

25 November 2010

CHAIRMAN'S ADDRESS TO 2010 AGM

Let me take a few minutes to reflect on some of the key financial and other highlights of our last financial year and current activities.

Firstly a summary of financial results.

- VRL has again produced a solid operating result from its core businesses for the year ended 30 June 2010. Attributable operating profit after tax before material items and discontinued operations was \$65.9m, 17.7% up on the prior year.
- EBITDA from operations was \$254.5m, up 8.2% on the prior period of \$235.2m, reflecting strength in core operating divisions.
- Attributable net profit after tax amounted to \$94.8m compared to \$12.6m in the prior period, after including material items and discontinued operations.
- Eliminating the distorting effect of discontinued operations and material items of income and expense, total earnings per share increased from 24.91 cents per share in 2009 to 34.8 cents per share in 2010.

Secondly, a brief look at the corporate initiatives of the last financial year.

- In the first half VRL sold investments in Greece and Czech Republic for \$83.8m and since year end has sold its US Gold Class business in exchange for a 30% equity investment in a new restructured US premium cinema business.
- These disposals reduced the group's reliance on debt funding for the Group's capital management initiatives and we were successful in the refinancing of facilities for Australian Cinema Exhibition, Attractions and Corporate debt facilities in the first half and Film Distribution division in the second half of 2010.
- We also bought back 12.7m ordinary shares and 45m preference shares at a cost of \$109.9m in the first half followed up with a buy-back of 15m ordinary and preference shares after year end for \$41.3m as part of the Company's capital structure simplification proposal.
- This simplification proposal was approved by shareholders in September this year and in mid-November all preference shares were varied to become ordinary shares.

The Village Roadshow Board is committed to restructuring its balance sheet profile to significantly reduce debt in this post GFC world. This calendar year it is not possible to pay a dividend because of our bank covenants. However, our goal is to reduce this debt early in the new year and to potentially pay a slightly delayed dividend at that time. This is part of the Board's determination to create financial flexibility so shareholders can rely on dividends each year.

All of our businesses are in the business of entertainment. In an increasingly uncertain and troubled world people are seeking escape in the form of low cost entertainment whether it is buying a movie ticket, renting a DVD or going to a theme park.

We also confirm the appointment of Tim Antonie as an Independent Non-Executive Director of Village Roadshow Limited from 1 December 2010 which brings the Board back to a majority of Independent Directors.

Now let me proceed to a brief overview of our divisions.

Theme Parks & Attractions

- Last year's attendance performance, up over 10% on FY2009 admissions, and the EBITDA results were a record. This year has been adversely impacted by very wet weather on the Gold Coast during spring, breaking 70+ year old rainfall records. During this period however we reduced costs by 12,800 labour hours or 1.9% in the first quarter. The group also sold a record of close to 300,000 VIP passes.
- The recently opened Castaway Bay attraction at Sea World, Aqua Loop at Wet 'n' Wild and continued room refurbishment at Sea World Resort for the peak summer trading period augur well for the future. Additionally, with giant snow making machines our park customers can enjoy a White Christmas at Warner Bros. Movie World with a magical night time experience that will give the kids of Queensland - many of whom have never seen snow - the chance to build a snowman, throw snowballs or ice skate.
- The Sydney Attractions Group is operating well and the planned Lego Exhibit will build momentum for this business into the summer.
- Since year end VRL has also announced a conditional agreement with the NSW Government to build our fourth Wet 'n' Wild water park at Sydney, and plans are continuing on this exciting development.
- Village Roadshow continues to investigate opportunities for new theme parks throughout Asia and particularly in China.

Cinema Exhibition

- Last year we enjoyed a record box office for our Australian cinema business building on the success of quality 3D movies including *AVATAR*, *TOY STORY 3*, *INCEPTION* and *TWILIGHT ECLIPSE*.
- Although the film product has not quite equalled the quality and breadth of the previous year, to date we have just had a new *HARRY POTTER* film open to quite extraordinary and record business. A major driver in this business is our unique max and Gold Class offerings around Australia which we are continuing to roll out in more sites. We remain very optimistic for the remainder of this year.
- As I mentioned previously we have re-constituted our Gold Class business in the US with a new partner and a new commitment of financial support from the Alabama Pension Fund. This will involve an enormous amount of endeavour and challenge but the early signs are very encouraging that we are on course to create a new growth entity for Village Roadshow.

Film Distribution

- Our box office results for the year have been very powerful with box office tallies including *INCEPTION* \$35.4m, *SHERLOCK HOLMES* \$25.9m and *SEX IN THE CITY 2* \$23.5m. We were also proud to distribute the Academy Award film *HURT LOCKER* which at \$5.8m was the highest result outside the US. On the Australian front *MAO'S LAST DANCER* grossed \$15.2m and *BRAN NUE DAE* \$7.6m.
- Roadshow has always been market leader in distributing Australian films and go forward either completed or in production titles that are set for release include Louis de Bernieres's book *RED DOG* and Simon Wincer's *THE CUP*.

Film Production & Music

- Our 40% owned Village Roadshow Entertainment Group ('VREG') together with Warner Bros. produced a number of movies during the period including the blockbuster *SHERLOCK HOLMES* which took over US\$523m at the box office and for which Robert Downey Jr won a Golden Globe for best actor.
- Future movies include *HAPPY FEET 2*, the sequel to *HAPPY FEET 1* which grossed US\$385m and captured the hearts of the world. In addition, *SHERLOCK HOLMES 2* with Robert Downey Jr and Jude Law is in production and we are committed to the next instalment of the *MAD MAX* series, *FURY ROAD*.
- Concord Music Group features one of the most prestigious diversified catalogues of master recordings, a valuable niche-orientated publishing catalogue and diversified artist roster that includes some of the world's most well known artists.
- As we have previously notified the market, VREG is currently focusing on a strategic initiative, being the possibility of VREG being listed on an international stock exchange and raising additional equity. VREG continues to take steps to pursue this initiative.

Austereo

- Austereo maintained its ratings success over the year and into the new year enjoying the number one FM slot in Sydney, Melbourne, Brisbane, Perth, Canberra and Newcastle.
- Austereo's websites have shown outstanding results and we are averaging 1.1m unique browsers a month and 4.5m podcast downloads monthly. These results continue to grow exponentially.
- Austereo are experiencing an improvement in the radio advertising market.

The Village Roadshow company has as its fundamental asset the quality, depth and loyalty of an extraordinary executive team led by our CEO, Graham Burke, whose contract has been extended to December 2015. On behalf of the board and our shareholders I do thank them for their dedication, expertise and sheer life energy that has created the wealth and future opportunities for all our businesses.