

27 November 2008

CHAIRMAN'S ADDRESS TO VRL 2008 AGM

Ladies and gentlemen, before we proceed further I would like to give you an update on your Company's performance and how we are travelling operationally and financially.

Firstly, let me begin with a summary of our results to June 2008 and our future outlook.

While the global economy has been battered by savage headwinds, the results we are able to speak to today are a testimony to the mass appeal of our businesses. An appeal which has enabled us to increase our underlying profit in 2008 while all around us businesses have been reporting negative progress in the face of a downturn in economic sentiment.

'Good times' are always in demand and your Company's resilient performance reflects its unique position with the right businesses in the right markets to capture discretionary entertainment spending notwithstanding the economic cycle.

The Company has been able to grow through improved operational performance and careful strategic acquisitions.

Our market leading collection of theme park, cinema, film distribution and radio businesses have reported solid financial and operational performances and are well placed to exploit exciting new opportunities both in Australia and abroad.

Our operations continue to be supported by strong operating cash flows and robust assets.

And it is testament to the evergreen nature of demand for family entertainment that your Company has recorded these results in an environment of deteriorating consumer sentiment, volatile interest rates and significant instability in both global and domestic financial markets.

Brand strength and pro-active but disciplined management have ensured that Village Roadshow's entertainment experiences continue to be one of the first choices for Australian families when spending their discretionary entertainment dollars.

I now want to briefly review our results and then give you some insight into the way the individual businesses have travelled during the year. For the year ended 30 June 2008:

- We reported a net profit after tax of \$256.9 million for the 2008 financial year, compared to \$45.1 million last year, after including the \$194.7 million from material items and discontinued operations, mainly arising from the de-consolidation of the Film Production division. On a normalised basis our profit was up ten percent to \$62.2 million.
- The result for the year was driven by strong trading performances by the Cinema Exhibition, Film Distribution and Radio divisions, with their like for like earnings before interest, tax, depreciation and amortisation being over 13 percent up on the prior year. We continue to drive the Company's portfolio of businesses which between them produce strong cash flow and earnings.

- During the year we passed a significant milestone with the completion of the merger of our Film Production division with Concord Music Group to form the US based Village Roadshow Entertainment Group in which we now hold approximately a 40 percent interest, and we also acquired the remaining 50 percent of the Company's Film Distribution division, Roadshow Films.
- With these underlying strong cash flows and healthy balance sheet we invested in new rides and attractions, both here at our Gold Coast based businesses but also with the successful takeover of Sydney Attractions Group in February this year. We expanded our theme parks and attractions business yet further with water parks in Hawaii and in Phoenix, Arizona in the U.S., acquired an aquarium business in Auckland and a water park development site on the Sunshine Coast. We continued the rollout of 3D digital cinema technology in our cinema circuit and are expanding our Gold Class luxury cinemas into the U.S. market, with the first two sites opening last month.
- Of particular interest to you, ladies and gentlemen, we paid shareholders a 9 cent Ordinary dividend and a 12 cent Preference dividend in December last year which was followed by the Company's maiden interim dividend of 7.5 cents to all shareholders in April this year. In addition all shareholders also received a 10 cent 'special' dividend in April.
- In addition to these dividend payments already made in the past 12 months, your Board is also recommending a final dividend of 9 cents on Ordinary shares and 12 cents on Preference shares which, if shareholders approve the relevant resolution later in this meeting today, will be paid next week. I should also mention that all these dividends carry full franking.

I am also happy to report, thanks to the hard work and dedication of the experienced and committed team of people that run your Company, ladies and gentlemen, that we are well placed to overcome any challenges that may come our way in these difficult economic times.

Despite the share price, and although we endured some difficulty last year with the theme parks because of bad weather, the general picture is quite healthy with continuing strong cash flows. This share price effect has quite possibly been magnified by relatively small trades given the general illiquidity of our shares.

