
— MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Kristen, and I will be your conference facilitator today. At this time, I would like to welcome everyone to the Regal Entertainment Group Second Quarter 2009 Earnings Release Conference Call; with our host Amy Miles, Chief Executive Officer of Regal Entertainment Group; and David Ownby, Chief Financial Officer of Regal Entertainment Group.

All lines have been placed on mute to prevent any background noise. After management's remarks, there will be a question-and-answer period. [Operator Instructions]. I would now like to turn the call over to Mr. Don De Laria, Vice President of Investor Relations. Please go ahead, sir, you may now begin.

Don De Laria, Vice President, Investor Relations

Hi, and good morning. Before we begin our call, I'd like to remind our listeners that this conference call contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended; and Section 21A of the Securities Exchange Act of 1934 as amended. All statements other than statements of historical facts communicated during this conference call may constitute forward-looking statements.

These forward-looking statements involve risks and uncertainties. Important factors that can cause actual results to differ materially from the company's expectations are disclosed in the risk factors contained in the company's annual report on Form 10-K dated March 2, 2009. All forward-looking statements are expressly qualified in their entirety by such factors.

Now, I'll turn the call over to Regal's Chief Executive Officer, Amy Miles.

Amy E. Miles, Chief Executive Officer

Thanks, Don. Welcome, and thank you, for dialing into our second quarter call. Today, I will provide an overview of the industry and Regal's second quarter results, a digital cinema update, and a review of current trends in the exhibition industry; including some of our expectations regarding box office trends for the second half of 2009.

Following my remarks, David Ownby will provide a summary review of our financial results. And as always, we will conclude the call with a question-and-answer session. We were happy to report continued strength in industry box office results during the second quarter. The industry box office grew in eight out of 13 weeks during a quarter and benefited from both high grossing films, with 30 films grossing more than \$200 million, compared to just two films last year and also from the depth in the films slate.

We had 10 films grossed more than \$100 million, compared to six films in the second quarter of 2008. Industry highlights from the second quarter include a record April box office, driven by films like Fast and Furious and Monsters versus Aliens. The industry also had the first ever million-dollar [ph] May, with strong contributions from Star Trek, X-Men Origins: Wolverine, and Angels & Demons.

Also a record June that produced almost 1.1 billion in box office driven by the highly anticipated films; Transformers 2, an Up [ph], as well as the surprise hit, The Hangover. During the second quarter; 3D and IMAX titles continued to resonate with consumers, on the big 3D titles: Monsters Vs Aliens, Up and Ice Age: Dawn of the Dinosaurs; 3D screens accounted for an average of 63% of the opening weekend gross.

Consumers also continue to select the IMAX experience, as approximately 8% of the weekend grosses for Monsters vs. Aliens, Star Trek and Transformers was generated on just under 2% of the screens. As a result of these factors, industry box office for the second quarter calendar period finished at approximately 13% over the prior year. David will provide more detail with respect to our fiscal period versus the comparable industry metrics in a few moments.

Turning briefly to Regal's second quarter results, we were pleased to report the following quarterly highlights. The highest ever quarterly total revenue of 789 million had exceeded record second quarter revenue of 676 million a year ago. We reported a record second quarter adjusted EBITDA of just over 167 million and we're also pleased with the growth in our adjusted EBITDA margin of 280 basis points.

During the quarter, we began to see a more meaningful impact from our agreement with IMAX and RealD. An increase in the number of films released in both formats combined with an increase in both our IMAX and 3D screen counts helped us achieve average ticket price dollars [ph] of over 7%.

Our concession sale per capita increased by over 2%, benefiting from price increases taken during the previous year and from a concession-friendly films slate. And finally, including the dividend that we announced today, we are especially pleased to report that we have returned dividend payment to our shareholders holding over \$19, which is equal to Regal's IPO price on May 9 of 2002 which was just over seven years ago.

Now with respect to Digital Cinema. The DCIP efforts continue to focus on the financing process. Since our last update, DCIP have continued to work with potential equity investors to secure commitment for the equity or mezzanine level financing. DCIP is in the final stages of due diligence with the expected lead equity investor and is diligently working to finalize the required equity commitment.

As we have previously stated, the next step for DCIP would be a shift in focus to the debt portion of financing as soon as the equity component has been finalized. The effort continues to be a key focus with the founding members of DCIP and we continue to work diligently with DCIP to finalize the financing and to be ready to move quickly with the roll out.

Although securing financing for a circuit-wide rollout has progressed at a much lower rate than we would like. We continue to invest manageable amount of capital in our 3D platform to capture incremental 3D revenues with the goal of contributing these systems to DCIP when the financing is secured.

In addition, we are also exploring potential alternatives with DCIP if the credit markets remain in impediment to our rollout plans. The good news is that the time delay related to the financing market has clearly resulted in opportunity for us on the technology front.

