

Contents

Industry Definition.....	3
ACTIVITIES (PRODUCTS AND SERVICES)	3
DEMAND & SUPPLY INDUSTRIES	3
Key Statistics	4
CONSTANT PRICES	4
CURRENT PRICES	4
REAL GROWTH.....	4
RATIO TABLE	5
GRAPHS	5
Segmentation	6
PRODUCTS AND SERVICE SEGMENTATION	6
MAJOR MARKET SEGMENTS.....	6
INDUSTRY CONCENTRATION.....	7
GEOGRAPHIC SPREAD	8
Market Characteristics	10
MARKET SIZE	10
LINKAGES	10
DEMAND DETERMINANTS	10
DOMESTIC AND INTERNATIONAL MARKETS.....	11
BASIS OF COMPETITION.....	11
LIFE CYCLE.....	12
Industry Conditions.....	13
BARRIERS TO ENTRY	13
TAXATION	13
INDUSTRY ASSISTANCE	13
REGULATION AND DEREGULATION	13
COST STRUCTURE	14
CAPITAL AND LABOR INTENSITY.....	14
TECHNOLOGY AND SYSTEMS	15
INDUSTRY VOLATILITY.....	15
GLOBALIZATION.....	16
Key Factors	17
KEY SENSITIVITIES.....	17
KEY SUCCESS FACTORS.....	17
Key Competitors	18
MAJOR PLAYERS.....	18
PLAYER PERFORMANCE	18
Industry Performance	29
CURRENT PERFORMANCE.....	29
HISTORICAL PERFORMANCE.....	33
Outlook	38

Industry Definition

This industry comprises establishments primarily engaged in operating motion picture theaters and/or exhibiting motion pictures or videos at film festivals, and so forth.

ACTIVITIES (PRODUCTS AND SERVICES)

The primary activities of this industry are:

- Motion picture theatre operation
- Drive-in motion picture theatre operation

The major products and services in this industry are:

- Miniplex Theatres (two to seven screens)
- Single Screen Theatres
- Multiplex Theatres (eight to fifteen screens)
- Megaplex theatres (more than sixteen screens)

DEMAND & SUPPLY INDUSTRIES

- ▣ 42245 - Confectionery Wholesalers in the US
- ▣ 51211 - Motion Picture and Video Production in the US
- ▣ 51212 - Motion Picture and Video Distribution in the US
- ▣ 54181 - Advertising Agencies in the US

SAMPLE

Key Statistics

CONSTANT PRICES

	2001	2002	2003	2004	2005	
Industry Revenue	*11,002.0	*12,246.0	*11,988.0	*11,809.0	*10,923.0	\$Mill
Industry Gross Product	*4,889.0	*5,277.0	*5,093.0	*5,015.0	*4,440.0	\$Mill
Number of Establishments	*5,535	*5,268	*5,105	*4,946	*4,798	Units
Number of Enterprises	*5,340	*5,185	*5,043	*4,902	*4,759	Units
Employment	*131,931	*133,124	*134,855	*136,608	*130,936	Units
Exports	N/A	N/A	N/A	N/A	N/A	
Imports	N/A	N/A	N/A	N/A	N/A	
Total Wages	*1,345.0	*1,408.0	*1,475.0	*1,544.0	*1,578.0	\$Mill
Domestic Demand	NC	NC	NC	NC	NC	\$Mill

CURRENT PRICES

	2001	2002	2003	2004	2005	
Industry Revenue	*10,045.9	*11,377.0	*11,363.7	*11,488.3	*10,923.0	\$Mill
Industry Gross Product	*4,464.1	*4,902.5	*4,827.8	*4,878.8	*4,440.0	\$Mill
Number of Establishments	*5,535	*5,268	*5,105	*4,946	*4,798	Units
Number of Enterprises	*5,340	*5,185	*5,043	*4,902	*4,759	Units
Employment	*131,931	*133,124	*134,855	*136,608	*130,936	Units
Exports	N/A	N/A	N/A	N/A	N/A	
Imports	N/A	N/A	N/A	N/A	N/A	
Total Wages	*1,228.1	*1,308.1	*1,398.2	*1,502.1	*1,578.0	\$Mill
Domestic Demand	NC	NC	NC	NC	NC	\$Mill

REAL GROWTH

	2001	2002	2003	2004	2005	
Industry Revenue	*7.2	*11.3	*-2.1	*-1.5	*-7.5	%
Industry Gross Product	*9.3	*7.9	*-3.5	*-1.5	*-11.5	%
Number of Establishments	*-3.6	*-4.8	*-3.1	*-3.1	*-3.0	%
Number of Enterprises	*-2.9	*-2.9	*-2.7	*-2.8	*-2.9	%
Employment	*1.3	*0.9	*1.3	*1.3	*-4.2	%
Exports	N/A	N/A	N/A	N/A	N/A	%
Imports	N/A	N/A	N/A	N/A	N/A	%
Total Wages	*4.8	*4.7	*4.8	*4.7	*2.2	%
Domestic Demand	NC	NC	NC	NC	NC	%

Note:

Unless otherwise specified, an asterisk (*) associated with a number in a table indicates an IBISWorld estimate.

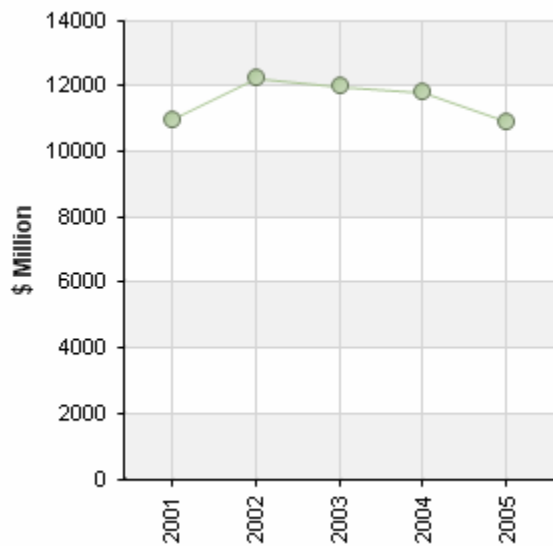
Unless otherwise specified, references to dollars are to US dollars.

RATIO TABLE

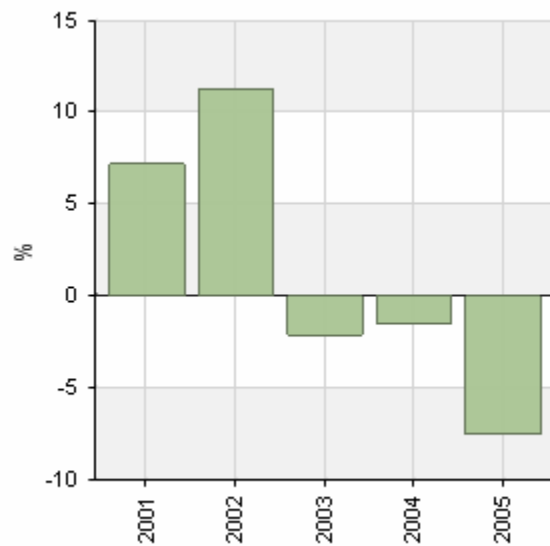
	2001	2002	2003	2004	2005	
Imports share of domestic demand	N/A	N/A	N/A	N/A	N/A	%
Exports Share of Revenue	N/A	N/A	N/A	N/A	N/A	%
Average Revenue per Employee	*0.08	*0.09	*0.09	*0.09	*0.08	\$Mill
Wages and Salaries Share of Revenue	*12.23	*11.50	*12.30	*13.07	*14.45	%

GRAPHS

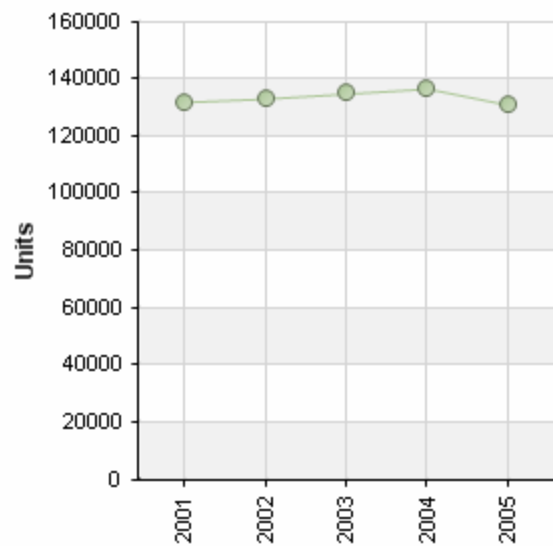
Revenue



Revenue Growth Rate

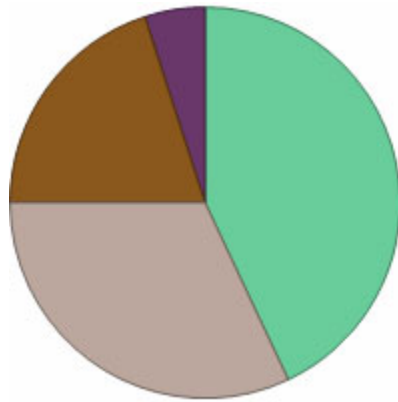


Employment



Segmentation

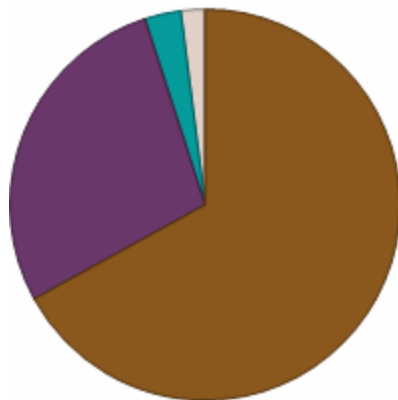
PRODUCTS AND SERVICE SEGMENTATION



Product/Services	Share
Miniplex Theatres (two to seven screens)	43.0%
Single Screen Theatres	32.0%
Multiplex Theatres (eight to fifteen screens)	20.0%
Megaplex theatres (more than sixteen screens)	5.0%

- Between 1980 and 2004, indoor screens increased from 17,590 to 35,993 in 5620 theaters, while drive-in screens decreased from 3,561 to 601
- In 2004, there were a total of 6,012 theaters (which decreased from 7,744 in 1995), of which 5,620 (down from 7,151 in 1995) were indoor and 392 (down from 593 in 1995) were drive-ins. About 25% of theaters were multiplexes, 9% were megaplexes, 27% were single screen and 39% were miniplexes. There were also a total of 36,594 screens (up from 27,805 in 1995) of which 35,993 were indoor and 601 were drive in screens.
- Also, within the indoor theatre component, some major operators have primary, high admissions price complexes as well as secondary, budget facilities and admissions theatres which screen movies after the initial movie season at their primary complexes has ended.

