Acquired Parks for both years), selling, general and administrative expenses (excluding noncash compensation) would have been 16.5% in 2000 and 18.1% in 1999. Noncash compensation was essentially level in both years.

Costs of Products Sold. Costs of products sold in 2000 increased \$5.0 million compared to 1999 actual but decreased \$3.8 million on a same park basis. As a percentage of theme park food, merchandise and other revenues, including the Acquired Parks in both years, costs of products sold would have been 20.7% in 2000 compared to 21.8% in 1999.

Depreciation and amortization expense; interest expense, net; other income (expense). Depreciation and amortization expense for 2000 increased \$25.7 million compared to 1999. The increase compared to the 1999 level was attributable to the Com-

pany's on-going capital program at the previously owned parks and from the additional expense associated with the Acquired Parks. Exclusive of the Acquired Parks, 2000 depreciation and amortization expense increased \$14.8 million compared to 1999. Interest expense, net increased \$55.3 million compared to the 1999 level. The increase resulted from higher average interest rates on a higher average debt and reduced interest income from lower average cash and cash equivalent balances during 2000. The \$6.6 million increase in other expense in 2000 was related to the removal and disposal of rides, buildings and other assets at two parks that were substantially improved and rebranded as "Six Flags" theme parks.

Equity in operations of theme parks. Equity in operations of theme park partnerships reflects the Company's share of the income or loss of Six Flags Over Texas and Six Flags Over Georgia (including Six Flags White Water Atlanta), the lease of Six Flags Marine World and the management of all four parks. The Company's ownership interests in Six Flags Over Texas (35% effective Company ownership) and Six Flags Over Georgia (25% effective Company ownership) commenced on April 1, 1998, the date of the acquisition of the former Six Flags. The Company became entitled to a share of the cash flows from the lease and management of Six Flags Marine World in 1998. Its interests in Six Flags White Water Atlanta commenced with its acquisition in May 1999. The \$14.3 million decrease in 2000 in the equity in operations of theme park partnerships compared to 1999 was attributable to weakened performance at certain Partnership Parks in 2000 and the absence in the 1999 results of Six Flags White Water Atlanta's pre-acquisition off-season operating expenses for the first four months of that year. See Notes 2 and 4 to Notes to Consolidated Financial Statements.

Income tax expense. Income tax expense was \$5.6 million for 2000 compared to a \$24.5 million expense for 1999. The Company's effective tax rate is adversely affected from permanent differences associated with goodwill amortization for financial purposes and the lesser amount of amortization that is deductible for tax purposes and from nondeductible compensation expense associated with conditional stock options and restricted stock grants.

At December 31, 2000, the Company estimates that it had approximately \$751.5 million of net operating losses ("NOLs") carryforwards for Federal income tax purposes. The NOLs are subject to review and potential disallowance by the Internal Revenue Service upon audit of the Federal income tax returns of the

Company and its subsidiaries. In addition, the use of such NOLs is subject to limitations on the amount of taxable income that can be offset with such NOLs. Some of such NOLs also are subject to a limitation as to which of the subsidiaries' income such NOLs are permitted to offset. Although no assurance can be given as to the timing or amount of the availability of such NOLs to the Company and its subsidiaries, the Company anticipates that it is more likely than not that the NOLs will be utilized prior to their expiration. See Note 8 to Notes to Consolidated Financial Statements.

the Company's Premium Income Equity Securities ("PIES"). The PIES accrue cumulative dividends at 7½% per annum (1.875% per quarter), which approximates an annual dividend requirement of \$23.3 million (approximately \$5.8 million per quarter). The dividend is payable in cash or shares of Common Stock at the option of the Company. During 2000 and 1999, the Company elected to pay the dividend in cash. On April 2, 2001, each PIES automatically converts into two shares of the Company's common stock.

Net Loss. Net loss applicable to common stock reflects as a charge the preferred stock dividends on

Years Ended December 31, 1999 and 1998

The table below sets forth certain historical financial information with respect to the Company for the years ended December 31, 1999 and 1998 and with respect to the former Six Flags and Walibi for the three months ended March 31, 1998 (representing the pre-acquisition portion of the 1998 year).

	Year Ended December 31, 1999	Year Ended December 31, 1998				Pro Forma Adjustments	Company Pro Forma
		Historical Six Flags	Historical Six Flags for Period Prior to April 1, 1998 ⁽¹⁾	Historical Walibi for Period Prior to March 26, 1998 ⁽²⁾	(In thousands)		
Revenue:							
Theme park admissions.....	\$500,417	\$423,461	\$ 15,047	\$ 883	\$ —	\$439,391	
Theme park food, merchandise and other	426,567	369,242	7,792	624	—	377,658	
Total revenue	926,984	792,703	22,839	1,507	—	817,049	
Operating costs and expenses:							
Operating expenses	353,728	297,266	45,679	4,626	—	347,571	
Selling, general and administrative	163,526	126,985	19,278	3,407	—	149,670	
Noncash compensation	12,725	6,362	—	—	—	6,362	
Costs of products sold	90,699	82,127	2,193	248	—	84,568	
Depreciation and amortization	154,264	109,841	17,629	3,214	6,440 ⁽³⁾	137,124	
Total operating costs and expenses	774,942	622,581	84,779	11,495	6,440	725,295	
Income (loss) from operations	152,042	170,122	(61,940)	(9,988)	(6,440)	91,754	
Other income (expense):							
Interest expense, net	(169,441)	(115,849)	(22,508)	(889)	(16,655) ⁽⁴⁾	(155,901)	
Equity in operations of theme park partnerships	26,180	24,054	—	—	(13,162) ⁽⁵⁾	10,892	
Other income (expense), including minority interest	(3,551)	(1,983)	—	(1)	—	(1,984)	
Total other income (expense).....	(146,812)	(93,778)	(22,508)	(890)	(29,817)	(146,993)	
Income (loss) before income Taxes and extraordinary loss	5,230	76,344	(84,448)	(10,878)	(36,257)	(55,239)	
Income tax expense (benefit)	24,460	40,716	—	(4,786)	(40,009) ⁽⁶⁾	(4,079)	
Income (loss) before extraordinary loss	<u>\$ (19,230)</u>	<u>\$ 35,628</u>	<u>\$ (84,448)</u>	<u>\$ (6,092)</u>	<u>\$ 3,752</u>	<u>\$ (51,160)</u>	
EBITDA ⁽⁷⁾	<u>\$319,031</u>	<u>\$286,325</u>	<u>\$ (44,311)</u>	<u>\$ (6,774)</u>	<u>\$ —</u>	<u>\$235,240</u>	
Adjusted EBITDA ⁽⁸⁾	<u>\$363,219</u>	<u>\$321,733</u>	<u>\$ (44,311)</u>	<u>\$ (6,774)</u>	<u>\$ (11,705)⁽⁹⁾</u>	<u>\$258,943</u>	

(1) Includes results of the former Six Flags for the period prior to April 1, 1998, the acquisition date, adjusted to eliminate (i) results of the Partnership Parks and (ii) the expense associated with certain one-time option payments resulting from the purchase.

(2) Includes results of Walibi for the period prior to March 26, 1998, the acquisition date. At that time, Walibi owned six of the Company's international parks.

- (3) Includes adjustments to eliminate the historical depreciation and amortization for the former Six Flags and Walibi and the inclusion of estimated pro forma depreciation and amortization for the three months ended March 31, 1998.
- (4) Includes adjustments to reflect additional interest expense associated with the indebtedness incurred to finance the Six Flags acquisition net of (a) the elimination of the historical interest expense associated with the Company and Six Flags credit facilities outstanding prior to April 1, 1998 and the long term debt of Walibi and (b) the amortization of the fair market value adjustments on certain then outstanding Six Flags indebtedness recorded in connection with the acquisition of Six Flags. Issuance costs associated with the borrowings are being amortized over their respective periods.
- (5) Includes adjustments to reflect the Company's share of the operations of the Partnership Parks using the equity method of accounting.
- (6) Includes adjustments to reflect the application of income taxes to the pro forma adjustments and to the pre-acquisition operations of Six Flags and Walibi, after consideration of permanent differences, at a rate of 38%.
- (7) EBITDA is defined as earnings before interest expense, net, income tax expense (benefit), noncash compensation, depreciation and amortization and other expenses, including minority interest. The Company has included information concerning EBITDA because it is a component of the Company's debt covenant ratios and is also used by certain investors as a measure of a company's ability to service and/or incur debt. EBITDA is not required by GAAP and should not be considered in isolation or as an alternative to net income (loss), net cash provided by operating, investing and financing activities or other financial data prepared in accordance with GAAP or as an indicator of the Company's operating performance. This information should be read in conjunction with the Statements of Cash Flows contained in the Consolidated Financial Statements.
- (8) Adjusted EBITDA is defined as EBITDA of the Company plus the Company's share (based on its ownership interests) of the EBITDA of the Partnership Parks.
- (9) Reflects the adjustments to the Company's share of the EBITDA of the Partnership Parks as if they were acquired on January 1, 1998.

Revenue. Revenue in 1999 totaled \$927.0 million (\$903.2 million without giving effect to the three Acquired Parks), compared to \$792.7 million (actual) and \$817.0 million (pro forma) for 1998. The \$86.2 million (10.6%) increase in 1999 revenue (excluding the Acquired Parks) compared to pro forma revenue for 1998 resulted primarily from an aggregate same park attendance increase of 3.8 million (12.9%) resulting in increased admission and in-park revenues.

Operating expenses. Operating expenses for 1999 increased \$56.5 million (\$46.4 million excluding the Acquired Parks) compared to actual expenses for 1998 and increased \$6.2 million (but decreased \$3.9 million excluding the Acquired Parks) compared to pro forma expenses for 1998. The decrease (excluding the Acquired Parks) compared to pro forma expenses for 1998 resulted primarily from operating efficiencies realized at the Six Flags parks subsequent to their acquisition on April 1, 1998. Comparing 1999 actual (excluding the Acquired Parks) to 1998 pro forma as a percentage of revenues, these expenses were 38.0% and 42.5% respectively.

Selling, General and Administrative; noncash compensation. Selling, general and administrative expenses (excluding noncash compensation) for 1999 increased \$36.5 million and \$13.9 million, respectively,

compared to the actual and pro forma expenses for 1998. Selling, general and administrative expenses for the Acquired Parks were \$4.1 million for 1999. Advertising expenditures for 1999 increased by \$23.3 million over the pro forma expense for 1998 reflecting a return to historical advertising levels of expenditures at the Six Flags parks and additional expenditures in support of the 1999 transition of four parks to the Six Flags brand. Remaining selling, general and administrative expenses in 1999 decreased by \$13.5 million compared to 1998 pro forma levels primarily as a result of reduced corporate level expenditures, including staffing, related to the closing of the former Six Flags corporate office subsequent to the April 1, 1998 acquisition, as well as certain other savings, including insurance. Comparing 1999 actual (excluding the Acquired Parks) to 1998 pro forma as a percentage of revenues, selling, general and administrative expenses (excluding noncash compensation) were 17.7% and 18.3% respectively. Noncash compensation increased by \$6.4 million related to the issuance of restricted stock and conditional employee stock options during 1998.

Costs of Products Sold. Costs of products sold in 1999 increased \$8.6 million (\$6.2 million excluding the Acquired Parks) and \$6.1 million (\$3.8 million excluding the Acquired Parks), respectively, compared to actual and pro forma expenses for 1998. As a percent-

age of theme park food, merchandise and other revenues, cost of products sold were 21.3% in 1999 (21.2% excluding the Acquired Parks) compared to 22.4% pro forma in 1998.

Depreciation and amortization expense; interest expense, net. Depreciation and amortization expense for 1999 increased \$44.4 million and \$17.1 million, respectively, compared to the actual and pro forma amounts for 1998. The increase compared to the pro forma 1998 level was attributable to the Company's on-going capital program at the previously owned parks and from the additional improvements associated with the Acquired Parks. Interest expense, net increased \$53.6 million compared to the actual interest expense, net for 1998 and increased \$13.5 million compared to the pro forma interest expense, net for that year. The increase compared to pro forma interest expense, net for 1998 resulted from higher average interest rates on a higher average debt and reduced interest income from lower average cash and cash equivalent balances during 1999.

Equity in operations of theme parks. Equity in operations of theme park partnerships reflects the Company's share of the income or loss of Six Flags Over Texas and Six Flags Over Georgia (including Six Flags White Water Atlanta), the lease of Six Flags Marine World and the management of all four parks. The Company's ownership interests in Six Flags Over Texas (34% effective Company ownership) and Six Flags Over Georgia (25% effective Company ownership) commenced on April 1, 1998, the date of the Six Flags acquisition. The Company became entitled to a share of the cash flows from the lease and management of Six Flags Marine World in 1998. Its interests in Six Flags White Water Atlanta commenced with its acquisition in May 1999. The \$15.3 million increase in the equity in operations of theme park partnerships compared to the pro forma level for 1998 was attributable to improved performance at the Partnership Parks and the inclusion of the results of White Water Atlanta. See Notes 2 and 4 to Notes to Consolidated Financial Statements.

Income tax expense. Income tax expense was \$24.5 million for 1999 compared to a \$40.7 million expense and a \$4.1 million benefit for the actual and pro forma results, respectively, for 1998. The effective tax rate was adversely effected from permanent differences associated with goodwill amortization for financial purposes and the lesser amount of amortization that is deductible for tax purposes and from non deductible compensation expense associated with conditional stock options and restricted stock grants.

Net Loss. Net loss applicable to common stock reflects as a charge the preferred stock dividends accrued on the Company's PIES. The PIES, which

were issued in April 1998, accrue cumulative dividends at 7½% per annum (1.875% per quarter), which approximates an annual dividend requirement of \$23.3 million (approximately \$5.8 million per quarter). The dividend is payable in cash or shares of Common Stock at the option of the Company. During 1999 and 1998, the Company has elected to pay the dividend in cash.