On May 19, we announced an agreement to install Sony 4K digital projectors across most of our circuit, once the financing is secured. Sony's state-of-the-art 4K system produces the highest levels of resolution, contrast, and overall image quality. The rollout of these Sony 4K systems gives Regal the opportunity to utilize the latest technology to provide our patrons the best available presentation.

And again, while large scale deployment will not begin until the financing is secured; we have continued to selectively add 3D digital projectors to take advantage of promising 3D film slate in the back half of the year. We planned to add an additional 150 3D systems beginning immediately and expect to have a total of 430 3D screens in operations for the upcoming holiday season. And this would represent an increase of just over 275 screens since the beginning of our fiscal year.

Now turning briefly to the balance, our outlook for the balance of fiscal 2009. During the first 3.5 weeks of the third fiscal quarter, the industry box office has decreased approximately 9% versus the comparable period in 2008. While the third quarter 2008 success of the Dark Knight has made for difficult comparisons, we have been pleased with the follow-on business from Transformers; as well as recent key films such as Ice Age, Harry Potter, and we were also pleased with this weekend's openings of G-Force and the Ugly Truth.

At last week's Comic-Con in San Diego, Disney, Sony, and FOX all rolled out exclusive 3D footage from the upcoming films, A Christmas Carol, Cloudy with a Chance of Meatballs, James Cameron's Avatar, and Tim Burton's Alice in Wonderland. We are thrilled that the studios are already marketing the big fall films [ph] and generating excitement for upcoming 3D films.

As we look forward to the balance of the third quarter, we are optimistic about the prospect for G.I. Joe: The Rise of the Cobra and Julie & Julia on August 7, followed by District 9 and the Time Travelers Wife on August 14 and Inglorious Basterds on August 21. Then later in September, we look forward to Tyler Perry's I Can Be Bad All By Myself, and again the 3D film Cloudy with a Chance of Meatballs.

As we look into the fourth quarter, we have Where the Wild Things Are on October 16, followed by Jim Carey in A Christmas Carol on November 6 and that's in both 3D and IMAX. Then on November 13, we open 2012, followed by New Moon, which is The Twilight saga. And then we end the year in December with the highly anticipated Avatar, as well as the second installment of Alvin and the Chipmunks and Sherlock Holmes with Robert Downey Jr. and Jude Law.

In summary, we're pleased to -- with the fiscal year-to-date box office environment, and look forward to continued box office success during the back half of the year. I'd now like to turn the presentation over to David Ownby, our CFO to discuss the company's financial performance.

David H. Ownby, Executive Vice President, Chief Financial Officer and Treasurer

Thanks, Amy, and good morning, everyone. As we move into the financial section of our prepared remarks. Today, I'd like to talk about a discussion of our fiscal second quarter results including additional detail on how premium price content impacted those results. An update with respect to our balance sheet and our recent financing activities; and finally, an update on our capital expenditures.

For our fiscal second quarter, we generated record total revenues of 789.2 million, which consisted of 541.7 million from box office revenues, 214.9 million from concession, and 32.6 million of other operating revenues.

As we review our second quarter results, please note that it is important for analysts and investors to utilize comparable periods when comparing Regal's results to those of the industry. When measured on a calendar basis, beginning on April 1, and ending on June 30 for both periods, industry box office increased by just under 13%.

Using our fiscal periods, which began on March 28 and ended on June 26 last year; and began on April 3 and ended on July 2 of this year, industry box office revenue for the United States, as reported by Rentrak, increased approximately 19.5% in the aggregate.

Regal's admissions revenue this quarter increased approximately 18.8%, primarily as a result of a 7.1% increase in our average ticket price, combined with an 11% increase in attendance. On a per average screen basis, our admissions revenue increased 17.5%, compared to the second quarter of 2008.

As Amy indicated earlier, our box office results benefited from the strong performance of premium priced films during the quarter. Our combined revenue from IMAX and 3D films increased by over 1,500% in the aggregate, and by 223% on a per screen basis as compared to the second quarter of 2008, and represented 9.8% of our total admissions revenue.

The box office success of these films, of the films available on these formats also accounted for just under half of the 7.1% increase in our average ticket price for the quarter. Concession revenues this quarter increased 13.8% as a result of a 2.5% increase in concession per caps and the previously mentioned increase in attendance. The increase was primarily driven by price increases, so we also benefited from a concession-friendly mix of film product during the quarter. We were also pleased that increases in processing do not have meaningful impact on our unit sales during the quarter.

Other operating revenues during the second fiscal quarter of 2009 increased 4.5% over the comparable quarter in 2008, primarily due to increases in vendor marketing revenue driven by 11% gain in the 10 year notes [ph].

Now, we turn to the expense line item, film and advertising expense for the current quarter represented 54.2% of admissions revenue, which was consistent with the prior year period.

Regal's 85%, 85.2% concession margin decreased 130 basis points due to minor changes in the composition of our concession revenue and a decrease in the amount of vendor marketing revenue recorded as a reduction of cost of concession.

Total rent expense increased by 5.6 million or 6.2% during the quarter, due to one month of incremental rent for the 400 screens we acquired from consolidated in May of 2008, increases in percentage driven by strong second quarter box office results and rent for new theatres.

