



19 January 2001

Village Roadshow to Float Austereo

Village Roadshow Limited today announced its intention to float its radio division, Austereo Group Limited. The float is expected to see Austereo list on the ASX with a market capitalisation of around \$900 million to \$1 billion in March this year. A prospectus has been lodged today with the Australian Securities and Investment Commission.

Chairman of Village Roadshow Mr John Kirby said, "Austereo's listing offers investors the opportunity to become owners in Australia's leading commercial radio network and a dynamic media operation – a company with exciting growth prospects, outstanding management and an exceptionally strong financial performance.

"As a division of Village Roadshow, Austereo has played a significant role in the company's development. A partial float maintains Austereo's contribution while serving the best interests of all Austereo's stakeholders.

"As a listed entity Austereo will have more flexibility to plan for growth while providing the management team with a direct incentive to perform. For Village Roadshow, the spin-off will more effectively highlight the value of the group's investment in Austereo while enhancing Village Roadshow's financial flexibility.

"The active management of Village Roadshow's portfolio of media and entertainment businesses to maximise shareholder value forms an important part of our current strategy. The partial float of Austereo continues that program. Nevertheless, Austereo will remain a core business of Village Roadshow and a major contributor to its future growth." Mr Kirby added.

Funds raised by the partial sale of Austereo will be utilised by Village Roadshow to reduce debt, improve liquidity and thereby enhance its financial flexibility. The funds will not be invested in cinema exhibition expansion as the company continues its major restructuring and rationalisation of this division.

The offer will involve the issue of a maximum of 191.4 million shares by Austereo. Village Roadshow will retain a controlling interest of at least 55% in Austereo. The final pricing of the offer will be determined by institutional demand through a global book build. Austereo has appointed Merrill Lynch, Credit Suisse First Boston and Macquarie Equity Capital Markets as joint lead managers to the offer.

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Under the prospectus shares in Austereo will be offered to:

- Village Roadshow shareholders (including holders of ordinary and A class preference shares)
- Austereo employees;
- Institutional investors worldwide; and
- Retail clients of the joint lead managers, and the co-lead managers, Salomon Smith Barney and CIBC World Capital Markets.

Village Roadshow shareholders and Austereo employees will be offered a guaranteed minimum allocation of Austereo shares.

The offer is expected to open on 5 February 2001 with trading in Austereo shares planned to commence on the ASX on 5 March 2001. A call centre has been set up to respond to investor queries and can be contacted on 1800 001 311. Details of the offer are also available at www.austereo.com.au.

Village Roadshow first entered radio in 1993 with the acquisition of the Triple M Network and in 1994 acquired control of Austereo, the owner of the Today Network . In bringing together two national networks Village Roadshow, with Austereo's exceptionally skilled management team, have in recent years created Australia's premier commercial radio network in terms of audience coverage and financial performance.

Austereo's strategy has focused on capturing a superior market share of the under 40 year old demographic in Australia – a major drawcard for advertisers wanting to target a high spending demographic.

In delivering this strategy, Austereo has been highly successful, with a 54.6%* market share of its target audience and capturing approximately half of Australia's metropolitan total radio advertising spend. Ultimately the success of the business is best measured by the returns it has been able to achieve with revenue and EBIT growing on average by 17% pa and 24% pa respectively over the last three financial years.

In recent years, Austereo has built on its radio success by prudently and successfully diversifying its income streams into selected international territories, including Malaysia, the United Kingdom and Greece. Outside radio, Austereo has leveraged its expertise through expansion into several complementary media businesses including eye Village, Simon Richards Group and mcm entertainment. Austereo also has a right to acquire a 25% interest in SCAPE.

Austereo's Executive Chairman, Mr Peter Harvie said. "I am delighted to be bringing Austereo to the market and to share its success with a wider investor base. Radio continues to enjoy strong popularity with listeners and advertisers and is an exciting and dynamic medium. Emerging digital technologies are also opening up opportunities for radio and we are well prepared for their implementation.

"We have single-mindedly maintained our vision of creating Australia's leading radio network with strong brands and a loyal listener base. In the last three years that vision has become a reality." said Mr Harvie.

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A new Board comprising four executive directors, three representatives from Village Roadshow and two independent directors has been established.

Mr Harvie said that the Board was committed to the focused development of Austereo. "Our primary focus will be our core business, radio," said Mr Harvie. "Of course we will be exploring and investing in international expansion and new technology, but it will be at a level that allows us to rapidly seize emerging opportunities without distracting us from producing and selling a quality radio experience to our Australian listeners."

* ACNielson Survey No. 8 2000, 12 December 2000, Austereo has a market share of 54.6% of all Australians under 40 years of age living in a mainland capital city.

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