

19 November 2015

VILLAGE ROADSHOW LIMITED CHAIRMAN'S ADDRESS TO 2015 AGM

Before moving to the formal business of today's meeting, I would like to comment on the Company's performance over the 2015 financial year and provide an update on our business.

I am proud to say that despite very challenging conditions, Village Roadshow delivered a solid result, with robust cash flows, an increased dividend and a strong balance sheet.

Atrocious weather in the Gold Coast and Sydney during the key holiday period last summer adversely impacted the performance of the Australian Theme Park division. Fortunately the exceptionally strong trading result from the Cinema Exhibition division, which reported its fourth year in a row of record results, partially offset this disappointment.

Despite the challenges faced during the year, Village Roadshow achieved an attributable net profit of \$43.9 million for the year ended 30 June 2015, or \$50.1 million before material items. Earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations, or "EBITDA" was \$165.7 million. This result demonstrates the resilience of Village Roadshow and the strength of the Company's diverse asset portfolio.

Although both the Gold Coast and Sydney theme parks were affected by poor weather conditions in the 2015 financial year, the division had a number of successes. The *Junior Driving School* and special events at Warner Bros. Movie World were very popular. At Sea World, *the Storm Coaster* and Polar Bear exhibit continued to attract crowds and the new Junior Wet'n'Wild attraction on the Gold Coast has been well received.

The Gold Coast theme parks are performing in line with expectations for the current financial year, with first quarter admissions up on the same time last year. The new memberships program and existing annual pass program for the Gold Coast theme parks both saw solid sales for the quarter. Recent openings include the new *Creatures of the Deep* exhibit and *Nickelodeon Land* children's area at Sea World, which has been well received by guests. The new Conference Centre at Sea World Resort exceeded expectations in the first quarter. *The Fright Nights* (Halloween) special event program continues to be hugely successful. Wet'n'Wild Sydney was impacted by cool weather over the September holiday period and as a result is performing below expectations year to date, although we anticipate a strong summer holidays.

We continue to invest in our Theme Parks, constantly refreshing our special events and attractions to ensure we maintain our premium position and give people a new reason to visit. In the coming months we will be announcing an exciting new attraction for the Gold Coast, which we expect will be one of the world's best theme park draw cards. Combined with new ticketing initiatives we believe these investments, along with more normal weather patterns, will drive an increase in attendance into the future.

Recently we ended our agreement to manage the proposed marine theme park development in China on Hainan Island. Village Roadshow is committed to the considered pursuit of opportunities within the Asian region which leverage our expertise in this attractive market. Just last week we signed a memorandum of understanding to oversee the development and

subsequent management of a Wet'n'Wild branded water park on Hainan Island, which is expected to open in late calendar year 2016. We also previously announced the signing of a framework agreement and joint venture agreement with CITIC Trust Company Limited to establish and manage funds together. Funds raised under this joint venture are to be invested in theme parks, entertainment facilities and related real estate developments throughout Asia, with a particular emphasis on China. We are moving forward in a very considered manner with the opportunities this partnership with CITIC offers.

The first theme park project with CITIC is likely to be a spectacular Hollywood IP branded Movie Park in Chengdu, the capital of Sichuan Province. We have this month received approval from the Qinhai Free Trade Zone in Shenzhen to establish our joint venture company – this approval is likened in China to receiving a 'birth certificate'; it is the primary document recognised by the various trade bureaus, required to establish the joint venture company, the funds management entity and open bank accounts for example.

We are putting the finishing touches to the development of an exciting new indoor theme park concept known as Village Roadshow Theme Park Big Boxes which is designed to offer the consumer a broad menu of attractions that will entertain a family indoors for three to four hours using sophisticated technology and interactive activities to encourage repeat visitation. The Big Boxes will feature high profile intellectual properties. We are in discussions with shopping centre developers in major Asian cities for Village Roadshow to design and manage these Big Boxes, commencing within the next year.

Cinema Exhibition recorded an all-time record year, driven by the high quality of our venues and a number of outstanding films such as *The Imitation Game*, *American Sniper*, *Mad Max: Fury Road*, *San Andreas* and *Jurassic World*. The performance of this division was also significantly enhanced by our unique **max** experience, with giant screens and optimal viewing, and Gold Class, which is the equivalent of flying first class. Additionally, our circuit has taken to new levels our loyalty programs, retail gifting, higher take-up of digital ticketing and the introduction of hot food into traditional cinemas.

Internationally, Village Roadshow's 50% owned Golden Village exhibition circuit in Singapore performed very well. iPic Theaters, the premium restaurant and cinema concept in the US which is 30% owned by Village Roadshow, is on track to reach critical mass, with sites opening in Houston and North Miami this year and further sites opening next year including in New York.

The Australian Cinema Exhibition business is outperforming our expectations for the 2016 financial year, with first quarter results exceeding the prior corresponding period. This improvement was driven by higher admissions and increased spend per customer. The new **premium** concept, launched recently at the Jam Factory, drove additional revenues from new food offerings and premium pricing. Additional revenues from new sponsorship deals, combined with greater control of overhead costs is contributing positive improvements in the year on year results.

We are in the process of building cinemas in new population growth corridors that are anticipated to be very successful and are also aggressively adding further **max** and Gold Class offerings throughout the circuit.