On a per screen basis, rent expense increased approximately 4.2%. Other operating expenses increased by approximately 15.3 million or 8.5% in the aggregate due to three primary factors. Increases in variable payroll costs associated with our increased attendance, increased cost associated with significantly higher IMAX and 3D revenue, and one month of incremental cost related to the 400 screens we acquired from consolidated in May of 2008.

On a per screen basis, other operating expenses increased approximately 6.5%. Please note that as we continue to increase our IMAX and 3D screen counts and as the percentage of our revenue generated by films in these formats continues to grow, we expect the per screen increase and other operating expenses to be slightly higher than the historical average of roughly 3 to 3.5%.

G&A expense decreased modestly to 15.4 million, inclusive of approximately one million of share based compensation expense in the second quarter. The second quarter produced for -- adjusted EBITDA -- excuse me, produced record adjusted EBITDA as Amy mentioned earlier of 167.1 million versus 124.4 million of the same quarter last year, and resulted in an adjusted EBITDA margin of 21.2%.

Our record total revenue of 789.2 million, and our record second quarter adjusted EBITDA of 167.1 million, both exceeds first call analyst expectations for the quarter, while reported adjusted diluted earnings per share of \$0.26 fell just short of expectations.

Now turning to the balance sheet, we ended the quarter with 267.7 million in cash and a total debt balance of just under 2 billion. As of the end of the quarter our leverage ratio as defined by our credit agreement totaled approximately 2.6 times. Subsequent to the end of the fiscal quarter, we just completed a \$400 million offering of 8 5/8 senior unsecured 10-year notes due in 2019.

We used the proceeds from this offering to repay a portion of our existing senior credit facility and extend the maturity on that portion of our capital structure by [ph] six years. Like many companies we are focusing on our balance sheet in the current environment and believe that this offering is a good first step in dealing with our mid-term debt maturities.

As a result of the note offering, we now expect interest expense to be approximately 41 million in the third quarter and approximately 38 million in the fourth quarter. And finally, capital expenditures during the second quarter totaled 33 million and were not offset by any asset sales.

During the quarter, we opened four theaters with 43 screens and closed four theaters with 38 screens bringing our totals at quarter-end to 549 theaters and 6,778 screens. Based on our development schedule for the remainder of 2009, we continue to expect full year CapEx to be in the range of 85 to 100 million, inclusive of 5 million of asset sales.

In the second half of the year, we expect to open two theaters with 28 screens and close three to five theaters with 25 to 40 screens, which would result in a year-end theater count of approximately 547 and a year-end screen count of approximately 6,775.

As Amy previously stated, we are pleased with our second quarter results, and are optimistic regarding the line-up of films scheduled for the release during the remainder of the 2009 fiscal year. That concludes our prepared remarks and we will now open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. [Operator instructions]. Our first question comes from the line of Tony Wible with Janney Montgomery Scott. Please proceed with your question. Your mike is now live.

<Q – Tony Wible>: Thanks, good morning. I hope -- I was hoping you could touch on this 3D projectors that you are putting in place on your own and how that might tie into DCIP and if you would get any kind of equity credit down the line for doing some of this stuff preemptively?

<A – Amy Miles>: We sure will, Tony, and thank you for asking that. What we're doing here is going ahead and making the investment in the projectors now, so that we can capture more of the 3D revenue in the fourth quarter. And obviously, our ultimate intent with respect to those projectors would be to contribute them to DCIP; and yes, we would receive equity credit for that contribution.

<Q – Tony Wible>: Okay. And the last question I had is just on concessions, for the films like you kind of mentioned for the third and fourth quarter. Do you feel that concession, attractiveness is just as strong as you kind of saw in the current quarter or do you feel like it might be a little bit stronger in the fourth and a little bit lighter in the third?

<A – David Ownby>: Tony, I think, our view at the films slate at this point would not lead us to believe that our concession were performing differently than they had in the past, so.

<Q – Tony Wible>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Ben Mogil with Thomas Weisel Partners. Please proceed with your question. Your mike is now live.

<Q – Ben Mogil>: Hi, guys, good morning.

<A – Amy Miles>: Hi, Ben.

<A – David Ownby>: Hi Ben.

<Q – Ben Mogil>: Hi. So a couple of questions. Going back to the figure [ph] operating cost. Can you talk a little bit about, sort of the impact of IMAX and 3D? Are the splits in the payments for RealD and the splits to IMAX? Are they not included in film rental? Are they included in the operating expense line instead?

<A – David Ownby>: Yes, they are -- now are included in other operating expenses and that increase over the prior quarter, it is about \$3 million.

<Q – Ben Mogil>: Ok. So, of the -- and that's the function of the RealD payments and the royalties to IMAX?

<A – David Ownby>: Yes.