Liquidity, Capital Commitments and Resources

At December 31, 2000, the Company's total debt aggregated \$2,322.3 million, of which approximately \$99.7 million was scheduled to mature prior to December 31, 2001. After giving effect to the January 2001 debt and equity offerings and the use of proceeds therefrom, total debt at December 31, 2000 would have been \$2,259.6 million of which \$2.4 million matures prior to December 31, 2001. Based on interest rates at December 31, 2000 for floating rate debt and after giving effect to such transactions and the interest rate swaps described below, annual cash interest payments for 2001 on total debt at December 31, 2000 will aggregate approximately \$149.0 million, excluding \$12.8 million which has been deposited in a dedicated escrow account and classified as a restricted-use investment and excluding cash interest paid in 2001 on indebtedness repaid in the 2001 financings. In addition, annual dividend payments on the PIERS issued in January 2001 are \$20.8 million, payable at the Company's option in cash or shares of Common Stock. The final dividend payment on the PIES on April 2, 2001 will be paid in Common Stock in connection with the mandatory conversion of the PIES on that date. See Notes 6 and 9 to Notes to Consolidated Financial Statements for additional information regarding the Company's indebtedness.

During the year ended December 31, 2000, net cash provided by operating activities was \$176.2 million. Net cash used in investing activities in 2000 totaled \$337.1 million, consisting primarily of capital expenditures for the 2000 and 2001 seasons. Net cash provided by financing activities in 2000 was \$66.9 million, representing primarily the net borrowings under the Company's senior credit facility, offset in part by cash dividends on the PIES.

As more fully described in Note 2 to Notes to Consolidated Financial Statements, in connection with the Six Flags acquisition, the Company guaranteed certain obligations relating to Six Flags Over Georgia and Six Flags Over Texas. Among such obligations are (i) minimum distributions (including rent) of approximately \$50.2 million in 2001 to partners in these two Partnerships Parks (of which the Company will be entitled to receive approximately \$15.4 million based on its present ownership interests) and (ii) up to

approximately \$99.0 million of limited partnership unit purchase obligations for 2001 with respect to both parks. The Company plans to make approximately \$29.5 million of capital expenditures at these parks for the 2001 season. Cash flows from operations at the parks will be used to satisfy the annual distribution and capital expenditure requirements, before any funds are required from the Company. In addition, the Company had \$75.4 million in a dedicated escrow account at December 31, 2000 (classified as a restricted-use investment) available to fund these obligations.

The degree to which the Company is leveraged could adversely affect its liquidity. The Company's liquidity could also be adversely affected by unfavorable weather, accidents or the occurrence of an event or condition, including negative publicity or significant local competitive events, that significantly reduces paid attendance and, therefore, revenue at any of its theme parks.

The Company believes that, based on historical and anticipated operating results, cash flows from operations, available cash and available amounts under the senior credit facility will be adequate to meet the Company's future liquidity needs, including anticipated requirements for working capital, capital expenditures, scheduled debt and PIERS requirements and obligations under arrangements relating to the Partnership Parks, for at least the next several years. The Company may, however, need to refinance all or a portion of its existing debt on or prior to maturity or to seek additional financing.

Market Risks and Sensitivity Analyses

Like other global companies, Six Flags is exposed to market risks relating to fluctuations in interest rates and currency exchange rates. The objective of financial risk management at Six Flags is to minimize the negative impact of interest rate and foreign currency exchange rate fluctuations on the Company's operations, cash flows and equity. Six Flags does not acquire market risk sensitive instruments for trading purposes.

To manage foreign currency exchange rate risks, on a limited basis Six Flags has used derivative financial instruments, exclusively foreign exchange forward contracts. These derivative financial instruments have been held to maturity and Six Flags has used non-leveraged instruments. These contracts have been entered into with major financial institutions, thereby minimizing the risk of credit loss. Six Flags has used forward contracts to "lock-in" the U.S. dollar cost of equipment to be purchased from foreign vendors or manufacturers where the contracts related thereto are denominated in foreign currency. At December 31, 2000, no such contracts were outstanding. See Note 5

to Notes to Consolidated Financial Statements for a more complete description of Six Flags' accounting policies and use of such instruments.

In February 2001, the Company amended its three interest rate swap agreements that for the term of the applicable amendments (ranging from December 2002 to March 2003) effectively convert the Company's \$600.0 million term loan into a fixed rate obligation. The Company's term loan borrowings bear interest at 3.25% above the LIBOR rate. The Company's interest rate swap agreements effectively "lock-in" the LIBOR component at rates ranging from 5.925% to 6.07% and average 5.98%. The counterparties to these agreements are major financial institutions, which minimizes the credit risk.

The following analysis presents the sensitivity of the market value, operations and cash flows of Six Flags' market-risk financial instruments to hypothetical changes in interest rates as if these changes occurred at December 31, 2000. The range of changes chosen for this analysis reflect Six Flags' view of changes which are reasonably possible over a one-year period. Market values are the present values of projected future cash flows based on the interest rate assumptions. These forward looking disclosures are selective in nature and only address the potential impacts from financial instruments. They do not include other potential effects which could impact Six Flags' business as a result of these changes in interest and exchange rates.

Interest Rate and Debt Sensitivity Analysis

At December 31, 2000, Six Flags had debt totaling \$2,322.3 million, of which \$1,337.8 million represents fixed-rate debt and the balance represents floating-rate debt. After giving effect to the January 2001 equity and debt offerings and the use of proceeds therefrom, total debt at that date would have been \$2,259.6 million, of which \$1,588.1 million would have represented fixed-rate debt. For fixed-rate debt, interest rate changes affect the fair market value but do not impact book value, operations or cash flows. Conversely, for floating-rate debt, interest rate changes generally do not affect the fair market value but do impact future operations and cash flows, assuming other factors remain constant.

Additionally, increases and decrease in interest rates impact the fair value of the interest rate swap agreements. A decrease in thirty and ninety-day LIBOR interest rates increases the fair value liability of the interest rate swap agreements. However, over the term of the interest rate swap agreements, the economic effect of changes in interest rates is fixed as the Company will pay a fixed amount and not be subject to changes in interest rates.

Assuming other variables remain constant (such as foreign exchange rates and debt levels), after giving effect to the Company's interest rate swap agreements and 2001 financings and assuming an average annual balance on the Company's working capital revolver, the pre-tax operations and cash flows impact resulting from a one percentage point increase in interest rates would be approximately \$7.0 million (\$1.0 million after giving effect to the interest rate swap agreements).

Impact of Recently Issued Accounting Standards Not Yet Adopted

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes

accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative (that is gains and losses) depends on the intended use of the derivative and the resulting designation. The Company adopted the provisions of SFAS No. 133 as of January 1, 2001. As a result of the adoption, the Company recognized a liability of approximately \$5.0 million and recorded in other comprehensive income (loss) the amount (net of tax effect) as a cumulative effect of a change in accounting principle.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Six Flags, Inc.:

We have audited the accompanying consolidated balance sheets of Six Flags, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and other comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Six Flags, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Oklahoma City, Oklahoma
March 2, 2001

SIX FLAGS, INC.

Consolidated Balance Sheets

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,978,000	\$ 138,131,000
Accounts receivable	40,771,000	29,208,000
Inventories	28,588,000	23,590,000
Prepaid expenses and other current assets	35,855,000	32,793,000
Restricted-use investment securities	<u>12,773,000</u>	<u>24,430,000</u>
Total current assets	<u>160,965,000</u>	<u>248,152,000</u>
Other assets:		
Debt issuance costs	46,967,000	55,540,000
Restricted-use investment securities	75,376,000	84,464,000
Deposits and other assets	<u>56,884,000</u>	<u>64,472,000</u>
Total other assets	<u>179,227,000</u>	<u>204,476,000</u>
Property and equipment, at cost	2,585,927,000	2,272,419,000
Less accumulated depreciation	<u>328,027,000</u>	<u>207,680,000</u>
	2,257,900,000	2,064,739,000
Investment in theme park partnerships	386,638,000	384,637,000
Intangible assets, principally goodwill	1,354,289,000	1,352,732,000
Less accumulated amortization	<u>147,680,000</u>	<u>93,164,000</u>
	1,206,609,000	1,259,568,000
Total assets	<u>\$4,191,339,000</u>	<u>\$4,161,572,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 45,315,000	\$ 37,918,000
Accrued interest payable	24,353,000	23,566,000
Accrued compensation, payroll taxes and benefits	6,963,000	19,368,000
Other accrued liabilities	64,552,000	76,395,000
Current portion of long-term debt	<u>2,401,000</u>	<u>2,055,000</u>
Total current liabilities	143,584,000	159,302,000
Long-term debt	2,319,912,000	2,202,933,000
Other long-term liabilities	37,937,000	41,761,000
Deferred income taxes	<u>144,919,000</u>	<u>141,960,000</u>
Total liabilities	<u>2,646,352,000</u>	<u>2,545,956,000</u>
Stockholders' equity:		
Preferred stock, \$1.00 par value, 5,000,000 shares authorized; 11,500 shares issued and outstanding at December 31, 2000 and 1999	12,000	12,000
Common stock, \$.025 par value, 150,000,000 shares authorized; 80,068,826 and 78,350,771 shares issued and outstanding at December 31, 2000 and 1999, respectively	2,001,000	1,958,000
Capital in excess of par value	1,725,890,000	1,700,305,000
Accumulated deficit	(128,928,000)	(53,681,000)
Deferred compensation	(5,399,000)	(15,255,000)
Accumulated other comprehensive income (loss)	<u>(48,589,000)</u>	<u>(17,723,000)</u>
Total stockholders' equity	<u>1,544,987,000</u>	<u>1,615,616,000</u>
Total liabilities and stockholders' equity	<u>\$4,191,339,000</u>	<u>\$4,161,572,000</u>

See accompanying notes to consolidated financial statements.

SIX FLAGS, INC.

Consolidated Statements of Operations

Years ended December 31, 2000, 1999 and 1998

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Theme park admissions	\$ 544,809,000	\$ 500,417,000	\$423,461,000
Theme park food, merchandise and other	462,172,000	426,567,000	369,242,000
Total revenue	<u>1,006,981,000</u>	<u>926,984,000</u>	<u>792,703,000</u>
Operating costs and expenses:			
Operating expenses	376,060,000	353,728,000	297,266,000
Selling, general and administrative	165,980,000	163,526,000	126,985,000
Noncash compensation (primarily selling, general and administrative)	12,584,000	12,725,000	6,362,000
Costs of products sold	95,652,000	90,699,000	82,127,000
Depreciation and amortization	179,989,000	154,264,000	109,841,000
Total operating costs and expenses	<u>830,265,000</u>	<u>774,942,000</u>	<u>622,581,000</u>
Income from operations	<u>176,716,000</u>	<u>152,042,000</u>	<u>170,122,000</u>
Other income (expense):			
Interest expense	(232,336,000)	(193,965,000)	(149,820,000)
Interest income	7,569,000	24,524,000	33,971,000
Equity in operations of theme park partnerships	11,833,000	26,180,000	24,054,000
Other expense	(10,119,000)	(3,551,000)	(1,983,000)
Total other income (expense)	<u>(223,053,000)</u>	<u>(146,812,000)</u>	<u>(93,778,000)</u>
Income (loss) before income taxes	(46,337,000)	5,230,000	76,344,000
Income tax expense	5,622,000	24,460,000	40,716,000
Income (loss) before extraordinary loss	(51,959,000)	(19,230,000)	35,628,000
Extraordinary loss on extinguishment of debt, net of income tax benefit of \$7,530,000 in 1999 and \$526,000 in 1998	—	(11,296,000)	(788,000)
Net income (loss)	<u>\$ (51,959,000)</u>	<u>\$ (30,526,000)</u>	<u>\$ 34,840,000</u>
Net income (loss) applicable to common stock ..	<u>\$ (75,247,000)</u>	<u>\$ (53,814,000)</u>	<u>\$ 17,374,000</u>
Weighted average number of common shares outstanding — basic	<u>78,735,000</u>	<u>77,656,000</u>	<u>66,430,000</u>
Net income (loss) per average common share outstanding — basic:			
Income (loss) before extraordinary loss	\$ (0.96)	\$ (0.55)	\$ 0.27
Extraordinary loss	—	(0.14)	(0.01)
Net income (loss)	<u>\$ (0.96)</u>	<u>\$ (0.69)</u>	<u>\$ 0.26</u>
Weighted average number of common shares outstanding — diluted	<u>78,735,000</u>	<u>77,656,000</u>	<u>68,518,000</u>
Net income (loss) per average common share outstanding — diluted:			
Income (loss) before extraordinary loss	\$ (0.96)	\$ (0.55)	\$ 0.26
Extraordinary loss	—	(0.14)	(0.01)
Net income (loss)	<u>\$ (0.96)</u>	<u>\$ (0.69)</u>	<u>\$ 0.25</u>

See accompanying notes to consolidated financial statements.

SIX FLAGS, INC.

