

29 November, 2007

## CHAIRMAN'S ADDRESS TO 2007 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.

We embarked upon a long journey in 2006, beginning a major restructuring of the Village Roadshow Group. This ongoing journey has seen our reinvention as the New Village Roadshow - a journey that has taken us from a cinema and film company to a global entertainment company, with an increasing focus on growing our world-class theme parks business.

There is still a way to go, but already in 2007 we can point to the positive results of that journey.

So let me begin with a summary of our achievements in the 2007 financial year:

- First we have turned around a loss of \$40.7 million in 2006 to a net profit after tax of \$45.1 million for the year ended 30 June 2007;
- We bedded down our 100% ownership of the theme parks whilst producing sustainable, increased profits;
- We are continuing to improve transparency and reduce the complexity of our corporate structure;
- Our Board now has a majority of independent non-executive directors, which has been welcomed by investors;
- We are relentlessly driving our 5 core businesses aiming for market leadership in each segment and pursuing growth, drawing on our genetic coding - the more than 50 years of experience in the entertainment sector;
- We rewarded our loyal shareholders with special dividends, capital returns and buy-backs;
- And finally we have further rewarded shareholders with a fully franked dividend of 9 cents per ordinary share, and 12 cents per A Class preference share, which will be paid on December 6<sup>th</sup> 2007.

I'm also happy to report that thanks to the hard work and dedication of our team, our corporate health and momentum have continued through the first quarter, underpinned by many of the measures and initiatives undertaken in the 2007 financial year.

I'd like now to report on our 2007 results in more detail. We are pleased to report that your Company, Village Roadshow Limited, has emerged in 2007 much stronger financially, with more focus. This turnaround in the group's profitability is the result of a significant uplift in earnings before interest, tax, depreciation and amortisation from \$165.9 million in 2006 to \$224.8 million in 2007 - a 35 percent increase.

Having undertaken the restructuring of the past several years, Village Roadshow has healthy cash flows, interest cover and a strong balance sheet enabling us to take advantage of the opportunities that arise to grow our core businesses in the future.

Our forward strategy is focused on our five core businesses: Theme Parks, Film Production, Film Distribution, Cinema Exhibition, and in FM Radio, through our 51.65 percent interest in Austereo. We now have management control or ownership of the majority of these businesses, which we see as essential for creating further value for shareholders.

As I touched on earlier, here are the key features of the reshaping of Village Roadshow:

- We have completed the move to full ownership in July 2006 of all of the Gold Coast theme park businesses: Warner Bros. Movie World including Warner Roadshow Studios, Sea World, Wet 'n' Wild Water World, Australian Outback Spectacular and Paradise Country. We have also acquired the balance of the Sea World Resort, while at the same time retaining our strong relationship with Warner Bros.;
- We have moved to 100 percent ownership of our Australasian film distribution business, Roadshow Films, in August 2007;
- We have completed the rationalisation of the group's international cinema exhibition operations with the sale of our New Zealand, Fiji and Italian cinema circuits, exiting from our two Austrian cinemas and disposing of our interest in the Palace Cinema circuit in Australia;

Our core businesses have continued to benefit from a concentrated focus on improving sales margins, exercising cost restraint and managing underlying operational cash flows.

So we can report to shareholders that the Company is well placed to experience continued growth in each of its existing businesses as well as to explore further new opportunities, such as Gold Class cinemas in the USA and particularly in the area of potential theme park investments. We see Theme Parks as our primary vehicle for growth and your Board is currently evaluating various potential investments both in Australia and off-shore.

With all of this, the year's results have been impressive.

In addition to the net profit after tax and earnings results I referred to earlier, basic earnings per share were 30.12 cents for the year to 30 June 2007 compared with negative 25.45 cents for the prior year. Importantly, after eliminating discontinued operations and material (non-recurring) items of income and expense, total earnings per share more than doubled from 6.53 cents in 2006 to 14.32 cents in 2007.

As a result of this re-engineering of our businesses, supported by strong cash flows from continuing operations and a strong balance sheet, Village Roadshow furthered its capital management program with an on-market buy-back of ordinary and preference shares costing \$59.3 million. Together with last year's special dividends and capital return, these capital management initiatives totalled \$191 million during the year to 30 June 2007.

I'd now like to summarize the divisions' performance for the year.

In 2007 our Theme Parks enjoyed their most profitable year.

Theme Parks delivered earnings before interest, tax, depreciation and amortisation of \$82.8 million against last year's result of \$54.6 million.

Following the implementation of several innovative marketing campaigns and tight management of costs, the three main theme parks, Warner Bros. Movie World, Sea World and Wet 'n' Wild Water World, continued to gain momentum, enjoying annual attendances of over 3.7 million.

