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# MERLIN ENTERTAINMENTS GROUP

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Half Year Review to June 2009

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# MERLIN ENTERTAINMENTS GROUP

## Half Year Results to June 2009

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Following the publication in April of our Annual Review for the year to December 2008, I am pleased to provide a half-yearly update on the performance of the Merlin Entertainments Group for the six month period to June 2009

### Strategy Update

In spite of the challenges of worldwide recession, swine flu and unpredictable weather conditions, we at Merlin have remained focused on our core strategy as outlined in our Annual Review and have continued to make progress in all areas.

**Organic growth** – At the half way point I am pleased with the progress the Group has made in terms of the volume of visitors we have welcomed to our attractions, along with the revenue and profit growth this has generated across all three of our Operating Groups.

**Roll out of existing brands** – We have continued to progress with the roll out programme of existing brands, with the opening of our newest SEA LIFE Centre in Porto, Portugal, taking us into our 13th country of operation. Since the half-year, we have also opened our new flagship Madame Tussauds Hollywood attraction on Hollywood Boulevard. Both these new attractions opened their doors to high visitor acclaim. We have also made progress on the pipeline of new sites for 2010, including the recently announced SEA LIFE attraction in Phoenix Arizona, and our fourth LEGOLAND Discovery Centre in Manchester adjacent to the Trafford Centre, our 22nd location in the UK.

**Destination positioning** – In April we opened a SEA LIFE centre at Alton Towers and the Castle Dungeon within Warwick Castle, our first new Dungeon offering since Amsterdam opened in 2005. In Germany, we also added our second SEA LIFE by Atlantis attraction, which combines the wonders of the SEA LIFE marine environment with imaginative, interactive LEGO play elements. We have further continued to actively pursue the development and expansion of our hotel offering, both in the UK and elsewhere, in order to expand the attractiveness of our businesses as short break destinations; and have made significant progress in planning for hotel developments at Thorpe Park and LEGOLAND Windsor.

**Acquisitions** – During the first half of this year, we have successfully completed the relaunch of the SEA LIFE London Aquarium, which was acquired during May 2008. We have not completed any further acquisitions during this period but continue to consider opportunities as they arise, where they are a good strategic fit and would enhance our offering to our visitors.

### Trading Update

We are pleased with our performance in the first half of this year. Our businesses have performed in line with our expectations and we are proud of the growth reported across all three of our Operating Groups, against the backdrop of challenging economic conditions in all of the territories in which we operate.

We have continued to invest strongly across all our brands. Along with the successful investments made in rolling out our SEA LIFE and Dungeons attractions into our UK and German theme parks, as referred to above, we have also made significant investments at Thorpe Park, LEGOLAND Windsor and a number of our Midway sites, which have been very well received by our visitors and instrumental in delivering our first half growth.

The Italian economy has suffered more than most during the first half, which has resulted in difficult trading conditions for our businesses there, although our strong promotional and marketing activities have helped to maintain visitation, whilst at the same time delivering good value to our customers. Across the UK and Germany, we undertook a focused advertising campaign to promote the Merlin Annual Pass: a strategy which has proved extremely successful in enabling us to grow our market share in both territories. Our US businesses have also performed well in the first half of the year, and the addition of Madame Tussauds Hollywood since then has further strengthened our US presence.

### Our People

Our investment in our people has progressed well during the first half through the strides we have taken in our training and development programmes. We have also focused strongly on our Graduate Training programme as a key part of our future succession planning initiatives and have expanded it since the first half such that we now have recruited more high quality graduates than ever before.

### Corporate Responsibility

Our 'Merlin in the Community' approach to Corporate Social Responsibility continues to focus on our own Charity, Merlin's Magic Wand, and the very important work we do in the areas of Animal Conservation and Welfare. These operate at both a Group and local level and are supported by other local community initiatives at our sites.

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### ● Merlin's Magic Wand Children's Charity

Merlin's Magic Wand was launched in May last year and enables children who are disadvantaged through ill health, disability, abuse or poverty to have a great experience at one of our many attractions. Our people have really got behind the charity with enthusiasm and to date they have raised over £80,000 through local fundraising activities. In addition to the original donation of £100,000 to launch Merlin's Magic Wand, the Group continues to support the day to day running of the charity by subsidising the employment costs of the Charity's manager, providing office accommodation and facilities at no cost and providing free tickets to attractions. To date over 12,000 children and their carers have benefitted from the charity and applications are running at twice the level of 2008. This autumn, Merlin's Magic Wand is running a major initiative inviting Children with Special Needs to have a free day out at one of our attractions. The charity has invited 150 schools with some 12,000 children to come along and visit us.

### ● Other Charity and Community Activities

Attractions continue to support other charitable and community activities, including local church, school and charity fundraising and communication activities. Examples of these include Evelina Children's Hospital, Breast Cancer UK, Comic Relief, Cancer Research UK and the Transformation Trust.

### ● Environmental Impact of the Business

Following on from the production of our new Environmental Policy Statement last year we have commenced a major review of our carbon footprint with the Carbon Trust. As well as assisting our preparations for the forthcoming Carbon Reduction Commitment, the outcomes will include identifying further opportunities to reduce our energy consumption. In the meantime, our businesses are getting on with initiatives to reduce energy use, such as the introduction of LED lighting in SEA LIFE sites and maintaining existing focus on waste reduction and recycling initiatives, such as LEGOLAND Windsor's support for the Recyclebank initiative with the local council; and Thorpe Park's trialling of a new green initiative from Coca Cola.

### ● Animal and Marine Conservation

Our animal and marine conservation work is important to us, with seal rescue, rehabilitation and release continuing to be a significant part of SEA LIFE activities; nursing back to health a young, very rare Kemps Ridley turtle and returning it back to the US for release back to the wild; and rehoming three crocodiles seized at UK customs.

Active breeding programmes have yet again grown in the first half of this year. SEA LIFE is continuing its highly effective seahorse breeding programmes; while Chessington World of Adventures (CWoA) has reported a number of successes, including rearing a rare male Andean Condor; and the birth of a male gorilla earlier this year. As a result of all its efforts, CWoA has been awarded the prestigious 'Significant Contribution to Conservation Breeding Award' by the British and Irish Association of Zoos and Aquaria, for its committed success with the Sumatran Tiger.

Finally, SEA LIFE signed a memorandum of understanding with the Whale and Dolphin Conservation Society (WDCCS) in the first half of this year and launched a joint campaign with them to actively engage our visitors in protesting against the 'scientific whaling' issue. Chris Butler-Stroud, CEO of WDCCS, has said that this partnership has been instrumental in WDCCS being able to carry out its essential conservation work and has played a key part in commendations received from governments and the public alike.

## Conclusion

As I have visited our various sites over the recent months, I continue to be impressed by the enthusiasm and dedication of all our teams who are offering quality attractions and memorable visits to our millions of customers. This level of customer focus, coupled with our strong portfolio of brands, enables me to look forward with confidence to the second half of the year.



**Nick Varney**  
Chief Executive  
Merlin Entertainments Group  
September 2009