**Consolidated Statements of Stockholders' Equity and
Other Comprehensive Income (Loss)**

Years ended December 31, 2000, 1999 and 1998

	Preferred Stock		Common Stock		Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares Issued	Amount	Shares Issued	Amount						
Balances at December 31, 1997.....	—	\$ —	37,798,914	\$ 944,000	\$ 354,235,000	\$ (17,241,000)	\$(13,500,000)	\$ —	\$(689,000)	\$ 323,749,000
Issuance of preferred stock.....	11,500	12,000	—	—	301,173,000	—	—	—	—	301,185,000
Issuance of common stock.....	—	—	38,742,439	969,000	985,812,000	—	(16,100,000)	—	—	970,681,000
Amortization of deferred compensation.....	—	—	—	—	—	—	4,489,000	—	—	4,489,000
Retirement of treasury stock.....	—	—	(52,692)	(1,000)	(688,000)	—	—	—	689,000	—
Net income.....	—	—	—	—	—	34,840,000	—	—	—	34,840,000
Other comprehensive income — foreign currency translation adjustment.....	—	—	—	—	—	—	—	9,087,000	—	9,087,000
Comprehensive income.....										43,927,000
Preferred stock dividends.....	—	—	—	—	—	(17,466,000)	—	—	—	(17,466,000)
Balances at December 31, 1998.....	11,500	12,000	76,488,661	1,912,000	1,640,532,000	133,000	(25,111,000)	9,087,000	—	1,626,565,000
Issuance of common stock.....	—	—	1,862,110	46,000	53,853,000	—	—	—	—	53,899,000
Amortization of deferred compensation.....	—	—	—	—	—	—	9,856,000	—	—	9,856,000
Stock option compensation.....	—	—	—	—	4,742,000	—	—	—	—	4,742,000
Tax benefit from stock options and warrants.....	—	—	—	—	1,178,000	—	—	—	—	1,178,000
Net loss.....	—	—	—	—	—	(30,526,000)	—	—	—	(30,526,000)
Other comprehensive loss — foreign currency translation adjustment.....	—	—	—	—	—	—	—	(26,810,000)	—	(26,810,000)
Comprehensive loss.....										(57,336,000)
Preferred stock dividends.....	—	—	—	—	—	(23,288,000)	—	—	—	(23,288,000)
Balances at December 31, 1999.....	11,500	12,000	78,350,771	1,958,000	1,700,305,000	(53,681,000)	(15,255,000)	(17,723,000)	—	1,615,616,000
Issuance of common stock.....	—	—	1,718,055	43,000	22,857,000	—	—	—	—	22,900,000
Amortization of deferred compensation.....	—	—	—	—	—	—	9,856,000	—	—	9,856,000
Stock option compensation.....	—	—	—	—	2,728,000	—	—	—	—	2,728,000
Net loss.....	—	—	—	—	—	(51,959,000)	—	—	—	(51,959,000)
Other comprehensive loss — foreign currency translation adjustment.....	—	—	—	—	—	—	—	(30,866,000)	—	(30,866,000)
Comprehensive loss.....										(82,825,000)
Preferred stock dividends.....	—	—	—	—	—	(23,288,000)	—	—	—	(23,288,000)
Balances at December 31, 2000.....	<u>11,500</u>	<u>\$12,000</u>	<u>80,068,826</u>	<u>\$2,001,000</u>	<u>\$1,725,890,000</u>	<u>\$(128,928,000)</u>	<u>\$(5,399,000)</u>	<u>\$(48,589,000)</u>	<u>\$ —</u>	<u>\$1,544,987,000</u>

See accompanying notes to consolidated financial statements.

SIX FLAGS, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:			
Net income (loss)	\$ (51,959,000)	\$ (30,526,000)	\$ 34,840,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities (net of effects of acquisitions):			
Depreciation and amortization	179,989,000	154,264,000	109,841,000
Equity in operations of theme park partnerships, net of cash received	21,698,000	(8,524,000)	(8,240,000)
Minority interest in earnings	132,000	(6,000)	960,000
Noncash compensation	12,584,000	12,725,000	6,362,000
Interest accretion on notes payable	30,733,000	34,402,000	28,713,000
Interest accretion on restricted-use investments	—	(6,182,000)	(7,267,000)
Extraordinary loss on early extinguishment of debt	—	18,826,000	1,314,000
Amortization of debt issuance costs	8,573,000	6,755,000	5,351,000
Loss on disposal of assets	9,987,000	3,557,000	920,000
Deferred income tax expense	2,217,000	17,146,000	38,698,000
(Increase) decrease in accounts receivable	(11,558,000)	5,359,000	(17,816,000)
Decrease in income tax receivable	—	—	995,000
Increase in inventories and prepaid expenses and other current assets	(8,011,000)	(2,191,000)	(12,154,000)
(Increase) decrease in deposits and other assets	7,588,000	9,416,000	(25,185,000)
Decrease in accounts payable, accrued expenses and other liabilities	(26,599,000)	(7,966,000)	(61,806,000)
Increase (decrease) in accrued interest payable	787,000	(9,706,000)	23,484,000
Total adjustments	<u>228,120,000</u>	<u>227,875,000</u>	<u>84,170,000</u>
Net cash provided by operating activities	<u>176,161,000</u>	<u>197,349,000</u>	<u>119,010,000</u>
Cash flows from investing activities:			
Additions to property and equipment	(334,226,000)	(391,655,000)	(205,754,000)
Investment in theme park partnerships	(23,699,000)	(51,931,000)	(60,739,000)
Acquisition of theme park assets	—	(34,578,000)	(50,593,000)
Acquisition of theme park companies, net of cash acquired	117,000	(242,954,000)	(1,037,412,000)
Purchase of restricted-use investments	(18,214,000)	—	(321,750,000)
Maturities of restricted-use investments	38,959,000	214,940,000	11,365,000
Net cash used in investing activities	<u>(337,063,000)</u>	<u>(506,178,000)</u>	<u>(1,664,883,000)</u>
Cash flows from financing activities:			
Repayment of long-term debt	(316,408,000)	(1,291,910,000)	(703,639,000)
Proceeds from borrowings	403,000,000	1,391,024,000	1,361,703,000
Net cash proceeds from issuance of preferred stock	—	—	301,185,000
Net cash proceeds from issuance of common stock	3,645,000	2,801,000	955,134,000
Payment of cash dividends	(23,288,000)	(23,288,000)	(11,644,000)
Payment of debt issuance costs	—	(29,139,000)	(41,641,000)
Net cash provided by financing activities	<u>66,949,000</u>	<u>49,488,000</u>	<u>1,861,098,000</u>
Effect of exchange rate changes on cash and cash equivalents ..	(1,200,000)	(3,106,000)	1,065,000
Increase (decrease) in cash and cash equivalents	(95,153,000)	(262,447,000)	316,290,000
Cash and cash equivalents at beginning of year	138,131,000	400,578,000	84,288,000
Cash and cash equivalents at end of year	<u>\$ 42,978,000</u>	<u>\$ 138,131,000</u>	<u>\$ 400,578,000</u>
Supplementary cash flow information:			
Cash paid for interest	<u>\$ 192,247,000</u>	<u>\$ 162,511,000</u>	<u>\$ 92,272,000</u>
Cash paid for income taxes	<u>\$ 66,000</u>	<u>\$ 220,000</u>	<u>\$ 497,000</u>

SIX FLAGS, INC.

Consolidated Statements of Cash Flows, Continued
Years ended December 31, 2000, 1999 and 1998

Supplemental disclosure of noncash investing and financing activities:

2000

The Company issued \$19,255,000 of common stock (1,339,223 shares) as consideration for a water and children's ride park acquisition.

1999

- The Company issued a \$40,700,000 note convertible into 1,080,000 common shares as consideration for a theme park acquisition made by a limited partnership for which the Company is the managing general partner.
- The Company issued a \$10,435,000 of common stock (337,467 shares) as additional consideration for a theme park acquisition.

1998

- The Company issued \$15,547,000 of common stock (805,954 shares) as consideration for a theme park acquisition.
- The Company issued restricted common stock (920,000 shares) to certain employees valued at \$16,100,000.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2000, 1999 and 1998

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Company owns and operates regional theme amusement and water parks. As of December 31, 2000, the Company and its subsidiaries own or operate 37 parks, including 29 domestic parks, one park in Mexico and seven parks in Europe. Six Flags is also managing the construction and development of a theme park in Europe.

On March 24, 1998, the company then known as Premier Parks Inc. (Premier Operations) merged (the Merger) with an indirect wholly owned subsidiary thereof, pursuant to which Premier Operations became a wholly owned subsidiary of Premier Parks Holdings Corporation (Holdings) and the holders of shares of common stock of Premier Operations became, on a share-for-share basis, holders of common stock of Holdings. On the Merger date, Premier Operations' name was changed to Premier Parks Operations Inc., and Holdings' name was changed to Premier Parks Inc. On June 30, 2000, the name of Premier Parks Inc. was changed to Six Flags, Inc. and the name of Premier Parks Operations Inc. was changed to Six Flags Operations Inc. Unless otherwise indicated, all references contained herein reflect the name change as if it occurred prior to the earliest period presented. References herein to the "Company" or "Six Flags" mean (i) for all periods or dates prior to March 24, 1998, Premier Operations and its consolidated subsidiaries and (ii) for all subsequent periods or dates, Holdings and its consolidated subsidiaries (including Six Flags Operations). As used herein, Holdings refers only to Six Flags, Inc., without regard to its subsidiaries.

During December 2000, the Company purchased 100% of the capital stock of the company that owns Enchanted Village and Wild Waves, a water park and children's ride park located near Seattle, Washington.

During May 1999, in separate transactions, the Company purchased 100% of the capital stock of the companies that own Reino Aventura, a theme park located in Mexico City, and purchased the assets used in the operation of Splashtown, a water park near Houston. In addition, during May 1999, the limited partnership that owns Six Flags Over Georgia purchased the assets used in the operation of White Water Atlanta, a water park and related entertainment facility near Atlanta. The consideration for this purchase was advanced to the partnership by the Company through a

convertible promissory note. The Company is the managing general partner of the limited partnership and owns approximately 25% of the limited partnership units. On November 15, 1999, the Company purchased the partnership that owns Warner Bros. Movie World Germany, near Dusseldorf, Germany, and entered into a joint venture with Warner Bros. to develop and manage a new Warner Bros. Movie World theme park scheduled to open in Madrid, Spain in 2002. See Note 2.

During 1998, the Company purchased approximately 97% of the outstanding capital stock of Walibi, S.A. (Walibi) and as of December 31, 2000 owns 100%. See Note 2. On April 1, 1998, the Company purchased all of the outstanding capital stock of Six Flags Entertainment Corporation (together with its subsidiaries, SFEC) and consummated the related transactions described in Note 2.

The accompanying consolidated financial statements for the year ended December 31, 2000, reflect the results of Enchanted Village and Wild Waves only from its acquisition date, December 6, 2000. The accompanying consolidated financial statements for the year ended December 31, 1999 reflect the results of Reino Aventura, Splashtown, White Water Atlanta, and Movie World Germany only from their acquisition dates, May 4, 1999, May 13, 1999, May 25, 1999 and November 15, 1999, respectively. The accompanying consolidated financial statements for the year ended December 31, 1998 reflect the results of Walibi only from March 26, 1998, and of SFEC only from April 1, 1998.

On February 9, 2001, Six Flags purchased substantially all of the assets used in the operations of Sea World of Ohio, a marine wildlife park located adjacent to the Company's Six Flags Ohio theme park, for a cash purchase price of \$110,000,000. The Company funded the acquisition from proceeds obtained through Holdings' public offering of 11,500,000 Preferred Income Equity Redeemable Shares (PIERS). See Note 9(a). The accompanying consolidated financial statements do not include the results of Sea World of Ohio for any period presented as the acquisition occurred subsequent to December 31, 2000.

(b) Basis of Presentation

The Company's accounting policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

The consolidated financial statements include the accounts of the Company, its majority and wholly owned subsidiaries, and limited partnerships and limited liability companies in which the Company beneficially owns 100% of the interests. Intercompany transactions and balances have been eliminated in consolidation.

The Company's investments in partnerships and joint ventures in which it does not own controlling interests are accounted for using the equity method.

(c) Cash Equivalents

Cash equivalents of \$17,347,000 and \$93,083,000 at December 31, 2000 and 1999, respectively, consist of short-term highly liquid investments with a remaining maturity as of purchase date of three months or less, which are readily convertible into cash. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with remaining maturities as of their purchase date of three months or less to be cash equivalents.

(d) Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market value and primarily consist of products for resale including merchandise and food and miscellaneous supplies.

(e) Advertising Costs

Production costs of commercials and programming are charged to operations in the year first aired. The costs of other advertising, promotion, and marketing programs are charged to operations when incurred. The amounts capitalized at year end are included in prepaid expenses.

Advertising and promotions expense was \$105,640,000, \$100,175,000 and \$66,141,000 during 2000, 1999 and 1998, respectively.

(f) Debt Issuance Costs

The Company capitalizes costs related to the issuance of debt. The amortization of such costs is recognized as interest expense under a method approximating the interest method over the life of the respective debt issue.

(g) Depreciation and Amortization

Rides and attractions are depreciated using the straight-line method over 5-25 years. Land improvements are depreciated using the straight-line method over 10-15 years. Buildings and improvements are depreciated over their estimated useful lives of approximately 30 years by use of the straight-line method.

Furniture and equipment are depreciated using the straight-line method over 5-10 years.

Maintenance and repairs are charged directly to expense as incurred, while betterments and renewals are generally capitalized as property and equipment. When an item is retired or otherwise disposed of, the cost and applicable accumulated depreciation are removed and the resulting gain or loss is recognized.

(h) Investment in Theme Park Partnerships

The Company manages five parks in which the Company does not currently own a controlling interest. The Company accounts for its investment in four of the parks using the equity method of accounting. The equity method of accounting recognizes the Company's share of the activity of Six Flags Over Texas, Six Flags Over Georgia, White Water Atlanta, and Six Flags Marine World in the accompanying consolidated statements of operations in the caption "equity in operations of theme park partnerships." The equity method of accounting differs from the consolidation method of accounting used for the theme parks in which the Company owns a controlling interest. In the consolidation method of accounting, the activities of the controlled parks are reflected in each revenue and expense caption rather than aggregated into one caption. The Warner Bros. Movie World theme park being constructed in Spain is not yet in operation. The Company accounts for its investment in this park at cost.

(i) Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over the expected period to be benefited, generally 18 to 25 years. Other intangible assets are amortized over the period to be benefited, generally up to 25 years. The Company assesses the recoverability of intangible assets by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future operating cash flows from the acquisition. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average borrowing rate. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(j) Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying

amount of an asset or group of assets to future net cash flows expected to be generated by the asset or group of assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(k) Interest Expense

Interest on notes payable is generally recognized as expense on the basis of stated interest rates. Notes payable assumed in an acquisition are carried at amounts adjusted to impute a market rate of interest cost (when the obligations were assumed).

(m) Income (Loss) Per Common Share

Basic income (loss) per share is computed by dividing net income (loss) applicable to common stock by the weighted average number of common shares outstanding for the period. Diluted income per share in 1998 reflects the potential dilution that would occur if the Company's outstanding stock options were exercised (calculated using the treasury stock method). No adjustments for stock options were included in the 2000 and 1999 computations of diluted loss per share because the effect would have been antidilutive. Additionally, the weighted average number of shares for each of the years ended December 31, 2000, 1999 and 1998 does not include the impact of the conversion of the Company's mandatorily convertible preferred stock into a maximum of 11,500,000 shares of common stock and a minimum of 9,554,000 shares of common stock as the effect of the conversion and resulting decrease in preferred stock dividends would be antidilutive.

During 2000, 1999, and the last nine months of 1998, the Company's mandatorily convertible preferred stock was outstanding. Preferred stock dividends of \$23,288,000, \$23,288,000 and \$17,466,000 were considered in determining net income (loss) applicable to common stock in 2000, 1999, and 1998, respectively.

