



19 May 2000

Exhibition Records a Slow Third Quarter

Village Roadshow Limited announced today that its full year net profit after tax for the year to 30 June 2000 is on target for all divisions except Exhibition. As an overall result, earnings will be negatively impacted by between \$6-8 million. Village cinemas continue to experience the same results that have impacted cinemas worldwide, a shortage of quality motion pictures.

The third quarter, historically a very strong one for Exhibition, was affected by lack of product which spilled into April. Whilst this trend has now reversed with current and pending international theatrical blockbusters such as *Gladiator*, *Mission: Impossible 2*, *The Patriot*, *Dinosaur*, *The Perfect Storm* and *Me, Myself Irene* there will not be enough admission upside to counter balance the January-April product trough. Despite this, the division's investment program has seen cash flows continue to grow strongly with the EBITDA forecast to be approximately 20% higher for the year ended 30 June 2000. However, higher depreciation and amortisation charges are expected to see Exhibition's contribution to the bottom line fall below the previous year.

Looking across the group's international cinema circuits, South Korea and Greece continue to over-perform whilst the well established Australian and UK circuits are delivering comparatively large and solid results. However, Germany and new territories, Austria, France and Switzerland, have been below expectations so far.

In response to these developments, Village Roadshow is undertaking a number of pro-active initiatives to ensure Exhibition delivers on its growth potential and achieves an appropriate return on capital, these include:

- revisiting its international development schedule to further tighten the investment hurdles;
- reviewing its overhead structure to ensure administrative and development costs better match the timing of revenue streams;
- piloting initiatives to boost cinema attendances through locally coordinated advertising campaigns;
- micro management of all cinema profit margins and re-engineering of fixed cost commitments to variable to better match potential soft trading periods; and
- accelerating the sale of international freehold properties.

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The combination of improving movie quality and the benefit of the above initiatives provides Village Roadshow confidence as to the future performance of the Exhibition division.

In other divisions:

Village Roadshow's Austereo is on track to produce a strong full year result. All areas of the Radio division are exceeding budget expectations, including its new and emerging businesses. Exceptionally strong ratings and trends in advertising spending are already underpinning revenues into the new financial year.

Distribution is having a sound second half and is on track to produce a higher full year result. Of particular note has been the performance of the Television division and the Music division where the two bands *Savage Garden* and *Killing Heidi* have continued to record excellent chart success.

After enduring a soft Christmas and New Year period, the group's Theme Parks have continued to turn around in the third quarter which demonstrates the robustness of this business. At the end of April 2000, Warner Bros. Movie World attendances were 6% up and Sea World attendances are now marginally up on the previous year and budget.

In the first half of 1999/2000 a lack of movie throughput kept returns from the group's Production division below those for the previous corresponding period and as a result Production is unlikely to match its 1998/1999 full year profit contribution. In the second half, comparatively more projects will be completed, however, the group's conservative approach means that it is unlikely to book any *Matrix* profits this year. That said, the outlook for Production in the year ahead is excellent, new projects currently in the pipeline should see a higher number of movies completed in the 2000/2001 financial year and a commensurate increase in fee income and profits.

Village Ten Online is on track to launch Australia's premier entertainment and leisure online offering later in 2000. Apart from the strong content and creative support from Village Roadshow and Network Ten, the joint venture has now secured its strategic, technology and infrastructure capabilities through alliances with Razorfish and IBM.