<Q – Ben Mogil>: Okay. And then, I think on the concession front, are you seeing any kind of pushback at all, and you obviously had very strong average ticket pricing -- maybe a little bit more moderate in terms of concessions per patron; are you seeing any kind of pushback in higher priced venues on the concession front.

<A – David Ownby>: Yeah, Ben, as I mentioned in the prepared remarks, we really have not seen any meaningful impact on our unit volume. So from our standpoint no, we are not seeing a real pushback on pricing.

<Q – Ben Mogil>: Okay. And then sort of shifting to the calendar issue, so the calendar benefit to you have in the second quarter will obviously reverse itself from the third quarter. Just to, sort of help us all on modeling purposes. Can you give us a sense of what the attendance last year was on the week that you are losing what the attendance was on the week that you are gaining, sort of to give us a net attendance I'm guessing probably loss on a year-over-year basis?

<A – David Ownby>: Yes, that kind of -- the weekly gain this year, I guess, Ben, probably with some in the neighborhood of 7.5 million attendees.

<Q – Ben Mogil>: You're talking in the second quarter?

<A – David Ownby>: That's the one that we'll lose in the third quarter.

<Q – Ben Mogil>: Okay. So \$7.5 million are lost in the third quarter, and what are you gaining you think?

<A – David Ownby>: It's more of an average week at the end of September, so you are talking probably 4 million attendees or so, 3.5, 4 million attendees.

<Q – Ben Mogil>: So, we're looking at about a net of between -- net loss or around say call it 4, 4.5 million?

<A – David Ownby>: Yeah, 3.5.

<Q – Ben Mogil>: Sorry, 3.5 million. Sorry. Okay. Okay, that's helpful thanks. You broke down the average revenue of IMAX 3D can you break them down individually?

<A – David Ownby>: Yeah, we're not going to do that, yet Ben --

<Q – Ben Mogil>: Okay.

<A – David Ownby>: As we move forward and those numbers become more material to it, then we'll start thinking about how we can disclose those numbers to you.

<Q – Ben Mogil>: Okay. And sort of, how does you look out to 2011 -- 2010, I apologize, you must have the sense of what CapEx looks like, do you sort of see it being relatively flat to last -- to this year?

<A – David Ownby>: I would say, it's relatively flat to this year, maybe just slightly up.

<Q – Ben Mogil>: Okay. And then, I think lastly -- last question from me then I'll let someone else on the queue. In terms of the digital projectors the \$200 million carb out to the bond offering gave you, just to make sure I understand that that provision or covenant is applicable not only to the bonds that were offered, but also to these existing banks, and is that correct?

<A – David Ownby>: I am sorry Ben, say that again.

<Q – Ben Mogil>: The \$200 million sort of covenant that allows you to -- in the bond offering it allows you to spend up to \$200 million on digital projectors, that covenant was amendable for both the credit facilities and the bond offering, is that correct?

<A – David Ownby>: Yes, Ben, they are not same. The credit facility has different investment bank, and it has different restricted payment tests.

<Q – Ben Mogil>: Okay.

<A – David Ownby>: So, we'll be okay in both cases.

<Q – Ben Mogil>: Okay, it's helpful. Okay. That's it from me. Thank you very much, David.

<A – David Ownby>: Thank you.

Operator: Thank you. Our next question comes from the line of George Hawkey with Barclays Capital. Please proceed with your question. Your mike is now live.

<Q – George Hawkey>: Hi. Thanks for taking the question.

<A – David Ownby>: Hi George.

<Q – George Hawkey>: How are you? I just a quick question about the 3D effect on the 7% gain on attendance revenues, last quarter I think, you said it was about a 100 basis point uplift for admissions revenues driven by the 3D and as there were significantly more 3D, it was up -- and this quarter, I wanted to see if you have some understanding of how much of that 7% was driven by 3D?

<A – David Ownby>: Sure, sure. George we did have a 7.1% increase in our average ticket price and a little less than half of that was related to the RealD and IMAX product this quarter.

<Q – George Hawkey>: Great. Thank you very much.

<A – David Ownby>: Okay.

Operator: Thank you. Our next question comes from the line of David Gober with Morgan Stanley. Please proceed with your question. Your mike is now live.

<Q – David Gober>: Good morning, and thanks for taking the question. Just following up on the IMAX and RealD ticket pricing. In the second half, do you guys have a sense of the comparables slate and whether or not you expect a similar impact roughly around that 3.5% increase that you saw in the second quarter?

<A – David Ownby>: Yes. That's just very hard to predict at this point, particularly, since we're still in the early stages of rollouts and screen counts and the films slate for these new formats, so I would hesitate to offer our [ph] prediction there.

<Q – David Gober>: Okay. And then just switching gears for a second, thinking about capital allocation, now that the debt maturities schedule is a little farther out and the financing market seem to have improved a bit, I'm just curious when you guys will think about revisiting the dividend and how you think about potentially, if you think about potentially increasing that again?

