

30 November, 2006

CHAIRMAN'S ADDRESS TO 2006 ANNUAL GENERAL MEETING

Ladies and gentlemen, before we proceed any further, I would like to give you an update on your Company's financial and operating performance.

It is an exciting time at Village Roadshow and hopefully you have all been reading about the positive things that have been said about your Company recently.

And you have probably been hearing about the NEW VILLAGE ROADSHOW and wondering what that is all about. In short, it means that over the past 12 months we have been putting the finishing touches to a major restructuring that we believe gives us a very sound platform for growth. This restructuring was a priority for your board and management because of the 'speed bumps' we hit with our international expansion in our cinema exhibition business.

A lot has been said about how we miscalculated with our projections for an increase in movie going at cinemas in several key markets, including Germany, United Kingdom, Italy and France. Rather than an increase, we experienced a global downturn in cinema admissions, along with our global competitors. The fact we were not alone is small comfort to our shareholders and as a result of the downturn we decided to exit several of those markets, especially where we did not have management control of our joint venture arrangements and carried very large lease commitments on the balance sheet. The restructuring has involved the sale of 16 exhibition territories including the circuits in New Zealand, United Kingdom, South Korea, Argentina, and most recently Italy. We have removed from our books responsibility for the contingent liability of cinema leases totalling \$900 million.

We are now in exhibition in Australia, Greece and Singapore – three strong markets where we have a critical mass and are the dominant player. We also have management and/or ownership control.

This repositioning in cinema exhibition, plus initiatives in our other areas of business, means we can go into 2007 with very healthy cash flows and a strong balance sheet. Those other initiatives this year included:

- producing some excellent movies in partnership with Warner Bros, including *Charlie and the Chocolate Factory* and *Dukes of Hazzard* and the soon to be released *Happy Feet* which is attracting a lot of attention and has opened to rave reviews in the United States. In fact *Happy Feet* has taken the equivalent of over A\$130 million in the U.S. in just ten days. I am also delighted to report that it has opened in the smaller markets of Philippines, Brazil, Puerto Rico, Taiwan and Singapore and is doing tremendous business. It opens in the larger markets of Germany and United Kingdom in the next 2 weeks. In a few minutes I am going to give you a taste of what all the excitement is about;
- we also generated a close to record year in film distribution;
- we extended our successful Gold Class cinema concept in Australia, Greece and Singapore;

- we increased the aggregate attendance at our theme parks to a high with new attractions, notwithstanding increased competition;
- we profited from our investment in Austereo, which leads the FM radio competition in most of our capital cities;
- And more recently we announced a series of capital initiatives to reward our shareholders, and I'll talk more about this in a moment.

The market has responded positively, and we're greatly encouraged by this. We have solid cash flows and organic growth. We have new disciplines and cost controls and have bought back 223 million shares, creating tremendous wealth within the business for our shareholders.

To illustrate the strength of the Company's brands we have prepared a short video compile which we would like to show you now. In addition we have two of this season's big films for the Christmas trading period to show you – the latest Bond movie, *Casino Royale*, and of course an amazing trailer of our own outstanding film, *Happy Feet*.

Seated in front of you today I can say:

- Your Company has a strong balance sheet;
- We are forecasting strong ongoing cash flows; and
- We have the financial capacity for renewed smart growth.

When we released our results in August we said we did not expect to pay a dividend this year. With the benefits of the business restructuring and simplification of the Group structure beginning to flow, we were able to announce two weeks ago several initiatives designed to reward our shareholders for their patience during the restructuring period.

The initiatives include an interim fully franked dividend of 34 cents per ordinary share, and 37 cents per A Class preference share, which will be paid next week. As well, we are proposing a capital return to both classes of shareholder, subject to shareholder approval. The general meeting of shareholders to approve the capital return will be held in Melbourne on 22 December 2006. These two initiatives will result in cash returns to shareholders of approximately \$131.7 million.

In addition, the Company announced its intention to immediately conduct an on-market share buy back of approximately 10% of outstanding preference shares and of up to 10% of outstanding ordinary shares in late December 2006. I will speak more about these initiatives later.

Turning now to the key financial results, it is important to note that while operationally we had a strong year, the restructuring resulted in a number of one-off material items and losses from discontinued businesses that affected the full year result. As a consequence, the Company recorded an after-tax loss of \$35.1 million for the year ended 30 June 2006, compared with last year's profit of \$49.3 million.