In particular Wet 'n' Wild Water World, with its new H2O Zone and Tornado, attracted over one million attendances for the first time, making it one of the world's top water parks.

Sea World Resort improved its average room rate and occupancy rate over last year. The Resort and all parks benefited from increased synergies and improved joint marketing campaigns.

Australian Outback Spectacular continued to trade above expectations since opening in April 2006 with occupancy running at over 95 percent of capacity.

These excellent results go to show that with all the new technological and media innovations in entertainment, there is simply no substitute for the thrill of live attractions and rides.

In Film Production, the Company's Academy Award winning film, *Happy Feet*, grossed almost US\$400 million at the box office and is Australia's biggest selling DVD, with 437,000 copies sold in the first nine weeks of release. However, other than *Happy Feet*, the division has had a run of very disappointing recent film releases. Portfolio 3 shows great promise however with Will Smith in *I Am Legend*, *Speed Racer* by the Wachowski Brothers (of *Matrix* fame) and Steve Carell in *Get Smart*.

The Company's Film Distribution operations performed well again, only slightly down on the prior year's record. Roadshow is the largest independent film distributor in Australia, with long-term distribution agreements and relationships with Warner Bros. Pictures, Village Roadshow Pictures, New Line, ABC, BBC and The Weinstein Company.

Roadshow Entertainment continues to lead the DVD distribution market, performing exceptionally well during the year due to a continuing focus on cost reduction and improved margins. Roadshow Television was similarly impressive.

In the revamped Cinema Exhibition business, we recorded strong box office performances in Australia and Singapore. This was assisted by the success of the Gold Class and max concepts. It was also driven by the blockbuster films *Happy Feet*, *A Night at the Museum*, *300*, *Spiderman 3*, *Ocean's 13*, *Shrek the Third*, *Pirates of the Caribbean - At World's End*, and *Fantastic Four - the Rise of the Silver Surfer*.

This, plus further site rationalisation and cost controls, delivered a 37 percent increase in earnings before interest, tax, depreciation and amortisation from the cinema exhibition division, up from \$28 million last year to \$38.4 million in the current financial year.

Also during the year the successful divestments of our non-core international cinema territories in Italy, New Zealand, Fiji and Austria were finalised, and a cinema refurbishment program in Greece is underway.

With a continued emphasis on our core competencies, the Company and its partners have progressed to signing a number of sites in selected key USA markets to construct Village Roadshow Gold Class Cinemas. But more on this later.

Finally in Radio, Austereo consolidated its lead in listenership across Australia. Just under 40 percent of the 10+ commercial FM radio audience listened to an Austereo station each week during the year.

Austereo's increase in profitability came from continued high ratings across every age group under 54, holding number one FM stations in Sydney, Melbourne and Perth, number two in Brisbane and number three in Adelaide. Impressively, our sales growth of 6.6 percent was achieved against capital city radio advertising market growth of 3.4 percent.

Combined with tightly managed cost control, Austereo delivered a healthy 13.3 percent increase in earnings for the year, up from \$77.7 million last year to \$88 million. A corresponding increase in profitability for the year together with a 10 percent on-market buyback of its shares resulted in a 17.2 percent increase in earnings per share for the ASX listed Austereo Group Limited.

Taken together, we believe that our performances in these five divisions give us a very solid platform from which to continue our journey.

Now I'd like to turn our attention to what the group has achieved since June 30 this year.

- Since the close of the financial year, we have acquired the other 50 percent of the Company's film distribution arm, Roadshow Films, in August 2007, consolidating our interest in a business which has achieved strong and consistent growth, and commands leadership of the theatrical and DVD distribution markets. This gives us access to strong free cash flows and improves the transparency of group results;
- There has been a continued focus on our core competencies such as Theme Parks, which in 5 years will be overwhelmingly our biggest business. The theme parks themselves have increased their throughput, year on year, despite interruption from bad weather, disruption from installing new attractions and increased competition. In the first 20 weeks of the 2008 Financial Year, we have recorded approximately 1.5 million admissions into our Theme Parks and, with favourable weather conditions, we are forecasting improved overall attendance levels compared to the outstanding results achieved in the 2007 Financial Year;
- Other major theme park initiatives are also under investigation;
- In cinema Exhibition, our Gold Class USA initiative is moving forward - but more on this in a moment; and
- The Company has announced a full takeover bid for the shares of the Sydney Attractions Group. We currently hold 30.34% of the shares in this company and believe we can add significant value to the investment. I will discuss this more later.

Now, onto our continuing Growth Strategy for the coming year.

In a sign of our dedication to digital growth, in September we launched *My Fun*, Village Roadshow's new digital brand. The *My Fun* brand will position Village Roadshow as a leader in digital entertainment across Australia.