MAJOR MARKET SEGMENTS



Market Segment	Share
Admissions	67.0%
Concessions	28.0%
Advertising	3.0%
Other	2.0%

- IBISWorld estimates that about 67% of industry revenue is derived from gross box office receipts, 3% from screen advertising and 28% from sales of food and beverages (on which gross margins of 80% can apply) from owner-operated refreshment bars. The remainder is derived from rent, leasing, hiring and from operating and non operating areas.
- All revenue is derived from household expenditure, apart from advertising income.

Research by the MPAA has indicated that:

- 27% of movie goers classify themselves as frequent attenders and account for 82% of all admissions;
- 60% of movie goers are either frequent or occasional goers;
- 19% of movie admissions are from persons aged 12-17 years;
- 12-24 year olds account for 30% of the audience;
- over 40 year olds account for 40% of the movie audience;
- 40% of frequent movie goers tend to be aged from 12-24 years;
- 51% of teenagers indicate that they are frequent movie goers, compared to 24% of adults;
- in 2001, 54% of teenagers attended movies frequently, compared with 45% in 1996;
- single adults continue to go to the movies more than married adults;
- nearly a third of parents with teenage children are frequent movie goers;
- adults who attended college go to the movies more frequently than those who are not college educated;
- males usually attend more movies than females; and
- on a per capita basis, the average person attends 5.3 times a year, the Hispanic population attends around 9.9 movies a year (and account for 15% of all admissions), the Black population attends 7.8 movies a year (11% of total admissions) and the White population attends 8.1 films a year, on average, and accounts for 68% of all admissions.

INDUSTRY CONCENTRATION

Concentration in this industry is medium

- In 2005, the top four players are estimated to control over 42% of screens and over 50% of total industry revenue.
- The concentration level has increased since 2002, with a number of the major operators purchasing a number of small and larger operators, following their release from Chapter 11 proceedings. In 2003, the concentration level had increased with Regal Entertainment acquiring many of Hoyts Cinemas assets which gave it a 21.6% share of industry revenue. It has expressed a desire to eventually control about 30% of the industry.

Distribution of Employer Establishments by Employee Size, 2003

No. of Employees	Units Establishments	Percent Total
1-4	912	17.8%
5-9	621	12.2%
10-19	1259	24.6%
20-49	1609	31.5%
50-99	557	10.9%
100-249	144	2.8%
250-499	6	0.1%
500-999	0	0.0%
1000+	2	0.0%

Total	5110
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Source: US Census - County Business Patterns

Note: Information relates to employer establishments only (i.e. excludes non-employer establishments).

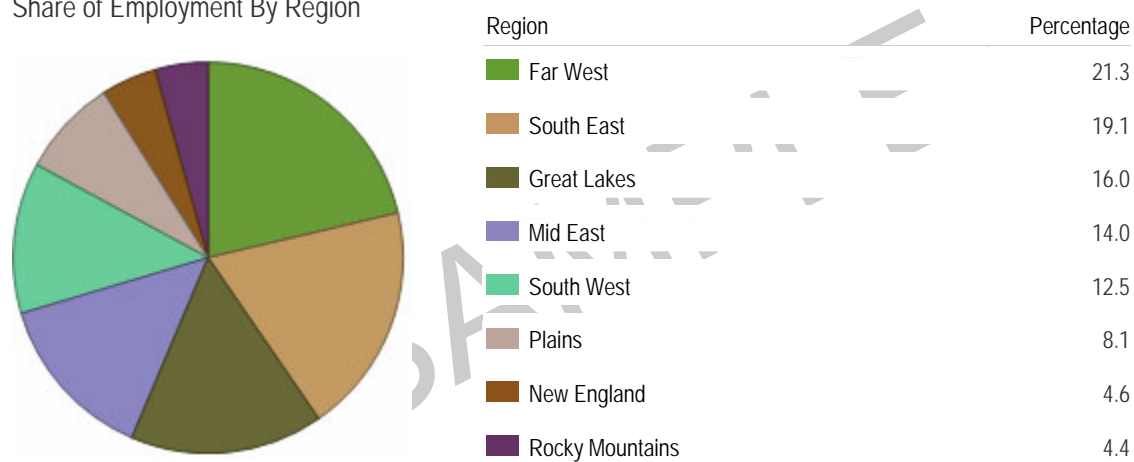
The industry is divided between a large number of small establishments and two significant operators with more than 1000 employees each.

The table indicates that over two thirds of establishments had between 10 and 49 employees. There was still a significant number that had more than 100 employees. However, 30% are still small operations, with 9 employees or less, and two operators had more than 1,000 employees. The level of industry concentration is expected to increase in the near future, due to further consolidation.

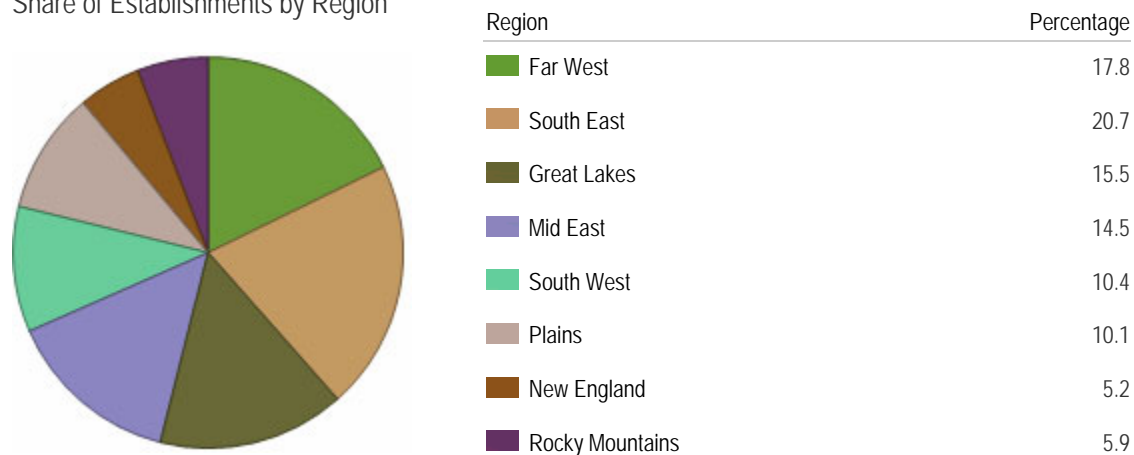
GEOGRAPHIC SPREAD

Year: 2006

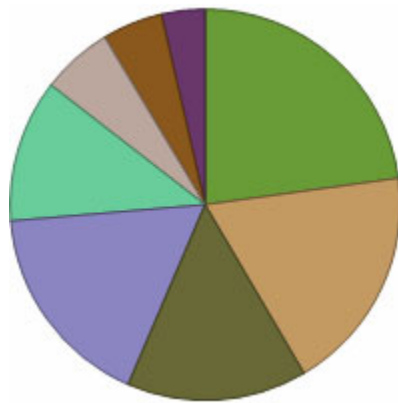
Share of Employment By Region



Share of Establishments by Region



Share of Industry Revenue by Region



Region	Percentage
Far West	22.8
South East	18.7
Great Lakes	14.9
Mid East	17.2
South West	11.8
Plains	5.9
New England	5.0
Rocky Mountains	3.6

- The industry is broadly distributed according to population, as indicated in the table below.

Population Distribution by Region, 2007

Region	Percentage Population
New England	4.8
Mid East	15.9
Great Lakes	15.3
Plains	6.7
South East	25.1
South West	11.7
Rocky Mountains	3.4
Far West	17.1
Total	100

Source: IBISWorld

- There is a slightly higher concentration in the Far West and South East regions, which have a concentration of some of the largest cities, and a greater propensity to view films. Some of the cities in these regions also have a close association with the film production industry.
- This level of geographic concentration is expected not to change in the near future.

Market Characteristics

MARKET SIZE

- IBISWorld estimates that, in constant 2005 prices, the Motion Picture and Video Exhibition Industry will generate \$10,630 million in revenue in 2007, which represents a real revenue decline of 1.3%, due to the expected continuing decline in movie attendances and box office receipts.
- This industry will also contribute an estimated \$4,352 million to the US economy in 2007, which represents 0.03 % of total GDP.

In 2007, IBISWorld also estimates that this industry;

- Consists of approximately 4,352 establishments, which is 1.5% lower than in 2006, due to continuing theater site consolidation;
- Employs approximately 127,962, which is 1.3% lower than in 2006; and
- Pays total wages of \$1,647 million, which is 2.2% higher in real terms than in 2006.

LINKAGES

Demand Linkages

- 54181 - Advertising Agencies in the US
Demand for cinema advertising

Supply Linkages

- 42245 - Confectionery Wholesalers in the US
Supply of confectionery, ice-cream, drinks etc.
- 51211 - Motion Picture and Video Production in the US
Supply of movies
- 51212 - Motion Picture and Video Distribution in the US
Distribution of movies

DEMAND DETERMINANTS

- IBISWorld contends that the demand for movie theater attendance is not one for a homogeneous product, but is for a package of services, that can be highly differentiated. The package includes and varies according to whether it is a new release movie, its quality and sound presentation, as well as the comfort, location and ease of access to the theatre complex.
- The two basic motivations are the movie going experience itself and demand for a particular movie.
- There are, therefore, both price and non-price factors involved in demand. In the latter category can be included the taste and preferences of consumers, the stage of a movie's lifecycle, the time of the year, the session time, as well as, income and demographic effects.
- The release of a series of blockbuster movies can also increase admissions and industry revenue significantly, as was witnessed throughout the period from 2002 to 2004.
- The highest frequency of attendance in the population occurs with the 18 to 24 year old age group. There has, however, been an audience profile shift, partly due to demographic changes, in terms of the progressive aging of the population. This has important implications on the types of movies required to be produced and screened to ensure that the demands of this older age group can be satisfied.

- Economic conditions, particularly trends in the real growth in household disposable income, which is affected by changes in the growth of employment and from tax and interest rate movements, as well as high gas prices. Changes in consumer confidence also has a significant effect on demand.
- The traditional summer holiday season accounts for around 40% of industry annual revenue, so there is a high level of seasonality.

DOMESTIC AND INTERNATIONAL MARKETS

Domestic and International Markets Exports

Exports in this industry are low

Exports in this industry are increasing

Domestic and International Markets Imports

Imports in this industry are low

Imports in this industry are steady

Domestic and International Markets Analysis

- The industry primarily services the needs of the domestic market, however, three of the top six operators have purchased or developed theaters overseas, either solely or in a joint venture arrangement with local companies, in Spain, Turkey, Hungary, Latin America, Japan and Canada. However, the actual share of revenue derived by these international operations typically accounts for under 9 % of the total.