<A – Amy Miles>: You know, the dividend is always something that overtime that we would look at. And you're right, we've switched out some debts maturities so we would always have to balance kind of what other opportunities as to this forecast, at different point in time. And look at the dividend, and as we see cash flow growth, so I think in the near term what other opportunities maybe there that you have to consider potential or possible acquisitions, those are always opportunities that you have to think about. And you know, some type of alternative plan that may include our, some type of our contribution to 3D to the digital, where we talked about investing some of these projectors. So absolute -- you know, use of that cash in our business that we feel like, it could have higher return for our shareholders, yet at some point the dividend is always evaluated.

<Q – David Gober>: Great. Thanks for the comment.

Operator: Thank you. Our next question comes from the line of James Marsh with Piper Jaffray. Please proceed with your question. Your mike is now live.

<Q – James Marsh>: Hi, Two quick questions. First, when you mentioned those Sony 4K projectors, my understanding was those were materially more expensive than the standard kind of Christie or NEC digital projectors. How does DCIP account for that kind of premium pricing, do you have to fund some of that yourself or this is only filling that gap for you. And then secondly, I just want to talk a little bit about attendance share. It looks like in the last few quarters you've been hovering in that 17.5, 17.8% range. You had a little dip in the second quarter, I was hoping to understand more clearly what's driving that?

<A – Amy Miles>: Okay. I think I'll take the first part of your question was, with respect to the Sony projectors, and one of the good things there James that we've talked about with respect to timing delays with respect to the financial market as it relates to DCIP; what happened during that time period is the gap between the 4K pricing and the 2K pricing narrows essentially. And also you saw improvement with respect to the 4K technology as it relates to 3D capability. So, the good news is today that the industry or the inhibitors that chose to do 4K now have a -- the best available product at a price that is a little bit more than the 2K, but it's not substantial like it was say over a year ago. And any -- with respect to your question as it relates to DCIP, if the allowance from the studio does not cover the all-in cost, that would be the responsibility of the exhibitor to cover that shortfall.

<Q – James Marsh>: Okay.

<A – David Ownby>: And James, just with respect to market share question and I apologize in advance this may be a longwinded answer, but I think it's probably worth a discussion here.

<Q – James Marsh>: Okay.

<A – David Ownby>: When we -- first off, just talk about this quarter, our view of Rentrak data says that box office of the United States was up 19 -- about 19.5%. And looking at that data, we see that there has been roughly a one -- maybe slightly more than 1% of screen growth in the United States, so that makes the per screen average for the U.S. about 18.5%. And for this quarter we were up on a per screen basis about 17.5% and just to be clear there, but [ph] I think there is some wide range of practice out there, we're using a weighted average screen count to calculate our average screen count in the prior quarter and that's because we had the acquisition a partial way through the quarter. I know [ph], the correct way to do that math is use the weighted average screen count as opposed to using just the simple average beginning or ending divided by two [ph]?

<Q – James Marsh>: Okay.

<A – David Ownby>: So, that's probably some of the gag we're seeing there. And then once you get passed that, we would say then that we probably trail the industry this quarter about maybe a 100 basis points. And remember the fact that 18.5% is a national average and when you drill down to that and look at specific markets, obviously not every market is of 18.5%. Some are up more than that, some are up less than that; and as we look at the markets that we operate in, by and large with very rare exception, we are performing either inline in that market or we are performing ahead of that market. And I'll give you just a good example for this quarter.

The two biggest states that we operate in terms of box office are California and New York. And those two states together make up roughly 35% of our box office. And in this particular quarter, California trailed the national average by several 100 basis points. We performed inline with the

market in California at our theaters in California. New York, with much more inline with the national average and we actually outperformed the market in New York.

When you put all that together, we may have a -- our style and our geographic diversity probably protects us from wild swings in market share to a certain extent, but it can have an impact. So, the fact that California is somewhat below the national average this year, it did have somewhat of an impact on us. So, when you put all those markets together. And again, when we look at those markets; in each individual market, we see that typically we are performing inline or ahead of the market. So, when you put them all together that may not always equal to national average, because our distribution maybe different than that national average.

<Q – James Marsh>: Okay, That's very helpful. And then just in general, how much does IMAX and 3D; I would assume that you guys have a higher than average percentage of 3D and IMAX screens relative to your competitors, is that fair?

<A – David Ownby>: We do have a higher percentage of IMAX, but 3D I think that is kind of mirrors our typical market share.

<Q – James Marsh>: Okay. Okay, that's helpful. Thanks very much, David.

Operator: Thank you. Our next question comes from the line of Barton Crockett of Lazard Capital Markets. Please proceed with your question, your mike is now live.

<Q – Barton Crockett>: Okay. Great. Thanks a lot for taking the question. The first thing is that -- kind of bookkeeping things, can you just give us the weighted average screen count that you used last year and this year so, you know, we can clear up that calculation?

<A – David Ownby>: Absolutely, Barton and if you need to walk through the math, Don would be happy to do that with you after the call, but we used 67, 75 for this quarter obviously; that shrinking hasn't changed much this quarter. And if you do the weighted average math for last year that works out to about 6700 screens.

