

## LIVING AND LEISURE AUSTRALIA GROUP

COMPRISING:

### Living and Leisure Australia Trust

(ARSN 092 701 589)

Responsible Entity: Living and Leisure Australia Management Limited; and

### Living and Leisure Australia Limited

ABN 92 107 863 445



## LIVING AND LEISURE AUSTRALIA GROUP ANNOUNCES A RECOMMENDED TAKEOVER OFFER BY MERLIN ENTERTAINMENTS (AUSTRALIA) PTY LTD FOR 5.14 CENTS PER LLA STAPLED SECURITY IN CASH

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Attached is a media release by Merlin Entertainments (Australia) Pty Ltd in relation to its recommended takeover offer for the Living and Leisure Australia Group.

A handwritten signature in black ink that reads "Julianne Shearer".

**Julanne Shearer**  
**Independent Chair**  
19 December 2011

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19 December 2011

**Merlin Entertainments Group announces recommended takeover offer for Living and Leisure Australia Group**

- Merlin Entertainments Group (“Merlin”), Europe’s leading and the world’s second largest visitor attraction operator, has made a recommended takeover offer (“Offer”) via its subsidiary Merlin Entertainments (Australia) Pty Limited (“Merlin Australia”) for Living and Leisure Australia Group<sup>1</sup> (“LLA”), the owner and operator of nine leading visitor attractions in the Asia Pacific region, as well as a management contract in Dubai
- The Offer to acquire LLA, if accepted by LLA Securityholders, would accelerate the development of Merlin’s Asia Pacific operations and builds on its international expansion strategy, based on the rollout of its iconic global attraction brands
- The Offer of 5.14 cents cash per LLA stapled security (“LLA Security”) values LLA at approximately A\$140 million<sup>2</sup> on an equity value basis, and implies an enterprise value for LLA of approximately A\$244 million<sup>3</sup>
- LLA Directors unanimously recommend the Offer, in the absence of a superior proposal, and subject to an Independent Expert opining that the Offer is fair and reasonable

Merlin today announces that Merlin Australia, has executed an Implementation Deed with LLA pursuant to which Merlin Australia will make a recommended off-market<sup>4</sup> takeover offer for all the stapled securities in LLA at 5.14 cents cash per LLA Security.

The Offer implies an enterprise value for LLA of approximately A\$244 million<sup>3</sup>, which represents a multiple of 7.2x operating FY11 EBITDA of A\$34.0 million<sup>5</sup>. The price offered per LLA Security represents a 157% premium to the closing price of LLA Securities on 20 October 2011, the day prior to LLA’s announcement that it was conducting a review of strategic initiatives aimed at reducing the discount between the listed price of LLA Securities and fair value. The LLA Board has stated that no

<sup>1</sup> Living and Leisure Australia Group is a stapled entity comprising Living and Leisure Australia Limited and Living and Leisure Australia Trust

<sup>2</sup> Based on 2,726.3 million LLA Securities on issue

<sup>3</sup> Assumes net borrowings of A\$103.3 million, swap liability of A\$0.1 million and minority interests of A\$0.9 million at 30 June 2011; stated implied enterprise value excludes the impact of Merlin’s transaction costs

<sup>4</sup> An off-market takeover is a takeover bid under Australian law which is effected by way of ‘off-market’ written offers to securityholders rather than ‘on-market’ acquisitions conducted through the Australian Securities Exchange

<sup>5</sup> Operating EBITDA of A\$34.0 million excludes foreign exchange gains/losses, profit/loss on disposal of fixed assets, profit/loss on disposal of property assets, abnormal items, project costs written off and management fees

superior proposal has emerged as at the date of this announcement. The LLA Directors unanimously recommend the Offer, in the absence of a superior proposal, and subject to the Independent Expert opining that the Offer is fair and reasonable. Each LLA Director who has an interest in LLA Securities has stated that they intend to accept the Offer in respect of LLA Securities which they own or control, in the absence of a superior proposal, and subject to the Independent Expert opining that the Offer is fair and reasonable.

In addition, Merlin Australia has entered into a pre-bid agreement with LLA's largest securityholder, Arctic LES (Ireland) Limited, to acquire a stake giving Merlin a relevant interest in 19.99% of the LLA Securities on issue.

