Retail Real Estate

October 2005

The Motion Picture & Theatre Industry Overview

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Published by Cushman & Wakefield Valuation Services – Retail Industry Group

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Industry Overview

The movie theatre industry in the United States demonstrated its key role in national entertainment, with theatergoers spending close to $9.5 billion annually every year since 2001. Theatergoers spent a record $9.53 billion on admission tickets in 2004 compared to $9.49 billion in 2003. As of September 2005 year-to-date ticket sales were $6.357 billion down slightly from $6.797 billion through September 2004[1]. Over the last 10 years, attendance has for the most part consistently increased at an annual compound rate of 1.6 percent or an overall rate of 18.4 percent.

The number of indoor screens consistently increased between 1980 and 1999. Overbuilding and functionally obsolete theaters began closing in 1999, causing the number of screens to decrease from 36,448 to 34,490 (5.4%) over the 1999 – 2001 period. Since 2001 several new multi and mega-plexes have been built as part of urban entertainment venues replacing single screen and mini-plex projects. This replacement has led to a net increase of 1,522 screens to 36,012 indoor screens as of December 31, 2004[2].

			Admissions		Ticket Sales		
Year	New Pictures Released	Number of Indoor Screens	Total in Millions	Per Screen	Total in Millions	Per Screen	Avg. Ticket Price
1980	193	14,171	1,021.5	72,084	$2,749	$193,988	$2.69
1981	200	14,790	1,067.0	72,143	$2,960	$200,135	$2.78
1982	361	15,117	1,175.4	77,754	$3,445	$227,889	$2.94
1983	396	16,032	1,196.9	74,657	$3,766	$234,905	$3.15
1984	408	16,749	1,199.1	71,592	$4,031	$240,671	$3.36
1985	389	18,327	1,056.0	57,620	$3,749	$204,562	$3.55
1986	419	19,554	1,017.2	52,020	$3,778	$193,209	$3.71
1987	489	20,595	1,088.5	52,853	$4,252	$206,458	$3.91
1988	491	21,632	1,084.8	50,148	$4,458	$206,084	$4.11
1989	458	21,907	1,262.8	57,644	$5,033	$229,744	$3.99
1990	385	22,904	1,188.6	51,895	$5,021	$219,219	$4.22
1991	423	23,740	1,140.6	48,045	$4,803	$202,317	$4.21
1992	425	24,344	1,173.2	48,193	$4,871	$200,090	$4.15
1993	440	24,789	1,244.0	50,184	$5,154	$207,915	$4.14
1994	410	25,830	1,291.7	50,008	$5,396	$208,904	$4.18
1995	370	26,995	1,262.8	46,779	$5,493	$203,482	$4.35
1996	420	28,905	1,337.3	46,265	$5,800	$200,657	$4.42
1997	461	31,050	1,386.7	44,660	$6,300	$202,899	$4.59
1998	490	33,418	1,481.7	44,338	$6,900	$206,476	$4.69
1999	442	36,448	1,465.2	40,200	$7,600	$208,516	$5.08
2000	461	35,597	1,420.0	39,891	$8,100	$227,547	$5.39
2001	462	34,490	1,490.0	43,201	$8,412	$243,897	$5.66
2002	449	35,170	1,630.0	46,346	$9,520	$270,685	$5.80
2003	459	35,361	1,574.0	44,512	$9,490	$268,375	$6.03
2004	475	36,012	1,530.0	42,486	$9,530	$264,634	$6.21

Source: National Association of Theatre Owners, annual statistics; Motion Picture Association of America

[1] Nielson EDI
[2] National Association of Theatre Owners, annual statistics 2004

In order to capture the consumer's interest, movie theatres have grown in size, enabling the exhibitor to provide a wider variety of movies at each theatre. Virtually all new movie theatre construction today is comprised of "multi-plexes" and “mega-plexes”, with most theatres being built with “stadium seating” by the largest movie theatre operators. Adding more screens generally guarantees exhibitors higher profits. With more screens, theatre operators are able to show a wider variety of films for longer periods of time, thereby catering to a wider audience and generating a higher level of attendance. This leads to higher concession stand sales which are an important part of an exhibitor’s bottom-line. Up to 70 percent of the concession dollar represents profits to the exhibitor. Additionally, operations are more profitable at multiplexes since employees at the box office and concessions stands can be used more productively with rolling starting times.

