SeaWorld Entertainment, Inc.
Form 10-Q
August 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-35883

SeaWorld Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-1220297**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

9205 South Park Center Loop, Suite 400

Orlando, Florida 32819

(Address of principal executive offices)(Zip code)

(407) 226-5011

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The registrant had outstanding 90,013,133 shares of Common Stock, par value $0.01 per share as of August 11, 2014.

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SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the safe harbor created by those sections. All statements, other than statements of historical facts included in this Quarterly Report on Form 10-Q, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position and our business outlook, business trends and other information, may be forward-looking statements. Words such as estimates, expects, contemplates, anticipates, projects, plans, intends, believes, forecasts, may, should and variations of such words or similar expressio intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management s expectations, beliefs, estimates and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission (the SEC), and in this report, as such risk factors may be updated from time to time in our periodic filings with the SEC, and are accessible on the SEC s website at *www.sec.gov*, including the following:

- a decline in discretionary consumer spending or consumer confidence;
- various factors beyond our control adversely affecting attendance and guest spending at our theme parks;
- inability to protect our intellectual property or the infringement on intellectual property rights of others;
- incidents or adverse publicity concerning our theme parks;
- featuring animals at our theme parks;
- the loss of licenses and permits required to exhibit animals;
- significant portion of revenues generated in the States of Florida, California and Virginia and the Orlando market;

inability to compete effectively;

loss of key personnel;

increased labor costs;

unionization activities or labor disputes;

inability to meet workforce needs;

inability to fund theme park capital expenditures;

high fixed cost structure of theme park operations;

inability to maintain certain commercial licenses;

changing consumer tastes and preferences;

restrictions in our debt agreements limiting flexibility in operating our business;

our substantial leverage;

seasonal fluctuations;

inability to realize the benefits of acquisitions or other strategic initiatives;

adverse litigation judgments or settlements;

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- inadequate insurance coverage;
- inability to purchase or contract with third party manufacturers for rides and attractions;
- environmental regulations, expenditures and liabilities;
- cyber security risks;
- suspension or termination of any of our business licenses;
- our limited operating history as a standalone company; and
- the ability of affiliates of The Blackstone Group L.P. to significantly influence our decisions.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of this report or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

All references to we, us, our, Company or SeaWorld in this Quarterly Report on Form 10-Q mean SeaWorld Entertainment, Inc., its subsidiaries and affiliates.

Website and Social Media Disclosure

We use our website (*www.seaworldentertainment.com*) and our corporate Twitter account (*@Seaworld*) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about SeaWorld when you enroll your e-mail address by visiting the Email Alerts section of our website at *www.seaworldinvestors.com*. The contents of our website and social media channels are not, however, a part of this report.

Trademarks, Service Marks and Tradenames

We own or have rights to use a number of registered and common law trademarks, service marks and trade names in connection with our business in the United States and in certain foreign jurisdictions, including SeaWorld Entertainment, Inc. SM, SeaWorld Parks & Entertainment®, SeaWorld®, Shamu®, Busch Gardens®, Aquatica

SeaWorld s Waterpark , Discovery Cove®, Sea Rescue and other names and marks that identify our theme parks, characters, rides, attractions and other businesses. In addition, we have certain rights to use Sesame Street® marks, characters and related indicia through certain license agreements with Sesame Workshop (f/k/a Children s Television Workshop).

Solely for convenience, the trademarks, service marks, and trade names referred to in this Quarterly Report on Form 10-Q are without the ® and symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This Quarterly Report on Form 10-Q may contain additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are, to our knowledge, the property of their respective owners.

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PART I FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 63,006	$ 116,841
Accounts receivable, net	46,810	41,509
Inventories	44,308	36,209
Prepaid expenses and other current assets	22,196	19,613
Deferred tax assets, net	9,617	28,887
Total current assets	185,937	243,059
Property and equipment, at cost	2,564,380	2,485,805
Accumulated depreciation	(789,198)	(714,305)
Property and equipment, net	1,775,182	1,771,500
Goodwill	335,610	335,610
Trade names, net	162,958	163,508
Other intangible assets, net	26,184	27,843
Other assets	39,586	40,753
Total assets	$ 2,525,457	$ 2,582,273
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 118,083	$ 98,500
Current maturities on long-term debt	14,050	14,050
Accrued salaries, wages and benefits	19,026	23,996
Deferred revenue	135,312	82,945
Dividends payable	18,590	17,939
Other accrued expenses	20,075	15,264
Total current liabilities	325,136	252,694
Long-term debt	1,622,439	1,627,183
Deferred tax liabilities, net	1,409	29,776
Other liabilities	21,073	18,488