BASIS OF COMPETITION

Competition in this industry is high

Competition in this industry is increasing

Internal Industry Competition

- IBISWorld indicates that the basis of industry competition includes admission prices, but is more related to access to a continuing supply of quality and first release movie product (including regular blockbusters) which suits the particular audience which is being targeted. Links with movie distributors with a strong list of film releases is, therefore, a must.
- Some operators offer cut price first release movies but these can be at older style theaters, while many others provide combined offers, of a movie ticket, plus discounted drinks, popcorn etc. as part of a packaged deal.
- Also important, is the location of the theatre, within or near a shopping center/mall (or in a complex which has a number of entertainment related retailers) and also providing easy access and car parking.
- The quality of the theatre's facilities (including now digital vision and audio equipment, stadium seating in a multiplex complex) and, increasingly, the session times and the day of the week for screenings are also important.
- During the mid-1980s, a reduction in industry revenue occurred due to the introduction of close substitutes in the home entertainment area (i.e. video cassette recorders).

External Competition

- Competition is currently being felt from personal computers, DVD players, home theater systems and the internet, the latter which is of particular entertainment value to young people.
- It is the rapid penetration of the in-home entertainment equipment into households which affects industry revenue as it leads to competition for a share of household disposable income spent on entertainment.

LIFE CYCLE

Life Cycle Stage

The life cycle stage is mature

Life Cycle Reasons

- Aging of the population
- Competition from in-house entertainment substitutes
- Poor financial returns and associated rationalization.

Life Cycle Analysis

- IBISWorld contends that the industry is in a mature phase of its development, as witnessed by the recent significant operator site and screen consolidation process associated with the filing for Chapter 11 Bankruptcy protection by most major operators. The filings followed the significant investment in new multi-theatre complexes and increased debt levels. However, the resultant growth in admissions was only marginal, until the more recent release of a string of blockbuster movies.
- Until very recently, the industry's revenue growth resulted more from significant growth in real ticket prices, rather than increased demand.
- Consolidation of theaters, particularly single screen ones, is continuing.
- The industry is also facing significant competition from the internet delivery of movies and the current availability of video-on-demand services by cable and satellite networks using digital technology.
- Significant competition is continuing to come from other sources of entertainment, including from DVDs.

Industry Conditions

BARRIERS TO ENTRY

Barriers to entry in this industry are medium
These barriers are steady

- The main barrier is having access to the latest release movies in a timely manner.

Analysis

- Indirectly there may be some operational barriers to entry, in terms of obtaining access to suitable movie product from the major distributors, all of which have agreements for the supply of movies from the major Hollywood studios. This barrier may not be as significant for niche or art house theater operators.
- Also, movies from the major distributors can tie an operator into screening a movie for a certain number of sessions per day (sometimes with times of sessions also forming part of the agreement) and for a certain number of weeks.
- Depending on the release, the revenue sharing agreement with the distributor, may also commence at 55% of box office for the first week, but then declining to between 25% and 33% by weeks 3 to 5.
- There are, also, significant costs associated with establishing multi-screen theatres with stadium seating etc. and with the emerging digital visual and audio technology.

TAXATION

Goods	Tax Rate	Tax Type
Entertainment tax	5 - 10%	Industry Specific

- Some states have a local city tax imposed an amusement or entertainment and/or a ticket tax, which can be around 5%. For instance, in Pittsburgh, a 5% entertainment tax applies to all sports and entertainment ticket sales.

INDUSTRY ASSISTANCE

The level of Industry Assistance is none
The trend of Industry Assistance is steady

There are no specific tariffs for this industry

- The industry receives no government assistance.

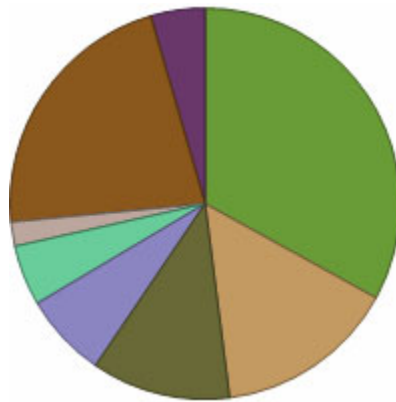
REGULATION AND DEREGULATION

The level of Regulation is light
The trend of Regulation is steady

- The main regulation relates to adhering to the movie's classification for audience admission in terms of the selling of tickets. Since November 1, 1968, the Motion Picture Association of America and the National Association of Theatre Owners have undertaken the ratings of films on a voluntary basis.
- There is no regulation of ticket prices.
- The industry does, however, have to also comply with the general food handling, disability access, public safety and occupational health and safety regulations.

COST STRUCTURE

Year: 2006



Item	Cost %
Film hire/rental	33.0%*
Wages	15.0%*
Rent	11.5%*
Depreciation	7.0%*
Purchases	5.0%*
Utilities	2.0%*
Other	22.0%*
Profit	4.5%*

Analysis

- Similar to most service industries, there is a need to have a significant labor input in all areas, from ticket selling to cleaning and film acquisition for screening. As such, wages account for around 15 % of revenue. However, the most significant costs are film hire/rental - which accounts for around a third of total revenue, and which increases with any increases in admissions revenues, under various revenue sharing arrangements with film distributors and producers.
- Also, rental/leases on buildings is a significant cost, due to the need to usually be located within or near a major shopping mall or other entertainment complexes.
- While many major operators had in the recent past made significant losses, the recent financial restructuring of a number of major operators, coupled with some increased demand and average ticket prices, the financial losses have been significantly reduced and many are making profits again. For fiscal 2003 and into early 2004, the net income to revenue margin tended to be in the range of between 2% and 5%.

CAPITAL AND LABOR INTENSITY

The level of Capital Intensity is low

- The industry is still a service-based one with a need for a high level of customer service.

Analysis

Ratio: The labor intensity of this industry is determined by the ratio of labor to capital. To calculate this ratio, wage and depreciation costs (taken from the cost structure) are utilized as proxies.

- The proportion of costs related to wages is about 15% and the proportion related to capital is around 7 % and the ratio of labor to capital is 1:0.46, meaning that for every dollar spent on wages, an additional forty six cents is spent on using and replacing buildings and equipment.

The industry has a high level of labor input in areas such as:

- ticket selling,
- cleaning,

- security; and
- information.

This occurs despite the recent significant investment by major operators in multiplexes and megaplexes (although the rental/leasing of cinema complexes is increasing) and in internet information, booking and ticket selling. Major operators also have a high proportion of young, part-time and casual employees in their employees to cover varying demand over the day/week or year and for lower wage cost considerations.

TECHNOLOGY AND SYSTEMS

The level of Technology Change is medium

- Since the mid-1990s, the most significant change in this industry has been the investment in multiplexes and megaplexes.
- However, another major change currently occurring, is in the introduction of digital visual and audio equipment. There is also the prospect of the distribution of movies to theaters by satellite or broadband, thereby, significantly reducing film distribution costs. While this technology is still very expensive (up to \$150,000 per screen) it has appeared in some theaters, especially those operated by Regal Entertainment Group. Plasma screens in foyers which offer quality previews of films and some advertising, are also appearing. In December 2005, Carmike Cinemas announced that it had entered into an agreement to install 2,300 digital cinema projection systems, using 2K DCI-compliant DLP Cinema projectors, throughout the US over the period to October 2007.
- Some major operators are signing agreements with major cable distributors to supply better quality short film product, for screening before the main feature.
- Touch screen cinema ticketing machines, using Windows based software has been introduced. The system also provides scheduling and financial reporting components. Only limited training is required by staff to operate the system. EFTPOS and credit cards facilities for payment are also becoming available.
- Self service ticketing machines have been introduced, together with automated phone booking service and reserved seating becoming available again for popular sessions. Domestically, some cinemas have introduced touch screens for patrons to view trailers prior to booking.
- All major operators now provide information on films, sessions and previews on the Internet and/or a phone information line. Advertising of sessions in newspapers has been reduced with the increased use of this technology.
- Ticket sales over the internet are available - with the ability to print tickets on customers' own printers or to collect them in theater foyers, without waiting.
- Eastman Kodak has introduced its Screencheck Experience program, which monitors and improves projection in theaters.
- In October 2005, Cinemike Cinemas signed an agreement with Fandango to allow for online and phone movie ticketing services.

INDUSTRY VOLATILITY

The level of volatility is medium

- Significant growth in revenues from good economic, employment and household income growth conditions.
- Regular releases of blockbuster movies can significantly affect admissions and concessions revenues.
- Also there had been significant improvement in facilities, through investment in multiplexes.
- This had been accompanied by significant increases in real ticket prices.

GLOBALIZATION

The level of Globalization is low

The trend of Globalization is increasing

- Three operators, Loews Cineplex Entertainment Corp., Cinemark USA, Inc, & AMC Entertainment Inc., have purchased or developed, either solely or in a joint venture arrangement with a local company, theatre complexes in Spain, Turkey, Hungary, Latin America, Japan and Canada.

SAMPLE

Key Factors

KEY SENSITIVITIES

The key sensitivities affecting the performance of the Motion Picture and Video Exhibition industry include:

Competition from Substitutes - Television Services - Motion Picture and Video Exhibition

The industry is affected by the increasing rate of penetration of households by cable TV and other entertainment related household equipment, such as DVDs , VCRs, movies over the internet etc.

Per Capita Disposable Income

Description: The level of and/or movements in real per capita disposable income.

The demand for movie attendance is dependant on changes in real household disposable income which is affected by changes in the growth rate of employment and from tax and interest rate changes.

Upstream Supply - Motion Picture and Video Production

The industry is affected by the regular production and distribution of blockbuster movies.

KEY SUCCESS FACTORS

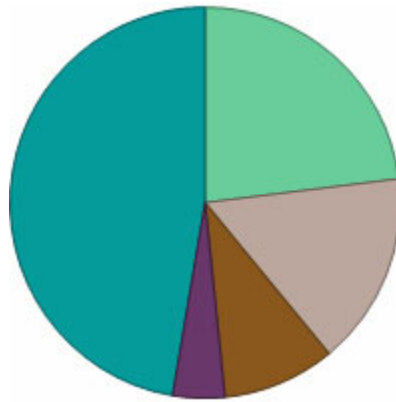
The key success factors in the Motion Picture and Video Exhibition industry are:

- Ability to quickly adopt new technology
Ability to link onto new and latest digital visual and audio equipment to increase the audience entertainment experience and attract increased advertising revenue.
- Access to multiskilled and flexible workforce
Access to a supply of young casual workers to cover daily, weekly and annual demand peaks and for cost considerations.
- Being part of a group buying, promotion and marketing scheme
Being part of a chain operation to obtain cost advantages, as well as access to blockbuster films.
- Guaranteed supply of key inputs
Guaranteed on-going supply of quality movies in line with local audience tastes and demands.
- Proximity to key markets
Identifying key local market segments for movies to be shown and offering easy access - including parking.

Key Competitors

MAJOR PLAYERS

Market Share



Major Player	Market Share Range
Regal Entertainment Group	23.04% (2005)
AMC Entertainment Inc	16.00% (2006)
Cinemark USA, Inc	9.33% (2005)
Carmike Cinemas, Inc	4.29% (2005)
Other	47.34% (2005)

PLAYER PERFORMANCE

Regal Entertainment Group

Market Share: 23.04%

History

Regal Cinemas is the largest operator in this industry, is based in Knoxville, Tennessee, and is also involved with IMAX 3-D theatres. At the end of January 2002, it was reported that Anschutz Corp was to consolidate its theatre chains, Regal Cinemas, United Artist Theatre Circuit and Edwards Theatres into one entity, which would save up to \$25 million in overheads. In May 2002 this occurred, the new company was renamed Regal Entertainment Group and a \$342 million IPO was floated in the same month.

