

12 February 2003

**VILLAGE ROADSHOW ANNOUNCES FINANCE RE-STRUCTURING
FOR FILM PRODUCTION DIVISION AND EXPANSION OF CO-PRODUCTION
DEAL WITH WARNER BROS.**

Village Roadshow Limited's production arm, Village Roadshow Pictures, today announced the comprehensive restructure of its financing arrangements had been completed. This involves committing to a revolving fund of US\$1b which is composed of borrowings of US\$900m and US\$100m of equity. This will provide access to higher budget and sequel movies including *The Matrix Reloaded* and *The Matrix Revolutions* as well as an expansion of the co-production deal with Warner Bros. beyond the present 40 film deal.

The financing previously was made available through a special purpose off balance sheet entity, Village Roadshow Films (BVI) Limited ("VRF"), in which Village Roadshow had a 19.9% interest. Village Roadshow has bought out the existing shareholders and provided 100% of the increased (effective) equity and as a consequence VRF will now be consolidated as a subsidiary. The effective equity for this company has increased to US\$100m. Village Roadshow's incremental contribution for this re-capitalisation is US\$46m which will be added to its existing US\$4m equity and US\$50m loan. As a consequence VRF's borrowing limit has been increased from US\$750m to US\$900m. Given the increased VRL contributions, the revolving facility continues to be limited recourse and involves a syndicate of banks led by CIBC which extends for three years through to January 2006.

Village Roadshow in the last five years has become established as the world's leading independent film producer with a strong library that includes titles such as *The Matrix*, *Ocean's Eleven*, *Miss Congeniality*, *Space Cowboys* and *Training Day*. Recently Village Roadshow Pictures has released the highly successful *Two Weeks Notice* with US grossing to date US\$92m and Australia to date grossing A\$15m with solid openings expected across the rest of the world rolling out in the next few months. Warner Bros. will continue to be the exclusive distributor for films co-produced with Warner Bros. (and its affiliate Castle Rock) on a worldwide basis with the exception of Australia, New Zealand, Greece and Singapore, which will continue to be handled by Village Roadshow's distribution operations.

Managing Director of Village Roadshow, Graham Burke, said "The new financing arrangements provide flexibility and a more robust foundation for Village Roadshow Pictures going forward. The existing successful "portfolio" approach to selecting a diverse range of films will continue. The new facility will allow us to continue producing between 6 and 8 films per year and in particular it will enable us to participate in co-producing the eagerly anticipated sequels to *The Matrix*. We believe *The Matrix* is the *Star Wars* of the new Millennium and that 2003 is going to be the year of *The Matrix* with *Matrix Reloaded* in May and *Matrix Revolutions* in November. In addition sequels are in development for *Ocean's Eleven*, *Miss Congeniality* and *Cats & Dogs*. No other company in the industry can claim such a unique array of proven hits. This is all part of a new slate of films with our principal partner Warner Bros. with whom, through Chairman Barry Meyer and President Alan Horn, we at Village Roadshow enjoy a unique relationship that is based on many decades of building success together."

In addition to the effective equity noted above, Village Roadshow is required to provide a security deposit of US\$70m, which is an incremental US\$60m on the existing terms. As with the previous financing arrangements, Village Roadshow may also be required to contribute a proportion of the prints and advertising expenditure ("P&A") associated with the release of each film in the event that receipts from film exploitation are insufficient to meet third party repayment requirements. Importantly at acquisition date there is no shortfall in P&A. All up therefore, including the existing equity takeout, Village Roadshow's incremental investment is US\$122m for the division, taking it to a total of US\$186m.

In addition, Chairman of Village Roadshow, Robert Kirby, said "We believe that the most significant growth prospects for the company lie within the production division. This refinancing ensures that Village Roadshow is appropriately structured to deal with the changing profile of the group as we increase our focus on production going forward. We are confident that this strategy will provide excellent future returns. This would not have been possible without the support of MBIA, one of the world's leading financial guarantors together with CIBC World Markets, our lead bank, who coordinated the entire transaction."

"Warner Bros. and Village Roadshow share some 30 years of mutual respect, trust and extraordinary success; this is one Hollywood partnership that keeps on working and growing," said Barry Meyer, Chairman & Chief Executive Officer, Warner Bros. "John, Robert and Graham are not just long-time colleagues; they are long-time and highly valued friends."

"Our partnership with Village Roadshow has enabled us to make some of the highest quality and most exciting motion pictures in our history," said Alan Horn, President & Chief Operating Officer, Warner Bros. "It is truly a pleasure to work with the Village Roadshow team and we are looking forward to many, many more years of creative and business success."

Village Roadshow Pictures, together with Warner Bros., has a number of films in active development and production as well as the *Matrix* sequels. These include *Dreamcatcher* directed by Lawrence Kasdan and from Stephen King's biggest best seller; *Troy* an epic adventure directed by Wolfgang Petersen and to star Brad Pitt and Eric Bana; and *Mystic River* starring Laurence Fishburne and directed by Clint Eastwood.

Attached is a pro forma unaudited balance sheet for VRF upon acquisition.

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VRL Pro Forma Unaudited Balance Sheet at 31 January 2003

A\$millions	VRL Group	VRF	Consolidation	Consolidated VRL
Cash	62	3		65
Film costs after amortisation	0	1,099		1,099
Goodwill	49	1		50
Security Deposit		120		120
Set up costs and other assets (Note 1)	1,608	30	(26)	1,612
Total Assets	1,719	1,253	(26)	2,946
Bank Debt	263	953		1,216
Other Liabilities	483			483
Total Liabilities	746	953		1,699
VRL Cost of Investment (Note 2)	330	(300)	(30)	0
Net Assets	1,303	0	(56)	1,247
<i>VRL Group abnormal expense for write off of equity and financing set up costs taken at 31 Dec 2002</i>				<i>(56)</i>

Note 1: (\$26m) represents set up costs written off in line with VRL accounting policy.

Note 2: \$330m represents \$30m equity premium of third parties plus \$300m loans/equity to VRF.
(\$300m) represents loans/equity from VRL to VRF, eliminated on consolidation.
(\$30m) represents goodwill on consolidation written off.