

Maximizing Value In The Theme Park Market

Presentation To The Board



Agenda

Theme Park Industry and Economics

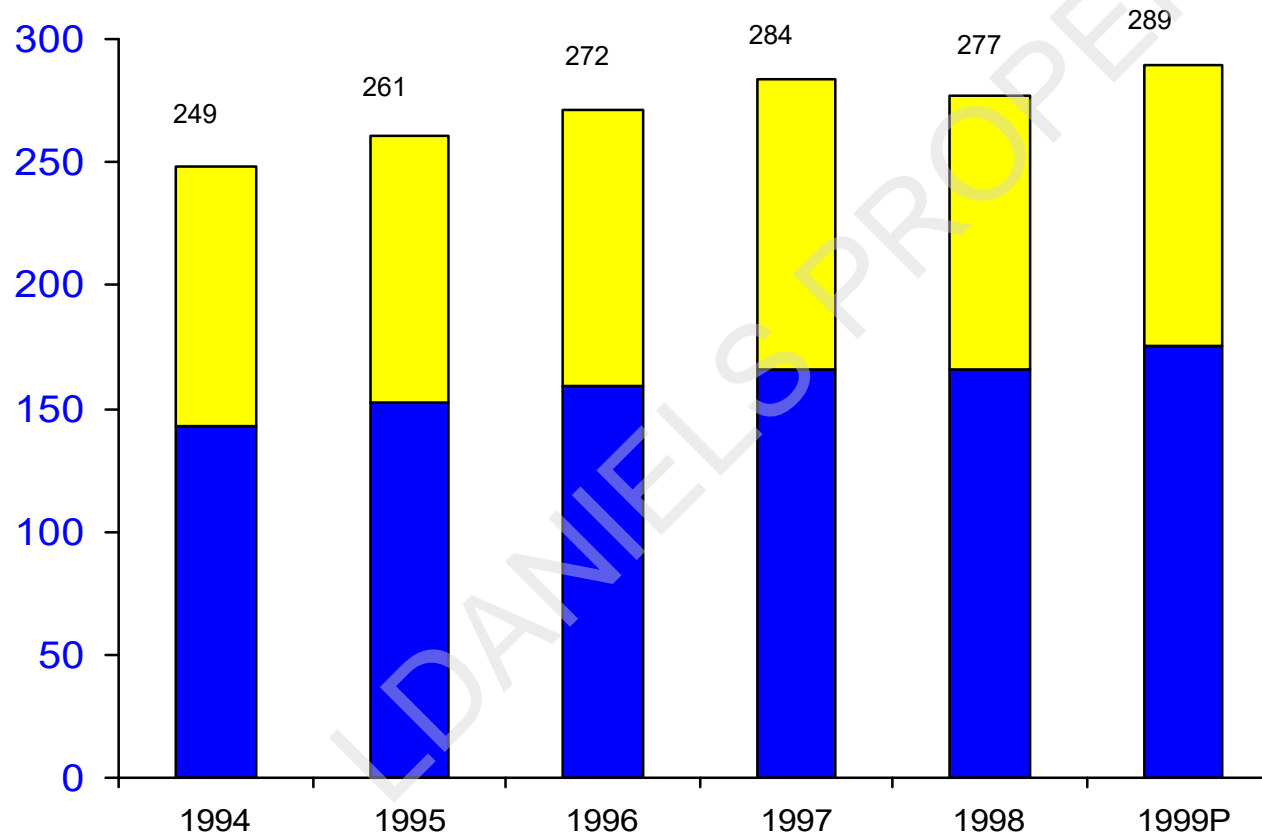
Universal's Strategy and Approach

Orlando Market Overview and Strategy



Market Growing

Global Theme Park Attendance (Millions)