At the end of 2004, the company had 6,273 screens at 558 theaters across 40 States.

The company was owned by investment firms, Hicks Muse Tate and Furst, in association with Kohlberg Kravis Roberts. It had previously emerged from bankruptcy at the end of January 2002, owned by billionaire, Philip Anschutz.

In 2000 and 2001, around \$450 million of the debt of Regal Cinemas acquired by Mr. Anschutz, who also owned United Artists Theatre Circuits, which is the sixth largest operator in this industry, and the two entities were eventually merged.

The following three tables provide an overview of the performance of this company in the key areas of financials, revenue by source, attendances, the average ticket price and expenditure on concessions by patrons.

Recent Company Performance

Fiscal Year	Million Dollars Revenue	Percent Growth	Million Dollars Net Income	Percent Growth	Units Employees	Percent Growth
2002	2140.2	N/C	117.2	N/C	22797	N/C
2003	2489.9	16.3%	185.4	58.2%	27161	19.1%
2004	2468.0	-0.9%	82.5	-55.5%	25410	-6.4%

2005	2516.7	2.0%	91.8	11.3%	24602	-3.2%
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Source: SEC Filings
Note: Fiscal year ending December.

Revenue by Source

Fiscal Year	Million Admissions	Million Concessions	Million Other	Million Total
2002	1453.7	588.3	98.2	2140.2
2003	1690.0	646.2	153.7	2489.9
2004	1657.9	636.4	173.7	2468.0

Source: SEC Filings

Audience Data

Fiscal Year	Million Total Admissions	Dollars Average Ticket Price	Dollars Average Concession Expenditure
2002	241.4	6.02	2.44
2003	265.6	6.36	2.43
2004	253.8	6.53	2.51

Source: SEC Filings

Fiscal 2002

For 2002, total revenue was \$2,140.2 million, with revenue from admissions at \$1,454.0 million, \$588.3 million from concessions and \$98.2 million from other operating revenue. Film and advertising expenses totaled \$833.8 million, the cost of concessions was \$88.9 million, rent expenses was \$255.1 million and other operating expenses totaled \$540.7 million. Operating income was \$310.7 million and net income was \$117.2 million (a margin of 5.5 %).

In late-2002, Regals' digital delivery system was online at around 2,000 screens and 575 plasma screens in the lobbies of theaters in 15 designated markets and planned to be online at 4,500 screens by December 2003. The cost to build the digital network at an average of \$15,560 per screen to all the 4,500 screens was estimated at \$70 million. However, advertising revenue was expected to increase significantly. The current \$7,000 digital projectors were not of high enough quality to project films, but the satellite network, when established, together with higher quality projectors (when projector standards are eventually agreed by film studios) was expected to make it more attractive to advertisers.

Fiscal 2003

In January, the company announced that it aimed to raise its market share of the domestic movie theater industry from 23.0% to 30.0%, mainly through acquisitions. Also in that month, Regal announced it had entered into a multi-year programming and marketing alliance with Turner Broadcasting Systems Inc and Time Warner Inc which covered its in-theater Digital Content Network (DCN). These latter companies were to provide digital video content, which included entertainment, sports and educational programming, as well as on-screen and in-lobby marketing and advertising products. The companies were also to provide short form entertainment product, which could be sourced from areas such as the Cartoon Network and Turner Network Television for pre-feature screening. A similar venture was signed with Vivendi Universal Entertainment.

In February, it announced that it had purchased 52 of 97 Hoyts theaters for \$200 million in cash and stock, from Consolidated Press Holdings, Australia. These theaters had 554 screens. This increased the company's presence in the Northeast region, (especially Boston and Washington). In March, it announced that it planned to open 118 new screens over the next two years, all with stadium seating, computerized box office and customer service desks in the lobbies for collection of pre-paid tickets, which could be booked through REGmovies.com or E-Z Ticket Kiosks.

Investment in the digital content network screens continued at an average of \$15,000 per screen, and with a likely total investment now of around \$73 million.

For fiscal 2003, total revenue was \$2,489.9 million - admissions revenues was \$1,690.0 million, concessions revenue was \$646.2 million and other operating revenue was \$153.7 million. In terms of operating expenses, film rental and advertising costs increased 5.5% to \$833.8 million, cost of concessions increased 5.3% to \$88.9 million, rental expenses increased 17.4% to \$255.1 million and other theater operating expenses increased 0.2% to \$540.7 million. General and administrative expenses increased 2.6% to \$66.8 million, merger and restructuring costs increased 15.3% to \$21.8 million, depreciation costs increased 5.4% to \$141.6 million and impaired costs on assets increased 9.4% to \$7.0 million. Operating income increased 9.6% to \$310.7 million, income before taxes increased 21.5 % to \$251.5 million and net income increased to \$185.4 million (or 7.4% of revenue).

Fiscal 2004

In January, Regal revealed plans for four new cineplex sites throughout New York and Massachusetts to be opened by Spring 2005. In March, it indicated its digital content network, Cinemedia, was built around low cost projectors and supported by other digital equipment which could cost around \$150,000 per screen. They were operated by the screening of movies with a computer hard drive or DVD player which is linked to a central network server. It provided the opportunity to increase advertising revenue using new, higher quality digital formats and for films and other products, which included live concerts feeds distributed to theaters via cable or satellite. In early 2004, it had the digital network in 394 theaters, with a total of 4700 screens and developed a 20 minute advertising segment that was called "The Twenty". This played before the movie's advertised starting time and is filled with long-form advertisements which are designed to both entertain and inform.

The company experienced a weak January and February in terms of sales, but the release of "The Passion of Christ" boosted revenues in March. In April, the company indicated that it would purchase 37 additional theaters from Signature Theaters to bring its total to 580, with a total of just over 6400 screens. It expected the release of "Van Helsing" and "Shrek 2" in May and "Harry Potter and the Prisoner of Azkaban" in June to boost revenues.

For fiscal 2004, total revenue was \$2,468.0 million, with admissions revenue at \$1,658.0 million, concessions revenue at \$636.0 million and other operating revenue was \$174.0 million. Net income decreased to \$82.5 million. In line with the reduced release in the number of blockbuster movies, the number of admissions declined 4.4 to 253.8 million, but the average ticket price still increased 2.7% to \$6.53. The average expenditure on concessions per patron also increased 3.3% to \$2.51.

Fiscal 2005

In March, Regal, together with AMC, announced the merger of their cinema screen advertising businesses in a new joint venture company, National CineMedia LLC. This company focuses on the marketing and sale of cinema advertising and promotional products, business communications and training services and the distribution of digital alternative content.

The company represented 11,200 North American theater screens, of which 8,200 were digital and with a total of 450 movie admissions annually.

In July, the company acquired Eastern Federal Corporation for \$125.2 million and it owned 21 theaters and 230 screens, mainly in Florida, North Carolina and South Carolina.

For fiscal 2005, revenue increased 2.0% to \$2,516.7 million, net income also improved to \$91.8 million, to a margin of 3.7% of revenue.

Fiscal 2006

For the first three quarters fiscal 2006, total revenue increased 5.2% to \$1,945.4 million, as admissions revenue increased 5.8% to \$1,224.7 million, concessions revenue increased 8.0% to \$524.8 million, but other operating revenue decreased 9.0% to \$125.5 million. Income from operations increased 24.3% to \$223.2 million, but net income fell slightly to \$57.1 million, a margin of 2.9% of revenue.

AMC Entertainment Inc

Market Share: 16.00%

History

AMC Entertainment Inc is the second largest theater operator and has its head office in Kansas City. At January 2006, it operated 240 theaters with 5,900 screens, of which the vast majority were in North America. It has theaters in Sweden, UK, Spain, Canada, Japan, Hong Kong, France and some other European cities, but generates around 90 % of its revenue from the domestic market. The company is also a part owner in the MovieTickets.com venture.

In July 2004, J.P. Morgan Partners and Apollo Management purchased AMC Entertainment Inc, with the deal worth \$1.67 billion in cash and \$748 million in assumed debt, less \$399 million in AMC's cash and equivalents, through a \$19.50 cash per share deal. This deal received all required anti-trust approvals and was completed in the third quarter, fiscal 2005.

In June 2005, the company announced the acquisition of Loews Cineplex and their respective holding companies, Marquee Holdings Inc. and LCE Holdings LLC into Marquee Holdings, which was controlled by J.P. Morgan Partners LLC and Apollo. Combined these two companies had 450 theaters, 5,900 screens across 30 States and 13 countries and with 24,000 employees and 280 million admissions annually. In January 2006, the company announced the completion of its merger with Loews Entertainment, with interests in 415 theaters with 5,672 screens across 29 States and the District of Columbia and 11 countries, with 24,000 staff and 250 million admissions annually.

The company was one of the few majors in this industry which had not applied for Chapter 11 bankruptcy protection and achieved this through a combination of increasing its ticket prices and reducing costs, which included closing 800 screens.

A summary of the recent financial performance of this company is provided in the table and analyzed further below.

Recent Company Performance

Fiscal Year	Million Dollars Revenue	Percent Growth	Million Dollars Net Income	Percent Growth	Units Employees	Percent Growth
1999	1027	N/C	-16.0	N/C	12300	N/C

2000	1123	9.3%	-55.0	243.8%	12800	4.1%
2001	1214.8	8.2%	-105.9	92.5%	13900	8.6%
2002	1341.5	10.4%	-11.5	-89.1%	17700	27.3%
2003	1791.6	33.6%	-20.3	76.5%	18300	3.4%
2004	1782.8	-0.5%	-10.7	-47.3%	17200	-6.0%
2005	1806.6	1.3%	-80.3	650.5%	15600	-9.3%
2006	1730.5	-4.2%	-188.8	135.1%	21400	37.2%

Source: SEC Filings
Note: Fiscal year ending March.

Fiscal 2001

For fiscal 2001, revenue increased to \$1,214.8 million, the gross margin increased to 23.6% and the net loss increased to \$105.9 million. Higher revenue resulted from increased ticket prices and the opening of new international theaters.

Revenue from international theatrical exhibition had also increased, mainly due to increased attendances at its Japanese theaters. At the end of December 2001, the company had 176 theaters with a total of 2,820 screens covering the US, Canada, France, Hong Kong, Japan, Portugal, Spain and Sweden.

Fiscal 2002

For fiscal 2002, total revenue was \$1,341.5 million, the adjusted EBITDA was \$161.0 million and the net loss of \$11.5 million.

In March 2002, the firm completed its acquisition of GC Companies Inc., for \$168.5 million, which included 66 theaters with 621 screens and a 50 % joint venture partnership that operated 17 theaters and 160 screens in South America. The firm also purchased New Orleans based theater company, Gulf States Theaters for \$45.8 million.