Multi-plexes and mega-plexes accounted for 2,046 or 34 percent of all sites in 2004 up from 1,963 or 32 percent of all sites in 2003. Overall these formats have grown 8.3 percent since 2001, with mega-plexes growing by 21.3 percent during this time period.

Theatre Sites by Type

Type	2001	2002	2003	2004	'01 - '04 Change
Single Screen	2,280	1,682	1,684	1,629	-28.6%
Miniplex (2 to 7 screens)	2,901	2,457	2,419	2,337	-19.4%
Multiplex (8 to 15 screens)	1,458	1,437	1,473	1,523	4.5%
Megaplex (16 or more screens)	431	474	490	523	21.3%

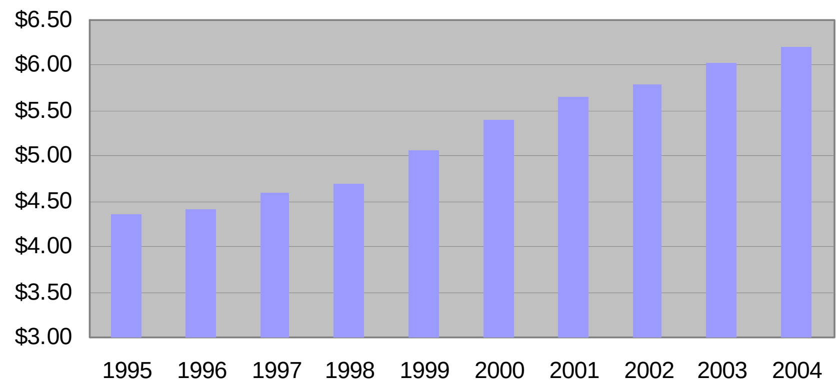
Source: Motion Picture Association of America

Larger screens are also part of an industry-wide shift, another inducement designed to lure the consumer from the comfort of home, with its smaller screen. The small screens and "shoe-box" theatres that cropped up in the 1980s have fallen into disfavor, as operators recognize that customers demand and expect the movie experience to be as grand as possible.

There is minimal demand for shuttered movie theaters for their original use. Many of the older, smaller theaters have been purchased for their historic value, or to convert into another use, generally office or retail. The smaller theaters that have any considerable competition have been losing out to the bigger franchise theaters. The large franchise theaters operate on a higher budget and can draw larger crowds, and higher ticket and concession prices. This is feasible in the larger towns where the population has a higher percentage of disposable income than smaller towns where the economy is stagnant. The ticket and concession prices seem to increase proportionate with the size and population of the town.

Between 1990 and 1994, the average ticket price remained stable in the $4.15 to $4.20 vicinity. However, starting in 1995, the average ticket price consistently increased. It rose 42.8 percent between 1995 and 2004 from $4.35 to $6.21.

Average U.S. Movie Ticket Prices



Source: National Association of Theatre Owners

Phases of Motion Picture Industry

<u>Production</u>

In the first half of the century, movies were produced by studios that held creative talent under long-term exclusive contracts. The star system deteriorated after World War II. Production of movies is now generally through production companies or ad-hoc collections of creative talent. Financing may be from entertainment conglomerates like Paramount, Universal, Sony, and Warner, limited partnerships, or other sources. Production costs average $35 million for a U.S. release, but have gone as high as $200 million in recent years. Conversely, some successful independent movies have been made for national art-house release for less than $100,000.

Four hundred fifty-nine new feature films were released in the U.S. during 2003. Production peaked after the war at 491 features in 1949, falling to 186 in 1977, after which it rose to 491 in 1988, slightly higher than current levels. Many of these films play only limited runs in major cities, while others are released direct to video and/or DVD.

<u>Distribution</u>

A finished movie moves into the distribution phase of the business. This part of the industry is dominated by the old studios; in fact, in 1998, 95 percent of domestic box office dollars were earned by movies released by the top seven distributors. The distributor finances national advertising (local advertising is shared by the exhibitor) and the production of prints. This cost averages $34.8 million for widely released films in 2003. In return, the distributor receives a percentage of box office receipts. There are two common formulas, one which is based on a declining percentage of gross revenue each week and one based on the excess of revenue over the "house nut" (the theatre's expenses). The industry average is 50 percent of box office to the distributor and 50 percent to the exhibitor.