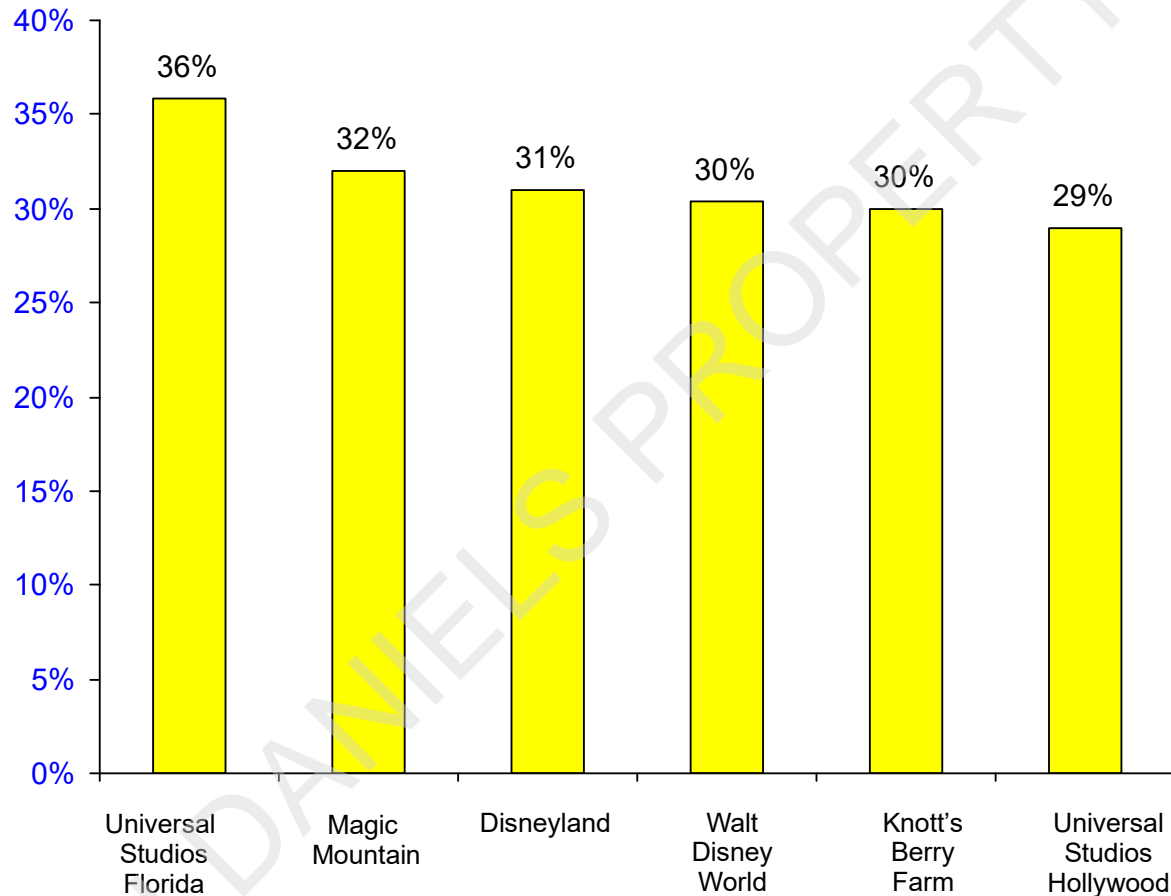


CAGR

Global	3.0%
North America	4.1%

North America

High EBITDA Margins

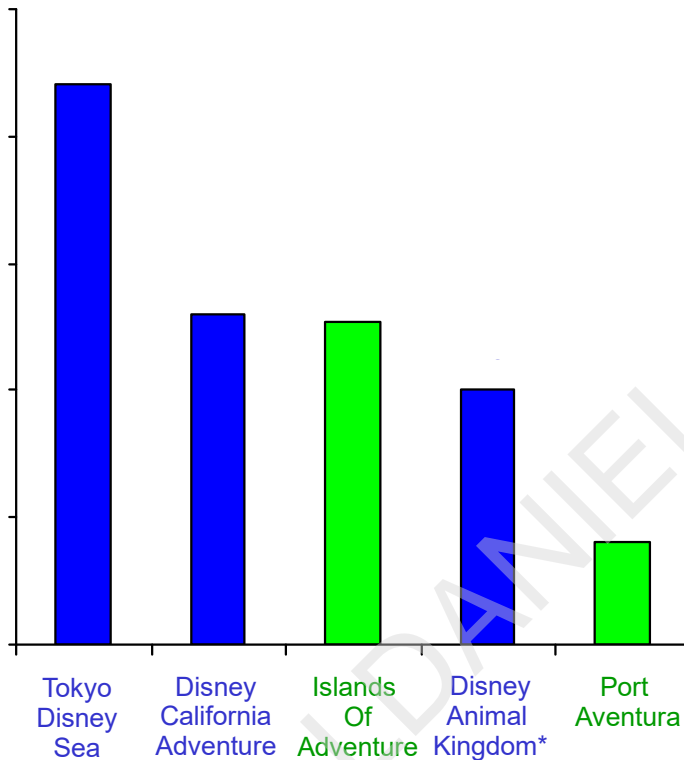


**Percent of Total Sales Excludes Management Fees*

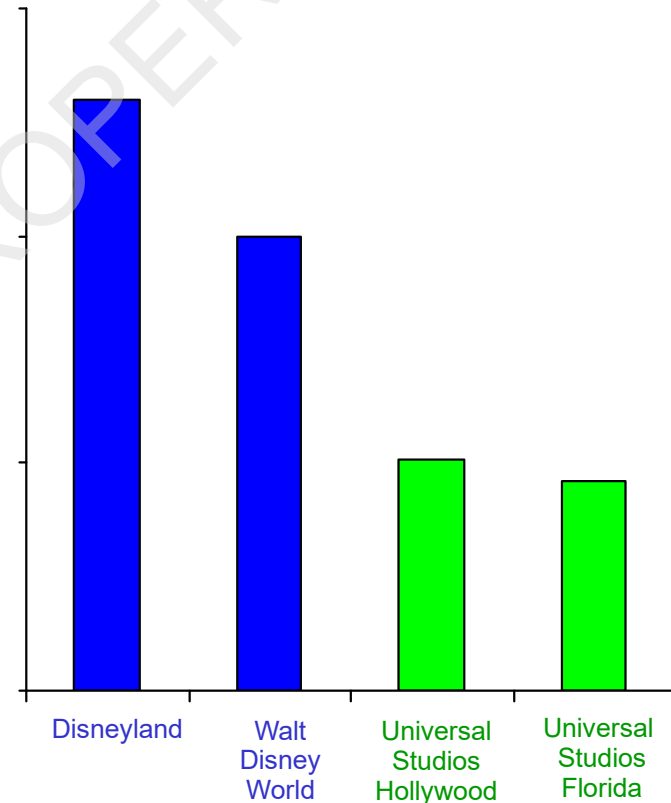
Source: SG Cowen Analyst Report, USRG 1999 AOP (Numbers are FY 98 Universal, FY 97 estimates for Disney)

Requires Significant Capital

Capital Required To Build Theme Park (\$B)



Annual Capital Expenditures (\$M)