On June 9, 1998, the Company's common shareholders approved a two-for-one stock split effective July 24, 1998. The par value of the common stock was decreased to \$.025 per share from \$.05 per share. Additionally, the authorized common shares of the Company were increased to 150,000,000. The accompanying consolidated financial statements and notes to the consolidated financial statements reflect the stock split as if it had occurred as of the beginning of the earliest year presented.

The following table reconciles the weighted average number of common shares outstanding used in the calculations of basic and diluted income (loss) per average common share outstanding for the years 2000, 1999 and 1998.

	<u>Years ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Weighted average number of common shares outstanding — basic	78,735,000	77,656,000	66,430,000
Dilutive effect of potential common shares issuable upon the exercise of employee stock options	—	—	<u>2,088,000</u>
Weighted average number of common shares outstanding — diluted	<u>78,735,000</u>	<u>77,656,000</u>	<u>68,518,000</u>

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. United States deferred income taxes have not been provided on foreign earnings which are being permanently reinvested.

(n) Stock Options

For unconditional employee stock options, the Company recognizes compensation expense over the service period, only if the current market price of the underlying stock exceeds the exercise price on the date of the grant. For employee stock options that are conditioned upon the achievement of performance goals, compensation expense, as determined by the extent that the quoted market price of the underlying stock at the time that the condition for exercise is achieved exceeds the stock option exercise price, is recognized over the service period. For stock options issued to nonemployees, the Company recognizes compensation expense at the time of issuance based upon the fair value of the options issued.

Pro forma net income (loss) and net income (loss) per share for employee stock option grants made in and subsequent to 1995 as if the fair-value-based method had been applied are provided in Note 9(c).

(o) Investment Securities

Restricted-use investment securities at December 31, 2000 and 1999 consist of U.S. Treasury securities. The securities are restricted to provide for three years of interest payments on certain debt issued in 1998 and to provide funds to satisfy the Company's obligations under certain guarantees of partnership arrangements described in Note 2. The Company classifies its investment securities in one of two categories: available-for-sale or held-to-maturity. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All other securities held by the Company are classified as available-for-sale. The Company does not purchase investment securities principally for the purpose of selling them in the near term and thus has no securities classified as trading.

Available-for-sale securities are recorded at fair value. As of December 31, 2000 and 1999, the fair value of the restricted-use investments classified as available-for-sale was \$75,376,000 and \$71,600,000 which approximated the amortized cost of the securities. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts.

As of December 31, 2000 and 1999, all of the Company's restricted-use investment securities classified as available-for-sale had remaining maturities of less

than one year; however, these securities are reflected as noncurrent assets as they are restricted for future use. As of December 31, 2000 and 1999, \$12,773,000 and \$24,430,000 of restricted-use investment securities classified as held-to-maturity had maturities and restrictions of less than one year and are reflected as current assets. As of December 31, 1999, the remaining restricted-use investment securities of \$12,864,000 classified as held-to-maturity had a remaining term greater than one year.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Interest income is recognized when earned.

(p) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and changes in the foreign currency translation adjustment, and is presented in the 2000, 1999 and 1998 consolidated statements of stockholders' equity and other comprehensive income (loss) as accumulated other comprehensive income (loss).

(q) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reporting period. Actual results could differ from those estimates.

(r) Reclassifications

Reclassifications have been made to certain amounts reported in 1999 and 1998 to conform with the 2000 presentation.

(2) Acquisition of Theme Parks

On December 6, 2000, the Company acquired all of the capital stock of the company operating as Enchanted Village and Wild Waves (Enchanted Village), a water park and children's ride park located near Seattle, Washington, for a purchase price of \$19,255,000 paid through issuance of 1,339,223 shares of the Company's common stock. As of the acquisition date, \$4,471,000 of deferred tax liabilities were recognized for the tax consequences attributable to the differences between the financial carrying amounts and the tax basis of Enchanted Village's assets and liabilities. Approximately \$4,235,000 of costs in excess of the fair value of the net assets acquired were recorded as goodwill. The transaction was accounted for as a purchase.

On May 4, 1999, the Company acquired all of the capital stock of the companies that own and operate Reino Aventura (subsequently renamed Six Flags Mexico), a theme park located in Mexico City, for a cash purchase price of approximately \$59,600,000. The Company funded the acquisition from existing cash. Approximately \$14,575,000 of costs in excess of the fair value of the net assets acquired were recorded as goodwill. The transaction was accounted for as a purchase.

On May 13, 1999, the Company acquired the assets of Splashtown water park located in Houston, Texas for a cash purchase price of approximately \$20,400,000. The Company funded the acquisition from existing cash. Approximately \$10,530,000 of costs in excess of the fair value of the net assets acquired were recorded as goodwill. The transaction was accounted for as a purchase.

On May 25, 1999, the limited partnership that owns Six Flags Over Georgia acquired the assets of White Water Atlanta water park, and adjacent American Adventures entertainment facility located near Atlanta, Georgia. In connection with the acquisition, Six Flags issued a \$40,700,000 note that was converted into 1,080,000 shares of the Company's common stock. The transaction was accounted for by the limited partnership as a purchase. The Company has reflected the additional investment in the limited partnership as investment in theme park partnerships.

On November 15, 1999, the Company purchased the partnership that owns Warner Bros. Movie World Germany, near Dusseldorf, Germany, and entered into a joint venture with Warner Bros. to design, develop and manage a new Warner Bros. Movie World theme park scheduled to open in Madrid, Spain in 2002. At the same time, the Company entered into a long-term license agreement for exclusive theme park usage in Europe, Mexico, South America, and Central America of the Looney Tunes, Hanna-Barbera, Cartoon Network and D.C. Comics characters. The aggregate cost of the transactions was \$180,269,000, which was funded by borrowings under the Company's 1999 credit facility (the Credit Facility). See Note 6(d). Approximately \$42,800,000 of the aggregate costs were allocated to goodwill and intangible assets. The transaction was accounted for as a purchase.

On March 26, 1998, the Company purchased (the Private Acquisition) approximately 49.9% of the outstanding capital stock of Walibi for an aggregate purchase price of \$42,300,000, of which 20% was paid through issuance of 448,910 shares of common stock and 80% was paid in cash. In June 1998, the Company purchased an additional 44% of the outstanding capital stock of Walibi for an aggregate purchase price of \$38,100,000, which was paid through issuance of

347,746 shares of common stock and \$31,400,000 in cash. During the remainder of the year, Six Flags purchased an additional 3% of Walibi, which included the issuance of an additional 9,298 shares of common stock. During 2000 and 1999, Six Flags purchased an additional 1.1% and 2%, respectively, of Walibi and as of June 2000, owned 100% of the equity interests of Walibi. On the date of the Private Acquisition, Walibi's indebtedness aggregated \$71,181,000, which indebtedness was assumed or refinanced by the Company. The Company funded the cash portion of the purchase price (and the refinancing of such indebtedness) from borrowings under a previously existing credit facility. As of the acquisition dates and after giving effect to the purchases, \$11,519,000 of deferred tax liabilities were recognized for the tax consequences attributable to the differences between the financial carrying amounts and the tax basis of Walibi's assets and liabilities. Approximately \$60,118,000 of costs in excess of the fair value of the net assets acquired were recorded as goodwill. As a result of 2000 revenues of Walibi exceeding levels specified in the purchase agreement, Six Flags is required to issue the former owners of Walibi additional shares of common stock in April 2001 with an approximate value of \$2,266,000 (using December 31, 2000 exchange rates). The Company was not required to issue any shares as a result of the 1999 revenues. The value of the additional shares will be recorded as additional goodwill.

On April 1, 1998 the Company acquired (the Six Flags Acquisition) all of the capital stock of SFEC for \$976,000,000, paid in cash. In connection with the Six Flags Acquisition, the Company issued through public offerings (i) 36,800,000 shares of common stock (with gross proceeds of \$993,600,000), (ii) 5,750,000 Premium Income Equity Securities (PIES) (with gross proceeds of \$310,500,000), (iii) \$410,000,000 aggregate principal amount at maturity of the Company's 10% Senior Discount Notes due 2008 (the Senior Discount Notes) (with gross proceeds of \$251,700,000) and (iv) \$280,000,000 aggregate principal amount of the Company's 9¼% Senior Notes due 2006 (the 1998 Senior Notes), and SFEC issued \$170,000,000 aggregate principal amount of its 8¾% Senior Notes due 2006 (the SFEC Notes). In addition, in connection with the Six Flags Acquisition, the Company (i) assumed \$285,000,000 principal amount at maturity of previously outstanding senior subordinated notes of Six Flags Theme Parks Inc. (SFTP), an indirect wholly-owned subsidiary of SFEC, which notes had an accreted value of \$278,100,000 at April 1, 1998 (fair value of \$318,500,000 at that date) and (ii) refinanced all outstanding SFTP bank indebtedness with the proceeds of \$410,000,000 of borrowings under a \$472,000,000 senior secured credit facility of SFTP. During 1999, the Company completed the deter-

mination of the value of the assets acquired and liabilities assumed. As a result of the final determination, the deferred income tax liability resulting from the acquisition and goodwill was each reduced by approximately \$30,000,000. As of the acquisition date and after giving effect to the final allocation of purchase price, \$35,619,000 of deferred tax liabilities were recognized for the tax consequences attributable to the differences between the financial carrying amounts and the tax basis of SFEC's assets and liabilities. Approximately \$1,170,974,000 of costs in excess of the fair value of the net assets acquired were recorded as goodwill.

In addition to its obligations under outstanding indebtedness and other securities issued or assumed in the Six Flags Acquisition, the Company also guaranteed in connection therewith certain contractual obligations relating to the partnerships that own two Six Flags parks, Six Flags Over Texas and Six Flags Over Georgia (the Partnership Parks). Specifically, the Company guaranteed the obligations of the general partners of those partnerships to (i) make minimum annual distributions of approximately \$46,300,000 (subject to annual cost of living adjustments) to the limited partners in the Partnership Parks and (ii) make minimum capital expenditures at each of the Partnership Parks during rolling five-year periods, based generally on 6% of such park's revenues. Cash flow from operations at the Partnership Parks is used to satisfy these requirements first, before any funds are required

from the Company. The Company also guaranteed the obligation of its subsidiaries to purchase a maximum number of 5% per year (accumulating to the extent not purchased in any given year) of the total limited partnership units outstanding as of the date of the agreements (the Partnership Agreements) that govern the partnerships (to the extent tendered by the unit holders). The agreed price for these purchases is based on a valuation for each respective Partnership Park equal to the greater of (i) a value derived by multiplying such park's weighted-average four-year EBITDA (as defined in the Partnership Agreements) by a specified multiple (8.0 in the case of the Georgia park and 8.5 in the case of the Texas park) or (ii) \$250,000,000 in the case of the Georgia park and \$374,800,000 in the case of the Texas park. The Company's obligations with respect to Six Flags Over Georgia and Six Flags Over Texas will continue until 2027 and 2028, respectively.

As the Company purchases units relating to either Partnership Park, it is entitled to the minimum distribution and other distributions attributable to such units, unless it is then in default under the applicable agreements with its partners at such Partnership Park. On December 31, 2000, the Company owned approximately 25% and 35%, respectively, of the limited partnership units in the Georgia and Texas partnerships. The maximum unit purchase obligations for 2001 at both parks will aggregate approximately \$99,000,000.

The following summarized unaudited pro forma results of operations for the years ended December 31, 1999 and 1998, assume that the SFEC, Walibi, Six Flags Mexico, White Water Atlanta, Splashtown and Movie World acquisitions, and the related transactions occurred as of January 1, 1998. The acquisition of Enchanted Village in December 2000 was not material to the Company's 2000 and 1999 financial condition or results. Therefore, the results of operations for Enchanted Village are not included in the pro forma information presented below.

	<u>1999</u>	<u>1998</u>
	(Unaudited) (In thousands)	
Total revenues	\$986,808	898,670
Loss before extraordinary loss	(39,555)	(66,299)
Loss per common share—basic	(0.81)	(1.17)
Loss per common share—diluted	(0.81)	(1.17)

(3) Property and Equipment

Property and equipment, at cost, are classified as follows:

	<u>2000</u>	<u>1999</u>
Land	\$ 294,215,000	293,924,000
Land improvements	299,261,000	223,068,000
Buildings and improvements	540,349,000	485,303,000
Rides and attractions	1,202,149,000	1,044,252,000
Equipment	249,953,000	225,872,000
Total	<u>2,585,927,000</u>	<u>2,272,419,000</u>
Less accumulated depreciation	<u>328,027,000</u>	<u>207,680,000</u>
	<u>\$2,257,900,000</u>	<u>2,064,739,000</u>

(4) Investment in Theme Park Partnerships

The following reflects the summarized assets, liabilities, and equity as of December 31, 2000 and 1999, and the results of the four parks managed by the Company for the years ended December 31, 2000, 1999 and 1998, in the case of Six Flags Marine World, for the periods subsequent to April 1, 1998 (the date of the Six Flags Acquisition), in the case of the Partnership Parks and for the periods subsequent to May 25, 1999, in the case of White Water Atlanta, which was purchased on that date by the limited partnership that owns Six Flags Over Georgia.