As a policy we do not generally comment on our share price at all, that is for others to do, however we do not believe the current trading is now representative of the underlying value of the Group, and it is probable that the share price has clearly undershot somewhat.

In part, we believe we have been caught up in the general malaise affecting equity markets and the resulting thin trading has exacerbated the situation.

So I think it is important I spend a few minutes to give you some more detail as to why your Board is confident of our prospects.

Firstly you will recognise that Village Roadshow is in the business of entertainment. We sell escapism. In difficult times people want small distractions to forget their worries and to be entertained. We sell those small distractions – a ticket to the movies, buying or renting a DVD, listening to the radio, going to a theme park.

We believe people will continue to pay for relatively low cost entertainment services and products, even in adverse economic conditions, rather than buying a refrigerator or a new car, going overseas on holiday or embarking on a major home extension.

For the most part, our businesses are counter cyclical and fare pretty well in tough times. However we are attuned to the difficulties in the economy and are approaching costs throughout Group with extreme rigour, starting with the Executive Directors and the Executive Committee team cancelling any increases due on their salaries.

Secondly, we have a diversified income stream and are not exposed to just one source of earnings. There are still cycles, whether film product or school holidays, but the effect of multiple businesses is that these tend to be smoothed out more than would otherwise be the case.

Thirdly we have established, resilient, profitable businesses that are each leaders in their field of endeavour:

- our theme parks division, in our view, is the biggest and the best in Australia with indisputably the best attractions wherever they are based, whether that is here on the Gold Coast, in Sydney, in Auckland or in Hawaii or Phoenix;
- we are number one in film and DVD distribution in Australia, New Zealand, Greece and Singapore;
- we and our partners have four of the five best cinema locations in Australia and ten of the fifteen best locations here, are number one in Singapore and Greece, and we are leading the introduction of a premium Gold Class cinema circuit in the U.S.A.;
- our Austereo radio business is number one in Australia with over 4.5 million listeners, and by the end of the financial year had the number one FM capital city stations in Sydney, Melbourne, Adelaide and Perth and number two in Brisbane, has the number one FM radio show in Australia and is also number one with online radio;
- plus our Village Roadshow Pictures business is the leading independent movie producer in Hollywood, with its 60 films over the past ten years having grossed a global box office of over US\$8.7 billion, while Concord Music Group is one of the world's largest independent music companies.

Together these businesses are a powerful combination that cannot easily be replicated.

We are a solid, robust Company delivering what customers want and who demonstrably keep coming back for more. We have stable, long term relationships with key partners, suppliers and financiers and a manageable growth strategy that can be varied as circumstances and opportunities present themselves.

Your Board is therefore confident that the Company has the right assets, the right strategy and the right team to prosper through whatever difficulties might come our way.

Now let me update you on recent trading. Generally we have continued to record reasonable trading in the first quarter of the new financial year.

In our Gold Coast theme parks there are new attractions opening in each major park for this coming Christmas trading period – the Kamikaze Double Sidewinder ride at Wet'n'Wild, the Hollywood Stunt Driver show at Warner Bros. Movie World and the Jet Ski Rescue thrill ride and Ray Pool at Sea World.

In uncertain times, and with the lower purchasing power of the Australian Dollar at overseas destinations, people will seek holidays closer to home and we expect the Gold Coast, and our theme parks here, to be the beneficiary of this more local travel focus. This will also be assisted of course by lower petrol prices. We have the attractions to drive people to our parks, we just need the weather to co-operate.

At Sydney Attractions we have been working at enhancing the visitor experience and the integration of the businesses into the Group's operations and marketing platforms. Sydney Aquarium is Sydney's number one attraction, with two new major attractions opening in December, and Sydney Wildlife World was recently voted Australia's Best Family Attraction. We are pleased with the progress being made with this investment.

Since May 2008, when we acquired control of the Hawaiian Waters Adventure Park, we have introduced new attractions including the Tornado waterslide and a family friendly Tipping Bucket as well as 'Dive in' movies, just like we have down the road here at Wet'n'Wild on the Gold Coast. These new attractions have seen a significant improvement in revenues and year on year attendance growth of approximately 20 percent.