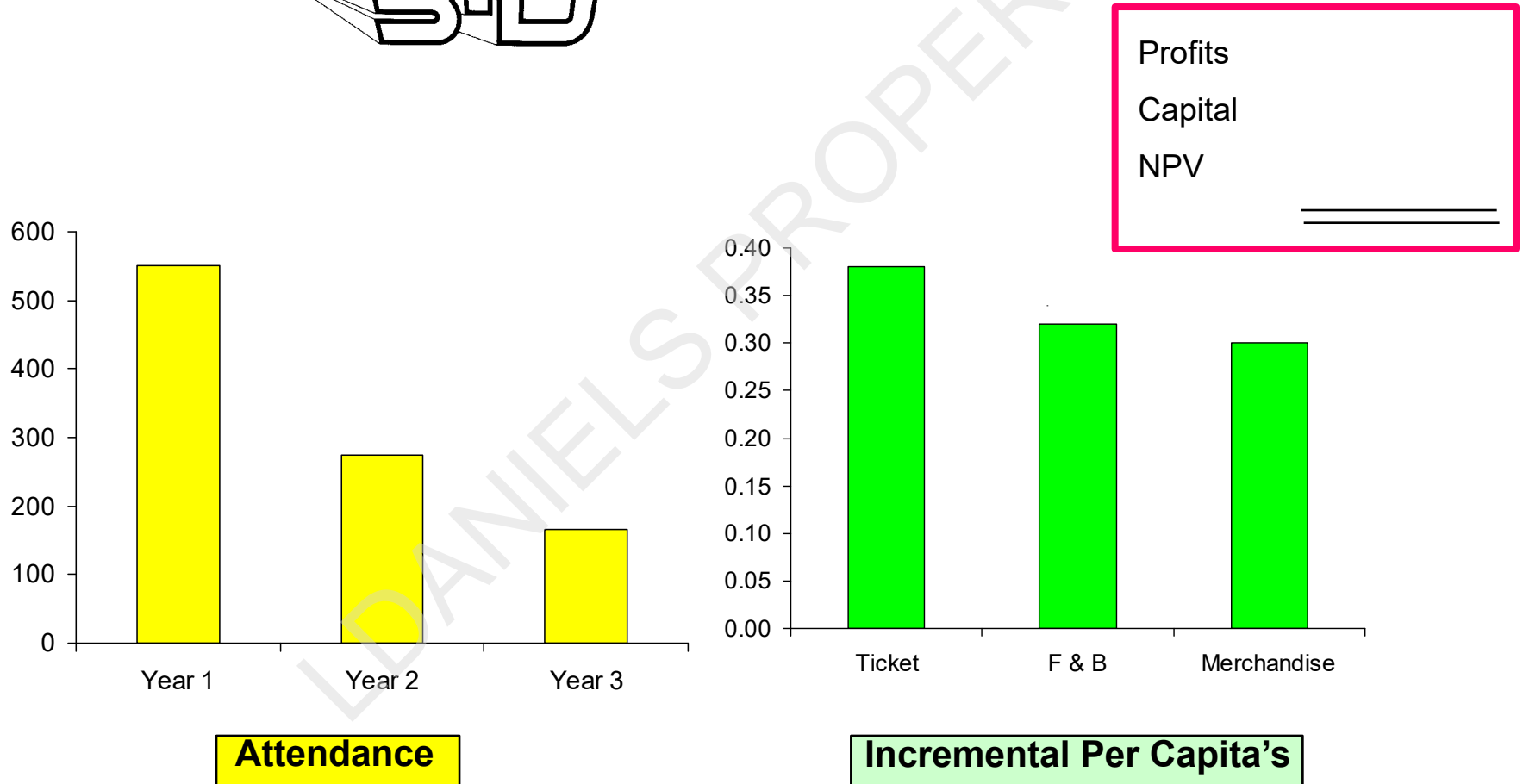


* Includes cost of Asia section

Note: Recent Disney capital expenditures have been significantly higher.

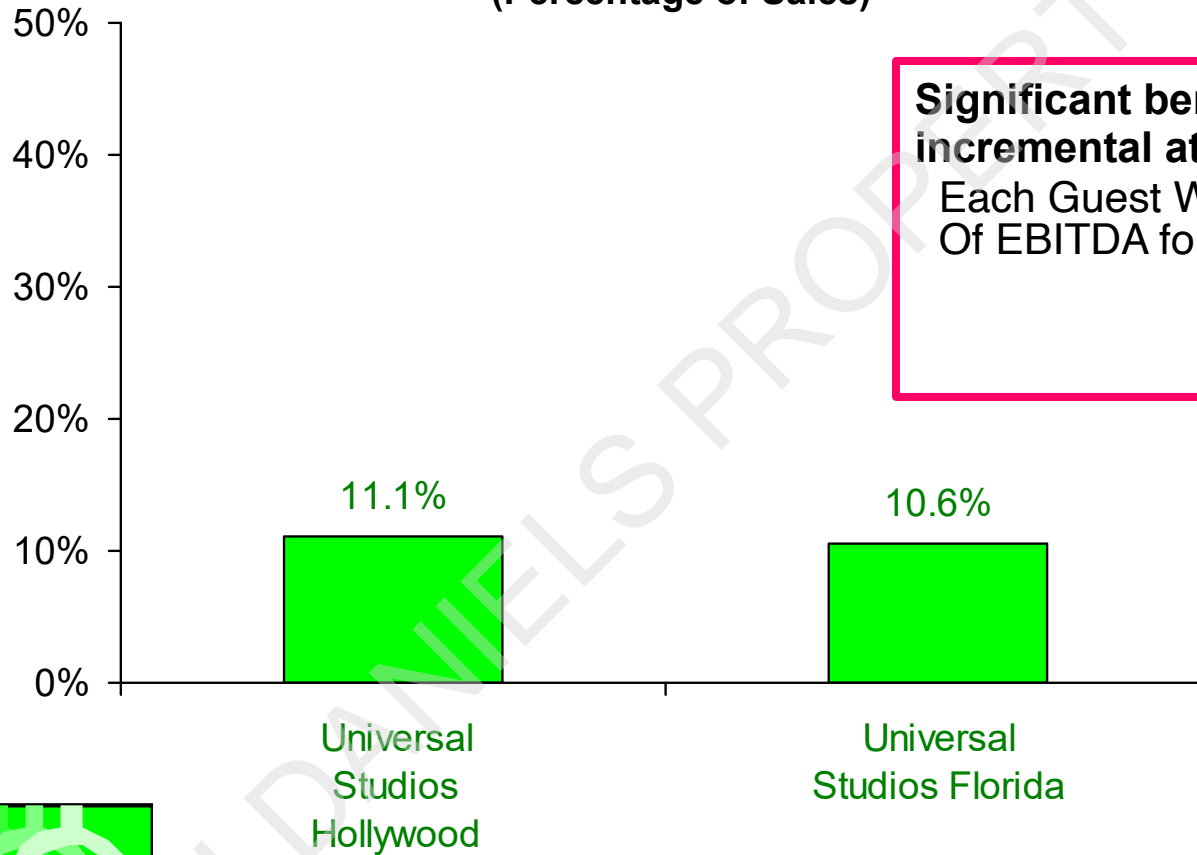
New Attractions Drive Attendance and Per Caps

T2 **TERMINATOR 2** at Universal Studios Hollywood **3-D**

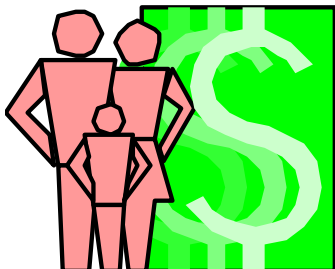


Attendance Is Key To Profitability

Variable Costs (Percentage of Sales)



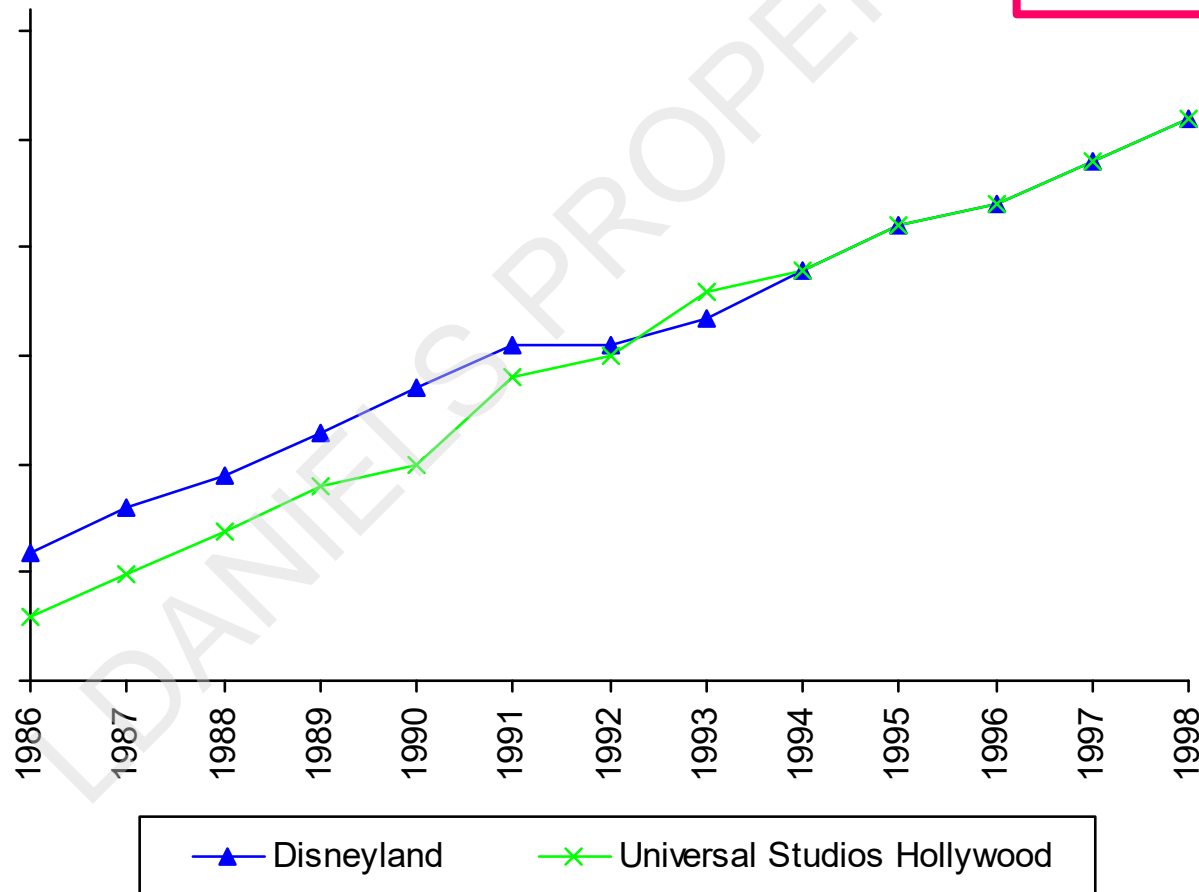
Significant benefit for attracting incremental attendees
Each Guest Worth Of EBITDA for Universal