Exhibition

Until 1948, vertically-integrated movie studios owned their own theatres. Anti-trust prosecution forced the studios to divest their theatre chains, and the modern exhibition industry was born.

The movie theatre industry is highly competitive, particularly in the licensing of films, attracting patrons, and finding new theatre sites. Theatres operated by national and regional circuits, and by smaller independent exhibitors, tend to compete with each other. Some of the principal competitive factors in film licensing include: licensing terms, seating capacity, location and reputation of an exhibitor's theaters, quality of projection and sound equipment at the theaters, and the exhibitor's ability and willingness to promote the films.

The studios distribute films to the exhibitors based on a zone system. Generally studios only release copies of a film to a single exhibitor within a zone. Depending on demographics characteristics of a given area and the locations of all exhibitors in the area, theaters will either have a captive zone, or a split zone. In captive zones the studio and the exhibitor are free to negotiate the terms to exhibit each film and if terms are agreed upon, the exhibitor will rent the film. In a split zone, the studio will alternate between the exhibitors within that zone. Although this system is designed to give each exhibitor an equal share of revenues from any given studio, the success of each film and the capacity of the exhibitors within the market often leads to a 40/60 percent split in annual revenues when two exhibitors share a zone.

In 1963, the first twin-screen theatre opened in the U.S. The industry had approximately 10,000 indoor screens in 1970, and grew to 14,171 indoor screens by 1980, a 42 percent increase. By 2004 there were 36,012 screens, a 154 percent increase since 1980.

The following chart provides the top ten movie exhibitors by number of theatres and screens as of June 2005.

TOP TEN MOVIE EXHIBITORS AS OF JUNE 2005

Rank	Exhibitor	USA Theater Total	USA Screen Total
1	Regal Entertainment Group	553	6,264
2	AMC Entertainment*	215	3,308
3	Carmike Cinemas	311	2,450
4	Cinemark USA	195	2,347
5	Cineplex Galaxy	132	1,560
6	Loews Cineplex*	131	1,427
7	National Amusements	94	1,099
8	Century Theatres	82	985
9	Kerasotes Theatres	77	609
10	Marcus Theatres	45	503
Total		1,973	20,097

Source: National Association of Theatre Owners Annual Statistics

*AMC and Loews entered a definitive merger agreement on 6/21/05

Although there are more than 400 exhibitors in the United States and Canada, the movie theatre industry is dominated by a small number of chains. In 1985, the top ten exhibitors controlled about 25% of the screens in the U.S. The industry has consolidated in years since, most important being the merger of Regal Cinemas, Edwards Theatre Circuit and United Artists

The total number of screens owned by the top five exhibitors account for 44 percent of the national screen total and screens owned by the top ten exhibitors accounts for approximately 54 percent of all screens. The top ten exhibitors' screens are located at a total of 1,973 sites, which indicates an average of 10 screens per theatre. The newer multiplexes represent an even higher screen-per-theatre ratio, with most new and proposed multiplexes having at least eight screens, and several existing or proposed theatres containing as many as 24 screens. With blockbuster films being shown at 24-screen, mega-theatres cropping up across the nation, movie going has, once again, become an event.

Through consolidation, the exhibition industry has realized cost savings. It is feasible for a theater operator with critical mass of more than 100 screens to utilize and electronic management information system for monitoring ticket and concession sales from a central location. With such data quickly available, central management can precisely adjust film selection, staffing requirements, and concession supplies. Typically, theater chains with economies of scale can also exact more favorable terms from concession suppliers, and film distributors. However, film rental rates usually depend more on the dynamics of specific local markets than the overall size of an exhibitor chain.