We are looking forward to the development of other water parks including in Phoenix and the redevelopment of Aussie World on the Sunshine Coast as well as other potential locations.

Furthermore in September we completed the acquisition of one of Auckland's top-5 tourist attractions – Kelly Tarlton's Antarctic Encounter & Underwater World, an iconic attraction which houses one of the finest exhibits and breeding programs for King and Gentoo penguins, making it a natural fit with our Sea World and Sydney Aquarium assets.

Our listed radio division, Austereo Group Limited, has enjoyed continued ratings dominance and increased its position in all key under-54 demographics compared to the corresponding first quarter last year. Whilst the radio industry capital city advertising revenue basically flat-lined, recording a minus half a percent drop for the first quarter, Austereo enjoyed an increase in advertising rates for the period and double digit rate growth in the Sydney, Melbourne and Brisbane Today Network stations.

Austereo has powerful brands and high rating shows that capture the major segment of the radio market. When economic times are more difficult and require careful selection of effective and accountable media to deliver a marketing message, radio demonstrates its resilience with strong advertiser and listener appeal.

In Film Distribution, Roadshow Films has continued its strong trading performance in line with expectations. Roadshow continues to be the industry leader in market share, a position it expects to hold for the foreseeable future.

Our Cinema Exhibition division has been and continues to be an innovator in the industry, bringing to patrons the benefits of the  max wide screen experience, the ambience of the luxury Gold Class occasion and the technological benefits of digital projection including seeing movies in 3D. Going to the movies is still an inexpensive entertainment experience and has historically always held up well in hard times.

Village Cinemas and Roadshow films between them have in the pipeline a suite of upcoming blockbuster films, and I would now like to show you the trailers of some of them.

Ladies and gentlemen, as you can see we have included for you two of the upcoming movie releases for Christmas from Village Roadshow Pictures - the Clint Eastwood film, Gran Torino, and Yes Man, starring funny man Jim Carrey. VRP has also recently enjoyed success with the romantic movie Nights in Rodanthe.

The Company has approximately a 40 percent interest in Village Roadshow Entertainment Group that owns Village Roadshow Pictures. As previously advised in the Company's 4E announcement, executives of that group are renegotiating the existing film funding facility in order to enable production of new films to continue. To facilitate this outcome it is planned to reduce the facility from US\$1.4 billion to an amount to reflect VRP's future needs – expected to be in the range of US\$900 million to US\$1 billion.

As part of the arrangements, VRL may be required to give credit support for up to US\$40 million of new funds into Village Roadshow Entertainment Group. At the time of establishing the terms and quantum of any required credit support, the accounting treatment will be determined. VRL expects however, that the new credit support should result in a reduction or elimination of VRL's existing contingent liability outlined in our Annual Report. Negotiations on the refinancing are proceeding positively and the Company believes this should be successfully concluded by early 2009.

The Company is taking prudent steps to apply rigorous control on all costs in its businesses whilst driving revenues and earnings on all fronts. We are strengthening and streamlining all our businesses and seeking efficiencies in all of our operations. Whilst we continue to enjoy solid demand for our products and services, your Company has always cherished flexibility as a founding principle, so we remain ready to react and change as opportunities arise and circumstances change. The strength of our balance sheet enables us to continue to invest in our businesses without going to the market for funds.

As for current trading since June, I am happy to report that broadly we are tracking reasonably well. Of course I hardly need to preface my comments about the outlook for the remainder of the year by noting the high degree of volatility in world economies. However, at this time, the Board believes its 2009 trading results will not be materially different to its 2008 normalised continuing results.

In Cinema Exhibition and Film Distribution we are line ball with last year's result so far and, with reasonable film product in the pipeline, we expect a continuation of robust trading conditions and expect to achieve our full year forecast.

