

VILLAGE ROADSHOW LIMITED

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING 20 NOVEMBER 2001

Before we move on to the business of this meeting, let me say a few words about current trading, the nature and strategy of Village Roadshow and finally some matters of shareholder concerns that have been raised recently by Queensland branch of the Australian Shareholders Association.

Everyone will be aware that across the planet, the entire movie world has endured the toughest year in cinema exhibition since the formation of this public company. Let me point you to P.71 of the Annual Report which reflects the size of this impact on Village Roadshow. This company weathered a \$29m profit downturn in cinema exhibition, a downturn which sank a number of our international colleagues, and competitors, into, or to the brink of, bankruptcy.

Carmike Cinemas
CinemaStar
Dickinson Theatres
Edwards Theatres
General Cinemas
Loews Cineplex Entertainment
Regal Cinemas

Resorts Cinemas
Showscan
Silver Cinemas
United Artists Theatre Co.
Wehrenberg Theatres
WestStar/MannCinamerica

AMC, for example, possibly the most prominent and successful exhibitor in the world – they invented the multiplex concept and dominate the market in America. Last December, AMC shares traded at \$1. Three years ago, it was \$36. In fact, its debt was being discounted to 40c in the dollar. Now, 12 months later, it is back from the cemetery, trading at \$14.

That Village Roadshow was able to see this industry storm pass, that Village Roadshow can face the future with confidence, is a powerful testament to the financial and operational strategies that your Board has put in place. Five or six years ago, such a downturn may have had disastrous consequences for your company. But not now!

Instead, unlike single purpose exhibition companies, which we were at the outset, your Board had the foresight not to put all of our eggs in the one basket and we had four other strong businesses with RADIO, THEME PARKS, PRODUCTION and DISTRIBUTION to carry us through the storm.

I make this point because all of us here in this room share a significant investment in Village Roadshow, and a sense of investment security is a precious commodity in this turbulent world. This is an entertainment company with valuable assets and real growth potential.

That we are in this special position of opportunity, let me say again, reflects the quality of your Board's vision and the dedication and skill of your management team. They deserve your acclamation and support.

Now let me summarize current trading –

Cinema exhibition – current attendances are up 7% year on year. Up 16% if you include sites which weren't open at this time last year. The product outlook is much more positive than last year, and I'd like to give a sample of five trailers now to show you what I'm talking about.

Harry Potter
Oceans 11
Lord of the Rings
Vanilla Sky
Monsters Inc.

In Distribution, we are headed into the best movies the company has had for a decade with three genuine blockbusters being "Harry Potter", "Lord of the Rings" and "Oceans 11". This will give the company's exhibition operations a very significant lift, and then subsequently flow through as successful product for our Home Entertainment and Television divisions. Roadshow Music is likely to continue its success because we are pleased to be working with Darren Hayes on his new album.

In Production, we have a line up of product that is virtually the equal of a major studio. We have a film library and a project list that we expect to produce revenues for many years to come. You have seen the trailer for Oceans 11, which all the research tells us will be a major hit. There are always risks in production, but this division is structured and financed in a responsible manner, which gives it the best shot at a good share of major studio revenues. With Matrix Reloaded and Matrix III in production in Sydney, Village Roadshow Pictures is where we want it to be.

Our Radio Division through Austereo is maintaining budget through a declining economy. These budget numbers are achieved by virtue of the quality of talent and management devoted to this area.

It is no fluke that we are on top of our game here and that radio's share of the advertising market has increased from 8.1% to 8.7% over the last year. The outlook, for the first 6 months of this year, is certainly a positive one here, but as I said, under difficult circumstances. VRL's 57.5% investment in Austereo is currently valued, last Friday, at more than \$543,000,000 on the Australian share market.

Our theme parks are also seeing changed conditions, but of a different form. International tourism has dropped, mainly Japan, to be replaced by domestic attendance growth, mainly the "drive" market. New attractions, such as "Harry Potter", the Polar cubs and others, combined with sensible overhead reduction from restructuring management and operations, should see this division continue to make an important contribution to VRL group profit this year. I should say, however, that the business outlook here is clouded, at this stage, by any possible long-term effects from recent events.