Current State of the Industry

In 1999, many analysts believed that the industry was oversaturated. Several of the large theater operators were in trouble from having taken on substantial debt to build costly mega-plexes with stadium seating at a cost of up to $1 million per screen. As companies opened large, luxurious mega-plexes, they often found that they were taking business away from the older, smaller multi-plexes, which generally lack the up to date amenities. Because some of these older theaters had long-term leases, the companies were unable to close the underperforming theaters fast enough. At the same time, bank lenders tightened their credit standards, making it more difficult to obtain new cash or refinance existing debt.

As a result, many American exhibitors who were top-heavy with expansion debt filed for Chapter 11 bankruptcy and closed some of their older under-performing theaters. Filing Chapter 11 allowed the companies to escape long-term leases and close money-losing locations. Over the past 3 years, Regal Cinemas, Inc., Loews Cineplex, Carmike Cinemas, United Artists, Edwards Cinemas, Silver Cinemas, Cinema Star Luxury Theaters, West Star Cinemas, Mann Theaters, Resort Theaters of America and General Cinemas filed for Chapter 11 bankruptcy. Many of these exhibitors have also closed down theaters that were not profitable. In addition, other companies that were in financial strain attempted to keep their heads above water by restructuring debt, renegotiating leases, closing theaters, doing sale-leasebacks, obtaining equity infusions, etc. The theater chains with older facilities as well as those with shallow market penetration were the most vulnerable to the oversaturated market.

Currently, the theater industry seems to be turning around. Reversing course after the 1990's mega-plex boom and a refusal to shutter smaller, less appealing theaters, chain owners have come to grips with the glut of theatre seating. The total number of U.S. screens (both indoor and drive-in) shrunk to 36,652 in 2004, down from a high of 37,131 in 1999. However, while big chains are cutting out less-profitable sites, analysts estimate that the number of total screens will remain flat as some operators open new theatres.

Due to takeovers and consolidations, fewer hands control the industry now. Struggling chains, many spilling red ink, have been taken over by big investors and former competitors. Madison Dearborn partners, Inc. bought Cinemark USA Inc. for $1.5 billion, in March 2004 and is now bidding on Century Theatres Inc., the eighth largest U.S. exhibitor. And in June 2005, AMC Entertainment Inc., the second largest US exhibitor announced that they had entered a definitive merger agreement with Loews Cineplex Entertainment, the sixth largest U.S. exhibitor. This transaction is expected to close by year-end.

Industry Performance

After a record-breaking year in 2002, movie attendance fell 3.4 percent in 2003, resulting in the first decline in box office revenues since 1991. Despite the total year decrease, summer box office sales were healthy reaching $3.97 billion, a 11% increase over the 2002 summer box office. Top films for 2003 included “Finding Nemo” which grossed $339.7 million, “Pirates of the Caribbean” which earned $305.4 and two episodes of trilogy sequences, “Lord of the Rings III: The Return of the King” and “Matrix Reloaded” which earned a combined $571.9 million.

In 2004 attendance continued to fall back to their pre-2002 levels dropping an additional 2.8 percent but an increase in ticket prices as well as an outstanding summer box office that generated $4.49 billion, a 21 percent increase over 2003, allowed the industry to exceed the record box office sales of 2002. Top grossing films of 2004 included “Shrek 2” which earned $436.7 billion, “Spiderman 2” which generated $373.4 billion and “The Passion of the Christ” which earned $370.3 billion.

As of September 2005, year-to-date box office sales were down 6% from a year ago and attendance was down 8%, largely due to a less than stellar summer season that saw the worst sales in four years and the weakest attendance since 1997. Industry insiders however expect the market to rebound with late-year releases such as the Al Pacino-Matthew McConaughey thriller “ Two for the Money”, “Harry Potter and the Goblet of Fire” and a new version of “King Kong”.

Competition of the Future

A multitude of technological advances will make possible new at-home entertainment alternatives over the next several years. Although the impact of such developments on the health of the movie theatre industry is unknown, exhibitors regard advancements in entertainment-related technology seriously.

<u>High-Definition Television (HDTV)</u>

The most imminent technological breakthrough in the entertainment industry is High Definition Television, or HDTV, which came to market in 1999. HDTV utilizes digital technology, which produces clearer images and sounds than the analog transmissions used in television broadcasts today. An HDTV broadcast would be received on wide screen television sets that mimic the dimensions of a movie screen. Standard televisions have a width to length ratio of 3:4; HDTV sets will have a ratio of 16:9, enabling those programs broadcast and received in digital format to closely approximate the visual experience afforded by movie screens, while HDTV sound will compete with the sound quality of a CD player. To date HDTV has been slow in gaining market acceptance in the United States due to limited program availability and the relatively high equipment cost.