	<u>2000</u>	<u>1999</u>	
Assets:			
Current assets	\$ 26,530,000	33,114,000	
Property and equipment, net.....	254,263,000	241,522,000	
Other assets	35,676,000	39,179,000	
Total assets.....	<u>\$316,469,000</u>	<u>313,815,000</u>	
Liabilities and equity:			
Current liabilities.....	\$ 47,685,000	32,851,000	
Affiliate loans.....	91,107,000	89,607,000	
Long-term debt.....	66,305,000	71,613,000	
Equity	111,372,000	119,744,000	
Total liabilities and equity.....	<u>\$316,469,000</u>	<u>313,815,000</u>	
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenue	<u>\$208,196,000</u>	<u>225,274,000</u>	<u>201,933,000</u>
Expenses:			
Operating expenses	84,379,000	88,901,000	75,680,000
Selling, general and administrative	29,911,000	27,957,000	24,683,000
Costs of products sold	17,921,000	21,241,000	26,689,000
Depreciation and amortization	20,145,000	16,724,000	13,325,000
Interest expense, net	14,259,000	11,545,000	6,301,000
Other expense	841,000	532,000	1,451,000
Total	<u>167,456,000</u>	<u>166,900,000</u>	<u>148,129,000</u>
Net income	<u>\$ 40,740,000</u>	<u>58,374,000</u>	<u>53,804,000</u>

The Company's share of operations of the four theme parks for the years ended December 31, 2000, 1999, and 1998 was \$33,205,000, \$44,187,000 and \$35,408,000, prior to depreciation and amortization charges of \$20,370,000, \$15,826,000 and \$9,763,000, and third-party interest expense and other non-operating expenses of \$1,002,000, \$2,181,000 and \$1,591,000, respectively. A substantial difference exists between the carrying value of the Company's investment in the theme parks and the Company's share of the net book value of the theme parks. The difference is being amortized over 20 years for the Partnership Parks and over the expected useful life of the rides and equipment installed by the Company at Six Flags Marine World. Pursuant to the Partnership Agreements, the Company, as managing general partner of the Partnership Parks, can make affiliate loans to the Partnership Parks. These loans are reflected in the Company's consolidated balance sheet as an investment in theme park partnerships. As discussed in Note 2, the Company provided the consideration for a Partnership Park to acquire White Water Atlanta. The resulting note from the Partnership Park to the Company is in the form of an affiliate loan. Included in long-term

debt above as of December 31, 2000 is \$61,185,000 of long-term debt that is not guaranteed by the Company. That long-term debt is an obligation of the other parties that have an interest in Six Flags Marine World. The remaining long-term debt shown above consists primarily of term loan debt and capitalized lease obligations associated with rides and equipment.

In April 1997, the Company became manager of Marine World (subsequently renamed Six Flags Marine World), then a marine and exotic wildlife park located in Vallejo, California, pursuant to a contract with an agency of the City of Vallejo under which the Company is entitled to receive an annual base management fee of \$250,000 and up to \$250,000 annually in additional management fees based on park revenues. In November 1997, the Company exercised its option to lease approximately 40 acres of land within the site for nominal rent and an initial term of 55 years (plus four ten-year and one four-year renewal options). In 2000, 1999, and 1998, the Company added theme park rides and attractions on the leased land, which is located within the existing park, in order to create one fully-integrated regional theme park at the site. The

Company is entitled to receive, in addition to the management fee, 80% of the cash flow generated by the combined operations at the park, after combined operating expenses and debt service on outstanding debt obligations relating to the park. The Company also has an option to purchase the entire site commencing in February 2002 at a purchase price equal to the greater of the then principal amount of certain debt obligations of the seller (expected to aggregate \$52,000,000 at February 2002) or the then fair market value of the seller's interest in the park (based on a formula relating to the seller's 20% share of Marine World's cash flow).

(5) Derivative Financial Instruments

Prior to 2000, the Company had only limited involvement with derivative financial instruments, entering into contracts to manage the variability of foreign-currency exchange rates in connection with the purchase of rides from foreign vendors. No such contracts were in effect at December 31, 2000.

In February 2000, the Company entered into three interest rate swap agreements that effectively convert the Company's \$600,000,000 term loan component of the Credit Facility (see Note 6(d)) into a fixed rate obligation. The terms of the agreements, each of which has a notional amount of \$200,000,000, began in March 2000 and expire from December 2001 to March 2002. The Company's term loan borrowings bear interest based upon LIBOR plus a fixed margin. The Company's interest rate swap arrangements were designed to "lock-in" the LIBOR component at rates ranging from 6.615% to 6.780% depending on the applicable agreement. Two of the agreements had a feature that negated the interest rate swap for a ninety-day period if LIBOR exceeds 7.5%, while the remaining

agreement limited the interest rate swap at the 7.5% rate. The counterparties to these transactions are major financial institutions, which minimizes the credit risk.

In February 2001, the Company and the counterparties amended and extended the interest rate swap agreements. The provisions that negated the interest rate swap or limited the interest rate swap were removed. The notional amounts of \$200,000,000 each have been retained. Two of the agreements expire in December 2002 and the remaining agreement expires in March 2003. The fixed interest rates on the notional amounts range from 5.925% to 6.07% and average 5.98%.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the agreements. The Company anticipates, however, that counterparties will fully satisfy their obligations under the contracts. The Company does not obtain collateral to support its financial instruments but monitors the credit standing of the counterparties.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that a company recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. This statement was required to be adopted by the Company in 2001. As of January 1, 2001, the fair value of the interest swap agreements was a liability of \$4,996,000, which was recorded in other comprehensive income (loss) as a cumulative effect of a change in accounting principle.

(6) Long-Term Debt

At December 31, 2000 and 1999, long-term debt consists of:

	<u>2000</u>	<u>1999</u>
Long-term debt:		
1997 Notes due 2007 (a)	\$ 125,000,000	125,000,000
Senior Discount Notes due 2008 (b)	329,275,000	298,664,000
1998 Senior Notes due 2006 (b)	280,000,000	280,000,000
SFEC Notes due 2006 (c)	170,000,000	170,000,000
Credit Facility (d)	981,000,000	892,000,000
1999 Senior Notes due 2007 (e)	429,207,000	429,085,000
Other	<u>7,831,000</u>	<u>10,239,000</u>
	2,322,313,000	2,204,988,000
Less current portion	<u>2,401,000</u>	<u>2,055,000</u>
	<u><u>\$2,319,912,000</u></u>	<u><u>2,202,933,000</u></u>

- (a) On January 31, 1997, Six Flags Operations issued \$125,000,000 of senior notes due January 2007 (the 1997 Notes). The 1997 Notes are senior unsecured obligations of Six Flags Operations. The 1997 Notes bear interest at 9¾% per annum payable semiannually and are redeemable, at Six Flags Operations' option, in whole or in part, at any time on or after January 15, 2002, at varying redemption prices. The 1997 Notes are guaranteed on a senior, unsecured, joint and several basis by all of Six Flags Operations' principal domestic subsidiaries.
- (b) On April 1, 1998, Holdings issued at a discount \$410,000,000 principal amount at maturity (\$329,275,000 and \$298,664,000 carrying value as of December 31, 2000 and 1999, respectively) of Senior Discount Notes and \$280,000,000 principal amount of 1998 Senior Notes. The notes are senior unsecured obligations of Holdings and are not guaranteed by Holdings' subsidiaries. The Senior Discount Notes do not require any interest payments prior to October 1, 2003 and, except in the event of a change of control of the Company and certain other circumstances, any principal payments prior to their maturity in 2008. The Senior Discount Notes have an interest rate of 10% per annum. The 1998 Senior Notes require annual interest payments of approximately \$25,900,000 (9¼% per annum) and, except in the event of a change of control of the Company and certain other circumstances, do not require any principal payments prior to their maturity in 2006. The notes are redeemable, at the Company's option, in whole or in part, at any time on or after April 1, 2002 (in the case of the 1998 Senior Notes) and April 1, 2003 (in the case of the Senior Discount Notes), at varying redemption prices.

Prior to the amendments described below, the indenture limited the ability of Six Flags Operations and its subsidiaries to dispose of assets; incur additional indebtedness or liens; pay dividends; engage in mergers or consolidations; and engage in certain transactions with affiliates. A portion of the proceeds was used to pay in full all amounts outstanding under Six Flags Operations' then outstanding credit facility.

All obligations under the 1997 Notes and the related indenture remained as obligations of Six Flags Operations and were not assumed by Holdings after the Merger.

On January 29, 2001, Six Flags Operations commenced a tender offer for all of the aggregate principal amount of the 1997 Notes. In conjunction with the tender offer, noteholder consents were solicited to effect certain amendments to the indenture governing the 1997 Notes. Six Flags Operations received tenders of notes and related consents from holders of 99.8% of the outstanding notes. The tendered notes were purchased and the indenture amendments became effective on March 2, 2001. The purchase price (including consent fee) paid was approximately \$1,085 for each \$1,000 principal amount of notes plus accrued and unpaid interest up to, but not including, the payment date. As a result of the early extinguishment of debt, the Company will recognize a loss of approximately \$8,292,000, net of tax effect. On February 2, 2001, Holdings completed an offering of \$375 million 9½% Senior Notes (the 2001 Senior Notes) due 2009. A portion of the proceeds of the 2001 Senior Notes was used to finance the tender offer and consent solicitation. The 2001 Senior Notes are senior unsecured obligations of Holdings, are not guaranteed by subsidiaries and rank equal to the 1999 Senior Notes, 1998 Senior Notes and Senior Discount Notes. The indenture under which the 2001 Senior Notes were issued contains covenants substantially similar to those relating to the 1998 Senior Notes, the Senior Discount Notes, and the 1999 Senior Notes.

Approximately \$70,700,000 of the net proceeds of the 1998 Senior Notes were deposited in escrow to prefund the first six semi-annual interest payments thereon, and \$75,000,000 of the net proceeds of the Senior Discount Notes were invested in restricted-use securities, until April 1, 2003, to provide funds to pay certain of Six Flags' obligations to the limited partners of the Partnership Parks. See Note 2.

The indentures under which the Senior Discount Notes and the 1998 Senior Notes were issued limit the ability of Holdings and its subsidiaries to dispose of assets; incur additional indebtedness or liens; pay dividends; engage in mergers or consolidations; and engage in certain transactions with affiliates.

- (c) On April 1, 1998, SFEC issued \$170,000,000 principal amount of SFEC Notes, which are senior obligations of SFEC. The SFEC Notes are guaranteed on a fully subordinated basis by Holdings. The SFEC Notes require annual interest payments of approximately \$15,100,000 (8⅞% per annum) and, except in the event of a change of control of Six Flags Operations (successor to SFEC) and certain other circumstances, do not require any principal payments prior to their maturity in 2006. The SFEC Notes are redeemable, at Six Flags Operations' option, in whole or in part, at any time on or after April 1, 2002, at varying redemption prices. The net proceeds of

the SFEC Notes, together with other funds, were invested in restricted-use securities to provide for the repayment in full on or before December 15, 1999 of pre-existing notes of SFEC (with a carrying value of \$182,877,000 at December 31, 1998). The pre-existing notes of SFEC were paid in full using the restricted-use securities on December 15, 1999.

The indenture under which the SFEC Notes were issued limits the ability of Six Flags Operations and its subsidiaries to dispose of assets; incur additional indebtedness or liens; pay dividends; engage in mergers or consolidations; and engage in certain transactions with affiliates. In November 1999, SFEC merged into Six Flags Operations, which assumed the obligations of SFEC under the SFEC Notes and the related indenture.

- (d) On November 5, 1999, SFTP entered into the Credit Facility and, in connection therewith, SFEC merged into Six Flags Operations and SFTP became a direct wholly-owned subsidiary of Six Flags Operations. The Credit Facility includes a \$300,000,000 five-year revolving credit facility (\$90,000,000 was outstanding at December 31, 2000 and none was outstanding at December 31, 1999), a \$300,000,000 five-and-one-half-year multicurrency reducing revolver facility (of which \$291,000,000 and \$292,000,000 was outstanding at December 31, 2000 and 1999, respectively) and a \$600,000,000 six-year term loan (all of which was outstanding at December 31, 2000 and 1999). A portion of the proceeds of the 2001 Senior Notes was used in February 2001 to make a payment of \$223,000,000 on the multicurrency facility and a portion of the proceeds of the PIERS was used in February 2001 to fully pay advances outstanding under the revolving facility. Borrowings under the five-year revolving credit facility (US Revolver) must be repaid in full for thirty consecutive days each year. The interest rate on borrowings under the Credit Facility can be fixed for periods ranging from one to six months. At the Company's option the interest rate is based upon specified levels in excess of the applicable base rate or LIBOR. At December 31, 2000, the weighted average interest rates for borrowings under the US Revolver, multicurrency revolver, and term loan were 9.22%, 9.19% and 9.97%, respectively. At December 31, 1999, the interest rate on the borrowings was 8.88% and 9.38% for the multicurrency revolver and term loan, respectively. The multicurrency facility permits optional prepayments and reborrowings. The committed amount reduces quarterly by 2.5% commencing on December 31, 2001, by 5.0% commencing on December 31, 2002, by

7.5% commencing on December 31, 2003 and by 20.0% commencing on December 31, 2004. Mandatory repayments are required if amounts outstanding exceed the reduced commitment amount. The term loan facility requires quarterly repayments of 0.25% of the outstanding amount thereof commencing on December 31, 2001 and 24.25% commencing on December 31, 2004. A commitment fee of .50% of the unused credit of the facility is due quarterly in arrears. The principal borrower under the facility is SFTP, and borrowings under the Credit Facility are guaranteed by Holdings, Six Flags Operations and all of Six Flags Operations' domestic subsidiaries and are secured by substantially all of Six Flags Operations' domestic assets and a pledge of Six Flags Operations, capital stock. See Note 5 regarding interest rate hedging activities.

The Credit Facility contains restrictive covenants that, among other things, limit the ability of Six Flags Operations and its subsidiaries to dispose of assets; incur additional indebtedness or liens; repurchase stock; make investments; engage in mergers or consolidations; pay dividends, (except that (subject to covenant compliance) dividends will be permitted to allow Holdings to meet cash interest obligations with respect to its 1998 Senior Notes, Senior Discount Notes, 1999 Senior Notes and 2001 Senior Notes, cash dividend payments on its PIES and its Preferred Income Equity Redeemable Securities (PIERS) issued in January 2001 (see Note 9(a))) and its obligations to the limited partners in the Partnership Parks, and engage in certain transactions with subsidiaries and affiliates. In addition, the Credit Facility requires that Six Flags Operations comply with certain specified financial ratios and tests.

On November 5, 1999, the Company borrowed \$892,000,000 under the Credit Facility principally to repay all amounts outstanding under previously existing credit facilities and to provide funds to consummate the November 1999 transactions with Warner Bros. described in Note 2. The termination of previously existing credit facilities resulted in an extraordinary loss in respect of the debt issuance costs related thereto of \$5,214,000, net of tax benefit of \$3,476,000.

