24 November 2017

VILLAGE ROADSHOW LIMITED
CHAIRMAN'S ADDRESS TO 2017 AGM

Before moving to the formal business of today's meeting, I would like to comment on the Company's performance over the 2017 financial year and provide an update on our business.

The Group delivered earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations, or "EBITDA", of $136.3 million for the year ended 30 June 2017. Attributable net profit for the year was $23.6 million, before losses from material items after tax of $90.3 million.

The overarching impact on FY17's trading was the incomprehensible tragedy that occurred at Dreamworld in October 2016. Although not in one of our parks, the unprecedented publicity around the tragedy resulted in broad based community concerns about safety of rides, dramatically impacting the earnings of our Australian theme parks. Based on overseas experience, this is expected to dissipate and we have been implementing a number of initiatives to accelerate this correction.

The *DC Rivals HyperCoaster* opened to much positive publicity and exceptional reviews with a spectacular launch on 21 September and has already driven improved ticket sales and attendance.

Mishka, the polar bear cub made her first steps into the public domain in September, resulting in an excitement and "buzz" which drove increased length of in park stay at Sea World.

A number of small capital initiatives will further invigorate the Theme Parks division, specifically at Sea World. These include the *Castaway Reef Splash Zone*, a new Seal Show and the new *Paw Patrol* themed *Nick Zone*, all opening before the December school holidays and the new *Sea Jellies* exhibition is planned for opening at Sea World in time for the Easter school holidays.

The customer's experience is our top priority. In addition to the new attractions underway, we are further enhancing the in-park experience with additional entertainment and customer focussed initiatives. Special events remain a key part of the theme park calendar, with the new *Heroes and Villains* event proving popular in June and July. The Halloween event, *Fright Nights* continues to grow in both scale and success and in December, Warner Bros. Movie World will host *White Christmas*, which is a family favourite.

The trend in attendance in FY18 to date has been largely positive relative to attendances following the Dreamworld tragedy; however the unfortunate but inevitable publicity surrounding the anniversary of the accident resulted in a noticeable decline in attendance which has subsequently levelled out in November. Theme park attendance to 31 October 2017 at the Gold Coast was 5.4% behind the prior year, reflecting the fact that the comparable period of the prior year was largely before the accident occurred. Wet'n'Wild Sydney reopened in September with a new, streamlined operating calendar. Currently the park is only open on weekends, moving to full opening in mid-December.

The summer trading period will be important in determining the final outcome for the FY18 year; however we expect the Theme Parks division to deliver an FY18 EBITDA result that is a substantial improvement on FY17, predominantly from increased earnings in the second half.

We have additional exciting initiatives underway to diversify and grow our theme parks business, with the construction of Topgolf on the Gold Coast progressing well, and a targeted opening of mid-2018. This is a true social going out experience and the success of its more than 30 locations in the USA is indicative of the potential in Australia. In Asia, we have two management agreements in place on theme park projects already under construction and are also progressing two other major opportunities.

Our Cinema Exhibition division had an excellent FY17, delivering a result only slightly down on the previous year which was an all-time record result driven by *Star Wars: The Force Awakens*.

The division has an exciting program of development underway in FY18. The second **Junior** opened at the close of FY17 at Fountain Gate, and the third opened at Knox in September. This concept has proven exceptionally popular and successful, with inclusion at additional sites planned, including at Plenty Valley which is currently under construction. **4DX** has also recently been introduced at Century City in Victoria, with opening trade exceeding expectations. This commitment to providing a diverse entertainment offering and superior movie going experience continues to pay off, with the Village Cinemas circuit achieving higher Average Ticket Price and Spend Per Person in the year to date compared to last year. Finally, our new virtual reality offering, the **XOVR** has just opened at Knox, further expanding the diverse entertainment offering within this division.