Home Theatres

Current technology provides consumers with the ability to create a home theatre for movie viewing. State-of-the-art audio and video equipment may be combined to create the effect of watching a film in a movie theatre, albeit on a smaller scale. Home theatre systems typically include a large-screen television, hi-fi/stereo VCR or DVD player, surround sound audio/visual receiver, and four to six speakers. The price of home theatre equipment can vary widely, depending on the quality of the components. While deluxe systems can cost over $10,000, a survey by the Electronic Industries Association found that the typical home theatre cost less than $3,000. It is estimated that 62 million households in the U.S. will have a home-theater system installed by 2006.

Interactive Cable Networks

At the forefront of technological advances in the entertainment industry is the creation of an "Information Superhighway", a cable system that will consist of hundreds of channels and offer a multitude of interactive services. Available services would include interactive video games and shopping, educational instruction, video conferencing and video phone service, as well as the ability to watch movies on demand. The threat posed to the movie theatre industry by the advent of these mega-channel cable systems lies in the potential for first-run films to be broadcast on cable on a pay-per-view basis. Movie theatres, always the point of entry for new films into the market, may eventually be forced to share that distinction with the cable networks, or may even function as second-run showcases.

The technology for the Information Superhighway is still being developed, and it is unlikely that these systems will be available to many users in the near future. An additional factor that will likely impact the growth of these high technology cable services is the price of such services. Cable subscribers will be forced to pay for these technological advances, and the cost of access to the Information Superhighway is likely to be high. While the arrival of this technology is foreseeable, the impact these services will have on the movie theatre is impossible to predict. Much is unknown about the extent of the movie services that will be made available on the Information Superhighway, as well as what these services will cost the consumer.

First Run Movies on Cable

While the opening of the Information Superhighway is still several years away, the potential for first run movies to be shown on cable channels is more imminent. Some of the smaller film distributors are spearheading the movement toward first-run cable releases. The National Association of Theatre Owners, the trade group that represents exhibitors, has vociferously denounced the practice and some of the larger studios, many of which own movie theatre chains, have vowed to oppose the practice as well. Thus, while first-run movies will probably be available on cable in the near future, the practice is unlikely to be widespread, nor to cause the downfall of the traditional movie theatre.

Impact of Technology on Movie Theatre Attendance

The movie theatre industry is rapidly approaching a new age, one in which it will be forced to compete with a multitude of technological advances designed to promote at-home entertainment. Since the birth of the motion picture over 70 years ago, movie theatres have faced two similar threats: television and the VCR/DVD. While the birth of television and the invention of the VCR/DVD did indeed usher in new eras of at-home entertainment, the movie theatre industry has continued to grow, evidencing the perennial popularity of viewing films in a theatre.

The potential ramifications created by the arrival of HDTV and the Information Superhighway, as well as the increasing affordability of a home theatre system and the likelihood of first-run movies being shown on cable channels are unknown. Certainly the creation of new modes of entertainment will always capture the interest and enthusiasm of the public. Yet, many factors are involved in consumer preference and choices. While new technology may be exciting, it is usually costly as well. Many people will continue to realize the entertainment value of a movie shown in a movie theatre, despite increases in ticket prices and the cost of popcorn. The experience of viewing a film on a large screen, with a group of people, is nearly impossible for the average consumer to replicate, and is the primary reason for the popularity of movie theatre viewing. It also gives attendees a “night out”. While new technology will compete head-on with the movie theatre industry, it is unlikely that the industry will wither. The challenge for exhibitors today, in the face of technological competition, is to harness some of the same technology and use it to improve the movie theatre experience.

