



27 December 2002

ACQUISITION OF VAL MORGAN CINEMA ADVERTISING

Village Roadshow Limited ("Village") together with The Greater Union Organisation Pty Limited ("Greater Union") and Hoyts Cinemas Australia ("Hoyts") are major users of the cinema advertising services provided by Val Morgan and Co. (Australia) Pty Limited, Media Entertainment Group Pty Limited and Independent Cinema Advertisers Pty Limited (collectively "Val Morgan"). Val Morgan has recently experienced severe financial difficulties, the details of which have been well publicised. Village, Greater Union and Hoyts have continued to exhibit the advertising placed by Val Morgan.

Val Morgan is Australia's only national cinema advertiser and holds exclusive advertising contracts over almost all cinema screens in Australia. Val Morgan also operates a joint venture in the United Arab Emirates, certain South American countries and a controlled entity in New Zealand.

In order to maintain the availability and continuity of cinema advertising into the future Village, Greater Union and Hoyts ("the acquiring exhibitors") have, through a joint venture company, acquired Val Morgan from its owner Television Media Services Limited ("TMS"). The acquiring exhibitors of Val Morgan have provided various releases to TMS in exchange for the shares of Val Morgan and a deferred payment of \$2.5 million.

Village, Greater Union and Hoyts have sought and received conditional approval from the Australian Competition and Consumer Commission ("ACCC") for this course of action. As a condition of this approval, and after extensive consultation with the ACCC, the following undertakings from Village, Greater Union and Hoyts in relation to cinema advertising have been accepted:

- Two of the acquiring exhibitors will divest their stake in Val Morgan within 18 months of the acquisition of the joint venture company;
- The undertakings will remain in effect until such time as any advertising contracts existing between Val Morgan and the divesting exhibitors cease to remain in force. Such contracts are limited in the undertakings to 12 months in duration;
- Val Morgan will honour existing contracts with independent cinema exhibitors and offer them new cinema advertising contracts when existing contracts expire; and
- Val Morgan will guarantee minimum contractual terms to be offered to independent cinema exhibitors. The undertakings also incorporate procedures and checks to ensure the independent exhibitors are dealt with fairly.

It is the intention of the joint venture company to run Val Morgan for 18 months in order to restore it to financial viability. Existing contracts with the acquiring exhibitors will either be renegotiated or new contracts entered into with Val Morgan on reduced terms than are presently received.