Total liabilities	1,970,057	1,928,141
Commitments and contingencies (Note 10)		
Stockholders Equity:		
Preferred stock, $0.01 par value authorized, 100,000,000 shares, no shares issued or outstanding at June 30, 2014 and December 31, 2013		
Common stock, $0.01 par value authorized, 1,000,000,000 shares; 89,958,264 shares issued at June 30, 2014 and 89,900,453 shares issued at December 31, 2013	900	899
Additional paid-in capital	654,542	689,394
Accumulated other comprehensive (loss) income	(1,069)	11
(Accumulated deficit) retained earnings	(4,104)	7,991
Treasury stock, at cost (3,250,000 shares at June 30, 2014 and 1,500,000 shares at December 31, 2013)	(94,869)	(44,163)
Total stockholders equity	555,400	654,132
Total liabilities and stockholders equity	$ 2,525,457	$ 2,582,273

See accompanying notes to unaudited condensed consolidated financial statements.

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SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenues:				
Admissions	$ 249,263	$ 255,001	$ 386,649	$ 407,427
Food, merchandise and other	155,888	156,291	230,792	242,475
Total revenues	405,151	411,292	617,441	649,902
Costs and expenses:				
Cost of food, merchandise and other revenues	33,651	32,974	50,411	52,802
Operating expenses (exclusive of depreciation and amortization shown separately below)	189,190	194,674	357,102	367,934
Selling, general and administrative	58,564	62,168	103,640	102,155
Termination of advisory agreement		50,072		50,072
Secondary offering costs	73		747	
Depreciation and amortization	43,086	40,424	84,362	81,832
Total costs and expenses	324,564	380,312	596,262	654,795
Operating income (loss)	80,587	30,980	21,179	(4,893)
Other income, net	(45)	(107)	(28)	(180)
Interest expense	20,638	22,926	40,684	51,532
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs		32,429		32,429
Income (loss) before income taxes	59,994	(24,268)	(19,477)	(88,674)
Provision for (benefit from) income taxes	22,658	(8,414)	(7,382)	(32,460)
Net income (loss)	$ 37,336	$ (15,854)	$ (12,095)	$ (56,214)
Other comprehensive (loss) income:				
Unrealized (loss) gain on derivatives, net of tax	(872)	2,286	(1,080)	2,580
Comprehensive income (loss)	$ 36,464	$ (13,568)	$ (13,175)	$ (53,634)
Earnings (loss) per share:				
Net income (loss) per share, basic	$ 0.43	$ (0.18)	$ (0.14)	$ (0.66)

Net income (loss) per share, diluted	$ 0.43	$ (0.18)	$ (0.14)	$ (0.66)
Weighted average common shares outstanding:				
Basic	86,877	88,222	87,642	85,510
Diluted	87,189	88,222	87,642	85,510
Cash dividends declared per share:				
Cash dividends declared per share	$ 0.21	$ 0.20	$ 0.41	$ 0.20

See accompanying notes to unaudited condensed consolidated financial statements.

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SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014

(In thousands, except share and per share amounts)

	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Stockholders Equity
Balance at December 31, 2013	89,900,453	$ 899	$ 689,394	$ 7,991	$ 11	$ (44,163)	$ 654,132
Equity-based compensation			1,335				1,335
Unrealized loss on derivatives, net of tax benefit of $660					(1,080)		(1,080)
Vesting of restricted shares	61,830	1	(1)				
Shares withheld for tax withholdings	(4,019)		(130)				(130)
Cash dividends declared to stockholders ($0.41 per share)			(36,056)	March 31,	Exchange	March 31,	MaMay 3, 3,
	2006	rate	2006	2006	2006		
}							
	Cdn$	(i)	US$	US$	US$		
Operating expenses							
Corporate administration	$ 1.7	1.1545	$ 1.5	$ 0.7	$ 2.2		
Stock option expense	0.3	1.1545	0.2		0.2		
Exploration	0.2	1.1545	0.2	0.1	0.3		
	(2.2)		(1.9)	(0.8)	(2.7)		
Other income (expense)							
Interest and other	0.4	1.1545	0.4	0.2	0.6		