Significant Growth in Ticket Prices

Adult Ticket Prices

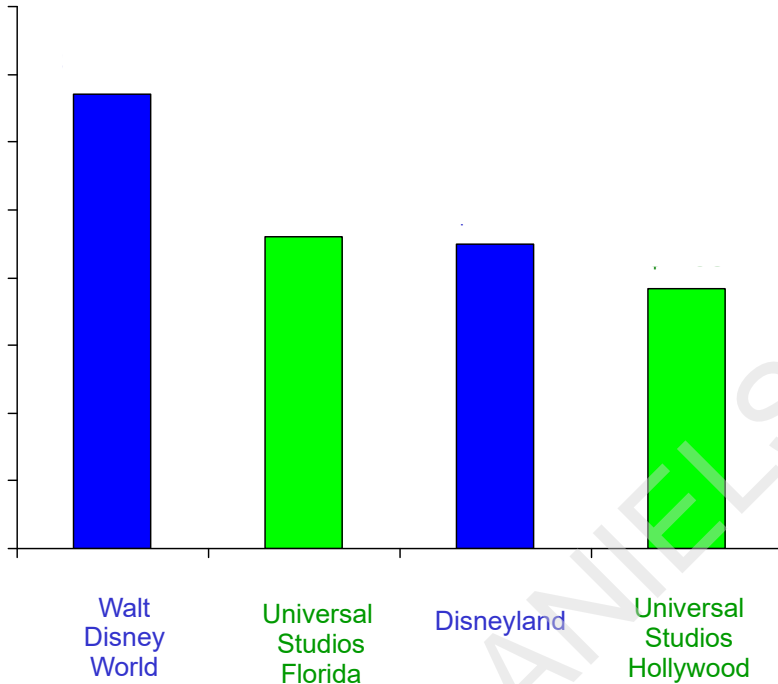
CAGR
USH 8.1%
Disneyland 6.4%



Source: USH strategic planning

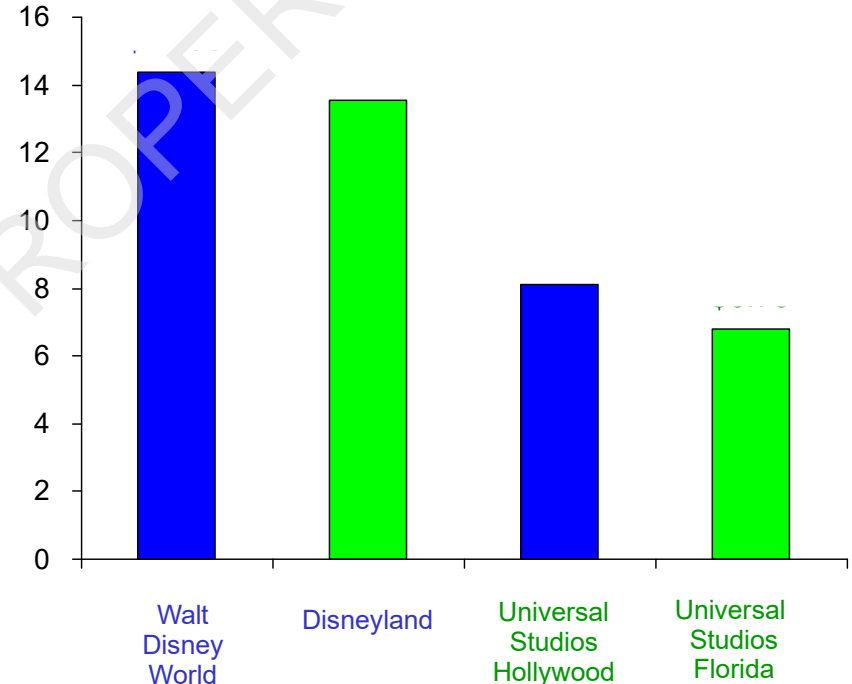
F& B/ Merchandise Significant Source of Income

Food and Beverage Per Caps



Driven by longer visits to the park.

Merchandise Per Caps



Driven by Disney's superior characters, brand affinity, and customer visitation patterns.