- (e) On June 30, 1999, Holdings issued \$430,000,000 principal amount of 9¾% Senior Notes (the 1999 Senior Notes). The 1999 Senior Notes are senior unsecured obligations of Holdings, are not guaranteed by subsidiaries and rank equal to the 1998 Senior Notes and the Senior Discount Notes. The 1999 Senior Notes require annual interest payments of approximately \$41,900,000

(9¾% per annum) and, except in the event of a change in control of the Company and certain other circumstances, do not require any principal payments prior to their maturity in 2007. The 1999 Senior Notes are redeemable, at Holdings' option, in whole or in part, at any time on or after June 15, 2003, at varying redemption prices. The indenture under which the 1999 Senior Notes were issued contains covenants substantially similar to those relating to the 1998 Senior Notes and the Senior Discount Notes.

The net proceeds of the 1999 Senior Notes were used to fund the purchase in a tender offer of \$87,500,000 of previously outstanding Six Flags Operations' 1995 Senior Notes (the 1995 Notes) and the entire \$285,000,000 principal amount of SFTP Senior Subordinated Notes. The remaining \$2,500,000 balance of the 1995 Notes was redeemed in August 1999. An extraordinary loss of \$6,082,000, net of tax benefit of \$4,054,000, was recognized from these early extinguishments.

Annual maturities of long-term debt during the five years subsequent to December 31, 2000, are

as follows (after giving effect to the refinancing of certain debt in February 2001):

2001	\$ 2,401,000
2002	6,923,000
2003	6,760,000
2004	161,583,000
2005 and thereafter ..	<u>2,144,646,000</u>
	<u>\$2,322,313,000</u>

After consideration of the issuance of the 2001 Senior Notes, use of proceeds of the PIERS, and payment of debt, the long-term debt balance as of December 31, 2000, would have been \$2,259,582,000.

In 1998, the Company terminated a prior credit facility, which resulted in a \$788,000 extraordinary loss, net of tax benefit of \$526,000.

Holdings is the issuer of the notes described in (b) and (e) above and the 2001 Senior Notes. Six Flags Operations is the issuer of the notes described in (a) and (c) above. Holdings guarantees the SFEC Notes due 2006. The following information for Holdings includes the assets, liabilities and equity, results of operations, and cash flows of Holdings only and for Six Flags Operations includes the consolidated assets, liabilities and equity, results of operations, and cash flows of Six Flags Operations and its subsidiaries.

December 31, 2000:

Assets:

	<u>Holdings</u>	<u>Six Flags Operations</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)			
Cash and cash equivalents	\$ 1,028	\$ 41,950	\$ —	\$ 42,978
Restricted-use investment securities	12,773	—	—	12,773
Other current assets	5,358	99,856	—	105,214
Total current assets	19,159	141,806	—	160,965
Intercompany receivables (payables)	(4,150)	4,150	—	—
Deferred income taxes	47,492	—	(47,492)	—
Other assets	99,707	79,520	—	179,227
Investment in subsidiaries	2,108,685	—	(2,108,685)	—
Investment in theme park partnerships	286,049	100,589	—	386,638
Property and equipment, net	31,846	2,226,054	—	2,257,900
Intangible assets, net	10,570	1,196,039	—	1,206,609
Total assets	<u>\$ 2,599,358</u>	<u>\$ 3,748,158</u>	<u>\$(2,156,177)</u>	<u>\$ 4,191,339</u>
Liabilities and stockholders' equity:				
Current portion of long-term debt	\$ —	\$ 2,401	\$ —	\$ 2,401
Other current liabilities	15,889	125,294	—	141,183
Total current liabilities	15,889	127,695	—	143,584
Long-term debt	1,038,482	1,281,430	—	2,319,912
Other long-term liabilities	—	37,937	—	37,937
Deferred income taxes	—	192,411	(47,492)	144,919
Stockholders' equity	1,544,987	2,108,685	(2,108,685)	1,544,987
Total liabilities and stockholders' equity	<u>\$ 2,599,358</u>	<u>\$ 3,748,158</u>	<u>\$(2,156,177)</u>	<u>\$ 4,191,339</u>
Revenue	\$ 386	\$ 1,006,595	\$ —	\$ 1,006,981

	Holdings	Six Flags Operations	Eliminations	Total
	(In thousands)			
Operating costs and expenses:				
Operating expenses	\$ 172	\$ 375,888	\$ —	\$ 376,060
Selling, general and administrative	14,010	164,554	—	178,564
Costs of products sold	15	95,637	—	95,652
Depreciation and amortization	2,092	177,897	—	179,989
Total operating costs and expenses	16,289	813,976	—	830,265
Income (loss) from operations	(15,903)	192,619	—	176,716
Other income (expense):				
Interest expense	(102,618)	(129,718)	—	(232,336)
Interest income	5,600	1,969	—	7,569
Equity in operations of theme park partnerships	7,775	4,058	—	11,833
Other expense	—	(10,119)	—	(10,119)
Total other income (expense)	(89,243)	(133,810)	—	(223,053)
Income (loss) before income taxes	(105,146)	58,809	—	(46,337)
Income tax expense (benefit)	(36,169)	41,791	—	5,622
Net income (loss)	\$ (68,977)	\$ 17,018	\$ —	\$ (51,959)
Cash flows from operating activities:				
Operating cash flows	\$ (38,030)	\$ 214,191	\$ —	\$ 176,161
Cash flows from investing activities:				
Additions to property and equipment	(1,232)	(332,994)	—	(334,226)
Investment in theme parks partnerships	(4,787)	(18,912)	—	(23,699)
Acquisitions of theme park companies	117	—	—	117
Investment in subsidiaries	(80,703)	—	80,703	—
Purchase of restricted-use investments	(18,214)	—	—	(18,214)
Maturities of restricted-use investments	38,959	—	—	38,959
	(65,860)	(351,906)	80,703	(337,063)
Cash flows from financing activities:				
Repayment of long-term debt	—	(316,408)	—	(316,408)
Proceeds from borrowings	—	403,000	—	403,000
Net cash proceeds from issuance of stock	3,645	—	—	3,645
Capital contributions	—	80,703	(80,703)	—
Advances to subsidiaries	104,441	(104,441)	—	—
Payment of cash dividends	(23,288)	—	—	(23,288)
	84,798	62,854	(80,703)	66,949
Effect of exchange rate changes on cash	—	(1,200)	—	(1,200)
Decrease in cash and cash equivalents	\$ (19,092)	\$ (76,061)	\$ —	\$ (95,153)
December 31, 1999:				
Assets:				
Cash and cash equivalents	\$ 20,120	\$ 118,011	\$ —	\$ 138,131
Restricted-use investment securities	24,430	—	—	24,430
Other current assets	21,882	63,709	—	85,591
Total current assets	66,432	181,720	—	248,152
Intercompany receivables (payables)	100,291	(100,291)	—	—
Deferred income taxes	16,690	—	(16,690)	—
Other assets	112,672	91,804	—	204,476
Investment in subsidiaries	2,042,400	—	(2,042,400)	—
Investment in theme park partnerships	292,305	92,332	—	384,637
Property and equipment, net	12,584	2,052,155	—	2,064,739
Intangible assets, net	6,463	1,253,105	—	1,259,568
Total assets	\$ 2,649,837	\$ 3,570,825	\$ (2,059,090)	\$ 4,161,572
Liabilities and stockholders' equity:				
Current portion of long-term debt	\$ —	\$ 2,055	\$ —	\$ 2,055
Other current liabilities	25,901	131,346	—	157,247
Total current liabilities	25,901	133,401	—	159,302
Long-term debt	1,007,749	1,195,184	—	2,202,933
Other long-term liabilities	571	41,760	(570)	41,761
Deferred income taxes	—	158,650	(16,690)	141,960
Stockholders' equity	1,615,616	2,041,830	(2,041,830)	1,615,616
Total liabilities and stockholders' equity	\$ 2,649,837	\$ 3,570,825	\$ (2,059,090)	\$ 4,161,572

	Holdings	Six Flags Operations	Eliminations	Total
	(In thousands)			
Revenue	\$ —	\$ 926,984	\$ —	\$ 926,984
Operating costs and expenses:				
Operating expenses	—	353,728	—	353,728
Selling, general and administrative	23,002	153,249	—	176,251
Costs of products sold	—	90,699	—	90,699
Depreciation and amortization	589	153,675	—	154,264
Total operating costs and expenses	23,591	751,351	—	774,942
Income (loss) from operations	(23,591)	175,633	—	152,042
Other income (expense):				
Interest expense	(78,232)	(115,733)	—	(193,965)
Interest income	11,323	13,201	—	24,524
Equity in operations of theme park partnerships	19,105	7,075	—	26,180
Other expense	—	(3,551)	—	(3,551)
Total other income (expense)	(47,804)	(99,008)	—	(146,812)
Income (loss) before income taxes	(71,395)	76,625	—	5,230
Income tax expense (benefit)	(19,803)	44,263	—	24,460
Income before extraordinary loss	(51,592)	32,362	—	(19,230)
Extraordinary loss on extinguishment of debt, net of income tax benefit ...	—	(11,296)	—	(11,296)
Net income (loss)	\$ (51,592)	\$ 21,066	\$ —	\$ (30,526)
Net income (loss) applicable to common stock	\$ (74,880)	\$ 21,066	\$ —	\$ (53,814)
Cash flows from operating activities:				
Operating cash flows	\$ (1,506)	\$ 198,855	\$ —	\$ 197,349
Cash flows from investing activities:				
Additions to property and equipment	10,746	(402,401)	—	(391,655)
Investment in theme parks partnerships	(23,006)	(28,925)	—	(51,931)
Acquisitions of theme park assets	—	(34,578)	—	(34,578)
Acquisitions of theme park companies	—	(242,954)	—	(242,954)
Investment in subsidiaries	(607,632)	—	607,632	—
Purchase of restricted-use investments	—	—	—	—
Maturities of restricted-use investments	22,690	192,250	—	214,940
Total cash flows from investing activities	(597,202)	(516,608)	607,632	(506,178)
Cash flows from financing activities:				
Repayment of long-term debt	—	(1,291,910)	—	(1,291,910)
Proceeds from borrowings	429,024	962,000	—	1,391,024
Capital contributions	—	607,632	(607,632)	—
Advances to subsidiaries	(100,291)	100,291	—	—
Net cash proceeds from issuance of stock	2,801	—	—	2,801
Payment of cash dividends	(23,288)	—	—	(23,288)
Payment of debt issuance costs	(9,829)	(19,310)	—	(29,139)
Total cash flows from financing activities	298,417	358,703	(607,632)	49,488
Effect of exchange rate changes on cash	—	(3,106)	—	(3,106)
Increase (decrease) in cash and cash equivalents	\$ (300,291)	\$ 37,844	\$ —	\$ (262,447)

	Holdings	Six Flags Operations	Eliminations	Total
	(In thousands)			
December 31, 1998:				
Revenue	\$ 904	\$ 791,799	\$ —	\$ 792,703
Operating costs and expenses:				
Operating expenses	—	297,266	—	297,266
Selling, general and administrative	15,038	118,309	—	133,347
Costs of products sold	564	81,563	—	82,127
Depreciation and amortization	165	109,676	—	109,841
Total operating costs and expenses	15,767	606,814	—	622,581
Income (loss) from operations	(14,863)	184,985	—	170,122
Other income (expense):				
Interest expense	(40,851)	(108,969)	—	(149,820)
Interest income	20,412	13,559	—	33,971
Equity in operations of theme park partnerships	21,002	3,052	—	24,054
Other expense	—	(1,983)	—	(1,983)
Total other income (expense)	563	(94,341)	—	(93,778)
Income (loss) before income taxes	(14,300)	90,644	—	76,344
Income tax expense (benefit)	(5,918)	46,634	—	40,716
Income (loss) before extraordinary loss	(8,382)	44,010	—	35,628
Extraordinary loss on extinguishment of debt, net of income tax benefit ...	—	(788)	—	(788)
Net income (loss)	\$ (8,382)	\$ 43,222	\$ —	\$ 34,840
Net income (loss) applicable to common stock	\$ (25,848)	\$ 43,222	\$ —	\$ 17,374
Operating cash flows	\$ (17,859)	\$ 136,869	\$ —	\$ 119,010
Cash flows from investing activities:				
Additions to property and equipment	(23,970)	(181,784)	—	(205,754)
Investment in theme park partnerships	(218,084)	(50,737)	208,082	(60,739)
Transfer of interests in theme park partnerships	—	208,082	(208,082)	—
Acquisition of theme park assets	—	(50,593)	—	(50,593)
Acquisition of theme park companies	(981,395)	(56,017)	—	(1,037,412)
Investment in subsidiaries	(56,766)	—	56,766	—
Purchase of restricted-use investments	(145,675)	(176,075)	—	(321,750)
Maturities of restricted-use investments	11,365	—	—	11,365
Total cash flows from investing activities	(1,414,525)	(307,124)	56,766	(1,664,883)
Cash flows from financing activities:				
Repayment of long-term debt	—	(703,639)	—	(703,639)
Proceeds from borrowings	531,703	830,000	—	1,361,703
Capital contributions	—	56,766	(56,766)	—
Advances to subsidiaries	—	—	—	—
Net cash proceeds from issuance of stock	1,256,319	—	—	1,256,319
Payment of cash dividends	(11,644)	—	—	(11,644)
Payment of debt issuance costs	(23,583)	(18,058)	—	(41,641)
Total cash flows from financing activities	1,752,795	165,069	(56,766)	1,861,098
Effect of exchange rate changes on cash	—	1,065	—	1,065
Increase (decrease) in cash and cash equivalents	\$ 320,411	\$ (4,121)	\$ —	\$ 316,290

The debt indentures and credit facility agreement generally restrict the ability of the obligors to distribute assets to parent companies or in the case of Holdings to shareholders. The following table discloses the amounts available for distribution (other than permitted payments in respect of shared administrative and other corporate expenses and tax sharing payments) at December 31, 2000 by each debt group, excluding restrictions eliminated by the indenture amendments related to the 1997 Notes, based upon the most restrictive applicable limitation.