Fiscal 2003

For fiscal 2003, total revenue increased 6.9% to \$1,791.6 million, as revenue from admissions increased 8.0% to \$1,217 million and 3.2% from concessions to \$456.0 million, as other revenue accounted for the remainder. However, total costs increased 8.0% to \$1,737.0 million, as film exhibition costs increased 9.1% to \$663.0 million, and an overall net loss of \$20.3 million was reported, which increased from \$6.4 million in the previous year. Over the year, the company closed 111 screens, but also opened 93 new megaplex screens and also was successful in the integration of the General Cinema and Gulf States acquisitions.

In December 2003, the company acquired three 16-screen megaplex cinemas from MegaStar Cinemas LLC in Atlanta and Minneapolis-St Paul. AMC also entered preliminary discussions with Loews Cineplex Entertainment Corporation about a possible business combination.

Fiscal 2004

In early 2004, the company opened two new megaplexes, one with 34 screens in Burbank, California and the other with 18 screens at Altamonte Mall in Orlando, Florida and operated 238 theaters with a total of 3,531 screens across the US,

Canada, France, Hong Kong, Japan, Portugal, Spain, Sweden and the UK. By mid-year the it had disposed of 46 screens and had an average total of 3,494 screens.

For fiscal 2004, total revenue was almost static at \$1,782.8 million, as admissions revenue increased 0.6% to \$1,219.0 million, concessions revenue decreased 2.5% to \$457.0 million, other theater revenue increased 11.0% to \$54.0 million and other revenue decreased to \$52.5 million. Film and exhibition costs declined 1.8% to \$649.4 million, concession costs declined 6.7% to \$51.3 million, theater operating expenses decreased 4.3% to \$419.6 million, but rent increased 4.5% to \$314.0 million. Total costs and expenses decreased 2.3% to \$1,690.0 million. The net loss was \$6.9 million.

Fiscal 2005

In March, AMC together with Regal announced the merger of their cinema screen advertising businesses in a new joint venture company, National CineMedia LLC, which will focus on the marketing and sale of cinema advertising and promotional products, business communications and training services and the distribution of digital alternative content. The company represented 11,200 North American theater screens, of which 8,200 were digital and with a total of 450 movie admissions annually.

In June, the company announced a merger with Loews Cineplex and their respective holding companies, Marquee Holdings Inc. and LCE Holdings LLC into Marquee Holdings, which is controlled by J.P. Morgan Partners LLC and Apollo. Combined these two companies had 450 theaters, 5,900 screens across 30 States and 13 countries and with 24,000 employees and 280 million admissions annually.

For fiscal 2005, total revenue increased 1.3% to \$1,806.6 million, as attendances fell but admission and concession prices were raised. Cost of goods sold was static at \$1,169.1 million (or 64.7% of revenue) and the gross profit increased only 3.5% to \$637.5 million (a margin of 35.3%). Selling, general and administrative expenses increased 56.0% to \$599.8 million, depreciation totaled \$138.2 million and operating income fell 64.5 % to \$37.8 million (or to 2.1% of revenue). The net loss increased to \$70.6 million.

Fiscal 2006

In January 2006, the company announced the completion of its merger with Loews Entertainment, with interests in 415 theaters with 5,672 screens across 29 States and the District of Columbia and 11 countries, with 24,000 staff and 250 million admissions annually.

During the year it disposed of 10 theaters and 120 screens in the US, 4 theaters and 86 screens in Spain and a theater with 20 screens in Portugal. It still had 413 theaters with 5,603 screens, with 82% located in North America. In the US it had 314 theaters with 4,437 screens across 29 States and the District of Columbia. It had an average of 14.3 screens per theater.

For fiscal 2006, total revenue was \$1,730.5 million, with \$1,169.2 million from admissions, \$466.7 million from concessions and \$94.6 million from other revenue. Total cost and expenses was \$1,710.2 million, with \$610.6 million in film exhibition costs, \$462.2 million in operating expenses, \$341.3 million in rent and \$168.8 million in depreciation. The net loss increased to \$188.8 million, from \$34.8 million previously.

Cinemark USA, Inc

Market Share: 9.33%

History

This company has its head office in Plano, Texas, operates a number of discount theatres, has an on-line theatre ticket purchase system and generates about three quarters of its revenue from its domestic operations.

In March 2004, it signed a definitive merger agreement with affiliates of Madison Dearborn Partners Inc in a transaction worth \$1.5 billion.

The recent financial performance of this company is summarized in the following table and discussed further below. The performance generally followed the recent performance of the box office and attendances, especially in the early 2000s.

Recent Company Performance

Fiscal Year	Million Dollars Revenue	Percent Growth	Million Dollars Net Income	Percent Growth	Units Employees	Percent Growth
1998	571	N/C	11.0	N/C	8600	N/C
1999	731	28.0%	-1.0	-109.1%	8600	0.0%
2000	786	7.5%	-10.4	N/C	8000	-7.0%
2001	854	8.7%	-4.0	-61.5%	8000	0.0%
2002	939	10.0%	35.6	-990.0%	12500	56.2%
2003	958	2.0%	44.7	25.6%	12700	1.6%
2004	1024	6.9%	41.0	-8.3%	13200	3.9%
2005	1021	-0.3%	48.4	18.0%	N/A	N/C

Source: SEC Filings
Note: Fiscal year ending December.

Fiscal 2001

For 2001, total revenue increased 8.6% to \$854 million, EBITDA increased 19.7% to \$170 million and net loss was \$4 million. The company indicated that it was the second largest exhibitor worldwide, based on screen numbers. It opened ten new stadium seating theatres with 106 screens in six countries and bought one theatre, It had a total of 3,000 screens in the US, Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica and Columbia.

Fiscal 2002

In 2002, the company indicated that it planned to open two theatres with 21 screens, in aggregate, in the US and five (with 42 screens) in other countries.

During the year, the company had success from the release of movies such as "Spider-Man", "Scooby Doo" and "Lilo and Stitch", along with the promotion of "popcorn and a Movie" which significantly increased popcorn and drink sales. At the end of June the company operated 309 theaters, with a total of 2264 screens. In June 2002, the company announced that would seek to raise between \$188.7 million and \$211.0 million in an IPO.

For 2002, revenue increased 10% to \$939.0 million, EBITDA increased 20.6% to \$205.0 million, net income was \$35.6 million and operating income improved 123.8 % to \$128.9 million. During that year, the company opened seven new

stadium seating theaters with 58 screens and had a total of 3031 screens in the US, Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Columbia and the UK.

Fiscal 2003

For 2003, the company was committed to opening 13 new theaters, with 132 screens and add seven new screens to some existing locations. The company commenced selling tickets via the internet at cinemark.com, for collection at booths in foyers.

For fiscal 2003, revenue increased 2.0% to \$957.6 million, operating income increased 3.0% to \$132.7 million, net income increased 25.6 % to \$44.7 million (a margin of 4.7% of revenue) and adjusted EBITDA increased 2.9% to \$211.0 million. During the year it opened nine new stadium seating theaters with a total of 77 screens and added three screens to existing theaters, which made a total of 3,096 screens. It had commitments in place for a further 17 new theaters with a total of 193 screens and to add four new screens to existing theaters which it planned to open during 2004 or shortly after.

Fiscal 2004

At mid-2004, it opened 11 new theaters with a total of 111 screens and added four screens to its existing theaters. As at June 30, 2004 the company had a total of 4,337 screens across the US, Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Columbia. It expected to open another eight new theaters with 77 screens by the end of 2004 and at least an additional 14 theaters with 137 screens after that time.

For fiscal 2004, total revenue increased 7.0% to \$1,024.2 million, due to both increased attendances and ticket prices. Cost of goods sold increased 5.3% to \$745.3 million (or 72.8% of revenue) and gross profit increased 11.6 % to \$279.0 million (a margin of 27.2%). Selling, general and administrative expenses increased 33.9% to \$157.1 million, depreciation was \$67.1 million and operating income fell 8.1% to \$121.9 million (or 11.9% of revenue). Net income fell 8.3% to \$41.0 million, a margin of 4.0%.

Fiscal 2005

For fiscal 2005, total revenue decreased to \$1,020.6 million, and total costs and expenses decreased 0.1% to \$901.6 million, operating income decreased 2.3% to \$119.0 million and net income increased 8.6% to \$48.4 million. Revenue was lower than the national reduction in cinema audiences, which resulted from the reduction in the number of blockbuster movie releases compared to the previous year. Domestic patrons to Cinemark USA Inc decreased 7.1% to 105.6 million and international patrons fell 8.5% to 60.1 million. Decreased revenue was partially offset by increased admission prices.

Fiscal 2006

For the first quarter, fiscal 2006, theater revenue increased 3.5% to \$246.0 million, total cost and expenses increased 4.9% to \$218.7 million, or 89.0% of revenue. Operating income fell to \$27.3 million, but the net income increased marginally to \$13.9 million.

In August 2006, the company acquired Century Theaters Inc. which operated 78 theaters with 994 screens in 12 western States. It is a founding member of the Fandango internet ticketing company.

Carmike Cinemas, Incorporated

Market Share: 4.29%

History

At the end of September 2005, this company operated 307 theaters with a total of 2,469 screens. Carmike's theatres are largely located in small to mid-sized communities and some cinemas are operated in conjunction with other entertainment facilities, including ice skating rinks. It operates multiplexes, as well as, discount second run theaters.

In August 2000, the company filed for Chapter 11 bankruptcy protection and commenced the consolidation process with its theaters and around 100 sites were closed. It emerged from Chapter 11 in mid-January 2002.

In May 2005, the company acquired GKC Theaters for a net purchase price of \$62.1 million, and added 30 theaters with 263 screens across Illinois, Indiana, Michigan and Wisconsin.

The recent financial performance of this company is summarized in the table below.

Recent Company Performance

Fiscal Year	Million Dollars Revenue	Percent Growth	Million Dollars Net Income	Percent Growth	Units Employees	Percent Growth
1997	458.6	N/C	20.2	N/C	10500	N/C
1998	481.6	5.0%	-30.6	-251.5%	10234	-2.5%
1999	484.1	0.5%	-21.9	-28.4%	11068	8.1%
2000	459.3	-5.1%	-75.1	242.9%	9097	-17.8%
2001	457.0	-0.5%	-125.4	67.0%	9059	-0.4%
2002	506.5	10.8%	-39.8	-68.3%	9310	2.8%
2003	493.1	-2.6%	107.4	-369.8%	9030	-3.0%
2004	495.3	0.4%	28.4	-73.6%	7821	-13.4%
2005	468.9	-5.3%	0.2	-99.3%	7908	1.1%

Source: SEC Filings

Note: Fiscal year ending December

Fiscal 1999

In 1999, total revenue increased marginally to \$484.1 million (with \$336 million from admissions and \$148.1 million from concessions and other income), the gross margin fell slightly to 11 % and the total net loss was \$21.9 million. The company had long term debts of \$466.0 million and total liabilities of \$603.0 million, against assets of \$808.0 million.