Disney Drives Attendance With Sales and Marketing

Disney's Investment

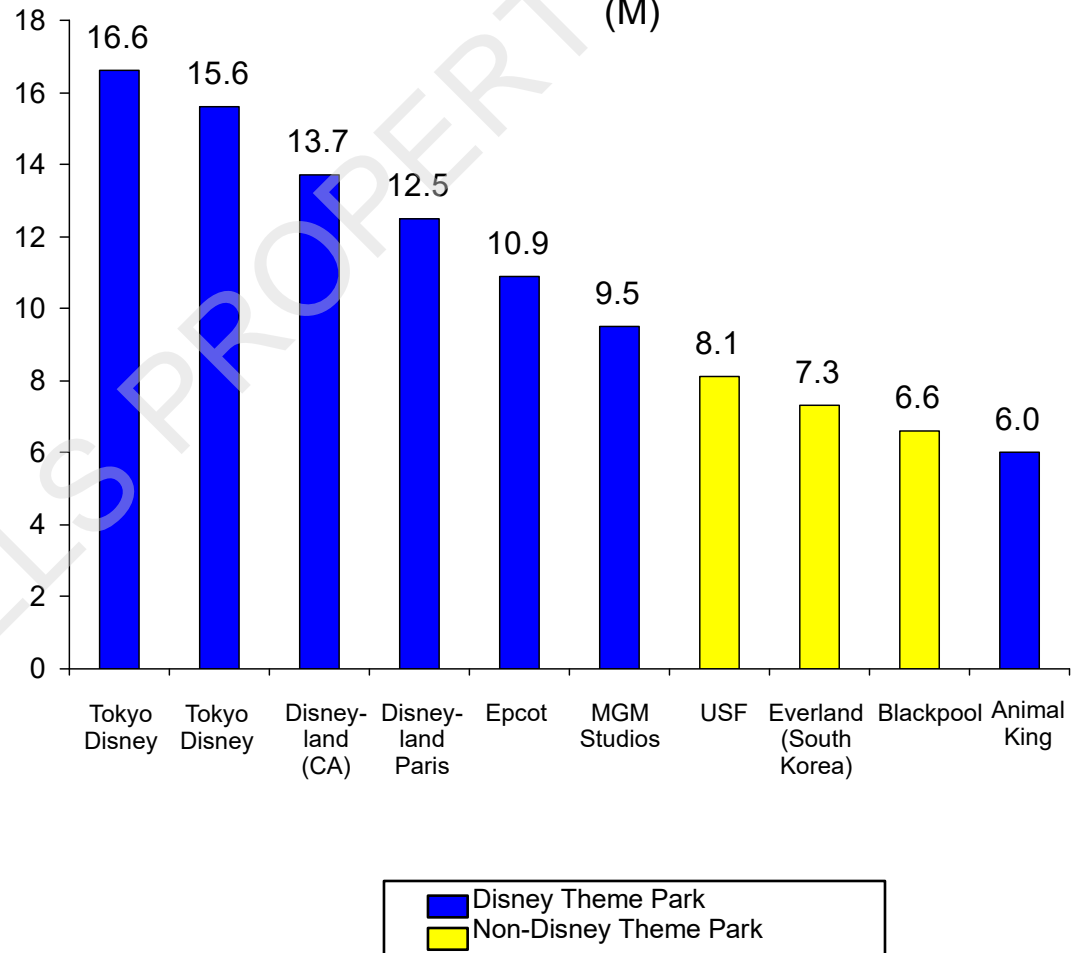
Estimated marketing investment in

Free Marketing (ABC, Feature Animation, Disney Channel, Disney Stores)

60 sales offices

Walt Disney Travel - US largest

Top Attended Parks (M)

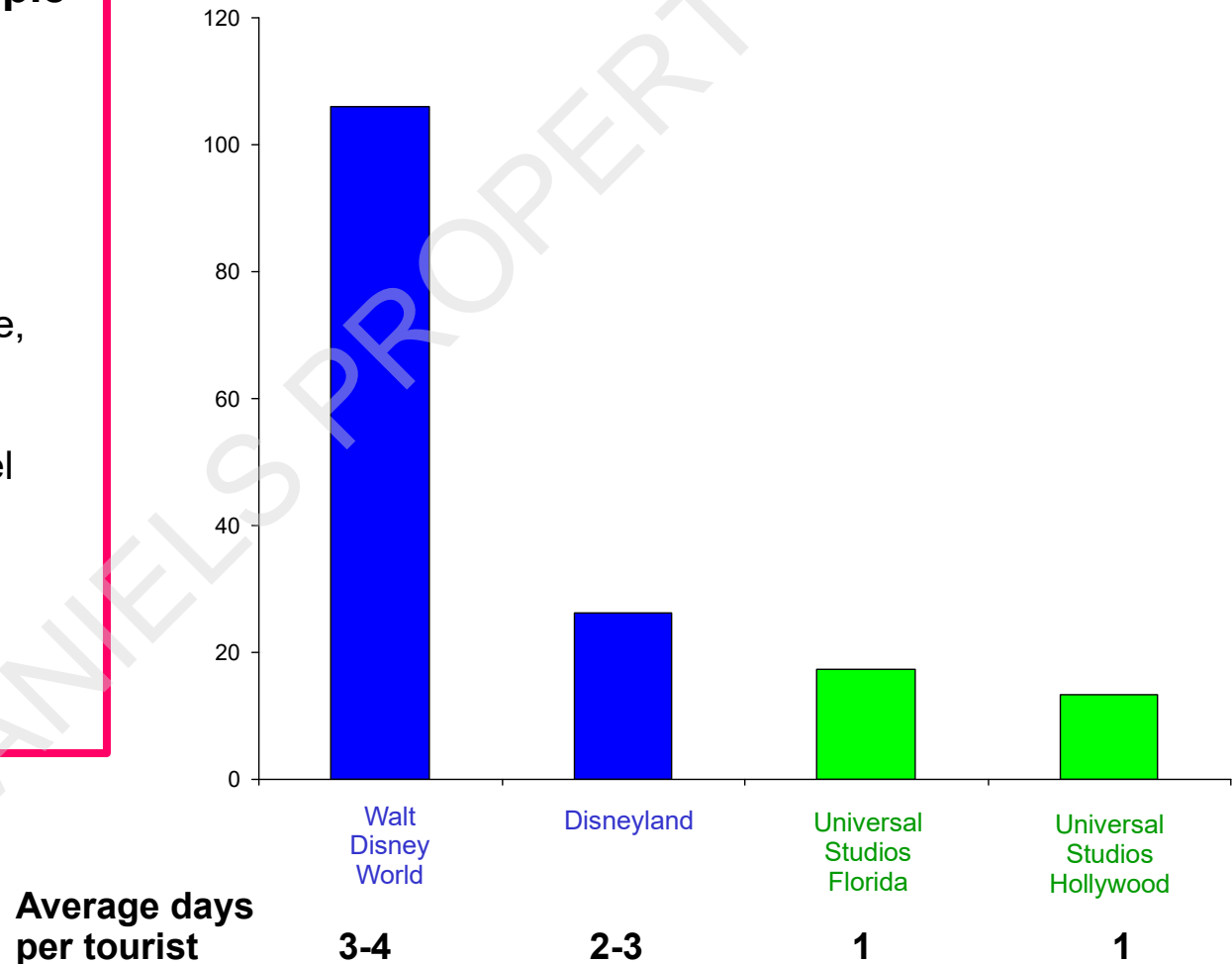


Create Destination: Capture Vacation Spending

Walt Disney World Example

- Theme Parks: Magic Kingdom, MGM, Epcot, Animal Kingdom
- Other Recreation: water parks, sports complex, cruise, golf
- 17,000 owned/operated hotel rooms
- 30 restaurant/entertainment/retail venues outside park boundaries