<Q – Barton Crockett>: Okay. Great.

<A – David Ownby>: And the real reason there, Barton, just to clarify that is remember, we have the 400 screens consolidated for two out of the three months of the quarter.

<Q – Barton Crockett>: Right.

<A – David Ownby>: And those really, those two months probably made out close to 80% of the box office for the quarter.

<Q – Barton Crockett>: Okay. All right. That makes sense.

<A – David Ownby>: Okay.

<Q – Barton Crockett>: Then the second thing is can you say anything about National Amusement and about your interest there, or just more generally how much capacity you have there for acquisitions, given the amusements in national courts [ph] by that movie now.

<A – Amy Miles>: Yeah, I think Barton with respect to what we have said in the past as it relates to National Amusement. We stated from the beginning of that process that we saw you a deal for us for the entire any [ph] circuit would be difficult and difficult not from a capacity prospective of, but that more difficult from the perspective of could we make that deal accretive for our shareholders. And at the beginning of the auction we were more concerned about availability of credit.

And a lot that concern has been alleviated today, but we would still have to consider that the cost of capital was higher today than it was say a couple of years ago. So that's one thing that we would have to take into account from an accretion perspective. And then, with respect to National Amusement, that's always been a little bit more difficult from us, just to keep [ph] that asset has I would say two primary components of value.

One, would be the theater operation, but National Amusement also have a lot of value in the real estate and so from our perspective we are always interested in buying theater cash flow, but we are not as interest in buying real estate. Our valuation is always going to be par to theater cash flow multiple, we are not real estate developers. So, it's not going to be real estate based. Now that being said, obviously NAI does have some assets that are very attractive.

There are good assets in that portfolio. I just think its premature today to speculate on whether or not any of those assets would be available on a selective basis.

<Q – Barton Crockett>: Okay. What -- can you give us a sense of how much capacity you think you have for acquisitions right now generally?

<A – Amy Miles>: I mean we've always said that we got to keep on leverage at that, so you know, call it three, two -- I guess 3.5 times would be a ceiling over time. So I mean, we are 2.6 today so that 0.2 capacity, if you just did that probably in that \$400 million range and obviously that capacity could expand if the deal was ever accretive and you felt like your stock would be a good currency for that. I'm not saying we would do that today at all, but you would have to consider that in your capacity analysis.

<Q – Barton Crockett>: Okay. All right. And then switching gears to on DCIP any -- I know this is treacherous given that we always mention that, any sense now, how long it might be before this thing is done?

<A – Amy Miles>: Yes. Barton, now that's always the difficult part, and that's why, we as company have never put a date to it. It's hard today when you are in the market because one of the things that is very clear from the credit market is as it improves, but kind of what has been an impact on the market that I think, sometimes people overlook or we don't really think about it. When you have a complicated transaction, which DCIP is, then the time that it takes interested parties to do due diligence, it's significantly greater than it was, say two years ago.

I'm confident that if we'd have launched this deal two years ago, this due diligent process as people becoming interested that's taking several months, two years ago it'd taken several weeks. The world has just changed with respect to the view of risk with respect to credit. So, we'll go, we've gone ahead and we've made these investment in 400, I mean, I'm sorry, in additional 150 projectors to get at that, the 430 by the year end.

So, I think you will continue to see us evaluate those type of alternatives, but I'd be really hard pressed today to kind of give a date with respect to DCIP, but we'll really aggressively look at some of these alternatives as long as the credit market remains an impediment to the rollout.

<Q – Barton Crockett>: Okay. Then the final question here. Just, you said that you're kind of contribute some of the projectors that you've gotten, by the head of time [ph] with 3D to this. Here is a point now that, hits the financial. In other words, your CapEx is down this year over the last year; and if you're spending more on these 3D projectors, I would assume it would have been in CapEx and might have been optimistic in the products something else happening. And secondly, if you contributed, I assume your, as equity investor they get to make some money on the capital that you've invested there from the virtual companies if they come in, you know. And if that's the case, would that be a revenue on expense offset or something else in the payment [ph] cash flow?

<A – Amy Miles>: I'll answer the easy one, I'll let David answer the hard one, and with respect to the CapEx, the 150 projectors are not in our CapEx yet. Okay? so you will see those in the back half of the year, but we didn't project an increase in our overall CapEx because some of the new deal CapEx it looks like being pushed in 2010. So the overall CapEx we do not expect to increase materially this year and a reason why, as it is just a mix, a mixed issue with respect to what we have budgeted at beginning of the year. And then I'll let David answer about what happens on the financials with respect to that contribution.

<A – David Ownby>: Yeah, and Barton in terms of that we will make a non-cash contribution which is the balance sheet transaction or the projectors that we bought at this point and then you know as contemplated today going forward any return on our investment DCIP, if there was any, then that would be just be account more than equity method investment, so being below operating income.

<Q – Barton Crockett>: Okay, great. Thanks a lot.

Operator: Thank you. Our next question comes from the line of David Miller with Caris & Company. Please proceed with your question your mike is now live.