Net loss	$	(1.8)	$	(1.5)	$	(0.6)	$	(2.1)

(i) Based on the average Canadian/U.S. dollar exchange rate for the period from January 1, 2006 to March 31, 2006

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

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Schedule III

Goldcorp Inc.
Pro forma consolidated financial statements
Statement of operations of Western Silver Corporation
year ended December 31, 2005
(Unaudited)
(Expressed in millions of United States dollars unless otherwise stated)

	Year ended September 30, 2005	Three months ended December 31, 2005	Three months ended December 31, 2004	Year ended December 31, 2005	Exchange rate	Year ended December 31, 2005
	Cdn$	Cdn$	Cdn$	Cdn$	(i)	US$
Operating expenses						
Corporate administration	$ 3.3	$ 1.0	$ 0.4	$ 3.9	1.2114	$ 3.2
Stock option expense	1.5	0.3	0.4	1.4	1.2114	1.2
Exploration	0.9	0.2	0.1	1.0	1.2114	0.8
	(5.7)	(1.5)	(0.9)	(6.3)		(5.2)
Other income (expense)						
Interest and other	(0.5)	0.4	0.1	(0.2)	1.2114	(0.2)
Net loss	$ (6.2)	$ (1.1)	$ (0.8)	$ (6.5)		$ (5.4)

(i) Based on the average Canadian/U.S. dollar exchange rate for the period from January 1, 2005 to December 31, 2005

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

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Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

1. Basis of presentation

The unaudited pro forma consolidated balance sheet of Goldcorp Inc. (the Company or Goldcorp) as at September 30, 2006 and unaudited pro forma consolidated statements of operations for the nine month period ended September 30, 2006 and for the year ended December 31, 2005 have been prepared by management of Goldcorp, in accordance with Canadian generally accepted accounting principles (Canadian GAAP), for illustrative purposes only, to show the effect of the agreement entered into with Glamis Gold Ltd. (Glamis) whereby Glamis common shareholders exchanged each Glamis common share for 1.69 common shares of Goldcorp and Cdn$0.0001 in cash resulting in the acquisition of Glamis by Goldcorp.

In addition, these unaudited pro forma financial statements show the effects of the agreement entered into by Goldcorp with Barrick Gold Corporation (Barrick) that resulted in the purchase of certain operations and projects of Placer Dome Inc. (Placer Dome) on May 12, 2006, the acquisition by Glamis of Western Silver Corporation (Western Silver) on May 3, 2006 and the acquisition by Goldcorp of Wheaton River Minerals Ltd. (Wheaton) on February 14, 2005 as if they had occurred on January 1, 2005. These pro forma consolidated financial statements have been compiled from, and include:

(a) A pro forma consolidated balance sheet combining the unaudited consolidated balance sheet of Goldcorp as at September 30, 2006 and the unaudited consolidated balance sheet of Glamis as at September 30, 2006.

(b) A pro forma consolidated statement of operations for the nine months ended September 30, 2006 combining:

(i) the unaudited consolidated statement of operations of Goldcorp for the nine months ended September 30, 2006;

(ii) the unaudited consolidated statement of operations of Glamis for the nine months ended September 30, 2006;

(iii) the unaudited combined statement of operations for the three month period ended March 31, 2006 and the unaudited operations for the period from April 1, 2006 to the date of acquisition by Goldcorp of May 12, 2006 of the Placer Dome Operations and projects; and

(iv) the unaudited consolidated statement of operations for the three month period ended March 31, 2006 converted to U.S. dollars based on the Canadian/U.S. dollar average exchange rate for the three month period ended March 31, 2006 and the unaudited operations for the period from April 1, 2006 to the date of acquisition by Glamis of May 3, 2006 of Western Silver.

(c) A pro forma consolidated statement of operations for the year ended December 31, 2005 combining:

(i) the audited consolidated statement of operations of Goldcorp for the year ended December 31, 2005;

(ii) the audited consolidated statement of operations of Glamis for the year ended December 31, 2005;

(iii) the audited combined statement of operations of the Placer Dome Operations and projects for the year ended December 31, 2005;

Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

1. **Basis of presentation (continued)**

   (c) (continued)

   (iv) the audited consolidated statement of operations of Western Silver for the year ended September 30, 2005 and the interim unaudited consolidated financial statements of Western Silver for the three month periods ended December 31, 2005 and 2004 converted to U.S. dollars based on the Canadian/U.S. dollar average exchange rate for the year ended December 31, 2005; and

   (v) the unaudited operations of Wheaton for the period from January 1, 2005 to the date of acquisition of February 14, 2005.