EBITDA / Destination Visitor

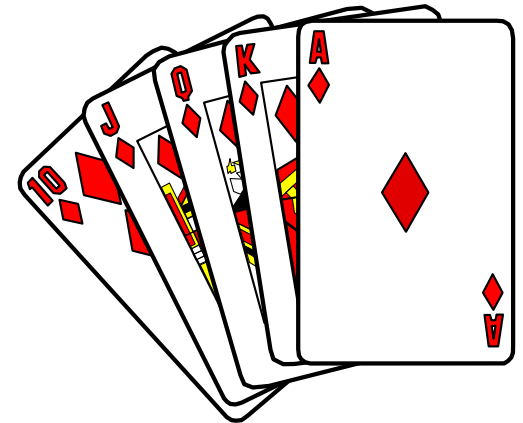


Agenda

Theme Park Industry and Economics

Universal's Strategy and Approach

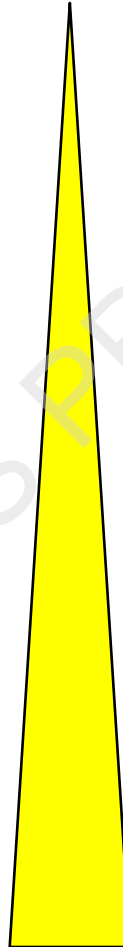
Orlando Market Overview and Strategy



Our Vision: Build Brand Equity

Universal's Recreation Strategy

“To significantly grow the value of the Universal Studios **brand** by creating **superior entertainment** experiences for consumers **worldwide** through strategic **partnerships** which deliver attractive financial **returns**”



Benefits from Successful Execution

Higher return on equity

Significant growth in managed revenue and EBITDA

Enhanced brand positioning and awareness

Improved customer satisfaction and repeat visitation

Partner Selection Critical

Use partner's money to enhance returns

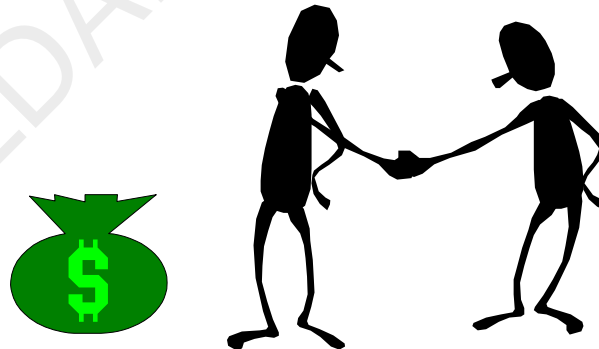
Willingness to accept low ROI

- Resources and motivation to invest heavily to create jobs
- Desire to enhance value of peripheral land

Access to land for potential expansion

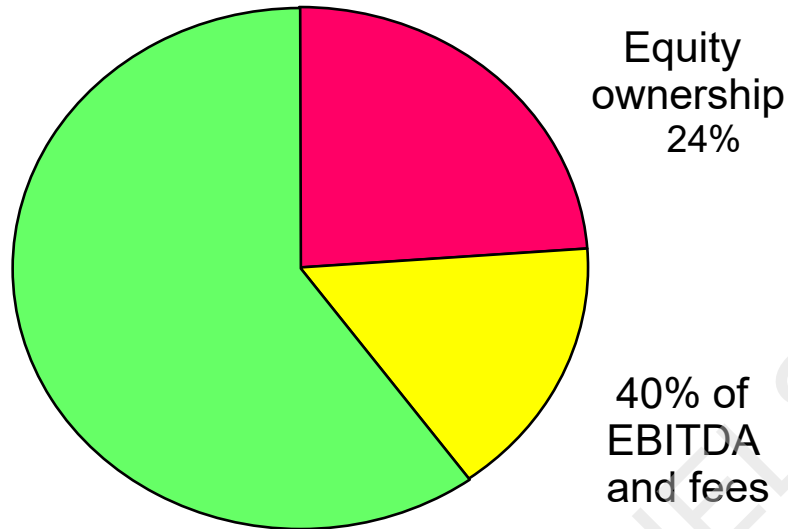
Strong local expertise and interest

Universal retains control of brand and management for a fee

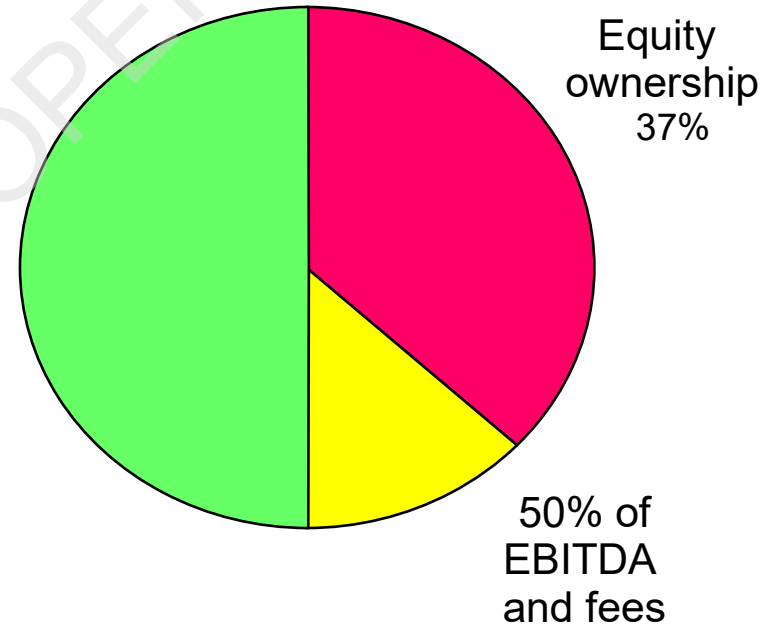


Attractive Financial Returns From Strategic Partnerships

UNIVERSAL STUDIOS JAPAN



PORT AVENTURA



Levered returns

Project Universal 12%
Universal 27%

8%
18%

- (1) Exclusive of approximately \$10 million of capitalized legal and accounting fees and reimbursed labor costs.
(2) One-third of the fee is payable to Spielberg.

Improving Functional Excellence: Critical Linchpins

Sales

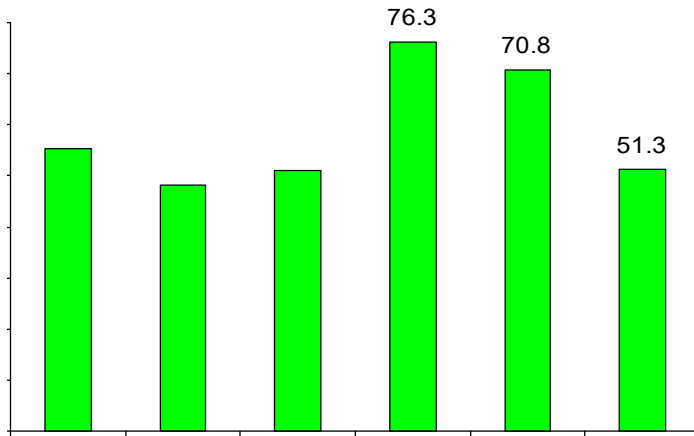
Marketing

Negotiating skills



USH - Turnaround Needed

EBITDA



Drivers of Performance Shortfall

Soft market

Share decline to historical levels

Mega-attraction strategy

- Fell short of financial expectations
- Left no capital for upgrading guest experience
- Abandoned Hollywood positioning