	Amount available (In thousands)
Holdings	\$201,634
Six Flags Operations	844,811

(7) Fair Value of Financial Instruments

The following table and accompanying information present the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2000 and 1999. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2000		1999	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (liabilities):				
Restricted-use investment securities	\$ 88,149,000	88,138,000	108,894,000	108,782,000
Long-term debt	(2,322,313,000)	(2,271,779,000)	(2,204,988,000)	(2,183,636,000)
Foreign currency forward purchase agreements	—	—	—	59,000
Interest rate swap agreements	—	(4,996,000)	—	—

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions, except for the foreign currency forward purchase agreements and the interest rate swap agreements (Note 5) which are not reflected in the consolidated balance sheets.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- The fair values of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.
- Restricted-use investment securities: The fair values of debt securities (both available-for-sale and held-to-maturity investments) are based on quoted market prices at the reporting date for those or similar investments.
- Long-term debt: The fair value of the Company's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's investment bankers or based upon quoted market prices.
- Derivative financial instruments: The fair value of the Company's derivative financial instruments is determined by the counterparty financial institution.

(8) Income Taxes

Income tax expense (benefit) allocated to operations for 2000, 1999 and 1998 consists of the following:

	Current	Deferred	Total
2000:			
U.S. federal	\$ (10,000)	\$(2,211,000)	\$(2,221,000)
Foreign	3,792,000	4,388,000	8,180,000
State and local	(377,000)	40,000	(337,000)
	<u>\$3,405,000</u>	<u>\$ 2,217,000</u>	<u>\$ 5,622,000</u>
1999:			
U.S. federal	\$ (683,000)	\$18,338,000	\$17,655,000
Foreign	1,058,000	3,072,000	4,130,000
State and local	(591,000)	3,266,000	2,675,000
	<u>\$ (216,000)</u>	<u>\$24,676,000</u>	<u>\$24,460,000</u>
1998:			
U.S. federal	\$ (564,000)	\$32,318,000	\$31,754,000
Foreign	1,049,000	5,146,000	6,195,000
State and local	1,007,000	1,760,000	2,767,000
	<u>\$1,492,000</u>	<u>\$39,224,000</u>	<u>\$40,716,000</u>

U.S. federal income tax rate of 35% in 2000, 1999 and 1998 to income (loss) before income taxes as follows:

	2000	1999	1998
Computed "expected" federal income tax expense (benefit)	\$(16,218,000)	\$ 1,830,000	\$26,720,000
Amortization of goodwill	13,643,000	11,973,000	9,970,000
Nondeductible compensation	3,779,000	6,786,000	656,000
Other, net	499,000	864,000	(129,000)
Effect of foreign income taxes	4,145,000	1,215,000	1,645,000
Effect of state and local income taxes, net of federal tax benefit	(226,000)	1,792,000	1,854,000
	<u>\$ 5,622,000</u>	<u>\$24,460,000</u>	<u>\$40,716,000</u>

Recorded income tax expense allocated to operations differed from amounts computed by applying the

There were no extraordinary losses in 2000. An income tax benefit of \$7,530,000 was allocated to extraordinary loss for 1999. The U.S. federal benefit component was \$6,539,000 and the state and local benefit component was \$991,000. There were no for-

eign extraordinary losses in 1999. An income tax benefit of \$526,000 was allocated to extraordinary loss for 1998. The U.S. federal benefit component was \$457,000 and the state and local benefit component was \$69,000. There were no foreign extraordinary losses in 1998.

Substantially all of the Company's future taxable temporary differences (deferred tax liabilities) relate to the different financial accounting and tax depreciation methods and periods for property and equipment. The Company's net operating loss carryforwards, alternative minimum tax credits, accrued insurance expenses, and deferred compensation amounts represent future income tax deductions (deferred tax assets). The tax effects of these temporary differences as of December 31, 2000 and 1999, are presented below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Deferred tax assets before valuation allowance . . .	\$286,098,000	\$213,244,000	\$172,227,000
Less valuation allowance . . .	<u>1,196,000</u>	<u>1,196,000</u>	<u>1,196,000</u>
Net deferred tax assets . . .	284,902,000	212,048,000	171,031,000
Deferred tax liabilities	<u>429,821,000</u>	<u>354,008,000</u>	<u>323,009,000</u>
Net deferred tax liability . . .	<u>\$144,919,000</u>	<u>\$141,960,000</u>	<u>\$151,978,000</u>

The Company's deferred tax liability results from the financial carrying amounts for property and equipment being substantially in excess of the Company's tax basis in the corresponding assets. The majority of the Company's property and equipment is depreciated over a 7-year period for tax reporting purposes and a longer 20-to-25 year period for financial purposes. The faster tax depreciation has resulted in tax losses which can be carried forward to future years to offset future taxable income. Because most of the Company's depreciable assets' financial carrying amounts and tax basis difference will reverse before the expiration of the Company's net operating loss carryforwards and taking into account the Company's projections of future taxable income over the same period, management believes that the Company will more likely than not realize the benefits of these net future deductions.

As of December 31, 2000, the Company has approximately \$751,468,000 of net operating loss carryforwards available for federal income tax purposes which expire through 2020. Included are net operating loss carryforwards of \$3,400,000 which are not expected to be utilized as a result of an ownership change that occurred on October 30, 1992. A valuation allowance for the pre-October 1992 net operating loss carryforwards has been established. Additionally at December 31, 2000, the Company had approximately

\$7,537,000 of alternative minimum tax credits which have no expiration date.

The Company has experienced ownership changes within the meaning of the Internal Revenue Code Section 382 and the regulations thereunder. The Company experienced an ownership change on June 4, 1996, as a result of the issuance of shares of common stock and the conversion of preferred stock into additional shares of common stock. This ownership change limits the amount of the Company's post-October 1992 through June 1996 net operating loss carryforwards that can be used in any year.

Included in the Company's tax net operating loss carryforward amounts are approximately \$249,353,000 of net operating loss carryforwards of SFEC generated prior to its acquisition by the Company. SFEC experienced an ownership change on April 1, 1998 as a result of the Six Flags Acquisition. Due to this ownership change, no more than \$49,200,000 of pre-acquisition net operating loss carryforwards may be used to offset taxable income in any year; however, it is more likely than not that all of the Company's carryforwards generated subsequent to October 1992 and all of the SFEC's pre-acquisition carryforwards will be fully utilized by the Company before their expiration.

During 1999, the Company reduced goodwill by approximately \$1,700,000 for the tax benefit from certain reimbursed costs arising from contingencies related to the Six Flags Acquisition.

(9) Preferred Stock, Common Stock and Other Stockholders' Equity

(a) Preferred Stock

The Company has authorized 5,000,000 shares of preferred stock, \$1.00 par value per share. All shares of preferred stock rank senior and prior in right to all of the Company's now or hereafter issued common stock with respect to dividend payments and distribution of assets upon liquidation or dissolution of the Company.

PIES

In connection with the Company's acquisition of SFEC on April 1, 1998, the Company issued 5,750,000 PIES for gross proceeds of \$310,500,000, each representing one five-hundredth of a share of the Company's mandatorily convertible preferred stock (an aggregate of 11,500 shares of preferred stock). See Note 2. The PIES accrue cumulative dividends (payable, at the Company's option, in cash or shares of common stock) at 7½% per annum (approximately \$23,288,000 per annum) and are mandatorily convertible into shares of common stock on April 1, 2001. Holders can voluntarily convert the PIES into shares of common stock at any time prior to April 1, 2001.

Prior to April 1, 2001, each of the PIES is convertible at the option of the holder into 1.6616 common shares. On April 1, 2001, the PIES will mandatorily convert into common shares based upon the average of the closing quoted market price of the common stock for the last twenty days prior to the conversion. If the average market price of the common stock is equal to or less than \$27 per common share, each PIES share will convert into two shares of common stock. If the average market price of the common stock is equal to or more than \$32.50 per common share, each PIES share will convert into 1.6616 common shares. If the average market price of the common stock is between \$27 and \$32.50 per common share, each PIES share will convert into a declining number of common shares based upon the proportional excess of the average market price over \$27 per common share until the 1.6616 conversion rate is achieved at the average market price of \$32.50. Any conversion is also adjusted for dividends that have accumulated, but have not yet been paid in cash or common stock.

PIERS

In January 2001, the Company issued 11,500,000 Preferred Income Equity Redeemable Shares (PIERS), for proceeds of \$278,530,000, net of the underwriting discount of \$8,970,000. See Note 1 (a) for description of the use of the proceeds. Each PIERS represents one one-hundredth of a share of the Company's 7¼% mandatorily redeemable preferred stock (an aggregate of 115,000 shares of preferred stock). The PIERS accrue cumulative dividends (payable, at the Company's option, in cash or shares of common stock) at 7¼% per annum (approximately \$20,844,000 per annum). Holders can voluntarily convert the PIERS into shares of common stock at any time prior to August 15, 2009.

Prior to August 15, 2009, each of the PIERS is convertible at the option of the holder into 1.1990 common shares (equivalent to a conversion price of \$20.85 per common share), subject to adjustment in certain circumstances (the Conversion Price). At any time on or after February 15, 2004 and at the then applicable conversion rate, the Company may cause the PIERS, in whole or in part, to be automatically converted if for 20 trading days within any period of 30 consecutive trading days, including the last day of such period, the closing price of the Company's common stock exceeds 120% of the then prevailing Conversion Price. On August 15, 2009, the PIERS are mandatorily redeemable in cash equal to 100% of the liquidation preference (initially \$25.00 per PIERS), plus any accrued and unpaid dividends.

The PIERS rank on a parity with the PIES. The PIERS are not reflected in the Company's December 31, 2000

consolidated balance sheet as the PIERS were issued on January 23, 2001.

(b) Common Stock

On June 9, 1998, the Company's common shareholders approved a two-for-one stock split effective July 24, 1998. The par value of the common stock was decreased to \$.025 per share from \$.05 per share. Additionally, the authorized common shares of the Company were increased to 150,000,000. The accompanying consolidated financial statements and notes to the consolidated financial statements reflect the stock split as if it had occurred as of January 1, 1998.

(c) Stock Options and Warrants

Certain members of the Company's management and professional staff have been issued seven-year options to purchase common shares under the Company's 1998, 1996, 1995 and 1993 Stock Option and Incentive Plans (collectively, the Option Plans). Under the Option Plans, stock options are granted with an exercise price equal to the underlying stock's fair value at the date of grant. Except for conditional options issued in 1998, options may be exercised on a cumulative basis with 20% of the total exercisable on the date of issuance and with an additional 20% being available for exercise on each of the succeeding anniversary dates. Any unexercised portion of the options will automatically terminate upon the seventh anniversary of the issuance date or following termination of employment. There were 1,531,000 conditional stock options granted in 1998. These options have the same vesting schedule as the unconditional stock options, except that no conditional option could be exercised until after the conditions of the stock option were met. The conditions related to the exercise of these stock options were met during December 1999.

In 1999 and 1998, the Company also issued to certain consultants options to purchase 40,000 and 70,000 common shares, respectively. The options have substantially the same terms and conditions as the options granted under the Option Plans. The Company has recognized the fair value of the options issued to the consultants as an expense in the accompanying 1999 and 1998 consolidated statements of operations.

At December 31, 2000, there were 2,102,199 additional shares available for grant under the Option Plans. The per share weighted-average fair value of stock options granted during 2000, 1999 and 1998 was \$13.65, \$17.43 and \$12.74, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 2000 — expected dividend yield 0%, risk-free interest rate of 6.28%, expected volatility of 80%, and an expected life of 5 years. 1999 — expected dividend yield 0%, risk-free interest rate of 5.5%, expected volatility of

84%, and an expected life of 5 years; 1998 — expected dividend yield 0%, risk-free interest rate of 4.5%, expected volatility of 92% and an expected life of 5 years.

No compensation cost has been recognized for the unconditional stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for all its unconditional stock options, the Company's net income (loss) would have been as indicated below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net income (loss) applicable to common stock:			
As reported	\$(75,247,000)	(53,814,000)	17,374,000
Pro forma	(97,049,000)	(74,617,000)	11,212,000
Net income (loss) per weighted average common share outstanding — basic:			
As reported	(0.96)	(0.69)	0.26
Pro forma	(1.23)	(0.96)	0.17

Stock option activity during the years indicated is as follows:

	<u>Number of shares</u>	<u>Weighted-average exercise price</u>
Balance at December 31, 1997	1,559,401	\$ 6.92
Granted	3,507,000	17.50
Exercised	(216,485)	3.52
Forfeited	—	—
Expired	—	—
Balance at December 31, 1998	4,849,916	14.72
Granted	3,440,000	25.00
Exercised	(354,565)	7.30
Forfeited	(93,600)	17.50
Expired	—	—
Balance at December 31, 1999	7,841,751	19.55
Granted	151,000	20.00
Exercised	(377,501)	9.70
Forfeited	(183,400)	21.52
Expired	—	—
Balance at December 31, 2000	<u>7,431,850</u>	<u>\$20.11</u>

At December 31, 2000, the range of exercise prices and weighted-average remaining contractual life of outstanding options was \$2.50 to \$25.00 and 5.04 years, respectively.

At December 31, 2000, 1999 and 1998, options exercisable were 4,101,500, 3,245,800 and 1,366,700, re-

spectively, and weighted-average exercise price of those options was \$18.25, \$15.23 and \$9.83, respectively.

In 1989, the Company's current chairman was issued a ten-year warrant to purchase 52,692 common shares at an exercise price of \$.50 per share and a ten-year warrant to purchase 37,386 common shares at an exercise price of \$.50 per share. The warrants were exercised during 1999 prior to their expiration.

(d) Share Rights Plan

On December 10, 1997, the Company's board of directors authorized a share rights plan. The plan was subsequently amended on February 4, 1998. Under the plan, stockholders have one right for each share of common stock held. The rights become exercisable ten business days after (a) an announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 15% or more of the Company's voting shares outstanding, or (b) the commencement or announcement of a person's or group's intention to commence a tender or exchange offer that could result in a person or group owning 15% or more of the voting shares outstanding.

Each right entitles its holder (except a holder who is the acquiring person) to purchase 1/1000 of a share of a junior participating series of preferred stock designated to have economic and voting terms similar to those of one share of common stock for \$250.00, subject to adjustment. In the event of certain merger or asset sale transactions with another party or transactions which would increase the equity ownership of a stockholder who then owned 15% or more of the voting shares of the Company, each right will entitle its holder to purchase securities of the merging or acquiring party with a value equal to twice the exercise price of the right.

The rights, which have no voting power, expire in 2008. The rights may be redeemed by the Company for \$.01 per right until the rights become exercisable.

