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## **VILLAGE ROADSHOW PICTURES GROUP AND CONCORD MUSIC GROUP TO MERGE**

Village Roadshow Limited (VRL) announced today that Village Roadshow Pictures Group (VRPG) and Concord Music Group (Concord) had signed an agreement to merge VRPG and Concord into a new diversified entertainment group, Village Roadshow Entertainment Group (VREG).

VRPG and Concord will continue to operate as separate entities with the combination of these complementary film and music assets under common ownership providing compelling cross-platform opportunities. The union also creates a scalable corporate infrastructure enabling operating efficiencies and growth. The agreement is expected to close by the end of October 2007.

Hal Gaba, Chairman of Concord Music Group, and Graham Burke, CEO of VRL, will be Co-Chairmen of VREG. Long time VRL executive and CEO of VRPG, Greg Basser, will serve as CEO of the VREG.

"There is a strong strategic fit between motion pictures and music content. The union will couple a broad film library with a vast catalogue of master recordings and publishing rights," said both John Kirby, Chairman of VRL, and Graham Burke. "We back people we believe in. There are none better than Glen Barros, Norman Lear and Hal Gaba who are the heart and soul of Concord. They have put together an extraordinary team and together with the seasoned Village Roadshow Pictures Group executive team we have a combined music film powerhouse that has an exciting future."

Concord is one of the few remaining significant independent music companies in the US, and has an irreplaceable catalogue of music that includes masters of more than 5,000 albums and 6,000 music publishing copyrights as well as its diversified roster of new releases. Legendary labels in the Concord catalogue include Riverside, Prestige, Fantasy, Stax, Telarc and Heads Up, featuring artists such as Ray Charles (whose album "Genius Loves Company" with Concord sold over 5.5 million units worldwide), Miles Davis, John Coltrane, Creedence Clearwater Revival and Isaac Hayes. Concord also continues to add new music content and music publishing rights.

"Concord has shown an ability to develop innovative revenue streams and distribution channels such as the joint venture with Starbucks and Hear Music. The venture has had great success with the Paul McCartney release "Memory Almost Full" and is well placed in the burgeoning digital environment to develop new subscription models and exploit its music assets," said Mr Burke. "And with its focus on "timeless" music, we believe Concord is less exposed to digital piracy than the major labels."

The creation of VREG through the merger of VRPG and Concord is the latest in a series of transactions aimed at streamlining VRL's corporate structures and reducing inter-dependencies between the businesses, boosting cashflow and positioning the company for a new phase of growth.

### ***Transaction details***

VRL currently holds an effective 50% interest in VRPG. Under the merger, VRL will contribute its interests in VRPG to VREG, in return for a 39.9% interest in VREG and a cash receipt at Closing of approximately US\$47.8 million, funded by new debt facilities in VREG. The new combined entity, Village Roadshow Entertainment Group (BVI) Ltd (VREG) will be 39.9% owned by VRL. Crescent Entertainment will hold 48%. Crescent Entertainment comprises Act III Entertainment (a media investment firm co-owned by Norman Lear and Hal Gaba), Lambert Entertainment (owned by Michael Lambert) and Clarity Partners (a private equity company). The remaining 12.1% will be held by private equity firm Tailwind Capital Partners.

VRL's shareholding will also carry with it a priority distribution entitlement of US\$38.25 million payable out of VREG's future distributable excess cash flows, in priority to other shareholders.

On completion, VRPG will be deconsolidated from VRL's accounts and the earnings from the investment in the merged entity will be equity accounted. Pre-tax earnings from VRPG in 2007 were a loss of \$56 million. Equity earnings for VRL's portion of the new combined entity are expected to be breakeven. The deconsolidation of VRPG will give rise to a one-off accounting profit in the 2007-08 financial year of approximately A\$190-210 million post tax. The actual amount will only be able to be determined after closing of the transaction.

VREG has funding commitments from J P Morgan Chase NA to raise approximately US\$225 million in debt to fund cash payments, refinance existing Concord debt and provide continuing working capital requirements.

The merger is subject to various commercial consents, closing of the J P Morgan Chase financing and other usual commercial conditions.

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