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Village Roadshow Continues its Exhibition Restructuring

Village Roadshow Limited announced today that it had reached agreement to sell its German cinema circuit to the German Kinowelt Group and other strategic German investors. The transaction involves Kinowelt acquiring 25 per cent and other strategic investors acquiring 75 per cent of Village Roadshow's German circuit of 59 screens across 7 sites.

Earlier this year, Village Roadshow announced a major restructuring of its exhibition division including:

- a complete review of the size and composition of the division's cost base;
- focusing on operating in a smaller number of territories;
- reviewing the development schedule; and
- conducting an extensive marketing review to boost attendances across all territories

The sale of the German cinema circuit delivers a major component of that restructuring process, adding to the significant initiatives already completed including:

- restructuring of the group's international head office in London and merging its UK operations with those of Warner Bros.;
- selling its 50% stake in the Hong Kong circuit of 26 screens across six sites;
- reviewing the cinema development schedule; and
- selling the company's stake in Golden Harvest Entertainment (Holdings) Ltd.

Graham Burke, Managing Director and CEO of Village Roadshow Limited said, 'We are committed to improving the returns from exhibition and the solid progress of our restructuring program takes us one step closer to that objective.'

'The sale of Germany is particularly significant because of the disproportionate share of management time and resources this territory has absorbed.' Mr Burke added.

Apart from the immediate sale of Village Roadshow's existing German sites, the agreement also involves the sale of a number of sites in various stages of construction and development. Importantly, the release from these projects reduces Village's capital expenditure commitments over the next two years by around \$15 million.

Given Germany was not making an adequate return on investment; its sale will have an immediate and ongoing positive impact on the company's return on equity. However, in exiting Germany, Village Roadshow will incur a one-off loss in the current financial year estimated to be around \$20 million.

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