

26 November 2009

CHAIRMAN'S ADDRESS TO VRL 2009 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 remind shareholders that, in addition to the information contained in the Company's 2009 Annual Report, on 23 October when we announced an on-market buy-back, we released to the market, and included in our website, a detailed Explanatory Memorandum on the Company's businesses, finances and prospects. This Explanatory Memorandum also included an independent valuation of the Company's shares by Grant Samuel & Associates. These documents comprised some hundreds of pages of detailed information about the Company which we have of course supplemented as required under continuous disclosure.

I do not propose to cover old ground therefore, but do want to briefly review our results for the 2009 year and how the individual businesses are going since June.

We produced a solid operating result for the year despite difficult trading conditions with a 12.8% lift in attributable operating profit after tax before material items and discontinued operations to \$58.5 million, which is a earnings per share growth of around 22%. You won't be seeing that in too many financial reports around Australia. Operating earnings before interest, tax, depreciation and amortisation was 4.2% up on last year to \$247.4 million.

After including material items and discontinued operations, attributable net profit after tax was \$12.6 million, down on the prior year's result of \$256.9 million which included the \$181.6 million profit from the partial divestment, and subsequent deconsolidation, of our Film Production and Music division. The non-cash material items of \$45.9 million in the 2009 results mainly related to impairment charges for goodwill on the recent acquisition of Sydney Attractions Group, a write down of our investment in the US Gold Class business and unrealised mark to market losses on interest rate and foreign currency derivatives.

The Company's businesses continue to perform well in difficult economic times and the year saw improved trading from our Theme Parks and Cinema Exhibition businesses. The Group has rigorously reduced costs in all divisions and focussed on improving sales through creative marketing initiatives. For example, our Theme Park ticket sales through our MyFun online portal are running at nearly three times what we have currently budgeted. We are very pleased with the continuing strength of our theme parks, especially considering the current economic climate.

Of particular interest to you, ladies and gentlemen, we paid an interim dividend of 3.75 cents per share in July this year, and on today's agenda, your Board is recommending a final dividend of 6 cents per ordinary share and 9 cents per A Class preference share, which, if approved, will be paid next week. All these dividends are fully franked.

Whilst Australia has done better than most international economies to weather the global economic slow down, the availability of appropriately structured and fairly priced bank finance in Australia remains a challenge for most corporate entities. As reported elsewhere, the Company's debt financing arrangements have all been put in place for each of its operating divisions. We are currently working towards a longer term funding arrangement for the Village Roadshow Pictures business as well as also investigating a number of alternative parallel financing options for some divisions. Since the end of the last financial year we have completed the previously announced sale of our Czech Republic and Greece businesses, providing us further financial flexibility.

All debt facilities across the Group are being serviced and amortised in line with agreed terms and the Group is in compliance with all financial covenants with our banking partners.

At the date of writing this address, in the current buy back programme, the Company has bought back 10% of its issued ordinary shares which is the maximum allowed in a 12 month period and 38,979,503 preference shares out of the announced maximum of 45 million shares. This buy back has been funded out of the cash reserves in the Company plus bank debt finance. The shares have been bought back at an average combined price of around \$1.82 which is earnings per share positive for the Company.

I am happy to report that our operations continue to be supported by strong operating cash flows and robust assets. All divisions are currently trading in line with expectations.

Here at our Gold Coast Theme Parks the first quarter trading remains strong and currently slightly ahead of budget in most areas with the positive trend likely to continue.

Our two US Wet'n'Wild water parks at Hawaii and Phoenix have put in commendable results given the poor local US economy with Hawaii being one of the most impacted of the US states from a tourism perspective.

The Company's Attractions businesses in Sydney have also delivered a strong first quarter result off the back of increased domestic visitation driven by creative marketing initiatives such as the outstanding 'Sponge Bob visits Sydney Aquarium' campaign for the July school holidays.

Austereo continues its ratings success and, as the economy continues to improve, so will the radio advertising market.

In our Film Distribution division, Roadshow has had a pleasing first quarter being ahead of budget thus far, but as always the full year's result will depend on the success of the film product in the pipeline and the important Christmas/New Year trading period.

As for Cinema Exhibition, as previously mentioned we have sold our Greece and Czech Republic circuits and now have remaining operations in Australia, Singapore and the US. In the US Gold Class business we opened the first 2 sites literally within weeks of Lehman Bros and Bear Stearns collapsing, so we couldn't have opened our premium cinema offering at a worse time. The results have been disappointing but nevertheless - based on exit interviews from patrons who have been and tell us they love the experience - we remain optimistic that the next couple of sites opening this month will demonstrate better results.

Our Singapore business is marginally ahead of last year thus far - steady as she goes for this sound business.

The Australian cinema business however has been particularly strong with the healthy first quarter box office continuing through October and November. We have continued the roll out of the new generation digital projectors across the circuit and are driving all aspects of the business hard to improve both the quality of the service and the profitability. Village Cinemas and Roadshow Films between them have a number of upcoming blockbuster films, and I would now like to show you some trailers of some of them.

Ladies and gentlemen, as you can see we have included some films from our own Village Roadshow Pictures business, with *SHERLOCK HOLMES* showing particular promise. This 41% owned business, part of Village Roadshow Entertainment Group, is continuing its work to extend the film financing facility and is also considering a range of potential strategic initiatives. Naturally we will update the market when something more definitive is known.

Whilst the Company is of course rightly focussed on earnings and growing value for shareholders, we do not live in a bubble, isolated from the community from which we carry on business or from whom we draw our staff. Village Roadshow has always engaged with those around it, long before it became fashionable to do so.

In this regard we should be very proud of our initiative on Australian films both for the commercial reasons and also in putting something back into our country. With the government 40% rebate on Australian qualified films there is a very real incentive to invest in Australian films. Under this program we are already committed to Simon Wincer's *THE CUP*, Nelson Woss's *RED DOG* and the Australian romantic comedy *I LOVE YOU TOO* from Peter Helliar. A number of other titles are under active consideration, and with multiple films, this will enable us to achieve a portfolio effect.

Additionally, the Company is proud of the fact that we have a no smoking policy in all our films and remains an active campaigner for other production companies to adopt this policy.

The advantages of local production to Australia are manifest and include employment and training of young people in an area of demonstrated aptitude, the cultural benefit of not becoming a remote LA suburb, and stimulation of the economy because it has been estimated direct investment in film from the government's point of view has a multiplier effect of seven. And the promotion of tourism.

We have also started on our sustainability journey as all our businesses look to deal with the challenges and opportunities that it presents. With reporting of these matters and corporate social responsibility more generally, we are taking steps to provide relevant information on our websites and to the relevant government regulators as required.

We are making progress on a number of fronts, whether building a dam to support our water usage plan on the land we own behind Warner Bros Movie World, or the conservation efforts at Sea World Research and Rescue Foundation, the Sydney Aquarium Conservation Foundation, Sydney Wildlife World Conservation Fund and Kelly Tarlton's Antarctic Adventure and Underwater World in Auckland. And many other efforts besides. We don't crow about these things, we just get on and do it.

I would like to thank my fellow Board members and the executive and staff for their untiring dedication and perspiration in the Company's cause. Our success is a reflection of their collective efforts and they are to be commended and applauded for it. On your behalf, ladies and gentlemen, I thank them one and all.