Innovations in the Movie Theatre Industry

Movie theatres have become more competitive over the last decade, facing up to a market that has shrunk and is now controlled by a relatively small number of large operators. In addition to building multiplexes with large screens, movie theatre chains are instituting a variety of new services geared toward patron comfort, convenience and enjoyment. The sound wave of the future for movie theatres is digital sound technology. Digital sound technology is used to create movies that have a sound quality akin to that produced by compact discs. There are three major competitors in the digital sound market: Sony Dynamic Digital Sound (SDDS), Digital Theatre Systems (DTS), and Dolby. Exhibitors have quickly begun to adopt the digital sound format, realizing that the enhanced sound quality adds immeasurably to the movie experience.

Other changes occurring inside the movie theatre relate to climate and comfort; more attention is paid to regulating the temperature inside the theatre and many theatres are installing more comfortable seats. Some theatres are installing seats that "rock", and one large chain recently announced that it will create special electronically controlled seats for future "motion simulation" theatres, which will allow patrons to move along with the action on the screen. The beverage-holder armrest is now de rigueur in major theatres, and one operator has created a removable tray that may be placed in the cup holder to facilitate movie snacking.

Another aid to movie-goers is MovieFone, the interactive telephone system that provides callers with services designed to simplify movie-going. One service provides movie showtimes and theatre locations, while a teleticketing service enables customers to call ahead for tickets, pay for them with a credit card, and pick them up at the box office lobby, thereby avoiding ticket lines. A new service available on MovieFone is "Parents Guide", through which a caller may listen to a description of a particular movie's plot, the rating assigned to the movie by the Motion Picture Association of America, and an explanation for why the rating was deemed necessary. Another interactive service, MovieLink, was recently introduced in New York City. MovieLink is an interactive kiosk that utilizes a touch-screen system to enable users to view movie trailers, check theatre locations and showtimes, and purchase tickets with a credit card. Both MovieFone and MovieLink provide an important service to busy moviegoers, and are indicative of the types of improvements that movie theatres are introducing to increase patronage.

Movie theatres are also introducing many concession-related improvements. Concession stands provide a significant portion of a movie theatre's revenue, in the neighborhood of 30 percent. Movie theatres have been branching out from the traditional popcorn and soda to embrace ideas like bulk candy stations, where patrons serve themselves from a variety of candy, which they pay for by weight. The self-service concept has been adapted to popcorn and soda in some theatres, and even to hot dogs and nachos. Self-service eliminates labor costs and moves patrons quickly through the concession area. Theatre operators are increasingly aware of the lost profits caused by slow workers or an inefficient concession set-up, and have instituted employee training programs and more time-efficient layouts. At some theatres patrons are able to avoid the concession stand entirely; employees may sell concession items inside the theatre from a snack cart or take orders inside the theatre and deliver concession items to patrons in their seats.

The conclusion to be drawn from an analysis of movie theatre and concession operational trends is that exhibitors are focusing on all aspects of the customer's movie experience. Faced with competition from a variety of at-home, high technology entertainment choices, the successful movie theatre provides not only for the comfort and convenience of its patrons, but also seeks to maximize viewing pleasure. When assessed individually, some of the newest concepts in movie exhibition may appear minor. However, the overall effect generated by these types of improvements will have an increasingly important role in the success of movie theatres over the next several years, due to the challenge posed by the constantly evolving at-home entertainment industry.

IMAX

Viewed by many in the movie industry as the movie technology of the future, the IMAX (or "Image Maximum") film was developed by the Canadian company, IMAX Systems Corporation in 1967. IMAX movies are shot with special cameras and equipment that utilize 70 millimeter film, which creates an image that is ten times larger than that shot with standard 35 millimeter film. IMAX films are shown on giant screens, several stories tall and over 80 feet wide, and also on a domed version of the oversize screen, known as Omnimax. A 3-D version of IMAX is also available, which is based on the same concept as the glasses used to watch the 3-D movies of the 1950s.

The IMAX Theatre Network currently consists of more than 225 IMAX affiliated theatres in 30 countries. Approximately 60 percent of the theatres are located in North America, while the remaining 40 percent are spread internationally. Roughly 50 percent of the theatres are located in institutional venues, such as museums, planetariums, and maritime centers, while the other half are part of commercial theatre complexes. More than 100 of these theatres are equipped with IMAX 3D technology.