   The pro forma consolidated balance sheet as at September 30, 2006 has been prepared as if the transactions described in Note 3 had occurred on September 30, 2006. The pro forma consolidated statements of operations for the nine months ended September 30, 2006 and for the year ended December 31, 2005 have been prepared as if the transactions described in Note 3 had occurred on January 1, 2005.

   It is management s opinion that these pro forma consolidated financial statements present in all material respects, the transactions described in Note 3, in accordance with Canadian GAAP. The accounting policies used in the preparation of these statements are consistent with Goldcorp s accounting policies for the year ended December 31, 2005. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of Goldcorp which would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the agreements will likely differ from those recorded in the unaudited pro forma consolidated financial statement information. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transactions have been excluded from the unaudited pro forma financial statement information. Further, the pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future.

   Certain elements of the Goldcorp, Glamis and Western Silver consolidated financial statements and the Placer Dome Operations and projects combined financial statements have been reclassified to provide a consistent format.

   The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and notes thereto of Goldcorp, Glamis, the Placer Dome Operations and projects, Western Silver and Wheaton.

2. **Significant accounting policies**

   The accounting policies used in the preparation of this unaudited pro forma consolidated financial statement information are those set out in Goldcorp s audited consolidated financial statements for the year ended December 31, 2005. In preparing the unaudited pro forma consolidated financial information a review was undertaken to identify Glamis, Placer Dome and Western Silver accounting policy differences where the impact was potentially material and could be reasonably estimated. Further accounting policy differences may be identified after consummation of the proposed acquisitions. The significant accounting policies of Goldcorp conform in all material respects to those of Glamis, Placer Dome and Western Silver, except as noted in Note 4 for Western Silver.

Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

3. Business acquisitions

(a) Agreement with Glamis

On August 31, 2006, Goldcorp and Glamis announced that the respective boards of directors had agreed to combine Goldcorp and Glamis. The transaction was approved by Glamis shareholders on October 26, 2006 and closed on November 4, 2006. Each Glamis common share was exchanged for 1.69 Goldcorp common shares (the Exchange Ratio) and Cdn$0.0001 in cash. All outstanding Glamis stock appreciation rights (SARs) were exercised by the holders into Glamis shares such that holders of the SARs received Goldcorp shares and cash at the same share exchange ratio. As a result of the transaction, the combined company is held approximately 60% by Goldcorp shareholders and approximately 40% by Glamis shareholders. Each Glamis stock option, which previously gave the holder the right to acquire common shares of Glamis was exchanged for a stock option which gives the holder the right to acquire common shares of Goldcorp on the same basis as the Exchange Ratio.

This business combination will be accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and Glamis as the acquiree.

The unaudited pro forma consolidated financial information assumes the cost of acquisition will include the fair value of the Goldcorp shares issued based on the issuance of 283.2 million Goldcorp common shares at $28.71, plus stock appreciation rights of Glamis exercised for 0.4 million common shares of Goldcorp at $28.71, plus 4.7 million stock options of Glamis exchanged for those of Goldcorp with a fair value of $82.2 million, plus transaction costs of $20.0 million, providing a total purchase price of $8.2 billion. The price of the Goldcorp common shares was calculated as the average share price of Goldcorp two days before, the day of, and two days after the date of announcement. The stock options have been valued using the Black-Scholes option pricing model.

Goldcorp has not yet determined the fair value of all identifiable assets and liabilities acquired, the amount of the purchase price that may be allocated to goodwill, or the complete impact of applying purchase accounting on the statement of operations. Therefore, after reflecting the pro forma purchase adjustments identified to date, the excess of the purchase consideration over the adjusted book values of Glamis assets and liabilities has been presented as unallocated purchase price. Goldcorp is currently undergoing a process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill arising upon the acquisition will be determined. On completion of valuations, with a corresponding adjustment to the historic carrying amounts of mining interests, or on recording of any finite life intangible assets on acquisition, these adjustments will impact the measurement of amortization recorded in the consolidated statements of operations of Goldcorp for periods after the date of acquisition. Goldcorp estimates that a $100 million adjustment to the carrying amount of mining interests of Glamis would result in a corresponding adjustment to pre-tax amortization expense in the pro forma consolidated statement of earnings by approximately $9.375 million for the nine months ended September 30, 2006 and $12.5 million for the year ended December 31, 2005. No pro forma adjustments have been reflected for any changes in future tax assets or liabilities that would result from recording Glamis identifiable assets and liabilities at fair value as the process of estimating the fair value of identifiable assets and liabilities is not complete.

Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

3. Business acquisitions (continued)

(a) Agreement with Glamis (continued)

Purchase price	
283.2 million common shares of Goldcorp	$ 8,129.0
0.4 million common shares of Goldcorp on exercise of Glamis stock appreciation rights	11.4
Stock options of Glamis exchanged for those of Goldcorp	82.2
Acquisition costs	20.0
	$ 8,242.6

Net assets acquired	
Current assets	$ 130.0
Other assets	31.9
Mining interests	2,064.9
Liabilities	(616.5)
Unallocated purchase price	6,632.3
	$ 8,242.6

(b) Agreement with Barrick

On October 30, 2005, Goldcorp entered into an agreement with Barrick to acquire certain of Placer Dome s Canadian and other mining assets and interests upon Barrick s successful acquisition of Placer Dome. On March 15, 2006, Barrick acquired 100% of the outstanding shares of Placer Dome for approximately $10.0 billion in shares and cash. On May 12, 2006, Goldcorp completed the agreement with Barrick for cash of approximately $1.6 billion. The acquisition was funded with a $250 million advance payment paid in January 2006 from cash on hand. The remainder was paid upon closing by drawing down on credit facilities in the amount of $1.3 billion and cash on hand. Goldcorp has acquired Placer Dome s interests in the Campbell (100%), Porcupine (51%) and Musselwhite (68%) gold mines in Canada, and the La Coipa (50%) gold/silver mine in Chile. Goldcorp has also acquired a 40% interest in the Pueblo Viejo gold development project in the Dominican Republic, together with Placer Dome s interests in its Canadian exploration properties, including the Mount Milligan copper/gold deposit in British Columbia.

On July 24, 2006, Goldcorp sold certain of its Canadian exploration interests to Terrane Metals Ltd. In consideration for the exploration properties, the Company received 240 million convertible Series A preferred shares at a price of Cdn$0.50 per share. The preferred shares are convertible into common shares of Terrane at the option of Goldcorp at any time without any further consideration. On an as converted basis, Goldcorp would own an 81% equity interest in Terrane s issued and outstanding shares and a 75% equity interest on a fully diluted basis. The preferred shares are not entitled to dividends, are non-transferable without the prior written consent of Terrane, are non-redeemable, non-retractable, non-voting and if not previously converted will be automatically converted into common shares on the 20th anniversary of their issuance.

Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

3. Business acquisitions (continued)

(b) Agreement with Barrick (continued)

This business combination has been accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and the Placer Dome Operations as the acquiree. The results of operations of the Placer Dome Operations have been included in the consolidated financial statements of Goldcorp from May 12, 2006.

The preliminary allocation of the purchase price of the Placer Dome Operations is summarized in the following table and is subject to adjustment:

Purchase price, subject to final adjustments	
Cash	$ 1,593.4
Acquisition costs	9.9
	$ 1,603.3

Net assets acquired	
Current assets	$ 56.1
Other assets	27.7
Mining interests	1,385.7
Current liabilities	(56.3)
Future income tax liabilities	(273.6)
Reclamation and closure cost obligations	(80.7)
Goodwill	544.4
	$ 1,603.3

For the purposes of these pro forma condensed consolidated financial statements, the purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed, with goodwill assigned to a specific reporting unit, based on management s best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time of these pro forma condensed consolidated financial statements. Goldcorp will continue to review information and perform further analysis with respect to these assets, including an independent valuation, prior to finalizing the allocation of the purchase price. This process will be performed in accordance with the recent accounting pronouncement relating to *Mining Assets Impairment and Business Combination* (Emerging Issue Committee Abstract 152). Although the results of this review are presently unknown, it is anticipated that it may result in a change to the amount assigned to goodwill and a change to the value attributable to tangible assets.