Excluding material items and discontinued businesses, the Company's attributable net profit was \$20.1 million compared with \$35.1 million for the prior year, due primarily to lower trading results from Cinema Exhibition and Theme Parks and other one-off expenses incurred during the year but not included as material items. The material items arose principally from legal settlements and the restructure of the film production division.

Underlying cash flow from the Company's businesses was still strong, however, with reported earnings before interest, tax, depreciation and amortisation - excluding material items and discontinued operations - at \$174.2 million in the 2006 year, compared with the previous year's \$197.4 million.

As part of its capital management program, the Company completed on-market buy backs of approximately 10% of the ordinary shares on issue for \$45.4 million during the year.

I would now like to make some brief comments about our key operating divisions.

Firstly let me talk about **Cinema Exhibition** where we are the number one player in Australia, Greece and Singapore.

Much work has been done in restructuring this division and we have built up sufficient scale for marketing, buying and overhead spread. In these markets we are deploying our unique Village concepts of Gold Class, **V^{max}** and Cinema Europa, to great effect. We were particularly excited by the opening of a category killer site in Singapore in Vivo City, and in Greece we have replaced two 'old stock' theatres with our Village World concept which embraces Gold Class, **V^{max}**, Cinema Europa, our own Juice Bar, Movie Store and Bowling Alley. While attendances have been down in the past year we believe that our new concepts and hopefully, upcoming blockbuster movies, will bring in the audiences as they seek a unique movie going experience.

Before I start talking about **Theme Parks** I have some news of interest to shareholders. Next year our annual general meeting will be moving to Sea World. It is something the Board has been considering for some time and by this time next year there will be some new attractions that I am sure you will all be keen to experience.

The great thing about our theme parks is they do not face a competitive threat from new technology. You can't replicate on the internet the sheer thrill of a ride or the experience of a day out.

In our portfolio we have the hugely successful:

- Warner Bros Movie World
- Sea World
- Wet'n'Wild Water World
- Paradise Country
- Australian Outback Spectacular
- and Sea World Resort – the number 1 occupancy resort on the Gold Coast.

The new attractions at Warner Bros. Movie World - the Superman Escape and the Shrek 4D Adventure - have driven up attendances in the second half by 9.5% compared to last year.

We've lifted capacity at Wet 'n Wild, Paradise Country continues growing in profitability and our night-time attraction, Australian Outback Spectacular, has been operating at 95% capacity since opening in April. We're looking to potentially include this attraction in next year's Shareholder Discount Plan booklet.

Attendances at Sea World are strong and the new giant wheel, "Sea World Eye", already under construction and planned for Christmas trading, will underpin its leading position in the market.

We are excited about the growth prospects in Theme Parks, especially as we now have 100% ownership of the parks, giving us control of unique management expertise – building and operating theme parks. We are also targeting opportunities internationally and planning to work even closer with our great partners at Warner Bros..

Film Production was another area of restructuring during the year:

- we brought in Crescent Entertainment which provided both a return of US\$150 million of capital to Village Roadshow and access to significant expertise, contacts and proven entrepreneurial spirit with our wonderful new partners, Hal Gaba, Norman Lear and Michael Lambert;
- we extended the Film Production financing facility to US\$1.4 billion, which enables the division to increase the number of films it can produce each year to between 10 and 12;

- we have a strong line up for 2007 -- all joint ventures with our principal partner Warner Bros.;
- and, of course, *Happy Feet*, which we hope will become one of the highest grossing films to be released in 2006/07.

In **Film Distribution** we produced close to a record year with both the theatrical and entertainment divisions cementing market leadership with 22.9% and 18% market share respectively. Warner Bros.' *Harry Potter and the Goblet of Fire* was the number one film for the year, and our own *Charlie and the Chocolate Factory* and *Dukes of Hazzard* did very well.

During the year we also had critical and commercial success with the distribution of the Australian movies *Jindabyne* and *Wolf Creek*.

The beauty of this division is that we have so many avenues of supply. We also have fantastic management – the best in the business – and hold down the number one position in our core markets.

Finally in **Radio**, Austereo led the competition in Sydney, Melbourne, Adelaide and Perth, and took the number two position in Brisbane. This is a major turnaround from the previous year and a testament to our programming and marketing strategies.

We are very happy with this investment and while we took the opportunity to sell down and crystallise some of that value post-balance date, we are very comfortable with - and intend to maintain - our controlling investment in the business.