We are anticipating a strong 2016 financial year in Cinema Exhibition. The new James Bond film, *Spectre*, has just opened to outstanding business, this is followed by *Hunger Games: Mockingjay Part 2*, released today, and the much anticipated *Star Wars: The Force Awakens* in December. In the period leading up to Christmas throughout the national circuit we have in excess of 490 events or functions in conjunction with these blockbuster movies. Next year continues to look very powerful with a line-up of outstanding films including *Batman vs. Superman: Dawn of Justice*, Marvel's *Captain America: Civil War* and the next *X-Men: Apocalypse*. In addition there is *The Legend of Tarzan* and *The Brothers Grimsby* that has already been described as the funniest film ever made. Finally to entertain the vast demand for family films there are a strong number of titles including *Finding Dory*, the eagerly awaited sequel to *Finding Nemo*.

In our Film Distribution business, despite a commanding 25% market share, Roadshow's results fell short of expectations in the 2015 financial year due to a challenging product mix and higher royalty rates on some titles. However, the acquisition of 31% of FilmNation Entertainment broadens our earnings channels into the future. I am delighted to be able to inform you that the first two feature films produced by FilmNation since our investment are both in post-production. The first is *The Founder*, the story of Ray Kroc (the founder of McDonald's), starring Michael Keaton. The second is *Story of Your Life*, starring Amy Adams.

Roadshow's first quarter results were impacted by weaker theatrical product and a slowing of the overall physical DVD market. Consequently, Roadshow's full year result is likely to be below last year. However this was partially offset by the outstanding results of *Mad Max: Fury Road* in home entertainment and the Australian title *Oddball*. The transactional digital market grew by 8.9% compared to the 12 months prior, and television continued to perform to expectations.

In the near term, while the overall decline in the DVD market may continue, the upcoming slate of titles is promising, including *Hunger Games: Mockingjay Part 2*, *Game of Thrones Season 5* and *True Detective*. We continue to build our digital channels, with Roadshow Television entering into agreements with Netflix, Stan and Presto.

The Australian Parliament bilaterally passed new legislation to block pirate websites that will come into play in the very early part of the New Year which, based on the European experience, will have a significant impact on piracy. This is part of a multifaceted industry initiative to slash piracy, which includes an educational campaign to win people to the view that piracy is not a victimless crime, and is theft. We are also working towards making product available in a timely and cost attractive way which we see as an area of significant potential growth.

On the Australian front, Roadshow continues to be the market leader and is in the final stages of production of *Red Dog: True Blue*. We have seen early footage of this film and it is both richly entertaining and extremely heartwarming. Get prepared for one of the great cinema experiences of your life. There is an ongoing program of other titles under development.

In September, Village Roadshow Entertainment Group, which is 47% owned by Village Roadshow, completed a restructure of its capital base and, more recently, has renewed its film financing facilities until 2021, when they will have been in place for 23 years.

Village Roadshow Pictures released eight films during the 2015 financial year, which included the highly successful films: *American Sniper*, *Mad Max: Fury Road*, and *San Andreas*. Upcoming films from this division include *Goosebumps* with Jack Black, *In the Heart of the Sea* directed by Ron Howard and starring Chris Hemsworth, *The Brothers Grimsby* with Sacha Baron Cohen, *The Legend of Tarzan* with Alexander Skarsgard and Margot Robbie and the new blockbuster *Ghostbusters*.

The 2015 financial year proved to be challenging, but we continued to drive Village Roadshow's businesses forward. For this I must recognise the dedicated, loyal and committed staff and management who make it all possible and of course I also thank our customers and our shareholders for their ongoing support.

In particular, as part of Village Roadshow's succession plan for the Board, I would like to take this opportunity to express the profound gratitude of Village Roadshow to our long-standing Independent Non-executive Director, Dr. Peter Jonson, who has decided not to stand for re-election and retires at the conclusion of this Annual General Meeting. Peter has provided invaluable insight over his 15 years on our Board of Directors. He has shared his wealth of business and financial experience and served as Lead Independent Director from November 2008 to June 2014, and as chair of various committees. Peter, thank you very much.

I would also like to announce that we have today appointed Jennifer Fox Gambrell who joins the Board of Directors as an Independent Non-Executive Director. Jennifer is an outstanding candidate, holding a Doctorate in Business Administration (DBA) from the International School of Management in Paris and an MBA from Baylor University in Texas. Jennifer is President of Fairmont Hotels and Resorts, overseeing the luxury brand's global hotel portfolio including Raffles, Fairmont and Swissôtel in all international markets outside North America. Jennifer has worked and lived in the United States, Asia, Europe, Canada and Australia and brings a wealth of connections in the hospitality, media and investment communities. Village Roadshow will benefit from Jennifer's 25 years of experience and I am sure her appointment will add additional energy and skills to the Village Roadshow Board.

We have also taken the opportunity to restructure the Board Committees, with effect from today with the Corporate Governance Committee assuming the duties of the Nomination Committee. Changes to the composition of the Board have also brought changes to the membership of the Board's Committees, with Jennifer Fox joining the Audit & Risk and Remuneration Committees, Robert Le Tet joining the Corporate Governance and Nomination Committee, and Tim Antonie now chairing the Remuneration Committee. This places the Board and its Committees in a strong position for the future.

Thank you. Now to the business of the meeting.