



MERLIN ENTERTAINMENTS GROUP

Half Year Review to 30 June 2008

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Half Year Results to 30 June 2008

Following the publication in June of our Annual Review for the year ended 30 December 2007, I am pleased to provide a half-yearly update on the performance of the Merlin Entertainments Group for the six month period to 30 June 2008.

Strategy Update

We set out our strategy in the annual review and I am pleased to be able to say that we have made progress in all areas.

Organic Growth – At the half way point I am pleased with the progress the Group has made with admissions volume, revenue per head and total revenue running ahead of last year in all of our Operating Groups.

Roll out of existing brands – We have successfully delivered five new openings in 2008. In May we opened our second LEGOLAND Discovery Centre in Duisberg, Germany and a third opened in Chicago in August. Subsequent to the half year, in July we also opened a new Madame Tussauds in Berlin, adding to our existing cluster of businesses in that city. New SEA LIFE centres were opened adjacent to our theme parks in California, USA and Italy, the first in these countries. We have also made progress on the pipeline of new sites for 2009 and signed a deal for a new LEGOLAND park in Dubai which will open 2011/12.

Destination positioning – As mentioned above in June we opened a new SEA LIFE centre in Gardaland, Italy and subsequent to the half year in August opened a new SEA LIFE centre at LEGOLAND in Carlsbad, California. Both of these new businesses are a stand alone second gate attraction and contribute to expanding the attractiveness of our businesses as destinations. In July a new Holiday Village was opened at LEGOLAND Deutschland as the first stage of developing destination positioning for this park. This has met with immediate success.

Acquisitions – In May, we were able to acquire the London Aquarium which is located next to the London Eye on London's South Bank. This is our fourth major business in London and we plan to invest further capital in the business over the next few years to help it realise its potential.

Trading Update

Despite difficult economic conditions and extreme wet weather the business has performed in line with expectations and well ahead of last year both in visitor attendance and revenue. This performance has been maintained through the peak summer trading period.

New investments in Alton Towers, Chessington World of Adventures, LEGOLAND Billund, LEGOLAND California and a number of key midway attractions have proved particularly successful, as has a well executed promotional programme across all our UK businesses. Despite the fall off in tourism to London, all our attractions in the capital continue to record good year on year growth. Our German businesses have found trading conditions more challenging due to very extreme weather conditions and we are working to put in place stronger promotional and marketing initiatives for the balance of the year. In the USA our LEGOLAND park and Madame Tussauds attractions have generally traded well. However a fall off in conference and convention business to Las Vegas has impacted the Madame Tussauds in this location. Elsewhere our businesses in the Far East continue to make good progress.

Our People

We have made further strides in integrating HR practices across the Group and now have one group wide grading system and one bonus system. We have recently launched our group wide employee satisfaction survey which will help us guide HR strategy in future and all permanent staff now have personal development plans in place. This year also marks the launch of the Merlin Graduate Recruitment scheme in the UK, Germany and the USA as a further step in our efforts to ensure long term management succession and excellence.

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Corporate Responsibility

We have undertaken a strategic review of our Corporate Social Responsibility activity with Business In The Community (BITC) and are now actioning the key points arising from that review.

During the first half of 2008 we set up Merlin's Magic Wand, our own charitable foundation to provide magical experiences for children who are seriously ill, disabled or disadvantaged and who might not otherwise be able to attend one of our attractions. It is one of the focal points of the Group's social responsibility agenda. We have made an initial commitment of £100,000 to the Charity and have also donated 5,000 free tickets to our attractions for such children, with free admission for parents or helpers accompanying them, together worth up to £300,000. These donations are on top of the Group's existing £2.5m per annum programme of charitable and community activities.

In May the Government minister, Joan Ruddock, attended the launch of 'Recycling on the Go' - in conjunction with Coca Cola Enterprises, Recoup and WRAP (Government backed Waste Resource Action Programme) at Thorpe Park. We hope to roll this initiative out further in coming months. LEGOLAND Windsor and Chessington World of Adventures have since joined the scheme. Our aim for the remainder of 2008 is to be able to measure the waste we recover so that we can set new targets for 2009.

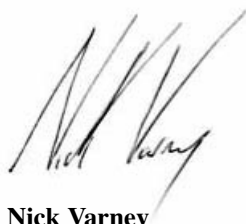
Our marine and other conservation work is important to us. Since the beginning of 2008 our five seal rescue facilities within the SEA LIFE division have successfully rescued, rehabilitated and released over 30 grey and common seals that have been found in distress around the coast of Europe. A further ten are currently being brought to full fitness prior to release. The peak season for seal rescues tends to be early autumn and we expect to see our facilities at full capacity again.

This summer Merlin also hosted two National Junior SEA LIFE Conferences, in Birmingham and Berlin, with every SEA LIFE business inviting children to attend as delegates. A total of 100 children were present with presentations from the children about their areas of interest and concern for the seas. Subjects covered included overfishing, turtle conservation, shark finning, shark bycatch, coral reef erosion and beluga whales. The conferences were also attended by organisations such as the Whale and Dolphin Conservation Society and are an important springboard for future campaigns by SEA LIFE.

Active breeding programmes have seen great success so far this year for both SEA LIFE and Chessington World of Adventures (CWoA). The highlights include over 300 endangered seahorses bred and raised across six different species and three endangered Humboldt penguins successfully reared within SEA LIFE whilst two Sumatran Tigers and three Persian Leopards have been bred successfully at CWoA this year. Both these species are critically endangered and all these births will play an important part in the breeding programme for these animals and their long term survival plans.

Conclusion

The operating environment for our businesses remains challenging. The efforts of our staff over the last six months have been marvellous and I am grateful to them for their hard work delivering memorable experiences to our guests. It is this effort and the strength of our portfolio of brands that has enabled Merlin Entertainments to trade so well this period. I therefore look forward to the critical second half of the year with confidence. I will update you again with our full year results in our annual review for 2008 which will be published in the first half of 2009.



Nick Varney
Chief Executive
Merlin Entertainments Group
September 2008