



13 November 2006

VILLAGE ROADSHOW ANNOUNCES INTERIM DIVIDEND, RETURN OF CAPITAL, SHARE BUY BACK AND GROWTH PLANS

\$131.7 million (approx) to be returned to shareholders

With the benefits of its business restructuring and simplification of group structure beginning to flow, Village Roadshow Limited ("VRL" or "Company") today announced significant shareholder initiatives in the form of an interim dividend and a return of capital. These two initiatives will result in cash returns to shareholders of \$131.7m (approx). In addition, the Company announced its intention to conduct an on-market share buy back of up to 10% of outstanding preference shares immediately and of up to 10% of outstanding ordinary shares in late December 2006.

Announcing the initiatives in a joint statement, John Kirby, Chairman, and Graham Burke, CEO, Village Roadshow Limited said: "After a major restructuring of both our operations and financial base over the last three to five years which has released surplus capital, and with our divisions performing well overall, the Company is in a position to reward shareholders for their understanding during this process."

The restructuring and consequent risk mitigation of the Company's businesses has been largely achieved through:

- the sale of the Company's non-managed exhibition territories now complete with the exit of Italy, UK & New Zealand;
- the partial sell down of the Company's Austereo holdings during the first quarter of financial 2007 - the Company intends to maintain its current shareholding of 50.2%;
- the refinancing last year of the group's film production division with the introduction of Crescent;
- the acquisition and refinancing of the Warner interest in the Company's Theme Park division; and
- through the Company's capital management program involving the buy back since March 2004 of 141m (approx) preference shares and 83m (approx) ordinary shares to date.

Mr John Kirby further said: "With the benefits arising from the restructuring undertaken thus far, the Company, subject always to taking account of trading, capital requirements and circumstances when the dividend is reviewed each year, believes it should be in a position to pay regular dividends in the future."

"While the initiatives are earnings per share negative in the current year, we expect substantial EPS growth in the future as we believe the Company's five business units - theme parks, film production, radio, cinema exhibition and film distribution - all have strong underlying cashflows and upside potential for organic and add-on growth," he said.

Opportunities for growth

Mr Graham Burke said: "Importantly, after all of these shareholder initiatives are implemented, the Company will have the financial capacity to pursue exciting opportunities for growth in three main areas.

"In the Theme Park business on the Gold Coast, now that the Company has acquired the Warner interest and has full control of a strong management base with proven expertise, as previously advised to the market the Company is exploring growth opportunities outside Australia.

“In cinema exhibition over the last 10 years the Company has proven the success of its Gold Class cinema concept in Australia and this has been more recently reaffirmed with strong performances in Greece and Singapore. In light of this success, it has been decided together with our US partners Act III (until recently owners of a major US cinema circuit) to investigate opportunities to roll out the Gold Class cinema concept in the US.

“Finally, through the Company’s entertainment partnership with Act III, the Company is exploring opportunities in the music business especially in the area of synergies with our feature film production and music publishing,” said Mr Burke.

Initiatives in detail

The new initiatives announced today are as follows:

- A fully franked interim dividend to shareholders of 34 cents per ordinary share and 37 cents per A Class preference share to be paid out of profits and reserves totalling \$92.4m (approx). The date fixed for payment of these 100% fully franked dividends is 4 December 2006. The record date to determine entitlement to these dividends will be 23 November 2006.
- In addition the Board proposes a capital return of 15 cents per ordinary share and 15 cents per A Class preference share. This return of capital is subject to the approval by ordinary and preference shareholders of a special resolution at a General Meeting on 22 December 2006. Details including voting entitlements will be included in the Notice of Meeting. If approved this will total \$39.3m (approx). A tax ruling has been sought for the benefit of shareholders to confirm the tax treatment of the capital return. There is a possibility that the tax ruling may result in all or part of the 15 cents per share capital return being deemed to be an unfranked dividend for tax purposes. The return of capital will not involve the cancellation of any shares and, if approved by shareholders, is expected to be paid by early January 2007. The Company does not warrant the outcome of any ruling by the Australian Taxation Office. Shareholders should take professional advice when considering this proposal and their affairs. The record date for the capital return will be set subject to and following shareholder approval of the special resolution at the General Meeting.
- The Directors have approved VRL commencing an on-market buy back of up to 11m preference shares in VRL representing approximately 10% of the issued shares in that class. The buy back can commence at any time after the end of the statutory 14-day period after today’s announcement and will continue for a maximum period of 12 months (subject to any earlier fulfilment of the buy back limit). Based on the preference share price on Friday 10 November, this would represent a buy back cost of \$26.4m to the Company.

An Appendix 3C in respect of the preference share buy back is attached.

- VRL’s Board announced that the Company intends to commence an on-market buy back of up to 15.2m ordinary shares in VRL, representing 10% of the issued shares in that class. This buy back will be subject to subsequent confirmation by VRL’s Board at which time an Appendix 3C and further details in respect of the buy back will be provided to ASX. Based on the ordinary share price on Friday 10 November 2006, this would represent a buy back cost of \$39.5m to the Company. It is expected that this buy back will commence in late December 2006.
- The independent directors have consulted VRL's major shareholder, Village Roadshow Corporation Pty Ltd (VRC), as to its intention in relation to the ordinary share buy back and have been informed that it is VRC’s intention to ensure that its current shareholding percentage in the ordinary share capital of VRL after completion of the ordinary share buy-back will not increase above the current level.

- If the buy back of both classes of shares is completed successfully, VRL's combined ordinary and preference shares on issue will total approximately 236m shares.

The Company has previously stated that its objective is to have between 235m and 285m shares on issue so that it can pay dividends on a more regular basis. The successful buy back of an additional 10% of each class of shares of the Company will leave VRL's total shares on issue at approximately 236m shares. The Company believes that at this level of shares on issue, dividends can be paid more regularly and thus should strengthen and enhance the value of VRL shares. The Company will continue to monitor ongoing capital management opportunities when and if they arise.

Funding of Capital Management Initiatives

Based on current market prices, the on-market buy backs, interim dividend payments and capital returns will total a cash outflow of approximately \$198m which will also be the reduction in total shareholders' equity on completion of the initiatives.

On Friday 10 November 2006 the Theme Parks division successfully signed a new \$350m limited recourse debt facility which will be firstly applied to repay the existing Theme Parks debts (\$115m) with the balance of \$235m repaid to VRL. The \$235m proceeds to be received by VRL will be used to retire in full VRL's core debt with the ANZ of \$90m and the balance of \$145m will be added to VRL's cash reserves. This will result in the parent company VRL having no material direct recourse external debt facilities with any financier. The completion of the Theme Park financing sees each of the operating divisions of VRL having its own debt facilities secured only against the operating assets of those divisions with no recourse to VRL.

VRL will have available for these initiatives cash reserves of approximately \$230m including proceeds from the recent sale of Italy and partial sell down of the Company's investment in Austereo.

Effect of Capital Management Initiatives

Based on the price of VRL's ordinary shares (\$2.60) and preference shares (\$2.40) on 10 November 2006, and prior to any capital return or dividend payment, a buy back of approximately 15.2m ordinary shares and approximately 11m preference shares will cost approximately \$66m.

The combined effect of all three capital management initiatives, if successfully completed, will result in total earnings per share reducing from approximately 11.34 to 9.52 cents per share based on current projections for 2007 profit after tax. Taken in isolation, the impact on earnings per share of the two proposed share buy backs is only marginally negative.

The annualised interest revenue foregone after accounting for all three capital management initiatives is not expected to exceed (on an after tax basis) \$8m per annum.

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