Merlin Australia has also agreed to acquire Living and Leisure Australia Management Limited ("LLAM"), the responsible entity of Living and Leisure Australia Trust, from Arctic Capital Limited if Merlin Australia obtains effective control of LLA, for a purchase price based on the net tangible assets of LLAM.

The Offer to acquire LLA, should it complete, offers an excellent opportunity for Merlin to significantly increase its network of world class international attractions in Asia and Australia, successfully building on the acquisition of the Sydney Attractions Group earlier this year.

Merlin's current attractions in the Asia Pacific region include: in Australia and New Zealand, Sydney Aquarium, WILD LIFE Sydney, Sydney Tower Eye and SKYWALK at the Sydney Tower Eye, WILD LIFE Hamilton Island, Oceanworld Manly, and Kelly Tarlton's Antarctic Encounter and Underwater World in Auckland; and Madame Tussauds attractions in Hong Kong, Shanghai and Bangkok. Attractions under development in the region – both of which are planned to open in 2012 – are a major LEGOLAND theme park in Malaysia and a Madame Tussauds in Sydney.

LLA owns and operates nine leisure attractions in the Asia Pacific region as well as a management contract in Dubai, through three divisions: Oceanis Group aquariums; Australia Alpine Enterprises ski fields; and Australian Treetop Adventures attractions. The addition of LLA's attractions will mean that, post completion, Merlin will have almost 90 world class attractions across North America, Western Europe, Asia and Australasia.

**Nick Varney, Chief Executive Officer of Merlin, said:**

"This is a unique opportunity for Merlin to acquire not just a group of high quality attractions which complement our existing portfolio of iconic global attraction brands, but which also increases our interests and exposure to Asia and Australia. Completion of this deal, together with our existing ongoing development, would represent an important step in our growth strategy for the region which we believe is full of opportunities and prospects for those with the right attractions and expertise.

"Merlin also has a strong track record of growing the assets it buys. The acquisition of LLA would open up new markets to us and facilitate the continuing roll out of the

SEA LIFE, Madame Tussauds, Eye and LEGOLAND brands in the Asia Pacific region, complementing our existing strength in Western Europe and North America.”

### **Summary of the Offer**

Merlin Australia’s proposal offers LLA Securityholders the opportunity to realise cash proceeds for their LLA Securities at a material premium to historic trading levels in a low-liquidity security for which no dividends have been paid in the last four years.

The Offer consideration of 5.14 cents cash per LLA Security represents a premium of:

- 157% to the closing price of 2.00 cents per LLA Security on 20 October 2011, the last closing price before the LLA Directors announced a review of strategic initiatives aimed at reducing the discount between the listed price of LLA Securities and fair value;
- 154% to the volume weighted average price of 2.02 cents per LLA Security in the three months leading up to and including 20 October 2011; and
- 68% to the Net Tangible Asset value of 3.07 cents per LLA Security as at 30 June 2011 based on 2,726.3 million LLA Securities on issue.

### **Conditions of the Offer**

The Offer is subject to a limited number of conditions, including a 90% minimum acceptance condition, approval of the Foreign Investment Review Board, obtaining certain third party consents and other customary conditions. Full details of the conditions of the Offer are set out in Appendix 1.

### **Further information**

Merlin Australia expects to lodge its Bidder’s Statement containing the terms of the Offer and other material information relevant for LLA Securityholders’ consideration of the Offer with ASIC and ASX shortly and for this to be despatched to LLA Securityholders as soon as practicable. The Target’s Statement by LLA will contain further information for LLA Securityholders, including the reasons why the LLA Directors are unanimously recommending that LLA Securityholders accept the Offer in the absence of a superior proposal and subject to the Independent Expert report opining that the Offer is fair and reasonable.

### **Advisers to the transaction**

Merlin has engaged J.P. Morgan as its exclusive financial adviser and Mallesons Stephen Jaques as its legal adviser in relation to the proposed transaction.