Fiscal 2000

For 2000, total revenue fell to \$459.3 million (with \$315.4 million from admissions and \$143.9 million from concessions and other income), the gross margin increased to 13.0% and total net loss increased again to \$75.1 million. Total liabilities were about \$650.0 million and assets about \$780.0 million.

In May 2000, Carmike Cinemas announced that it joined the online movie ticketing business and that the

company's objective was to provide consumers with movie-related content and the ability to purchase tickets via the Internet, telephone or wireless devices.

Fiscal 2001

In October 2001, Carmike Cinemas announced that it had filed its Disclosure Statement and proposed Plan of Reorganization with the United States Bankruptcy Court for the District of Delaware. It emerged from these Chapter 11 arrangements in January 2002.

For 2001, total revenue fell marginally to \$457.0 million (with \$311.8 million from admissions and \$145.1 million from concessions and other income) and the net loss was \$125.4 million. Prior to the Chapter 11 filing, the company operated 436 theaters and 2,802 screens, but after emerging from the bankruptcy proceedings it operated 323 theaters with 2,328 screens.

Fiscal 2002

In 2002, total revenue increased 11.0% to \$506.5 million, admissions revenue increased 10.0% to \$342.8 million, due to an 8.3% increase in admissions and a 1.5% increase in average ticket prices. Concessions revenues increased 13.3% to \$163.6 million. Average attendance per screen was 30,876, average admission price was \$4.90, with a further \$2.17 per person obtained from concessions. The average revenue per screen increased 16.8% to \$223,727. At the end of December, the company operated 308 theaters with a total of 2,262 screens and the total theater operating costs increased 4.8% to \$391.3 million. An operating loss equivalent to 2.2% of revenue resulted and the net loss was \$39.8 million, due to still high interest costs. At the end of December, the company had around \$116.0 million in Federal and State operating loss carryovers.

Fiscal 2003

In early 2003, total revenue decreased over 11.0%, mainly due to reduced attendances. Admissions revenue declined 12.0%, revenue from concessions and other areas declined 9.8% and average admission price was \$4.85, which was the same as in the March quarter, 2002. The average concession sale per patron at \$2.15 and the average attendance per screen declined 10.2% to 6,310. During this period, the company operated 304 theaters, with 2,251 screens. Costs were also reduced in most areas due to lower attendances and lower film exhibition costs, but this was also an "off-peak" attendance period.

For fiscal 2003, revenue decreased 2.6% to \$493.1 million, as admissions revenues fell 3.1% to \$332.1 million (due to a 4.0% reduction in attendances) and concessions and other revenues also decreased 1.6% to \$161.0 million. Expenses declined 2.8% to \$425.3 million and it recorded an impairment charge of \$1.1 million. Operating income was almost static at \$67.8 million and with past tax benefits being used, net income increased to \$107.4 million. At the end of December, 2003, the company had 299 theaters, with 2,253 screens across 35 states.

Fiscal 2004

For fiscal 2004, total revenue remained flat at \$495.3 million, as attendances fell but admission and concession prices were raised. Cost of goods sold decreased 2.5% due to reduced concessions sales to \$370.5 million (or 74.9% of revenue) and gross profit increased 9.7%, due to cost controls, to \$124.0 million (a margin of 25.1%). Selling, general and administrative expenses increased 26.1% to \$19.3 million, depreciation was \$33.8 million, but operating income increased 7.4% to \$70.9 million (or 14.3% of revenue). Net income fell 72.0% to \$29.9 million, a margin of 6.1%.

Fiscal 2005

In May 2005, the company acquired GKC Theaters for a net purchase price of \$62.1 million, and added 30 theaters with 263 screens across Illinois, Indiana, Michigan and Wisconsin.

In July 2005, the company announced that its Carmike 7 cinemas would become a discount theater, which offered \$2 admissions for all seats, all shows. In August 2005, the company acquired GKC Theaters which added 30 theaters and 263 screens.

For fiscal 2005, total revenue decreased 5.3% to \$468.9 million, due to an 8.5% reduction in total attendances to 57.9 million, despite a 3.5% increase in average admission prices to \$5.35 per person. There was also an 8.2% increase in average concessions expenditure to \$2.52 per person. Film exhibition costs decreased 3.7% to \$168.3 million (or 35.9% of total revenue). It generally moved in line with reduced admissions revenue as part of revenue sharing arrangements with movie producers and distributors, but offset by some reduced film rental rates. Concession costs declined 3.0% to \$16.4 million (or 3.5 % of revenue), other theater operating costs, however, increased 4.5% to \$186.0 million, general and administrative expenses increased 2.7% to \$19.8 million and depreciation expenses increased 10.2% to \$37.2 million. The results were driven by the poor box office performance of many films. At year end the company operated 299 theaters with a total of 2,383 screens. Average attendance per screen was 24,283.

Fiscal 2006

For the first nine months, fiscal 2006, total revenue increased 10.3% to \$372.7 million, with an 8.9% increase in admissions to \$243.0 million and a 13.0% increase in concession and other revenue to \$129.8 million. Total costs and expenses increased 12.7% to \$352.1 million, or 94.5% of revenue, as costs increased across all major categories. Operating income fell 19.1% to \$20.7 million and the net loss increased to \$13.7 million, or 3.7% of revenue.

The company was proceeding with its digital installation program in its theaters and expects that this will improve advertising and provide alternative programming options.

It had a total of 291 theaters and 2,450 screens across 37 States.

Industry Performance

CURRENT PERFORMANCE

Industry Contribution to GDP

- IBISWorld estimates that, in constant 2005 prices, the Motion Picture and Video Exhibition Industry will generate \$10,630 million in revenue in 2007, which represents a real revenue decline of 1.3%, due to the expected continuing decline in movie attendances and box office receipts.
- This industry will also contribute an estimated \$4,352 million to the US economy in 2007, which represents 0.03% of total GDP.

Sensitivities

The industry is sensitive to changes in real household disposable income (which is affected by changes in growth of employment, taxes and interest rates, as well as high gas prices), from the release of blockbuster movies and from competition from substitutes including cable TV, the internet and DVDs and other in-home entertainment facilities. In the latter category is included home theater systems.

Revenue

Over the five years to 2007, real industry revenue is expected by IBISWorld to decrease at an average annual rate of 2.7%, due to:

- the release of a number of blockbuster movies in the early 2000s that could not be sustained over the whole period; and
- increasing competition from other entertainment areas, and including home theater systems and from DVD movie releases being moved closer to theatre release dates.

Employment

Over the five years to 2007, industry employment is expected by IBISWorld to decrease at an average annual rate of 0.8% to 127,962 due to continuing industry consolidation and recent declining industry revenue.

Value Added - Profitability

Real value added over the five years to 2007, is expected by IBISWorld to decrease at an average annual rate of 3.8%, due largely to:

- continuing increase in casual and minimum wage staff by some operators to replace other staff, but also
- reducing attendances and associated decrease in revenue from admissions, and particularly in high margin concessions, leading to falling profits.

Trends

In general, the following tables indicate that the industry had, until recently, enjoyed the benefits of an increased average number of visits per capita to the theaters, particularly associated with the run of blockbuster movies between 2002 and

2004. Also important was increased average admission price, due to the financial situation of major operators, and the investment in higher quality multiplex facilities, shown by screen numbers, although establishment numbers has continued to decrease.

Number of Admissions per capita

Year	Average Admissions per capita	Average Admission Price \$
1980	4.5	2.69
1985	4.4	3.55
1990	4.8	4.23
1993	4.8	4.15
1996	5.0	4.35
2000	5.2	5.08
2001	5.3	5.39
2002	5.7	5.66
2003	5.4	6.03
2004	5.2	6.21

Source: IBISWorld
 Note: Source: MPAA

Total Number of Indoor and Outdoor (Drive-in) Screens and Theaters

Year	Units Screens	Percent Growth	Units Theaters	Percent Growth
1980	17590	N/C	N/A	N/C
1984	20200	14.8%	N/A	N/C
1990	23689	17.3%	N/A	N/C
1994	26586	12.2%	N/A	N/C
2000	37396	40.7%	7421	N/C
2001	36764	-1.7%	7070	-4.7%
2002	35280	-4.0%	6050	-14.4%
2003	35786	1.4%	6066	0.3%
2004	36594	2.3%	6012	-0.9%

Source: IBISWorld
 Note: MPA Worldwide Market Research. Includes indoor and drive-in screens

This table indicates the strong growth experienced by the industry from 2002 to 2004 related to the release of a number of blockbuster movies. This led to increased admissions and was assisted by strong growth in admission prices. However, the industry has, more recently, experienced far slower growth (and decline) in nominal box office takings, as the release of blockbuster movies slowed and admissions fell. There has also been increased competition from other areas of entertainment (i.e. video-on-demand services by digital cable and satellite operators and the emerging internet movie sites) as well as from other entertainment substitutes.

Box Office Growth - Nominal Dollars

Year	Million Dollars	Percent Growth
------	-----------------	----------------

1984	4030.6	N/C
1985	3749.4	-7.0%
1986	3778.0	0.8%
1987	4252.9	12.6%
1988	4458.4	4.8%
1989	5033.4	12.9%
1990	5021.8	-0.2%
1991	4803.2	-4.4%
1992	4871.0	1.4%
1993	5154.2	5.8%
1994	5396.2	4.7%
1995	5493.5	1.8%
1996	5911.5	7.6%
1997	6365.9	7.7%
1998	6949.0	9.2%
1999	7448.0	7.2%
2000	7660.7	2.9%
2001	8412.5	9.8%
2002	9519.6	13.2%
2003	9488.5	-0.3%
2004	9539.2	0.5%
2005	9100	-4.6%

Source: IBISWorld

Note: MPA Worldwide Market Research

Trends By Year

The estimated recent changes in real industry revenue and value added is discussed further below.

2001

In 2001, strong real industry revenue growth of about 7.2% was estimated by IBISWorld to have occurred, from about 1.47 billion admissions. Box office receipts also increased to \$8.24 billion, related to the release of many blockbuster movies, which included "Shrek", "Rush Hour 2", "Monsters Inc.", "The Mummy Returns" and, later in the year, the first parts of the series of "Lord of the Rings" and "Harry Potter". Each of these movies grossed over \$200 million. However, due to some major operators filing for Chapter 11 bankruptcy protection, the industry underwent a consolidation process, which led to the closure of many underperforming locations and screens. It was also estimated that there was a net reduction of 177 locations and 386 screens. While there continued to be some new theater openings, investment decreased by about 40% over 2000. The financial situation of the industry generally improved as underperforming theaters and screens were closed or sold by major operators, operating costs were reduced and from the increased revenue, which accompanied the increased admissions. Also, average admission prices increased to about \$5.60, or by 20 cents over 2000. The genre of movies released during the year changed, with less R rated movies, and more family ones, and these tended to be the better performers at the box office.