Our Gold Coast parks have performed reasonably well in light of the ongoing unfavourable weather of late. EBITDA to date has been slightly softer than the comparable period last year but with the opening of our new rides and attractions for the peak summer period, we are confident of achieving forecast. Our Hawaiian and Auckland attractions are performing well following their acquisition and our Sydney Attractions assets are currently trading on a par with last year and will benefit from new attractions in time for Christmas trading.

Austereo, being a listed subsidiary, has already reported on its recent trading at its own AGM a couple of weeks ago, so I have little to add to Chairman Peter Harvie's comments.

I also take this opportunity to reassure shareholders as to the Company's debt position. The Company retains its policy of having stand alone debt facilities recourse only to the assets of the relevant division. All debt covenants are currently being met and at this stage we have no reason to believe we will not be able to continue the individual debt facilities when their expiry date comes. Most of the divisional debt facilities have expiry dates into 2010 or later.

Several of our larger debt facilities require up to 50 percent of the interest rate to be hedged at the time of drawing on the facility. In times of increasing interest rates this limits the exposure of the Group to additional interest expense. The accounting standards require us to 'mark to market' these hedges which results in an unrealised non-cash profit or loss on these hedges as at reporting periods. Up to 30 September 2008, these hedges were in profit, however in the last couple of months of course we have seen substantial interest rate cuts by the Reserve Bank of Australia which has resulted in the mark to market hedge becoming a non-cash loss. This book loss will vary as interest rates move up and down. At this stage the mark to market unrealised expense is approximately \$12 million but naturally this could change in either direction in the future.

On the corporate front, there are a number items to report. Firstly shareholders will be pleased to note that, in addition to the usual cinema and theme park vouchers, this year we have expanded the scope of our Shareholder Discount Plan by including in the booklet of buy-one-get-one-free vouchers offers for our three main new Sydney based attractions and for our Australian Outback Spectacular show here on the Gold Coast. We trust you and your family will enjoy the use of these vouchers during the year.

Your Board has also adopted a policy common to many companies these days of appointing a Lead Independent Director. I am delighted to inform you that Dr. Peter Jonson has agreed to take on this role and will be of great value to the Chairman and to the Board. Peter is on our Audit Committee and Chairman of the Remuneration Committee. He has a background in economics including 16 years with the Reserve Bank of Australia and also in funds management. He is well placed to represent shareholder interests and help guide the Board in these troubled economic times.

I also take this opportunity to thank Mr. Bill Conn who retired as a Director of the Company in April this year after over 16 years of valuable service to the Company. His counsel and knowledge has been welcomed as a great asset to the Company and we pay tribute to his contribution to the Village Roadshow group.

I would like to express my thanks to my fellow co-directors for their courage and support during the year and, on behalf of the Board, to the members of the Executive Committee, the divisional chief executives and all staff for their untiring dedication, on-going hard work and inspiring loyalty in the face of challenging times. Our success is a reflection of the team work and commitment put in by many exceptional people, and they all are worthy of our appreciation and applause. On your behalf, ladies and gentlemen, I thank them one and all.

Finally, my report would not be complete without some comment on what our shareholders can expect from us in the immediate future.

Firstly, dividends. In these difficult times it is important to have financial strength and it is noted that many companies have reduced or eliminated dividends. At the moment we are travelling satisfactorily and, barring unforeseen circumstances, it is the Board's current intention to pay an interim dividend the same as this year in March next year, and thereafter, as per normal practice, to continue to review the payment of dividends in the light of trading and financial circumstances.

Secondly, a number of our shareholders have been requesting that the Company consider further share buy-backs. Given what we see as the material under-valuation of both our ordinary and preference shares on the market, we believe that such an approach has merit. We will be announcing to the Australian Securities Exchange today a proposed on-market buy-back of preference shares.

In closing let me say that the Company is resilient and its businesses are performing well with sound prospects for further wealth creation for shareholders. Accordingly your Board has confidence in the future of the Village Roadshow Group in the short, medium and long term.