**For further information, please contact:**

**Merlin Entertainments Group:** Tel: +44 (0) 208 899 6110/+44 (0) 208 948 3725 /+44 (0) 7774 415 372

Sally Ann Wilkinson/Penny Roberts

**Tulchan Communications:** Tel: +44 (0) 207 353 4200/+44 (0) 7980 894 557

Susanna Voyle/James Macey White

**Notes to Editors:**

1. **MERLIN ENTERTAINMENTS** is the leading name in location-based, family entertainment, and has seen the most successful and dynamic growth of any company in the sector over the last eight years. Europe's Number 1 and the world's second largest visitor attraction operator, Merlin now operates nearly 80 attractions, six hotels and two holiday villages in 17 countries across four continents. The company aims to deliver memorable and rewarding experiences to its 44 million visitors worldwide through its iconic global and local brands, and the commitment and passion of its managers and more than 17,000 employees. Merlin Entertainments operates the following attractions - SEA LIFE, Madame Tussauds, LEGOLAND, The EDF Energy London Eye, Dungeons, Gardaland, LEGOLAND Discovery Centres, Alton Towers Resort, Warwick Castle, THORPE PARK, Chessington World of Adventures Resort, Blackpool Tower, Heide Park, Earth Explorer, Sydney Aquarium, WILD LIFE Sydney, Sydney Tower Eye and SKYWALK at the Sydney Tower Eye, Kelly Tarlton's Antarctic Encounter and Underwater World, Oceanworld Manly, and WILD LIFE Hamilton Island. All brands are distinctive, challenging and innovative, and have great potential for growth in the future. Visit [www.merlinentertainments.biz](http://www.merlinentertainments.biz) for more information.

2. Merlin Entertainments is a privately-owned company. Its primary shareholders are the Blackstone Group, KIRKBI A/S, CVC Capital Partners, and members of the management team.

3. **MERLIN SHAREHOLDERS:**

**Blackstone (NYSE: BX)** is one of the world's leading investment and advisory firms. Blackstone's alternative asset management businesses include the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation vehicles, separately managed accounts and publicly-traded closed-end mutual funds. Blackstone also provides a wide range of financial advisory services, including financial and strategic advisory, restructuring and reorganization and fund placement services. Further information is available at [www.blackstone.com](http://www.blackstone.com).

**KIRKBI A/S** is a privately held, family-owned investment and holding company based in Billund, Denmark. Its holdings include a 75% ownership share in the LEGO Group, the remaining 25% being held by a family foundation. The LEGO Group was founded in 1932 and today the group is one of the world's leading manufacturers of play materials for children, employing approximately 8,000 people globally. The LEGO Group is committed to the development of children's creative and imaginative abilities. LEGO products can be purchased in more than 130 countries. LEGO and the LEGO logo are trademarks of The LEGO Group.

**CVC Capital Partners ('CVC')** is one of the world's leading Private Equity and investment advisory firms. Founded in 1981, CVC now has a network of 20 offices and over 220 employees throughout Europe, Asia and the United States. CVC funds, raised from pension funds, financial institutions and various other partners, seek to identify attractive investments and then develop sustainable, long-term value in close partnership with management teams. Today, CVC manages in total over US\$38 billion in funds, and is currently investing from funds with an aggregate of US\$18 billion in available equity capital. In total, CVC has completed over 250 investments across a wide range of industries and countries. Today, CVC funds own 53 companies worldwide, employing approximately 400,000 people in numerous countries. Together these companies have combined annual sales of over US\$100 billion. Further information is available at [www.cvc.com](http://www.cvc.com).

4. **LLA** owns and operates nine leisure attractions in the Asia Pacific region, as well as a management contract in Dubai, through three award winning businesses:
  - a. Oceanis Group, which is one of the world's largest owners and operators of aquariums by number of customers and volume of displays, has two sites in Australia and one each in Bangkok, Shanghai, South Korea along with a management contract in Dubai;
  - b. Australian Alpine Enterprises which is the owner and operator of ski fields at the premier Victorian ski resorts Hotham and Falls Creek which account for approximately 26% of the Australian skier market (based on 2011 Australian skier days); and
  - c. Australian Treetop Adventures which is a tree top walks business comprising the Otway Fly and Zipline in Victoria and the Illawarra Fly in New South Wales.

## APPENDIX 1

Note: Defined terms used in this Appendix of conditions to the Offer are defined in the Offer Implementation Deed annexed to the LLA announcement to the ASX of today's date in relation to the Offer.