Initially concentrating on our Theme Parks, *My Fun* is a crucial investment. Currently, 93% of consumers use the Internet to plan holidays, while 36% of them are purchasing tickets online. *My Fun* will expand to become a leading entertainment website in 2007/08 and a source of major ticket sales for both our Theme Park and Cinema divisions. Initial results are very encouraging.

As part of our growth strategy we are also focusing on Theme Parks. Growth will come from further investment in our existing Theme Parks as well as the opportunities we are investigating both on- and off-shore.

With regard to growth in Cinema Exhibition, Village Cinemas is in the advanced stages of expanding its Gold Class concept to selected US markets. Targeting the mass affluent consumer, Gold Class USA cinemas will be superbly designed to provide a luxuriously intimate setting unlike any other cinema experience in the United States.

We believe that our experience and first mover advantage in these carefully selected lifestyle centres is a recipe for success. Twelve sites are signed and construction has commenced, with the first site scheduled to open in mid 2008, with more to follow.

I'd also like to give you an update on the status of our takeover offer for Sydney Attractions Group, which I'll call "SAQ".

Notwithstanding SAQ's extremely disappointing trading performance, we believe that this Company's assets have significant potential if they are managed and marketed professionally. We therefore decided that if we could increase our stake in SAQ, it would take Village Roadshow's investment in SAQ to a sufficient level that would justify us applying our extensive resources into turning SAQ around.

Our offer of \$6.50 per share is our final price and represents a very generous Price Earnings multiple of nearly 22 times based on SAQ's profit guidance of \$6.5 million for the 2008 Financial Year.

As of today, we have acceptances that take us to 30.34% of SAQ and our offer is unconditional and expires on 14th December.

I'd now like to talk to you about some changes to the Board. We set ourselves the goal last year of strengthening the VRL board by having a majority of independent non-executive directors. To that end, we appointed David Evans and Robert Le Tet in January and April 2007 respectively.

David brings broad business and media experience and Robert brings to VRL significant experience in broadcasting, films and entertainment. With the promotion of Peter Foo to the new role of Group Chief Operating Officer, and his consequent relinquishing of the role of Finance Director, we have achieved our goal of a majority of independent directors on the VRL Board.

On the issue of remuneration, during the year maximum Executive Directors bonuses were increased from 50 percent of base salary to a potential 100 percent. Due to the timing of completion of the proposal, the Executive Directors declined to allow the increase to be applied retrospectively. The increase will however be applied to the 2008 financial year.

Executive Director bonuses are only paid if certain hurdle rates are met, including increase in share price and increase in the return on capital employed, a measure incorporating growth in EBITDA. As part of the proposal to increase maximum bonuses available, Peter Jonson, as Chairman of the Remuneration Committee has negotiated with the Executive Directors to agree to new, higher hurdles for their Key Performance Indicators (KPIs).

Now to Corporate Environmental Management. We have started our journey towards corporate sustainability.

Village Roadshow is committed to responsible environmental management and the reduction of our environmental footprint in all Divisions. Independent consultants have measured our energy usage and the corresponding greenhouse gas emissions of our Australian managed operations for the year ended 30 June 2007.

Our baseline measurement for 2007 reveals that we need to report nationally under the recently introduced National Greenhouse and Energy Reporting Act from the 2009/2010 year onwards. Beyond legal requirements, we want to ensure that we are operating our businesses from a responsible environmental point of view whilst continuing to maximise shareholder profit.

Our different businesses are all at various stages of examining the current status and consideration of what sort of reduction strategies they can implement.

We are taking a holistic approach in examining how we operate, how we can do better, and ensuring that we have the appropriate corporate social responsibility framework and strategies in place to deliver on economic, environmental and social sustainability into the future.

In closing, as I said at the beginning, we embarked upon a long journey in 2006 with a challenging restructure. It's a sign of the ongoing success of this work that your Board is delighted to be able to deliver a healthy profit this year.

And indeed we're looking forward to a bright future for Village Roadshow. I'm sure you'll agree from the news I've given you today that we are well positioned for growth.

We'll begin the formal part of the meeting shortly but on behalf of the Board I would also like to express particular appreciation to the members of our Executive Committee for their untiring dedication and hard work. I would first like to express thanks to my fellow executive directors, Robert Kirby, Deputy Chairman, Graham Burke, CEO and Peter Harvie, Executive Chairman Austereo and to your Chief Operating Officer, Peter Foo. They have all been at the forefront of the success we've achieved this year.

And divisionally in:

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

They all deserve respect and appreciation for their contribution to our success, but none more so than the executive leader of this team, our CEO, Graham Burke. Graham leads by example with great vision and restless energy and loyalty to our group. He inspires, motivates and directs.

We couldn't have achieved these results without this outstanding team, and our forward journey is all the more promising thanks to their ongoing loyalty and commitment.