<Q – David Miller>: Yeah, hey guys. A couple of questions. Amy again, on DCIP this question is to add a little bit more. My understanding since the virtual currency announcement came from DCIP, I guess a lot of year ago was that technology cost have come in as other vendors have entered the market, which is sort of a natural progression of things. And I'm wondering given that are we still talking about, I think the number I have in my head is 1.1 billion in principle aggregate financing equity and debt included, are we talking about a lower principle just given that the credit markets are a lot more difficult obviously than they were a year ago. And then I have a follow-up, thanks.

<A – Amy Miles>: Yeah, I mean, I am the best way to probably think about it is the cost per screen in the DCIP model is right around 70,000. Okay? So, you can think that, what the easy math 10,000 screens you would need about \$700 million for a complete digital rollout for 10,000 screens.

<Q – David Miller>: Gotcha.

<A – Amy Miles>: Okay. So you can think about each incremental screen being an incremental 70,000 in cost.

<Q – David Miller>: Okay, great. And then also, David, the rent expense issue in the quarter; I -- obviously you've taken advertising cost into that line, I know you had alluded to in your prepared remarks just the extra month of incremental rent from the new theaters, but the CPM on advertising in general especially in news papers, it's down significantly year-over-year, so if you can help me reconcile the increase, that would be great.

<A – David Ownby>: Probably, I think you're looking at two different things there. Advertising does in our film rental line, is that what you are talking about?

<Q – David Miller>: That's correct.

<A – David Ownby>: So, our film rental was flat as it was, as a perspective on the basis [ph] of last year.

<Q – David Miller>: Right, right.

<A – David Ownby>: So I am not sure --

<Q – David Miller>: Okay. So the advertising component was higher was it not?

<A – David Ownby>: No. No, it wasn't.

<Q – David Miller>: All right. I'll take it offline. Thanks.

Operator: Thank you. Our next question comes from the line Jake Hindelong from Monness, Crespi, Hardt. Please proceed with your question. Your mike is now live.

<Q – Jake Hindelong>: Okay, thank you. Good morning.

<A – Amy Miles>: Good morning, Jake.

<A – David Ownby>: Good morning.

<Q – Jake Hindelong>: A couple of questions here just on pricing. So, we ex-out the impact of the premium product, it looks like it was up about 3.5% in the quarter, did you roll through specific pricing increases or is this more of something that was rolled through last holiday season.

<A – David Ownby>: We really do that on an ongoing basis, Jake. We don't typically take annual price increases; it's something we look at constantly and market specific, so really that's an ongoing process for us

<Q – Jake Hindelong>: Okay. And then, was there a mix impact here, I know it was very strong?

<A – David Ownby>: No, actually, our -- the mix of the films in terms of rating in the types of tickets that we sold was pretty similar last year.

<Q – Jake Hindelong>: Great, okay. And then focusing on the 3D product and the premium product later this year. I mean, how fast do you think you can rollout the 150 incremental 3D screens; and then on IMAX, where are you now and where do you think you can be by Toy Story, Christmas Carol and Avatar?

<A – David Ownby>: On the 150 screens, obviously we will look to have those in place prior to the big releases this holiday season. Those being the Jim Carrey movie and A Christmas Carol; and then Avatar, obviously. And in terms of IMAX, we have 40 screens operating today, and I think our stated goal was to have about 50 by the end of 2010 and those all will come online a little more evenly throughout that period.

<Q – Jake Hindelong>: Great, thanks. And then, one last question. Just on the NCM contribution for the second quarter, does that include the -- some sort of a timing impact on the tax receivable?

<A – David Ownby>: It did include the tax receivable -- that was also in the quarter last year.

<Q – Jake Hindelong>: Got it, great. Thanks much.

Operator: Thank you. Our next question comes from the line of Eric Handler with MKM Partners. Please proceed with your question. Your mike is now live.

<Q – Eric Handler>: Thanks. And I appreciate the time here. Three quick questions for you. Last quarter, you mentioned about new competition coming into certain of your markets, and that with your results last quarter. Does that also happen in this quarter? Secondly, with DCIP, if the equity portion guides on [ph] very soon I would say, could you talk into those funds or would you have to wait for the debt deal to be completed as well? And then last, in terms of the M&A market, are you

seeing more deals maybe coming to market as the smaller regional firms may not have the same access to capital as you guys do.

<A – Amy Miles>: Okay. I think, Eric, with respect to your first question, which was screen count. What we have noticed in -- I'll say it, part of 2008 and as we're rolling into 2009, a lot of times when you see growth in the industry, that can be fueled by smaller exhibitors who are building at a faster pace than larger exhibitors. So, I would say that's not a quarter-by-quarter dynamic, but it is more of the longer term dynamics. You would expect that maybe some of that would slow down for -- I'd say '010 and later, because some of the deals that are happening were deals that were put in place before the real estate market kind of slowed down. So we'd expect some overall impact in slowness and development for the industry as a whole.