### Offer Conditions

#### 1.1 **FIRB**

Before the end of the Offer Period, one of the following occurs:

- (a) Merlin receiving a written notice from, or on behalf of, the Australian Treasurer stating that the Commonwealth Government does not object under the Commonwealth Government's foreign investment policy or under the *Foreign Acquisition and Takeovers Act 1975 (Cth)* (the **FATA**) to the acquisition by Merlin of LLA under the Offers;
- (b) the period provided under the FATA during which the Australian Treasurer may make an order under section 18 or an interim order under section 22 of the FATA prohibiting the acquisition by Merlin of LLA under the Offers elapsing, without such an order being made; or
- (c) if an interim order prohibiting the acquisition of LLA by Merlin under the Offers is made by the Australian Treasurer under section 22 of the FATA, the subsequent period for making a final order prohibiting the acquisition elapsing, without such a final order being made.

#### 1.2 **No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Governmental Agency;
- (b) no action or investigation is announced, commenced or threatened by any Governmental Agency; and
- (c) no application is made to any Governmental Agency,

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede or otherwise materially adversely impacts on, the making of the Offers and the completion of Takeover Bid or the rights of Merlin in respect of LLA and the Stapled Securities to be acquired under the Offer which requires the divestiture by any member of the Merlin Group of any Stapled Securities or the divestiture of any material assets of LLA, any Subsidiary of LLA or any member of the Merlin Group.

#### 1.3 **Minimum acceptance**

During, or at the end of the Offer Period, the number of Stapled Securities in which Merlin and its associates together have a Relevant Interest is at least 90% of the Stapled Securities.

#### 1.4 **Operation of the business**

Between the Announcement Date and the end of the Offer Period (each inclusive), no event (excluding day to day trading of each of the businesses referred to below, the planned upgrade and associated closure and partial closure of Mooloolaba Underwater World in 2012 and the impact of the floods in Bangkok on Siam Ocean World) occurs in relation to:

- (a) any of Melbourne Aquarium, Mooloolaba Underwater World, Siam Ocean World, Busan Aquarium or Chang Feng Ocean World; or
- (b) any of the Hotham ski-fields and Falls Creek ski-fields (excluding normal seasonal fluctuations consistent with prior years); or
- (c) any of the Otway Fly or Illawarra Fly Treetop Adventure businesses, which has, or would be reasonably expected to have, an adverse impact on maintainable EBITDA of LLA of greater than \$5 million on an annualised basis.

#### 1.5 **No prescribed occurrences**

Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following prescribed occurrences happen:

- (a) LLA converts all or any of its Stapled Securities into a larger or smaller number of Stapled Securities;
- (b) LLA or a LLA Group member resolves to reduce its share capital in any way;
- (c) LLA or a LLA Group member:
  - (1) enters into a buy-back agreement; or
  - (2) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) LLA or a LLA Group member issues shares or units, grants an option over its shares or units or agrees to make such an issue or grant such an option other than upon the exercise of an option in existence prior to the date of this deed;
- (e) LLA or a LLA Group member issues, or agrees to issue, convertible notes;
- (f) LLA or a LLA Group member disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) LLA or a LLA Group member charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) LLA or a LLA Group member resolves to be wound up;
- (i) the appointment of a liquidator or provisional liquidator of LLA or of a LLA Group member;
- (j) a court makes an order for the winding up of LLA or a LLA Group member;
- (k) an administrator of LLA or a LLA Group member is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) LLA or a LLA Group member executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of LLA or a LLA Group member.



1.6 **No material acquisitions, disposals, changes in the conduct of business or dividends**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither LLA nor any of its Subsidiaries:

- (a) acquires or disposes of, or enters into or agrees to enter into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any transaction, which would or would be reasonably likely to involve a material change in:
  - (1) the manner in which LLA conducts its business;
  - (2) the nature (including balance sheet classification), extent or value of the assets of LLA; or
  - (3) the nature (including balance sheet classification), extent or value of the liabilities of LLA,
- (b) without limiting clause 1.6(a), enters into or agrees to enter into or announces any agreement or transaction which would or (subject to one or more conditions) may involve LLA or any of its Subsidiaries:
  - (1) acquiring, or agreeing to acquire, one or more companies, trusts, businesses or real property (or any interest in any of the foregoing) or any interest in any incorporated or unincorporated joint venture, in any such case or in one or more such cases in aggregate having a value of at least \$2.5 million other than an acquisition the potential for which has been fairly disclosed to Merlin before the date of this deed;
  - (2) disposing, or agreeing to dispose of, one or more Subsidiaries, companies, trusts, businesses or real property (or any interest in any of the foregoing) or any interest in any incorporated or unincorporated joint venture, in any such case or in one or more such cases in aggregate having a value of at least \$2.5 million;
- (c) gives or agrees to give any Encumbrance over any of its assets, other than liens in the ordinary and usual course of business;
- (d) makes any change to its constitutional documents including trust deeds;
- (e) amends the terms of issue of any of the Stapled Securities or other securities (including the special share in LLAL, performance rights and options);
- (f) announces an intention to pay, pays or declares any dividend or other distribution, other than:
  - (1) a dividend or distribution to be made by LLA with the prior written consent of Merlin; or
  - (2) a dividend or distribution to be made by a Subsidiary of LLA where the only recipient of that dividend or distribution is LLA or a wholly-owned Subsidiary of LLA.

1.7 **Trusts**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) no action has been taken to remove LLAM or any LLA Subsidiary as trustee of a trust or as responsible entity of a managed investment scheme;

- (b) no action has been taken to terminate LLAT or any subtrust within the LLA Group;
- (c) no application or order is sought in any court for any part of the trust property of LLAT or any subtrust within the LLA Group to be brought into court or administered by the court or under its control.

#### 1.8 **No litigation**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against LLA and/or its Subsidiaries which may reasonably result in a judgement of \$2 million or more is commenced, is threatened in writing to be commenced, is announced, or is made known to Merlin (whether or not becoming public) or LLA, other than that which has been disclosed to ASX by LLA or fairly disclosed to Merlin by LLA before 19 December 2011.

#### 1.9 **Third party approvals**

Prior to the end of the Offer Period, the following third party approvals or confirmations are obtained:

- (a) approval of the Minister administering the Melbourne Land (Yarra River Northbank) Act 1997 (Vic) and the Melbourne City Council in relation to the Crown Lease of the Melbourne Aquarium for the change of control of LLAM and the sublease of this lease to Melbourne Underwater World Pty Ltd for the indirect change of control of Melbourne Underwater World Pty Ltd; and
- (b) approval of the Minister administering the Land Act 1994 (Qld) in relation to the:
  - (1) Mooloolaba Crown Lease Tenure Reference TL 0/208580 for the change of control of LLAM and sublease of this lease for the indirect change of control of Underwater World Sunshine Coast Pty Ltd; and
  - (2) Mooloolaba Crown Lease Tenure Reference TL 0/208512 for the change of control of LLAM and sublease of this lease for the indirect change of control of Parkthorn Properties Pty Ltd; and
- (c) approval of, or confirmation from the Haeundae-gu Office that no approval is required from, the Haeundae-gu Office in relation to the Concession Agreement for Busan Aquarium for a change of control of Busan Aquaria Twenty-One Company Ltd.

#### 1.10 **Intra Group Restructure**

The Intra Group Restructure has taken effect on the terms of the Restructure Documents and seven days have elapsed since that time.

#### 1.11 **LLA Executive Option Plan**

The LLA Board must determine, in respect of each LLA Option, that the LLA Option be cancelled for nil consideration in accordance with Rules 11.2(a) and (b) of the LLA Executive Option Plan, on or before the end of the Offer Period.

#### 1.12 **Event of default**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) no review event (other than as a result of a change of control resulting from Merlin nominees being directors of LLAM), event of default or potential

event of default (each however described) with respect to the Facilities or any indebtedness (whether actual or contingent) in respect of any money borrowed or raised or other financial accommodation from any person (other than a member of the LLA Group) occurs, arises, is triggered or becomes apparent; and

- (b) none of the Facilities or any indebtedness (whether actual or contingent) in respect of any money borrowed or raised or other financial accommodation from any person (other than a member of the LLA Group) becomes due and payable.

**1.13 Independent Expert Report**

Between the date that the Target Statement is despatched and the end of the Offer Period (each inclusive), the Independent Expert opines that the Offer is fair and reasonable to Securityholders and maintains that opinion.