In summary, Village Roadshow has faced and seen through some extraordinary industry challenges over the last year and we continue to be challenged by current conditions in all our divisions.

This company will continue to grow. Growth is the vein of our culture, and your Board and management have enormous experience in the areas where we operate. These abilities and flexibilities will continue to strengthen this company for many more years. The primary focus will be the improvement of investment returns in our current businesses, but we will continue to be, as we have always been, alert to opportunities in complimentary areas. It has been your Board's peripheral vision that has developed great shareholder value in parks, radio and production.

Now, I'd like to address a couple of matters recently raised by shareholders –

Many have said that Village Roadshow's executive salaries are too high. Let me say now, very clearly, that without the enormous executive commitment to this company over the last decade, we would not be meeting here today.

Most of the key executives in this company have a well-respected international reputation in their respective fields, but more than that, they are distinguished by the sheer intensity of their commitment to Village Roadshow. That is the commitment required in these challenging times and that is the commitment delivered in these challenging times. And the pay scales reflect that commitment, a commitment which is measured against competitive forces in the entertainment industry and the spread of countries where we have businesses. These pay scales are approved by the Board's Remuneration Committee who periodically seek external, independent advice on both domestic and international remuneration levels. We are confident, therefore, that remuneration levels reflect both the market, particularly, the international market in which we operate, and the intensity of commitment required to the company at this point in time.

Nevertheless, I have asked the Remuneration Committee, which is explained on Page 24 of your Annual Report, to review executive pay levels to seek out a formula which is more performance based. This may be an earnings measure or payment in shares or a mixture of both and/or a number of other benchmarks.

I mention this now because it is an issue of the moment and it is an issue which is being studied with a view to changing the nature of these payments in the early part of next calendar year. The process needs appropriately comprehensive analyses and will be attacked with the common sense and courage which, as I said initially, has seen this company come through the most difficult year in Village Roadshow's 50-year history.

Secondly, the 5 pages of Related Party transactions, beginning page 77, are an update on items reported last year. Plus, adherence to a number of new reporting requirements for inter-company transactions. And, additional to that, a quantum of material relating to the float, in February, of Austereo which was also reported in its prospectus at the time.

Thirdly, I was recently asked about the status of our tax disputes. These are subject to ongoing audit investigation and are appropriately reported on page 63 of the Annual Report. Your Board and auditors agree that an appropriate amount has already been provisioned or set aside in our accounts to cover any reasonable outcome in these matters.

Village Roadshow, is a dynamic company in all its divisions. It is that courage and intelligent flexibility that has created valuable assets in all divisions, our lowest debt levels for many years, and a superb management team that has great opportunities to reach for the stars and generate the profitability of which this company is capable. Can I draw your attention to page 20, where Village Roadshow's net borrowings to equity is only 1.22%, where net tangible assets have increased in every year of our history. And, furthermore, Village Roadshow has always shown a profit. Not all companies can say this. Nevertheless, that current level of profit, I say to you, is a long way short of satisfactory now.

As a large shareholder, with Robert Kirby and Graham Burke, in Village Roadshow, I want to say to you that we are comfortable with the financial strength of this company, that the security of our investment was tested by the \$29m hit in cinema exhibition and passed with flying colours in the strong performance of other divisions. But let me also say that, like you, we cannot accept the company's performance in profitability, and let me also assure you that no stone is being left unturned to improve profit levels and shareholder value.

Micro reform is taking place in all divisions – selling under-performing or non-strategic assets, reducing overhead, re-allocating resources, and raising performance targets.

Over the past two years, we have been ruthless in restructuring the business to ensure both its survival and is properly positioned to take advantage of the turnaround in the cinema business.

As a shareholder, I am more interested in the company's future than the company's past. The past is a well-documented matter of record, and your Board and management's focus is to face whatever hurdles lay in our way and improve the levels of profitability in the future years. As I said before, this is a dynamic entertainment organisation with a strong asset base, well positioned to participate in future growth.

I hope you share that future with us.