Goldcorp Inc.
Notes to the pro forma condensed consolidated financial statements
nine months ended September 30, 2006 and year ended December 31, 2005
(Unaudited)
(Tabular amounts expressed in millions of United States dollars unless otherwise stated, except per share amounts)

3. Business acquisitions (continued)

(c) Acquisition of Western Silver Corporation

On May 3, 2006, Glamis acquired all the issued and outstanding shares of Western Silver pursuant to a plan of arrangement. Glamis exchanged 0.688 of a common share of Glamis for each issued Western Silver share. Prior to Glamis acquisition of all of the issued and outstanding shares of Western Silver, Western Silver transferred approximately Cdn$37.0 million in cash and two properties located in Canada and Mexico to a new exploration company, named Western Copper Corporation (Western Copper). The shareholders of Western Silver received, in addition to the 0.688 of a common share of Glamis, one share of Western Copper for each share of Western Silver owned. Glamis retains a right to acquire a 5% stake in Western Copper.

This business combination has been accounted for as a purchase transaction, with Glamis being identified as the acquirer and Western Silver as the acquiree. The results of operations of Western Silver have been included from May 3, 2006.

The allocation of the purchase price of Western Silver is summarized in the following table:

Purchase price	
33.9 million common shares of Glamis	$ 994.7
Stock options of Glamis exchanged for those of Western Silver	29.2
Acquisition costs	12.0
	$ 1,035.9
Net assets acquired	
Mining interests	$ 1,432.4
Future income tax liabilities	(396.5)
	$ 1,035.9

(d) Acquisition of Wheaton River Minerals Ltd.

On December 6, 2004, Goldcorp and Wheaton issued a joint press release announcing a proposed transaction which provided for Goldcorp to make a take-over bid for Wheaton on the basis of one Goldcorp share for every four Wheaton shares. On December 29, 2004, Goldcorp mailed the Goldcorp take-over bid circular to the Wheaton shareholders.

On February 8, 2005, Goldcorp announced a special $0.50 per share cash dividend would be payable to existing Goldcorp shareholders should shareholders approve by majority Goldcorp s take-over bid for Wheaton and Wheaton shareholders tender the minimum two-thirds bid requirement. The payment of a special dividend resulted in an adjustment to the exchange ratio of Goldcorp s outstanding warrants an increase in entitlement from 2.0 to 2.08 Goldcorp shares per warrant.

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3. Business acquisitions (continued)

(d) Acquisition of Wheaton River Minerals Ltd. (continued)

On February 10, 2005, at the special meeting of shareholders, approximately 65% of Goldcorp shareholders who voted were in favour of approval of the issuance of additional Goldcorp common shares to effect the acquisition of Wheaton. As of February 14, 2005, approximately 70% of the outstanding Wheaton common shares (403,165,952 shares) were tendered to Goldcorp s offer. This satisfied the minimum two-thirds bid requirement under the terms of the offer to acquire Wheaton. On the same day, Goldcorp extended the offer expiry date to February 28, 2005 to give remaining Wheaton shareholders more time to tender their shares. With conditions met, the special $0.50 per share dividend, totaling approximately $95 million, payable to Goldcorp shareholders of record on February 16, 2005, was paid on February 28, 2005.

As of March 31, 2005, Goldcorp held approximately 82% of the outstanding Wheaton common shares. Goldcorp and a subsidiary entered into a series of transactions with Wheaton that resulted in Goldcorp owning 100% of Wheaton common shares on April 15, 2005. Further, the series of transactions resulted in each Wheaton warrant or stock option, which gives the holder the right to acquire common shares of Wheaton, being exchanged for a warrant or stock option of Goldcorp which gives the holder the right to acquire common shares of Goldcorp on the same basis as the exchange of Wheaton common shares for Goldcorp common shares. The Wheaton options and warrants have been included as part of the purchase price consideration.

This business combination has been accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and Wheaton as the acquiree.