(e) Restricted Stock Grants

The Company issued 900,000 restricted common shares with an estimated aggregate value of \$14,625,000 to members of the Company's senior management in July 1997. The restrictions on the stock lapse ratably over a six-year term commencing January 1, 1998, generally based upon the continued employment of the recipient. The Company issued an additional 920,000 restricted common shares with an estimated aggregate value of \$16,100,000 to members of the Company's senior management in October 1998. The restrictions on the stock lapse ratably over a three-year term commencing January 1, 1999. The restrictions also lapse upon termination of the executive without cause or if a change in control of the Company

occurs. Compensation expense equal to the aggregate value of the shares is being recognized as an expense over the vesting period.

(10) Pension Benefits

As part of the Six Flags Acquisition, the Company assumed the obligations related to the SFTP Defined Benefit Plan (the Benefit Plan). The Benefit Plan covered substantially all of SFTP's full-time employees. During 1999 the Benefit Plan was extended to cover substantially all of the Company's domestic full-time employees. The Benefit Plan permits normal retirement at age 65, with early retirement at ages 55 through 64 upon attainment of ten years of credited service. The

early retirement benefit is reduced for benefits commencing before age 62. Benefit Plan benefits are calculated according to a benefit formula based on age, average compensation over the highest consecutive five-year period during the employee's last ten years of employment and years of service. Benefit Plan assets are invested primarily in common stock and mutual funds. The Benefit Plan does not have significant liabilities other than benefit obligations. Under the Company's funding policy, contributions to the Benefit Plan are determined using the projected unit credit cost method. This funding policy meets the requirements under the Employee Retirement Income Security Act of 1974.

The following table sets forth the aggregate funded status of the Benefit Plan and the related amounts recognized in the Company's consolidated balance sheets:

	<u>2000</u>	<u>1999</u>
Change in benefit obligation:		
Benefit obligation, January 1	\$72,189,000	\$ 74,658,000
Service cost	3,309,000	3,644,000
Interest cost	5,952,000	5,459,000
Plan amendments	—	2,723,000
Actuarial (gain) loss	4,872,000	(12,587,000)
Benefits paid	<u>(2,009,000)</u>	<u>(1,708,000)</u>
Benefit obligation at December 31	<u>84,313,000</u>	<u>72,189,000</u>
Change in plan assets:		
Fair value of assets, January 1	89,958,000	87,270,000
Actual return on plan assets	312,000	4,396,000
Benefits paid	<u>(2,009,000)</u>	<u>(1,708,000)</u>
Fair value of assets at December 31	<u>88,261,000</u>	<u>89,958,000</u>
Plan assets in excess of benefit obligations	3,948,000	17,769,000
Unrecognized net actuarial (gain) loss	6,668,000	(5,891,000)
Unrecognized prior service cost	<u>2,203,000</u>	<u>2,463,000</u>
Prepaid benefit cost (included in deposits and other assets)	<u>\$12,819,000</u>	<u>\$ 14,341,000</u>

Net pension expense of the Benefit Plan for each of the years ended December 31, 2000 and 1999 and the nine-month period ended December 31, 1998, included the following components:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost	\$ 3,309,000	\$ 3,644,000	\$ 2,444,000
Interest cost	5,952,000	5,459,000	3,808,000
Expected return on plan assets	(7,999,000)	(7,774,000)	(5,657,000)
Amortization of prior service cost	<u>260,000</u>	<u>260,000</u>	<u>—</u>
Net periodic benefit cost	<u>\$ 1,522,000</u>	<u>\$ 1,589,000</u>	<u>\$ 595,000</u>

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation in 2000, 1999 and 1998 was 7.50%, 7.75% and 6.75%, respectively. The rate of increase in future compensation levels was 4.50%, 4.75% and 4.5% in 2000, 1999 and 1998, respectively. The expected long-term rate of return on assets was 9% in each year.

(11) 401(k) Plan

The Company has a qualified, contributory 401(k) plan (the 401(k) Plan). All regular employees are eligible to participate in the 401(k) Plan if they have completed one full year of service and are at least 21 years old. The Company matches 100% of the first 2% and 25% of the next 6% of salary contributions made by employees. The accounts of all participating employees are fully vested upon completion of four years of service. The Company recognized approximately \$1,730,000, \$1,874,000 and \$417,000 of related expense in the years ended December 31, 2000, 1999 and 1998, respectively.

As part of the acquisition of Six Flags by the Company, the Company assumed the administration of SFEC's savings plan. Under the provisions of the SFEC's savings plan, all full-time and seasonal employees of SFEC completing one year of service (minimum 1,000 hours) and attaining age 21 were eligible to participate and could contribute up to 6% of compensation as a tax deferred basic contribution. Each participant could also elect to make additional contributions of up to 10% of compensation (up to 4% tax deferred). Tax deferred contributions to the savings plan could not exceed amounts defined by the Internal Revenue Service (\$10,000 for 1998). Both the basic and additional contributions were at all times vested. SFEC, at its discretion, could make matching contributions of up to 100% of its employees' basic contributions. SFEC made \$743,000 in contributions for the 1998 plan year. During the first quarter of 1999, the SFEC's savings plan was merged into the Company's 401(k) Plan.

(12) Commitments and Contingencies

The Company leases the sites of Wyandot Lake, Enchanted Village, Six Flags Mexico, and each of the two Waterworld/USA locations. The Company also leases portions of the sites of Six Flags Kentucky Kingdom, Six Flags New England, Six Flags Holland, and Warner Bros. Movie World Germany. In certain cases rent is based upon percentage of the revenues earned by the applicable park. During 2000, 1999 and 1998, the Company recognized approximately \$3,883,000, \$2,045,000 and \$1,002,000, respectively, of rental expense under these rent agreements.

Total rental expense, including office space and park sites, was approximately \$9,274,000, \$7,352,000 and \$7,918,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Future obligations under operating leases, including site leases, at December 31, 2000, are summarized as follows (in thousands):

Year ending December 31,

2001	\$ 4,123
2002	3,769
2003	3,454
2004	3,241
2005 and thereafter	<u>66,856</u>
	<u>\$81,443</u>

In connection with the acquisition of SFEC by the Company in 1998, the Company entered into a license agreement (the License Agreement) pursuant to which it obtained the exclusive right for a term of 55 years to theme park use in the United States and Canada (excluding the Las Vegas, Nevada metropolitan area) of all animated, cartoon and comic book characters that Warner Bros. and DC Comics have the right to license for such use during the term of the License Agreement.

Under the License Agreement, the Company pays an annual license fee of \$2,500,000 through 2005. Thereafter, the license fee will be subject to periodic scheduled increases and will be payable on a per-theme park basis.

On March 21, 1999, a raft capsized in the river rapids ride at Six Flags Over Texas, one of the Company's Partnership Parks, resulting in one fatality and injuries to ten others. As a result of the fatality, a case entitled *Jerry L. Cartwright, et al vs. Premier Parks, Inc. d/b/a Six Flags Over Texas, Inc.* was commenced seeking unspecified damages. The Partnership Park is covered by the Company's multi-layered general liability insurance coverage of up to \$100,000,000 per occurrence, with no self-insured retention. The Company does not believe that the impact of this incident or the resulting lawsuit will have a material adverse effect on the Company's consolidated financial position, operations, or liquidity.

In December 1998, a final judgment of \$197,300,000 in compensatory damages was entered against SFEC, SFTP, Six Flags Over Georgia, Inc. and Time Warner Entertainment Company, L.P. (TWE), and a final judgment of \$245,000,000 in punitive damages was entered against TWE and \$12,000,000 in punitive damages was entered against the Six Flags entities. The compensatory damages judgment has been paid and the Company has been advised that TWE is considering an appeal to the United States Supreme Court of the punitive damages judgment. The judgments arose out of a case entitled *Six Flags Over Georgia, LLC et al v. Time Warner Entertainment Company, LP et al* based on certain disputed partnership affairs prior to the Six

Flags Acquisition at Six Flags Over Georgia, including alleged breaches of fiduciary duty. The sellers in the Six Flags Acquisition, including Time Warner, Inc., have agreed to indemnify the Company from any and all liabilities arising out of this litigation.

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to the Company and

which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions are believed by management to involve amounts that would be material to the Company's consolidated financial position, operations, or liquidity after consideration of recorded accruals.

(13) Business Segments

The Company manages its operations on an individual park location basis. Discrete financial information is maintained for each park and provided to the Company's management for review and as a basis for decision-making. The primary performance measure used to allocate resources is earnings before interest, tax expense, depreciation, and amortization (EBITDA). All of the Company's parks provide similar products and services through a similar process to the same class of customer through a consistent method. As such, the Company has only one reportable segment — operation of theme parks. The following tables present segment financial information, a reconciliation of the primary segment performance measure to income (loss) before income taxes and a reconciliation of theme park revenues to consolidated total revenues. Park level expenses exclude all non-cash operating expenses, principally depreciation and amortization and all non-operating expenses.

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(In thousands)		
Theme park revenues	\$1,215,177	\$1,152,258	\$ 994,296
Theme park cash expenses	(746,841)	(712,111)	(612,827)
Aggregate park EBITDA	468,336	440,147	381,469
Third-party share of EBITDA from parks accounted for under the equity method	(41,827)	(40,761)	(41,064)
Amortization of investment in theme park partnerships	(20,370)	(15,826)	(9,763)
Unallocated net expenses, including corporate and expenses from parks acquired after completion of the operating season	(47,720)	(54,625)	(28,608)
Depreciation and amortization	(179,989)	(154,264)	(109,841)
Interest expense	(232,336)	(193,965)	(149,820)
Interest income	7,569	24,524	33,971
Income (loss) before income taxes	<u>\$ (46,337)</u>	<u>5,230</u>	<u>76,344</u>
Theme park revenues	\$1,215,177	1,152,258	994,296
Theme park revenues from parks accounted for under the equity method	(208,196)	(225,274)	(201,933)
Other revenues	—	—	340
Consolidated total revenues	<u>\$1,006,981</u>	<u>\$ 926,984</u>	<u>\$ 792,703</u>

Seven of the Company's parks are located in Europe and one is located in Mexico. The Mexico park was acquired in May 1999 and one of the European parks was acquired in November 1999. The following information reflects the Company's long-lived assets and revenues by domestic and foreign categories for 2000, 1999 and 1998:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
	(In thousands)		
2000:			
Long-lived assets	\$3,346,733	\$504,414	\$3,851,147
Revenues	839,251	167,730	1,006,981
1999:			
Long-lived assets	\$3,267,019	\$441,925	\$3,708,944
Revenues	830,578	96,406	926,984

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
	(In thousands)		
1998:			
Long-lived assets	\$2,944,036	188,826	3,132,862
Revenues	725,946	\$ 66,757	\$ 792,703

(14) Quarterly Financial Information (Unaudited)

Following is a summary of the unaudited interim results of operations for the years ended December 31, 2000 and 1999:

	<u>2000</u>				
	<u>First quarter</u>	<u>Second quarter</u>	<u>Third quarter</u>	<u>Fourth quarter</u>	<u>Full year</u>
Total revenue	\$ 30,893,000	341,079,000	547,439,000	87,570,000	1,006,981,000
Net income (loss) applicable to common stock	(119,714,000)	9,932,000	128,828,000	(94,293,000)	(75,247,000)
Net income (loss) per weighted average common share outstanding:					
Basic	(1.53)	0.13	1.64	(1.19)	(0.96)
Diluted	(1.53)	0.12	1.49	(1.19)	(0.96)
	<u>1999</u>				
	<u>First quarter</u>	<u>Second quarter</u>	<u>Third quarter</u>	<u>Fourth quarter</u>	<u>Full year</u>
Total revenue	\$ 38,580,000	314,142,000	495,404,000	78,858,000	926,984,000
Net income (loss) applicable to common stock	(99,222,000)	12,273,000	125,809,000	(92,674,000)	(53,814,000)
Net income (loss) per weighted average common share outstanding:					
Basic	(1.29)	0.16	1.61	(1.18)	(0.69)
Diluted	(1.29)	0.15	1.46	(1.18)	(0.69)

SIX FLAGS DIRECTORS

Directors

Kieran E. Burke

Chairman and Chief Executive Officer, Six Flags, Inc.

Paul A. Biddelman

President, Hanseatic Corporation

James F. Dannhauser

Chief Financial Officer, Six Flags, Inc.

Michael E. Gellert

General Partner, Windcrest Partners

Francois Letaconnoux

Lepercq, de Neuflyze & Co. Incorporated

Stanley S. Shuman

Allen & Company, Incorporated

Gary Story

President and Chief Operating Officer, Six Flags, Inc.

Transfer Agent And Registrar

Communication regarding address changes, lost stock certificates, certificate transfers, etc., should be directed to:

The Bank of New York

Receive and Deliver Department - 11E

P.O. Box 11002

Church Street Station

New York, New York 10286

1-800-524-4458

Auditors

KPMG LLP

Oklahoma City, Oklahoma

LEGAL NOTICE

FORM 10-K REPORT

Stockholders can obtain a complete copy of the Company's Form 10-K Annual Report for the year ended December 31, 2000, by request to:

Mr. Joseph Mansi

Kanan, Corbin, Schupak & Aronow, Inc.

820 Second Avenue

New York, New York 10017

212-682-6300



11501 N.E. Expressway • Oklahoma City, OK 73131

122 East 42nd Street • New York, NY 10168

SIX FLAGS and all related indicia are trademarks of Six Flags Theme Parks Inc. © 2001.
LOONEY TUNES, characters, names and all related indicia are trademarks of Warner Bros. © 2001, a division of Time Warner Entertainment Company, L.P.
BATMAN, SUPERMAN and all related characters, names, ride and attraction names, and indicia are trademarks of DC Comics © 2001.
CARTOON NETWORK and logo are trademarks of Cartoon Network, Inc. © 2001.
MOVIE WORLD and the WARNER BROS. MOVIE WORLD logo are trademarks of Warner Bros. © 2001.
ERASER, characters, names and all related indicia are trademarks of Warner Bros. © 2001.
WILD WILD WEST, characters, names and all related indicia are trademarks of Warner Bros. © 2001.
POLICE ACADEMY, characters, names and all related indicia are trademarks of Warner Bros. © 2001.