Turnaround Plan - Improve EBITDA and Cash Flow

Authenticate The Brand

Establish Universal Studios Hollywood as a “must-see” tourist destination that is the embodiment of Hollywood

Leverage Hollywood equity for worldwide expansion



Rebuild Attendance Base

Significantly improve the “connective tissue” and guest experience

Attract outer-market through dramatically improved sales and marketing

Increase local visitation with special events

Agenda

Theme Park Industry and Economics

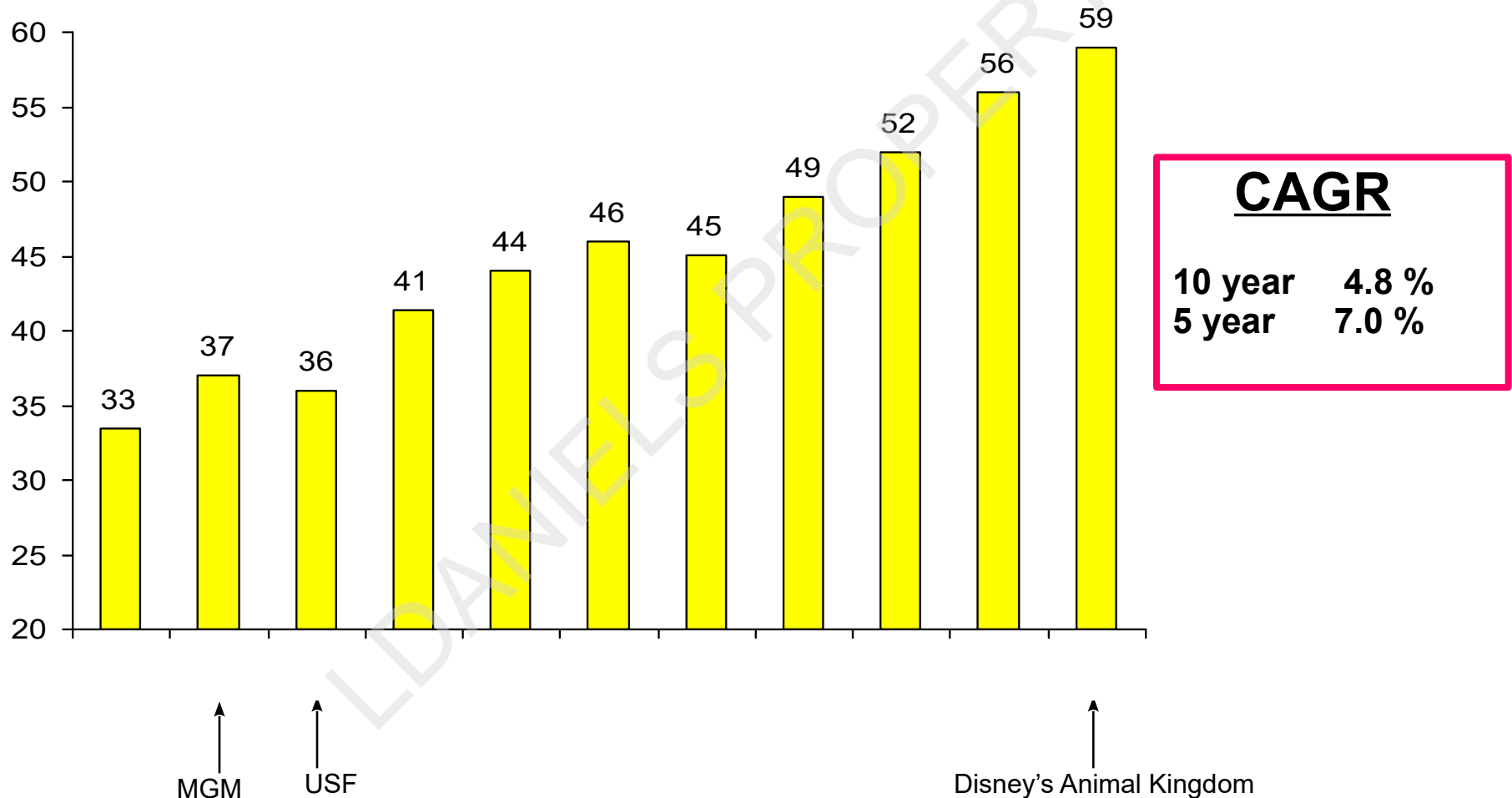
Universal's Strategy and Approach

Orlando Market Overview and Strategy



Orlando: Large Growing Market

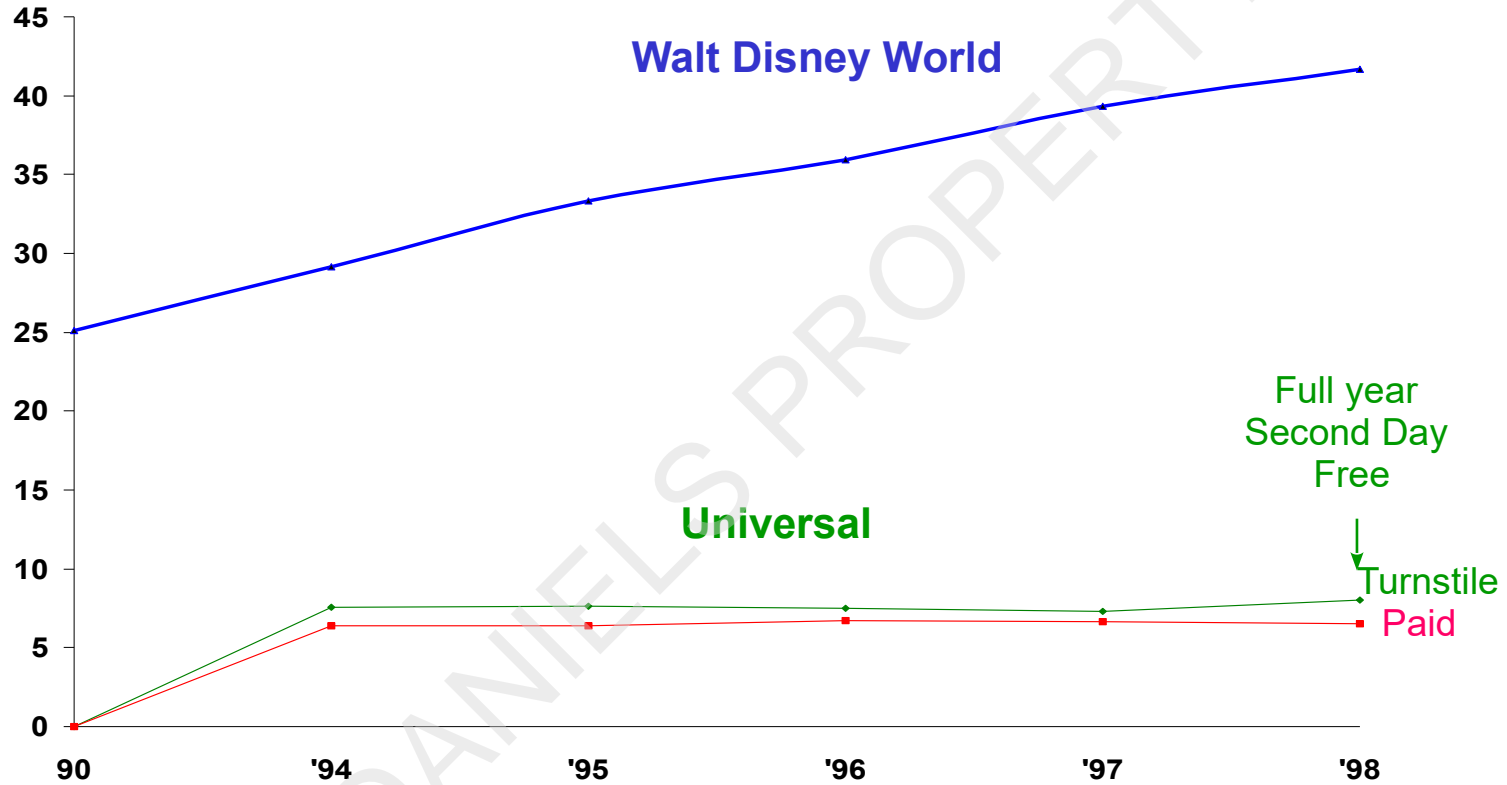
Orlando Theme Park Attendance
(millions)