2002

For 2002 this was another good real revenue growth one with real revenue growth estimated by IBISWorld at about 11.3%. There were around 1.57 billion admissions and box office receipts increased to \$9.16 billion. This was again related to the release of a string of blockbuster movies, that included "Spider Man", "Signs", "My Big Fat Greek Wedding" and the sequels to "Star Wars", "Lord of the Rings" and "Harry Potter". Each of these movies eventually grossed over \$220 million. Many of the major operators came out of Chapter 11 bankruptcy and as the industry underwent a further round of consolidation as they acquired many of the smaller ones, particularly in geographic areas where they were formerly under-represented. Funds were now being largely used for acquisitions, rather than for investment in new theaters. The industry's financial situation continued to improve as operating and financing costs fell and assisted by increased revenue. This resulted from both increased admissions, some increase in average admission prices and from the flow on effects of increased admissions on concessions and other revenue. The emphasis on screening more family movies continued.

2003

For 2003, the release of a further sequel to "Harry Potter: and the final sequel of "Lord of the Rings" again boosted admissions in the latter part of the year. In 2002 the industry experienced its highest level of admissions and box office takings ever. In 2003, therefore, the gross box office fell to \$9.42 billion and total admissions was also lower at 1.57 billion, down 4 per cent. Overall, IBISWorld estimated that real industry revenue declined by about 2.1%. "Finding Nemo" was the highest grossing film with a box office take of almost \$340 million. While fewer films grossed over \$200 million, 25 films grossed more than \$100 million (compared with 22 in 2002), but many releases did not have strong seasons beyond their first week. The industry continued to experience increased competition from digital cable and satellite TV and associated bundled services and from other areas of entertainment. Also, the continued stagnation in economic growth and fluctuations in consumer sentiment during the first half of 2003 did not assist industry revenue and value added growth, although conditions improved significantly over the second half.

2004

In 2004, IBISWorld indicates that the gross box office takings increased, in nominal terms, by 2.2% to \$9.4 billion and also resulted from reduced concessions and other revenues). Attendances fell by 1.7 per cent to 1.51 billion. Overall real industry revenue was estimated by IBISWorld to have decreased by around 1.5%. The highest grossing films was "Shrek 2" (\$436 million). The average ticket price increased 3.2% to \$6.22. This was the second consecutive year of reduced, admissions, but resulted after some recent record years from the release of a series of blockbuster movies. The industry also continued to experience increased competition from digital cable and satellite TV and associated bundled services and from other areas of entertainment. Consolidation among operators continued and the overall number of theaters and screens was reduced. For individual operators some marginal increase in real revenue still occurred, but was dependant upon the extent to which ticket and concession prices could be increased in a very competitive environment. The industry continued to undergo changes in ownership, with a number of investment banks, in association with others, taking control of some of the key operators during 2004 and which was expected to place it on a more stable financial and operating basis.

2005

According to IBISWorld, for 2005, lower economic growth, together with the flow on effects of increased interest rates in 2004 and throughout 2005 and high gas prices, had an adverse effect on real household disposable income growth. This flowed through into consumer expenditure on entertainment, which included movie tickets. Also relevant was the absence

of any blockbuster releases. The industry, therefore, was estimated by IBISWorld to have experience a further and significant real reduction in total revenue and profitability (and, therefore, value added). Admissions fell for the third consecutive year, by about 7.3% to 1.42 billion and the box office fell 4.6%, in nominal terms, to \$9.1 billion. The industry also continued to experience increased competition from digital cable and satellite TV and associated bundled services and from other areas of entertainment. Consolidation of theater sites and screens also occurred. The recent acquisition of major exhibitors continued, as AMC acquired Loews. Overall, real industry revenue was estimated by IBISWorld to have decreased 7.5%.

2006

For 2006, continued low economic growth, together with the flow on effect from increased interest rates to mid-2006, and high gas prices, led to reduced growth in real household disposable income. This flowed through into consumer expenditure on entertainment, which included movie tickets. Also relevant is the absence of a string of blockbuster releases. The industry, therefore, was estimated by IBISWorld to have experienced further reduction in real revenue of about 1.0%, as admissions fell for the fourth consecutive year. The industry also continued to experience increased competition from digital cable and satellite TV and associated bundled services and from other areas of entertainment. Further consolidation among operators occurred. The most recent consolidation process among major exhibitors, that included the merger of AMC Entertainment and Loews Cineplex Entertainment Corp. in January, led to the industry continuing to operate on a relatively sounder financial basis than earlier in the decade.

2007

For 2007, forecast continuing low economic growth, together with the flow on effects from increased interest rates to mid-2006, and slower growth in wages and employment, is expected by IBISWorld to continue to adversely affect real household disposable income growth. Real industry revenue is expected to decline by about 1.7%, as attendances continue to fall. This will flow through into lower consumer expenditure on entertainment, including on movie tickets. However, after five consecutive years of real negative growth there is still some possibility that some marginal revenue growth may occur, as consumers discover the movie-going experience again, particularly with new digital equipment and screens.

Major Barriers to Future Growth

The major barrier to future industry growth is the significant levels of competition from other technology seeking a share of households' entertainment expenditure. Cable TV and the associated movies on demand and other interactive services associated with these digital services is potentially now a significant emerging competitor to the movie theater industry.

HISTORICAL PERFORMANCE

The overall trends in admissions and the gross box office takings, in nominal dollars, is provided in the table below, and indicates the competition from video cassette recorders in the mid-1980s and the reduced admissions during the early 1990s economic recession.

Trends in Admissions and Gross Box Office since 1983

Year	Million Admissions	Percent Growth	Million Dollars Gross Box Office	Percent Growth
1983	1196.9	N/C	3766.0	N/C
1984	1199.1	0.2%	4030.6	7.0%
1985	1056.1	-11.9%	3749.4	-7.0%

1986	1017.2	-3.7%	3778.0	0.8%
1987	1088.5	7.0%	4252.9	12.6%
1988	1084.8	-0.3%	4458.4	4.8%
1989	1262.8	16.4%	5033.4	12.9%
1990	1188.6	-5.9%	5021.8	-0.2%
1991	1140.6	-4.0%	4803.2	-4.4%
1992	1173.2	2.9%	4871.0	1.4%
1993	1244.0	6.0%	5154.2	5.8%
1994	1291.7	3.8%	5396.2	4.7%
1995	1262.6	-2.3%	5493.5	1.8%
1996	1338.6	6.0%	5911.5	7.6%
1997	1387.7	3.7%	6365.9	7.7%
1998	1480.7	6.7%	6949.0	9.2%
1999	1465.2	-1.0%	7448.0	7.2%
2000	1420.8	-3.0%	7660.7	2.9%
2001	1487.3	4.7%	8412.5	9.8%
2002	1639.3	10.2%	9519.6	13.2%
2003	1574.0	-4.0%	9288.5	-2.4%

Source: National Center for Education Statistics
 Note: Box Office is in nominal prices

In 1991, the slower economic growth, and the impact this had on the growth in household disposable incomes, had a significant impact on this industry, and the total revenue, (which included box office plus concessions and other sales). It was estimated that total revenues decreased by 4 per cent. In that year, the number of admissions also fell to 1.141 billion. In 1991, there were around 23,000 indoor screens and around 920 drive-in screens, and the average annual number of admissions per capita was 4.5.

In 1992, due to the increased economic growth, industry revenue was estimated to have increased by around 2.9 per cent, as the number of admissions increased to 1.17 billion and the average annual number of admissions per capita increased slightly to 4.6.

From 1993 to 1997, the industry generally enjoyed a period of continuous growth. The number of admissions increased from 1.24 billion to 1.39 billion (or 12 per cent) and revenue growth was assisted by real increases in the average admission price, particularly between 1995 and 1997, and increased concessions revenues. Over this period, the average annual admissions per capita also increased to 5.2. The growth was assisted by a number of factors, which included the increased levels of investment by major operators in the higher quality and better located multiplexes and by the release of a successive number high quality and high grossing/blockbuster feature movies. The total number of movies released also increased from around 411 in 1995 to 510 in 1997. However, between 1995 and 1997, the number of indoor theaters decreased from 7151 to 6903 (or by 3.5 per cent), many of which were the old style single screen theaters, as the investment in multiplexes increased.

In 1998, the number of admissions reached the (then) peak of 1.48 billion, but subsequently fell to 1.47 billion in 1999 and then to 1.42 billion in 2000, a fall of 4.1 per cent over 1998. The average per capita number of admissions also declined from 5.5 to 5.2 over the same period. The reduced admissions was caused by both a lack of on-going blockbuster

releases, as well as, increased average admission prices, which rose by around 15 per cent. Competition from others areas of entertainment increased over this period, particularly from cable TV and the internet.

While demand fell, the supply of indoor screens increased from 30,825 in 1977 to 36,679 in 2000, or by 19 per cent. In fact, over the decade from 1990 to 2000, the total number of indoor screens increased by 61 per cent, but the average number of admissions per screen per annum fell from 48,120 to 37,970.

Over this period, the financial returns to operators was affected by their significant and continued investment in newer multiplex and megaplex facilities. The higher financing costs witnessed decreased profit margins from 1999 and resulted in increased operator consolidation, with some mergers. By October 2000, 11 major industry operators, included Loews, Cineplex, United Artists and Carmike Cinema, had filed for Chapter 11 bankruptcy protection. Many of these companies had borrowed funds to build new multiplexes, but also kept many of their old theater buildings and sites, which led to significant cash flow problems, as admissions fell to the end of 2000.

The investment in multi-screen theaters led to a smaller number of seats per screen, with an average of around 350, however, there was also a higher level of fixed costs associated with the higher quality buildings and new technology. Due to this, the major operators sought to implement operational cost savings through the multi-tasking of staff members and the hiring of an increased number of young and casual/temporary workers. They also sought to take advantage of technology to reduce costs, particularly in the areas of providing on-line information on movie sessions and this being associated with on-line ticket sales, such as MovieTickets.com. The latter, was a joint venture between the major cinema operator, AMC Entertainment, and listed internet entertainment company, Hollywood.com. Inc. When this product was initially launched in 2000, the internet site had the potential to offer online movie tickets for over 2000 screens and session listings for over 30,000 screens nationwide.

Blockbuster films also have an effect on admissions (and revenue from ticket sales and concessions) and returns of operators. In 1999, while the total number of films released decreased, the number of blockbusters increased. However, in 2000, the number of blockbuster releases decreased and this affected attendances. This was reversed in both 2001 and 2002, with the release of "Lord of the Rings", "Harry Potter" series of films and some other successful movies, which included animated ones.

There has also been changes in the types of movies which people preferred to view, with few R rated movies proving popular and a move away from movies with a high level of action and, especially, violence, especially around September 11, 2001.