FY18 trading to date for the Cinema Exhibition division has been significantly below the prior corresponding period, reflecting an industry wide depressed box office. While the division had anticipated a weaker start to FY18, some titles underperformed expectations. The product line up for the balance of FY18 is strong, with *Justice League* opening recently, to be followed by titles including *Star Wars: The Last Jedi*, *The Greatest Showman*, *Solo: A Star Wars Story*, *Deadpool 2* and *Avengers: Infinity League*. Most of these films fall into the second half of FY18. Reflecting the underperformance of titles early in the year, the Australian Cinema Exhibition business is now expected to slightly underperform the prior year overall; however the final results will depend on the box office performance of key upcoming titles.

The Film Distribution division, which is traditionally a hit driven business, disappointed in FY17 as a number of titles underperformed. The division is building on a four pillar strategy of aligning costs, investment in television content and Australian films, as well as the continued expansion of FilmNation with its production international pre-sales model. The division's commitment to content continues, with Roadshow Rough Diamond in post production of *Romper Stomper*, for release on Stan in the coming summer and a second project underway. Blink TV also continues to advance its strategy of producing unscripted content.

We are also actively targeting piracy. Accessing new legislation, the courts have blocked pirate websites representing 95% of the illicit traffic. Concurrently, a powerful national public relations campaign is running, warning people of the real dangers that exist in the pirate space. It is expected that these and other initiatives will significantly reduce piracy, to the benefit of both the Film Distribution and Cinema Exhibition businesses.

Based on title performance to date, the Film Distribution division's FY18 EBITDA result is expected to underperform FY17; however the final results will depend on title performance for the balance of the year. Key upcoming Film Distribution titles include *Justice League*, *Tomb Raider*, *Ready Player One* and *Oceans 8*.

The Marketing Solutions division performed well in FY17 and in FY18, the Australian arm has rebranded as Edge, removing the "Loyalty" component of its name to reflect the increasing emphasis on proprietary incentive technologies and digital rewards. Edge also expanded into Asia during the first quarter of FY18. Whilst in its early stages, Edge has successfully leveraged its strong local base of large international brands into South East Asia with two campaigns launched this financial year to date.

Both the UK and Australian businesses have made a solid start to the year. Edge will continue to build on its technological capabilities and its expansion into Asia. In the UK, Opia will focus on growing its existing customer base and extending its geographical reach.

As we said at the full year results, we are committed to reducing gearing significantly and in October 2017, we completed the sale of Golden Village Singapore. The proceeds of approximately $164 million have been used to reduce debt levels. Our earnings within the Exhibition division have reduced following the sale of the Singapore exhibition circuit; however this will largely be offset by interest savings from the reduction in debt. In addition, we are currently undertaking a process for the sale and long-term leaseback of freehold land at the Oxenford, Queensland site. We are currently in exclusive negotiations with a preferred bidder and hope to see the process complete late 2017 or early 2018.

The calendar year 2017 has been the toughest trading year on record for our group with the impact of the Dreamworld tragedy and worldwide box office malaise, however we remain confident the tide is turning and our divisions are poised to return to their previous profitability. We remain focussed on strengthening our balance sheet and the hands on 'back to basics' operational fundamentals. Our primary businesses are going out experiences and they remain financially strong. With the great energy of our staff and management, we look forward to the future with positivity and enthusiasm.

On the important question to all shareholders, namely dividends, we confirm that outside these unpredictable circumstances of the last 12 months, our long term policy is to pay strong dividends.

Firstly, as stated, the sale of the Singapore cinema exhibition business, along with the sale and long term leaseback of the Oxenford land, anticipated to be completed in the next 90 days, will correct our balance sheet and gearing.

Second, on earnings, we expect Theme Parks and Cinema Exhibition to significantly improve over the Christmas and summer holidays.

Given the expected improvement in gearing levels and earnings, the VRL Board is confident of being able to recommend a return to dividends before the end of FY18. The timing and level of dividends will of course be dependent on actual trading results.

Before we move on, I must thank our dedicated, loyal and passionate staff, management, and Board, whose ongoing commitment to the business continue to drive us into the future. And of course I also thank our customers and shareholders for their ongoing support as we strive to deliver exceptional experiences every day.

Thank you. Now to the business of the meeting.