<Q – Eric Handler>: But I thought you mentioned last quarter that they -- one of the reasons you might have underperformed the market last quarter was because of some new builds that were coming into your specific market?

<A – Amy Miles>: Yeah, and that's still true.

<Q – Eric Handler>: That's still true? Okay.

<A – Amy Miles>: That wouldn't be a one quarter dynamics, that would be out there and part of that is -- when we talk about that, as when we talk about -- when you try to figure out what the screen growth is to get a per screen analysis is just to use that 1%, sometimes isn't accurate for our market. So that's why David said, today if you look and say okay, 1 to 1.5% screen growth, that's more of a market analysis and that includes the deals from the regional players.

<Q – Eric Handler>: Got it.

<A – Amy Miles>: Okay. And with respect to DCIP, if you have third-party equity, no, you wouldn't be allowed to tap that because you could think about all that, kind of quazad debt, which I would call mezzanine financing and as well as senior debt that would be on top of that, I would close it the same day. One won't prefund the other. So you would have to wait until your debt deal was done to tap those funds, they would all close simultaneous.

<Q – Eric Handler>: Got it.

<A – Amy Miles>: Okay. And then today with respect to the M&A market we've always thought that as you convert to digital and you start needing access to capital that may provide some incremental acquisition opportunities for us. There is nothing that we could comment on today, but we've always believed that this environment may create more opportunities on the acquisition side.

<Q – Eric Handler>: Great. Thank you very much.

<A – David Ownby>: Thank you.

Operator: Thank you. Our next question comes from the line of Jeff Logsdon from the Bank of Montreal. Please proceed with your question. Your mike is now live.

<Q – Jeff Logsdon>: Thank you. Congratulations, Amy, on your promotion.

<A – Amy Miles>: Thank you, Jeff.

<Q – Jeff Logsdon>: One question just going back to the virtual print fees and I don't mean to beat the dead horse, but as you begin to add screens with digital projection and 3D capability; will the

virtual print fees come directly from the studios to you and if they do will that be a reduction in film rental cost or will that be a reduction in other theater cost?

<A – Amy Miles>: DCIP would be obviously the aggregator and the -- once we contribute this equipment to DCIP, that equipment is off our books. So all of the VPF collection would be on the books of DCIP.

<Q – Jeff Logsdon>: Okay.

<A – Amy Miles>: Okay? So that really does not go through the financial statements. The studios have an agreement to pay a virtual print fee to DCIP not the founding members of DCIP.

<Q – Jeff Logsdon>: I was just curious, as you proceeded with putting in the screens yourself, I guess, you're just really --

<A – Amy Miles>: That's why ultimately Jeff, we would contribute those to DCIP.

<Q – Jeff Logsdon>: Okay.

<A – Amy Miles>: When you have the agreement for and the other thing about DCIP that sometimes we forget to mention is they're, they have all the software, they are the back office for VPF collection, reporting. So some of our investment, DCIP has been the back office that handles all this reporting with respect to the CDOs.

<Q – Jeff Logsdon>: Could we surmise that ultimately the dollars that are being put into projectors today could be rolled into as an equity contribution into DCIP?

<A – David Ownby>: Yes.

<A – Amy Miles>: Yes.

<Q – Jeff Logsdon>: Okay, thank you.

Operator: Thank you. Our next question comes from the line of Eric Wold from Merriman Curhan Ford Incorporation [ph]. Please proceed with your question. Your mike is now live.

<Q – Eric Wold>: Thank you. Good morning. Switch gears a little bit and ask question on concessions, can you give us sense of how much of the margin variance in the quarter was due to, product mix versus vendor and then given a lot of the, your kind of new initiatives you discussed at the analyst day, in terms of your new product come out, how should we think about margins going forward, or even kind of your average price, you will -- kind of going forward?

<A – David Ownby>: Yeah, the majority of the change in our concession margin was related to the accounting for the vendor marketing revenue. So and just to make it easy here, if you strip that out of both periods and just look at the growth -- our growth concession margins before those vendor marketing dollars, I think it went up 10 basis points from last year.

<Q – Eric Wold>: Okay.

<A – David Ownby>: Okay. And then, you're right -- we did talk about some of our newer initiatives at the concessions stand, some had driving people to the concession stand, maybe that weren't previously coming or driving those folks to a higher price point. And we continue to see some benefit from that on the revenue line, small benefit on the revenue line it shouldn't have a material impact on our margin.

<Q – Eric Wold>: Okay. Okay, thank you guys so much.

<A – David Ownby>: All right. Thank you.

Operator: Ladies and gentleman, we have reached the allotted time for Q&A. I would like to turn the floor back over to Amy Miles for any closing remarks that you may have.

Amy E. Miles, Chief Executive Officer

All right. Thank you for dialing in to our call this morning. And we look forward to speaking with you again in October, for our third quarter call. Thank you.

Operator: Ladies and gentleman, this does conclude today's conference. You may disconnect your lines at this time. And we thank you for your participation.

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