14 May 2003

SALE OF UK / PROFIT OUTLOOK / DIVIDEND POLICY

Village Roadshow Limited (VRL) today announced the sale of its 50% owned Warner Village cinema circuit in the UK for an aggregate consideration of approximately £225.65m. VRL's share of these proceeds after repayment of its Exhibition global debt facility is approximately £50m (A$130m). (The assets sold secured borrowings in a number of territories which are required to be repaid).

The Company believes that the sale of the UK circuit will underpin its credit worthiness as it removes significant operating lease liabilities which its bankers and credit rating agencies brought on to the balance sheet of VRL. The removal of these lease liabilities, combined with the direct retirement of debt, significantly improves the financial ratios of the Company. The Company also believes this will help offset some of the effects of the Production division debt facilities coming on to the VRL balance sheet in February 2003.

The sale proceeds are £2m (A$5m) less than VRL's carrying value and the sale will have a negative impact on VRL normal earnings of £5m (A$12m) per annum going forward. In addition to the sale price, there may be a "kicker" payment for the future performance of the circuit, measured by admissions. The Company will receive an annual payment over each of the next three years of A$3-4m if current admissions are maintained.

The net proceeds from the sale of the UK cinemas have been significantly impacted by the recent depreciation of the UK Pound against the Australian Dollar. Since the price was initially negotiated, the net proceeds have effectively reduced by A$55 million due to the exchange rate movement. The transaction could not be hedged at the time due to the uncertainty surrounding the negotiations. Had this significant depreciation not occurred, proceeds would have been substantially greater and would have largely offset the write downs in the other Exhibition territories referred to in this announcement.

Part of the proceeds from sale will be used to fund capital commitments in Taiwan and Italy (these had previously been financed from the Exhibition global debt facility) and to meet short term obligations, such as the second payment to Warner Bros. for the acquisition of its interest in the Australian Multiplex Circuit. The balance will be retained to meet potential taxation payments and other debt and working capital commitments, bearing in mind a significant part of the group reserves were utilised in directly funding the Production division in February 2003.

Group Managing Director, Graham Burke, said "This transaction now basically concludes the restructuring of the Company which commenced almost three years ago. This period has seen our transition from an Exhibition company to a company now focused as the pre-eminent Independent Hollywood Producer with an appropriate balance of cash flow from its other assets spread over Exhibition, Theme Parks, Distribution and Radio with more modest debt levels with recourse to VRL. We expect to start the new fiscal year with the worst behind us and the anticipated success of *The Matrix* sequels will hopefully restore our market perception as Australia's leading fully integrated entertainment company."

"Not withstanding the consequential write-downs and the one-off effects to trading, the Company's Divisions and its core normalised trading activities remain very sound and the restructuring of the Group will likely result in a turn around of the Company's profitability and fiscal status in the medium term."

The sale does not include the remaining part of the UK cinema circuit consisting of six sites 100% owned by VRL. As the balance of the circuit is now stand alone, the VRL Board is required to review the carrying value of the circuit based on the residual operating cash flows. The Directors, upon reviewing the carrying value of these remaining assets, has determined that an impairment exists. Consequently, the carrying value of these remaining UK assets has been written down by £7.5m (A$19m).

Further, in relation to VRL's Taiwan cinema investments, the requirement to repay the loans under the cross-collateralised global debt facility has crystallised a carrying value issue in this territory. Previously the Directors had determined that the carrying value for the circuit was covered by the expected earnings of the territory. The actual performance since December has lagged expectations and is now being impacted by the effects of the SARS virus in Asia. The Directors have determined that an impairment now exists and have written down the carrying value of Taiwan by A$35m. In the Directors' view no impairment exists in Italy due to the relatively strong cash flows of this territory.

The Directors have decided to simultaneously review the carrying value of its Exhibition assets in the Czech Republic. The trading in the Czech Republic has not recovered as expected after the floods in Prague. The Directors were originally of the view that this was a timing issue, however, since the last balance date the recovery has not materialised. The Directors have therefore taken the view that an impairment now exists and have written the Czech Republic down by A$18m.

In relation to other businesses in the group, the Company advises that the combined effect of SARS and the war in Iraq has impacted the group's profitability in two main areas. Our Theme Parks at the half year were ahead of budget, however, current forecasts of international tourism and attendances at the parks over the last several weeks have had a material effect. International tourists, who represent approximately 40% of all attendances, have halved. This downturn has not been offset by an increase in domestic business. Our best estimates are that the trading figures to 30 June 2003 will result in the Theme Parks' contribution now being less than budget and behind the prior year. Our Exhibition results have also been impacted by SARS in Singapore and Taiwan. Again, we believe that the overall Exhibition results which were ahead of budget at December, together with the loss of trading from the UK, could now be below expectations for the full year. Whilst it is premature, we are forecasting SARS hopefully will only continue to impact these businesses up until December 2003.

For the sake of clarity, having regard for the disappointing results for *Dreamcatcher* and the relatively small period of release of *The Matrix Reloaded*, any profit contribution from those two titles will be negligible at 30 June 2003 other than the budgeted normal producer and overhead fees. It also should be noted that the expected surplus funds generated by *Matrix* are cross collateralised with the pool of films VRL has produced, and will produce into the future, and will be firstly allocated to pay down the film financing debt. In addition the division will be required to provide some funding support for future larger budget films such as *Troy*.

The combined effect of the foregoing will mean that the group is now projecting a full year loss after tax and after specific items and discontinuing operations of approximately A$25-30m. The Company has now reviewed its position having regard predominantly to the full year loss and secondly its cash flow requirements and believes it is prudent economic management to not declare a dividend on both the preference and ordinary shares for the year ending 30 June 2003. The current intention of the Company is to review its dividend policy when next financial year's results are known.

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For information on Village Roadshow Limited please go to www.villageroadshow.com.au