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3. Business acquisitions (continued)

(d) Acquisition of Wheaton River Minerals Ltd. (continued)

The allocation of the purchase price is summarized in the table below:

Purchase price	
143.8 million common shares of Goldcorp	$ 1,887.4
Stock options and warrants of Goldcorp exchanged for those of Wheaton	321.6
Acquisition costs	26.0
	$ 2,235.0

Net assets acquired	
Cash and short-term investments	$ 168.7
Marketable securities	4.3
Other non-cash working capital	0.8
Mining interests	2,502.1
Silver purchase contract	77.5
Stockpiled ore, non-current	55.3
Other long-term assets	3.8
Future income taxes, net	(631.8)
Reclamation, closure costs and obligations	(24.5)
Employee future benefits and other	(5.3)
Other liabilities	(10.3)
Non-controlling interests	(54.9)
Goodwill	149.3
	$ 2,235.0

The fair value of the Goldcorp shares issued is based on the deemed issuance of 143.8 million Goldcorp common shares at $13.13 being the average share price of Goldcorp two days before, the day of, and two days after February 8, 2005, the day when the special $0.50 dividend was announced in connection with the offer to acquire Wheaton, adjusted for the special $0.50 dividend.

4. Pro forma assumptions and adjustments

Pro forma adjustments to consolidated balance sheet

The unaudited pro forma consolidated balance sheet reflects the following adjustments as if the transaction with Glamis had occurred on September 30, 2006:

(a) To record the acquisition of Glamis at a purchase price of $8,242.6 million.

Pro forma adjustments to consolidated statements of operations

The unaudited pro forma consolidated statements of operations reflect the following adjustments as if the acquisitions of Glamis, certain Placer Dome Operations, Western Silver and Wheaton had occurred on January 1, 2005:

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4. Pro forma assumptions and adjustments (continued)

Pro forma adjustments to consolidated statements of operations (continued)

(b) To record adjustments to depletion expense resulting from adjustments to asset carrying values in the purchase allocations relating to the Placer Dome Operations and Wheaton assets.

(c) An increase in interest expense of $15.9 million for the nine month period ended September 30, 2006 and $42.4 million for the year ended December 31, 2005 to reflect the interest expense on the long-term debt of $850 million taken to partially finance the acquisition of the Placer Dome Operations.

(d) To reverse the non-controlling interest share of income arising from Goldcorp owning 82% of Wheaton between February 15, 2005 and April 15, 2005.

(e) To record the tax effect of the pro forma adjustments at 40%.

(f) An increase in exploration expense by Western Silver of $11.6 million for the year ended December 31, 2005 to conform with Goldcorp s accounting policy of expensing exploration expenditures on properties not advanced sufficiently to identify their development potential. A positive economic analysis was completed by Western Silver in November 2005 on its Peñasquito property at which time, under Goldcorp s accounting policy, further development costs would be capitalized. Accordingly, no adjustment is required in the pro forma consolidated statement of operations for the nine months ended September 30, 2006.

(g) An increase in stock-based compensation of $0.2 million for the nine months ended September 30, 2006 and $1.2 million for the year ended December 31, 2005 deferred by Western Silver to properties in the exploration stage which would be expensed under Goldcorp s accounting policies.

(h) The reduction of interest income of Western Silver to $Nil from $0.6 million and $1.3 million, respectively, for the nine months ended September 30, 2006 and for the year ended December 31, 2005, as Glamis did not acquire cash assets as part of the Western Silver transaction.

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5. Pro forma earnings per share

The weighted average shares outstanding have been adjusted to reflect the additional shares resulting from transactions described in Note 3 effective January 1, 2005.

Basic earnings per share

	Nine months ended September 30, 2006	Year ended December 31, 2005
Weighted average number of Goldcorp shares outstanding for the period	380.4	314.3
Adjustment to reflect acquisition of Glamis, effective January 1, 2005	283.6	283.6
Adjustment to reflect acquisition of Éléonore Gold project effective January 1, 2005	6.3	19.3
Adjustment to reflect acquisition of 100% of Wheaton, effective January 1, 2005		21.6
Adjustment to reflect exercise of 166.6 million warrants effective January 1, 2005	30.1	54.2
Pro forma weighted average number of shares outstanding for the period	700.4	693.0
Pro forma adjusted net earnings	$ 309.7	$ 250.6
Pro forma adjusted basic earnings per share	$ 0.44	$ 0.36

Diluted earnings per share

	Nine months ended September 30, 2006	Year ended December 31, 2005
Pro forma average number of Goldcorp shares outstanding for the period	700.4	693.0
Dilutive effect of stock options, warrants and restricted share units	8.8	7.9
Pro forma average number of Goldcorp shares outstanding for the period diluted	709.2	700.9

Pro forma adjusted net earnings	$	309.7	$	250.6
Pro forma adjusted earnings per share diluted	$	0.44	$	0.36