Source: USRG strategic planning

Disney Captured Growth Through Sequestration

Attendees



Disney Additions
Pleasure Island
Animal Kingdom
Sports Center
Disney Quest
Downtown Disney
Hotel Rooms
11,000
16,000
20,000

Combat Disney Sequestration

Strong outer market consumer advertising - “Tell them we exist”

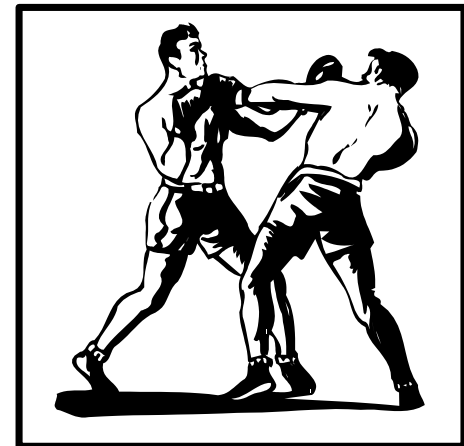
Create a multi-day vacation destination

- Two superior parks
- CityWalk
- Hotel alliances
- On-site hotels

Counter USF cannibalization with balanced product offering

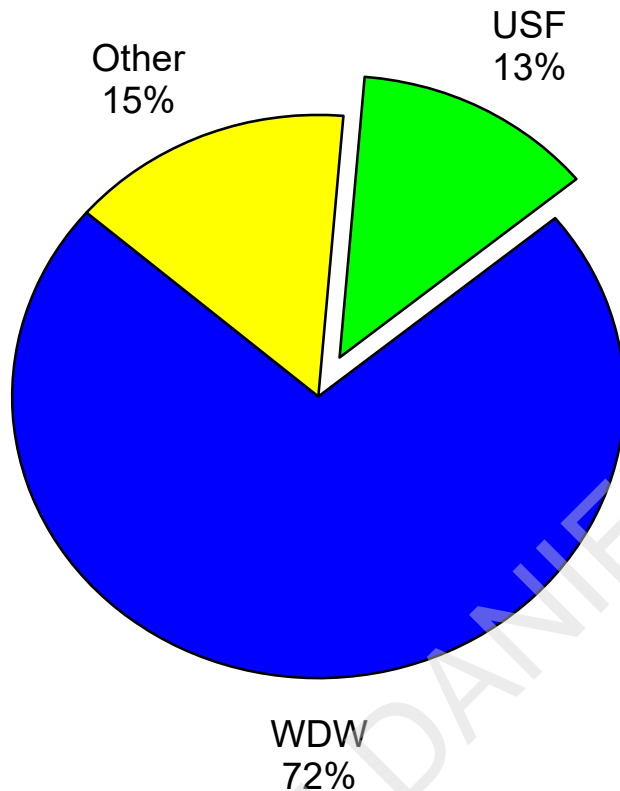
Stress multi-day ticket sales through multiple channels

Build travel industry sales and marketing

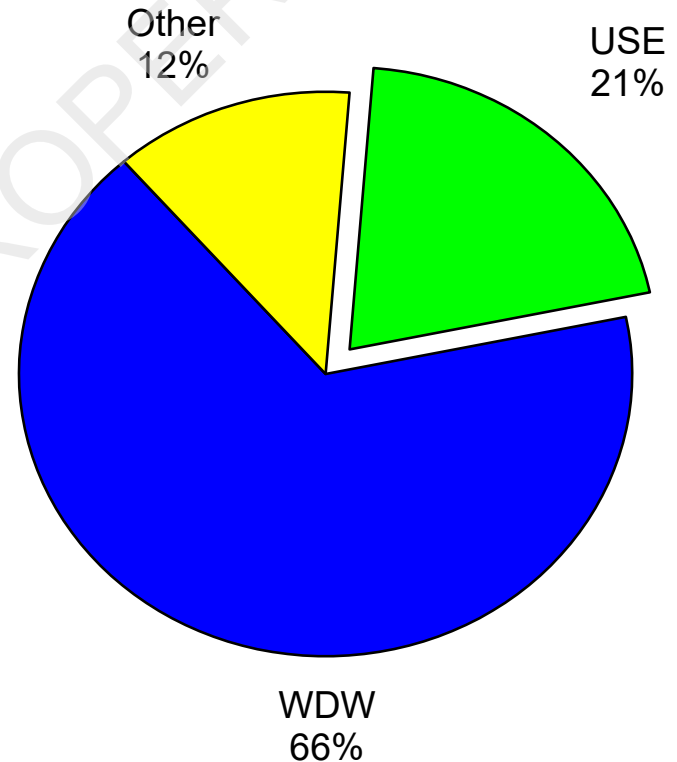


The Challenge: Battle for Share

Orlando Market Share



FY1999: 60 million attendees



FY2000: 63 million attendees

Notes

Elayne will then show samples of advertising, promotion and publicity

- Commercials (5)

- Corporate sponsorships (including Dodge clip)

- PR reel

Tom will then introduce IOA

- show the time phase video of the building of IOA

- give quick overview of what will be shown on the tour