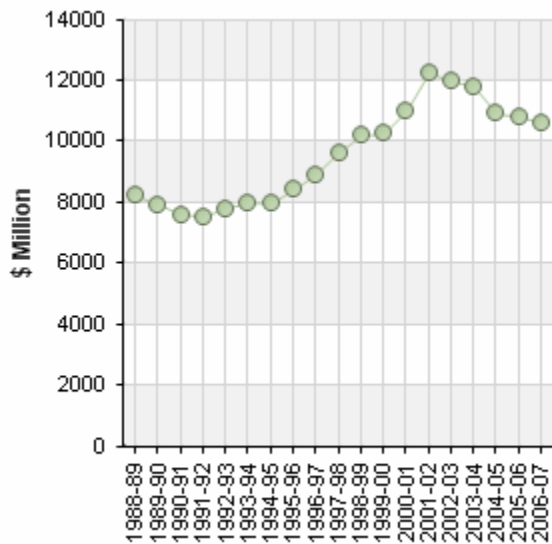
Over the period from 1997 to 2000, the movie theater industry had to also contend with increased competition from the cable networks. This particularly related to the roll out of digital optical fiber networks and the availability of better quality and more channels, often in a bundled format with other services, and sometimes at the same or a cheaper price. Also, the cable networks substantially increased their investment in new programming and the household penetration rate continued to increase. Since 1990, there had been also a significant increase in households with computers (to nearly two thirds by 2000). A significant proportion of these had internet access and for many young people this became a substitute for their usual out of home entertainment activities, including movie-going.

Revenue

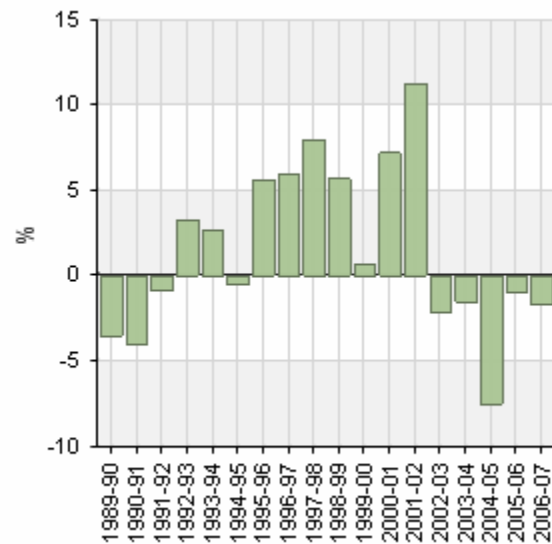
	Revenue \$ Million	Growth %
1988-89	8,226.0	N/A
1989-90	7,938.0	-3.5

1990-91	7,621.0	-4.0
1991-92	7,552.0	-0.9
1992-93	7,801.0	3.3
1993-94	8,012.0	2.7
1994-95	7,972.0	-0.5
1995-96	8,422.0	5.6
1996-97	8,928.0	6.0
1997-98	9,642.0	8.0
1998-99	10,192.0	5.7
1999-00	10,263.0	0.7
2000-01	11,002.0	7.2
2001-02	12,246.0	11.3
2002-03	11,988.0	-2.1
2003-04	11,809.0	-1.5
2004-05	10,923.0	-7.5
2005-06	10,814.0	-1.0
2006-07	10,630.0	-1.7

Revenue



Revenue Growth Rate

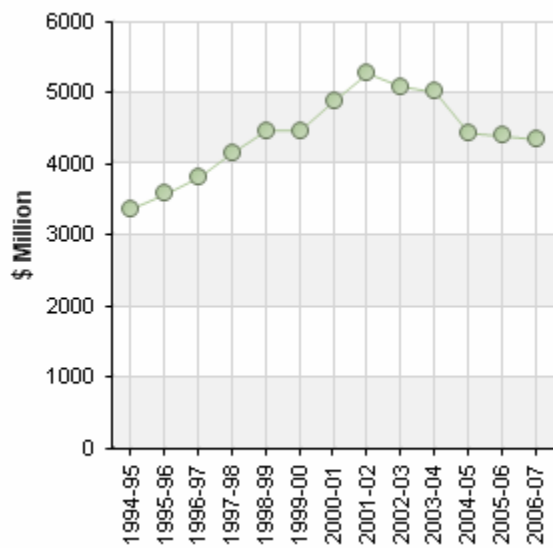


Gross Product

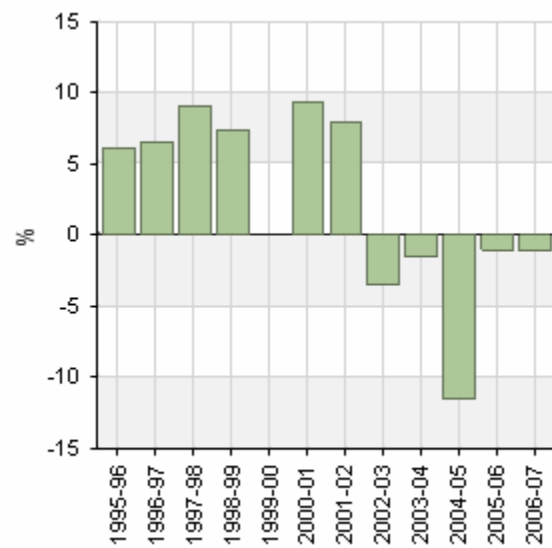
	Gross Product \$ Million	Growth %
1994-95	3,374.0	N/A
1995-96	3,579.0	6.1
1996-97	3,816.0	6.6
1997-98	4,165.0	9.1

1998-99	4,475.0	7.4
1999-00	4,475.0	0.0
2000-01	4,889.0	9.3
2001-02	5,277.0	7.9
2002-03	5,093.0	-3.5
2003-04	5,015.0	-1.5
2004-05	4,440.0	-11.5
2005-06	4,396.0	-1.0
2006-07	4,352.0	-1.0

Gross Product



Gross Product Growth Rate

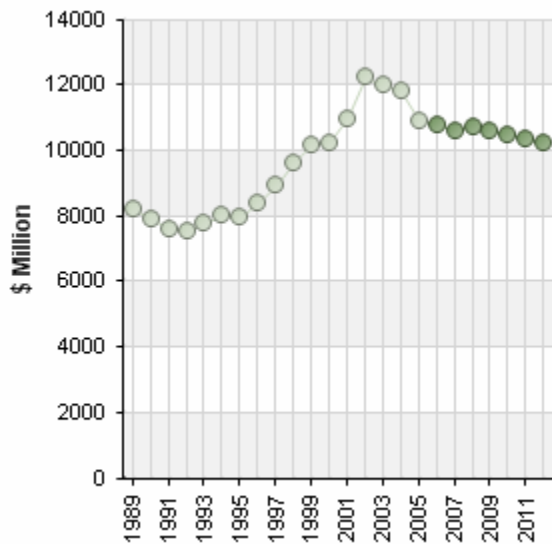


Outlook

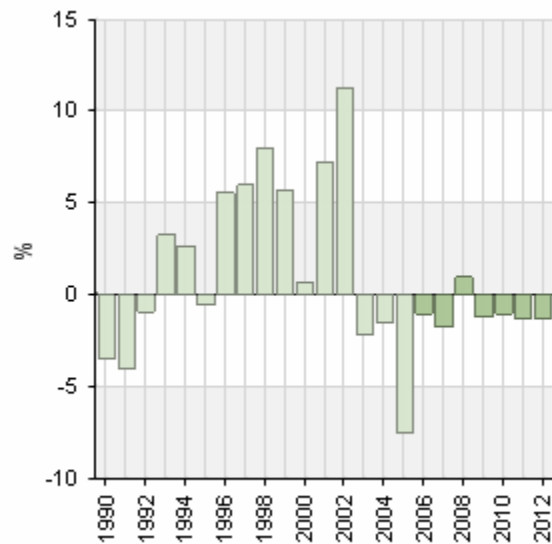
Revenue

	Revenue \$ Million	Growth %
2006	10,814.0	-1.0
2007	10,630.0	-1.7
2008	10,736.0	1.0
2009	10,607.0	-1.2
2010	10,501.0	-1.0
2011	10,365.0	-1.3
2012	10,230.0	-1.3

Revenue



Revenue Growth Rate



Motion Picture and Video Exhibition Industry - Future Growth to 2012

Revenue

Over the five years to 2012, real industry revenue is expected by IBISWorld to decline at an average annual rate of 0.8% with this associated with:

- forecast slow economic growth and, therefore, in household disposable income;
- the release of a number of blockbuster movies in the early 2000s that possibly could not be achieved again over the short term;
- the continuing increase in competition from other forms of entertainment, and including home theater systems and from DVD movie releases closer to their theatre release dates;
- increasing ways to obtain and view movies - over iPods, mobile phones, the internet etc; and
- continuing pirating of movies.

Employment

Over the five years to 2012, industry employment is expected by IBISWorld to continue to decline at an average annual rate of 0.9% to 122,040 with this relating to mainly to the above reasons, even though there will continue to be a shift towards the use of casual employees, to lower costs and to better meet peak demands.

Value Added - Profitability

Over the five years to 2012, real industry value added is expected by IBISWorld to decrease at an average annual rate of 1.4%, which is lower than expected for GDP growth over the same period of 2.8 %, with this being related mainly to reducing industry employment growth, as well as declining sales from the high margin concessions, as attendances do not increase. The industry also has a high level of fixed costs - in equipment and buildings, and with the shift to digital screening technology.

2008

In 2008, the forecast continuing low economic growth, together with flow on effects from past increases in interest rates, high gas prices and now with slower wages and employment growth all will continue to adversely impact on growth in real household disposable income and consumer expenditure on entertainment. Some further consolidation among operators is also expected to continue and sites and screens will reduce over time.

2009-2012

Forecast continuing low economic growth right through this period, is expected to lead to similar outcomes in terms of industry performance as has occurred over the previous five years. The industry to recover requires another string of blockbuster movies, which will be enhanced by the new digital technology currently being installed in theaters.

From 2009 onwards significant competition in the entertainment industry - from substitutes and video-on-demand services - is expected to slow both revenues and value added growth. Profits and employment (i.e. value added) growth within this industry is expected to come under increasing pressure, as competition increase, reducing ticket prices and concessions revenue.

Trends

Overall, it is expected that while the industry's financial situation will remain relatively good in the short term, following the financial restructuring of many operators and the associated reduction in debt and interest costs. However, in the medium term the industry could consolidate to only two or three dominant national operators. Investment funds will continue to be used for acquisitions rather than for the building of new theater complexes. Some of the major operators may, again, eventually consider investing further internationally to boost both revenue and profits (and, therefore, value added growth).

Over the outlook period the industry will have to contend with far greater competition from entertainment substitutes including the possibility of movies delivered via the internet and from increased household penetration of the digital cable, satellite and free to air TV services, including interactive TV, pay-per-view and video on demand facilities on new releases and movie libraries. There will also be increased competition from DVD players/recorders and from home theater

systems. This is expected to reduce theater attendances and lead to some ticket discounting. The growth in industry revenue and value added is expected to, therefore, decline to 2012.

This period will also coincide with the availability of digital audio and visual movie screening and distribution technology in theaters. While this will significantly enhance the movie experience, it will also be costly, and coincide with reduced margins for operators.

SAMPLE