I think you will all agree with me that these five businesses provide us with a great platform for our next growth phase.

Now turning to events that have occurred incurred since June 30.

We completed the 100% acquisition of the Theme Park division in July while retaining our close and strong relationship with Warner Bros. through a long-term licensing agreement for Warner Bros. Movie World. The Company has also entered into an agreement with Warner Bros. to explore opportunities for Warner Bros. Movie World branded theme parks in Asia.

We also acquired the remaining 50% in the Sea World Resort Hotel and as a result the Company now owns 100% of all of its Australian theme park businesses.

As well, we have made an investment in the Sydney Attractions Group, a business closely aligned to our Theme Parks business, and probably best known for the Sydney Aquarium.

I have already mentioned that there will be an interim dividend and we are also proposing a return of capital of 15 cents per ordinary share, and 15 cents per A Class preference share, subject to ordinary and preference shareholder approval.

As well, we will begin an on-market buy back of up to 11 million A Class preference shares which is about 10% of the preference shares on issue. The Village Roadshow board has also announced its intention to buy back up to 15.2 million ordinary shares. Village Roadshow's major shareholder, Village Roadshow Corporation, has said that it intends to sell sufficient shares to ensure that its percentage holding will not increase after the buyback is complete.

While we expect moderate earnings per share dilution from the capital initiatives, this is expected to be only short term as earnings growth kicks in.

Perhaps of more interest to you all here is that, after taking account of trading, capital requirements and circumstances when the dividend is reviewed each year, we believe Village Roadshow should be in a position to pay regular dividends in the future.

I would also like to comment on the composition of the Board and some changes that will occur. By the end of the first quarter of next year it is the intention to have a majority of independent non executive directors. I expect to make some announcements on this matter in the near future.

As you know, it's not our practice to give forecasts. However I might comment on our current business. Going forward, we will be implementing growth strategies in all our business units.

In the Theme Parks business on the Gold Coast, now that the Company has acquired the Warner Bros. interest and has full control of a strong management base with proven expertise, the Company is exploring growth opportunities outside Australia.

In Cinema Exhibition over the last 10 years the Company has proven the success of its Gold Class cinema concept in Australia and this has been reaffirmed more recently with strong performances in Greece and Singapore. In light of this success, we have decided together with our US partners, Act III, until recently owners of a major US cinema circuit, to investigate opportunities to roll out the Gold Class Cinema concept in the U.S.

Through the Company's entertainment partnership with Act III, the Company is also exploring opportunities in the music business in particular looking for potential synergies between our feature film production and music publishing interests. Movies sell music and music sells movies. There is natural synergy for us to enter this space and we are currently investigating our options.

In movie production we will be increasing the number of films we make each year from 8 to up to around 12 and during the next two years those titles will include: *The Reaping, The Dirty Dozen, I Am Legend, Where Wild Things Are, License to Wed, Get Smart, Music & Lyrics By, Speed Racer, No Reservations, Invasion, Brave One, and Oceans 13.*

As mentioned earlier, we do not plan to sell any more Austereo shares. While sales have been difficult across the radio industry, we are ahead of last year. We are looking at new initiatives in the internet and digital technology to ensure that we maintain our leading position in the major markets.

With the hard work of the restructuring behind us, your Board is looking forward to a very exciting future for the New Village Roadshow. We are back on course and well positioned for the long term and, as a taste of what is to come, the coming weeks are looking particularly promising as we enter our peak trading season with our revamped theme parks. And of course we look forward to the Boxing Day release of *Happy Feet* here in Australia.

Before turning to the formal part of the meeting, on behalf of the Board I would also like to express particular appreciation to the members of our Executive Committee who direct the Company for their invaluable contribution and tireless hard work.

Firstly I would like to express thanks to my fellow executive directors, Robert Kirby, Graham Burke, Peter Foo and Peter Harvie. They have all been at the forefront of our restructuring processes.

And divisionally in:

- Theme Parks, John Menzies;
- in Film Distribution, Joel Pearlman and Chris Chard;
- in Film Production, Bruce Berman and Greg Basser;
- in Cinema Exhibition, Kirk Senior;
- and in Radio, Michael Anderson and Guy Dobson.

Without their efforts, led by our chief executive Graham Burke, I doubt we would have been able to travel this far on our journey and I thank them on your behalf for their invaluable contributions.