The main obstacle to more widespread development of IMAX theatres is their high construction cost relative to multiplex movie theatres and the high cost of producing commercial films in the IMAX format. The latter problem has led, up until now, to a “lack of product” for commercial IMAX viewers. Although the commercial IMAX format has generated interest among moviegoers in the major cities, the likelihood of its widespread development nationally remains less certain.

Long-Term Outlook

The conclusion to be drawn from an analysis of movie theatre trends is that exhibitors are focusing on all aspects of the customer's movie experience. Faced with competition from a variety of at-home, high technology entertainment choices, the successful movie theatre provides not only for the comfort and convenience of its patrons, but also seeks to maximize viewing pleasure. When assessed individually, some of the newest concepts in movie exhibition may appear minor. However, the overall effect generated by these types of improvements will have an increasingly important role in the success of movie theatres over the next several years, due to the challenge posed by the constantly evolving at-home entertainment industry. The capital funds necessary to sustain these improvements has put several national exhibitors in a precarious financial position and it is likely that the industry will continue to see some additional consolidations over the next few years.

We project moderate growth in attendance for the movie industry. We do not expect alternative entertainment will cause a precipitous decline in the industry, but it will prevent substantial growth. The industry will maintain its position because it is the only way to tap the large funding to bring top-flight talent together, and its marketing is the basis for the marketing of cable and video. The financial difficulties of some theater operators are behind them, allowing these operators to move forward on a positive note. Nevertheless, exhibitors will need to make continual investments to ensure high-quality projection, sound, and concessions, and in general a quality movie experience that will encourage people to leave the home.

Top Theater Chain Profiles

Regal Cinemas Corporation

(7/05)

Regal Entertainment Group ("Regal"), a Delaware corporation organized on March 6, 2002, is the parent company of Regal Entertainment Holdings, Inc. ("REH"), which is the parent company of Regal Cinemas Corporation ("Regal Cinemas") and its subsidiaries and United Artists Theatre Company ("United Artists") and its subsidiaries. Regal Cinemas' subsidiaries include Regal Cinemas, Inc. and its subsidiaries, which include Edwards Theatres, Inc. ("Edwards"), Regal CineMedia Corporation ("Regal CineMedia"), Hoyts Cinemas Corporation ("Hoyts") and United Artists Theatre Group LLC. Regal acquired Regal Cinemas, United Artists, Edwards and Regal CineMedia through a series of transactions on April 12, 2002.

Regal operates the largest and most geographically diverse theatre circuit in the United States, consisting of 6,264 screens in 553 theatres in 40 states as of March 31, 2005.

On March 29, 2005, AMC Entertainment Inc. and Regal announced that they are combining their respective cinema screen advertising businesses into a new joint venture company called National CineMedia, LLC. On February 28, 2005, Regal CineMedia announced that it has entered into an agreement to acquire certain theatres from R/C Theatres for approximately $31.0 million in cash. On October 1, 2004, Regal announced that it has completed the acquisition of Signature Theatres in California and Hawaii. Regal acquired a total of 30 Signature theatres representing 309 screens in exchange for approximately $200.0 million in cash.

Quarterly Filing Data (03/31/05)

Net sales were $0.58 billion, an increase of 6.8 percent over the similar prior year quarter. Net income for the quarter was $0.01 billion, a 42.5 percent decrease from $0.02 billion in the similar prior year quarter.

QUARTERLY REVENUE BY SEGMENT (IN BIL)

Segment	**FY 2005**	**FY 2004**	**Change**
Theatre Group	$0.56	$0.52	7.4%
Regal CineMedia	$0.02	$0.02	-9.9%
Total	**$0.58**	**$0.54**	**6.8%**

Source: Regal 10Q dated 03/31/05

CREDIT RATINGS

Agency	**Rating**	**Date**	**Outlook**
Moody's	B3	Apr-04	Negative
Fitch	-	-	-
S&P	BB-	Jul-05	Negative

Sources: Moody's and S&P ratings as of 07/20/05

Annual Filing Data (12/30/04)

Company-wide sales for fiscal year ending December 30, 2004 were $2.47 billion, a 0.9 percent decrease over FY 2003. Between FY 2003 and 2004, net income decreased by 55.5 percent to $0.08 billion. The profile of Regal's sales and income performance is shown below:

REGAL CORPORATE PERFORMANCE AND STATISTICS

	FY 2004	FY 2003	FY 2002
Revenues (in mil)*	$2,468	$2,490	$2,140
Total Expenses (in mil)*	$1,962	$1,946	$1,697
Net Income (in mil)*	$83	$185	$117
Change in Revenues	-0.9%	16.3%	83.6%
Change in Expenses	0.8%	14.7%	155.9%
Number of Screens	6,273	5,110	5,663
Screens per Theatre	11	12	11
Net Theatres Opened (Includes closed theatres)	128	-94	220
Number of Theatres (Yr End)	558	430	524
Number of Employees (Yr End)	25,410	22,941	22,797

Sources: Regal 10Ks dated 12/30/04, 01/01/04 and 12/26/02

Store Openings / Closings

On May 5, 2004, Regal acquired two theatres with 26 screens in the Northeastern United States. On September 30, 2004, Regal acquired 30 theatres comprising 309 screens (including two theatres with 30 screens under construction) in California and Hawaii from Signature Theatres. On April 29, 2004, Regal acquired five theatres representing 49 screens in the Northeastern United States. The total aggregate cash purchase price for the combined acquisitions totaled approximately $223.6 million, including approximately $196.7 million for the Signature Theatres acquisition, subject to post-closing adjustments. During fiscal 2004, these acquisitions contributed approximately 5.0 million attendees or 2.0 percent to its total attendance.

In fiscal 2004, Regal opened three new theatres with 48 screens, added 19 screens through expansion to existing facilities and closed 30 theaters with 193 screens. This resulted in Regal finishing the year with 558 theaters and 6,273 screens.

Capital expenditures for fiscal 2005 are estimated to be approximately $150.0 to $165.0 million, consisting of new theatre development, expansion of existing theatre facilities, upgrades and maintenance. In addition, Regal is forecasting approximately $15.0 million of Regal CineMedia capital expenditures.

As of first quarter of fiscal 2005, Regal opened two theatres with 28 screens and closed seven theaters with 37 screens.

AMC Entertainment Inc.

(7/05)

AMC Entertainment, Inc. ("AMC") is the second largest movie theatre chain in the United States operating 231 theatres with 3,560 screens in the United States, Canada, France, Hong Kong, Japan, Portugal, Spain and the United Kingdom under the banners American Multi-Cinema, Inc., AMC, International Theatrical Exhibition and National Cinema Network, Inc., as of March 31, 2005.

On June 21, 2005, AMC and Loews Cineplex Entertainment Corporation ("Loews") announced that they have entered into a definitive merger agreement that would result in the combination of their businesses. Loews Cineplex is the third largest movie theater chain in the world, with 200 theaters and 2,176 screens worldwide. The merged company, to be called AMC Entertainment Inc., will be headquartered in Kansas City, MO and will own, manage or have interests in approximately 450 theatres with about 5,900 screens in 30 states and 13 countries.

On March 29, 2005, AMC and Regal Entertainment Group announced that they are combining their respective cinema screen advertising businesses into a new joint venture company called National CineMedia, LLC. On December 23, 2004, AMC announced the acquisition of AMC by Marquee Holdings Inc. has been completed. Marquee Holdings Inc., is an investment vehicle controlled by affiliates of J.P. Morgan Partners, LLC, the private equity arm of JPMorgan Chase & Co., and Apollo Management, L.P., a private investment firm. AMC stockholders approved the merger agreement governing the transaction at a special stockholders meeting held on December 23, 2004 in Leawood, KS.

Quarterly Filing Data (03/31/05)

Total revenues were $0.45 billion, a decrease of 4.8 percent over the similar prior year quarter. Net loss for the quarter was $0.06 billion, a 1251.2 percent decrease from a net income of $0.01 billion in the similar prior year quarter.

QUARTERLY REVENUE BY SEGMENT (IN BIL)

Segment	FY 2005	FY 2004	Change
AMC*	$0.45	$0.47	-4.8%
Total	**$0.45**	**$0.47**	**-4.8%**

Source: AMC 10Q dated 03/31/05; *Includes all segments

CREDIT RATINGS

Agency	Rating	Date	Outlook
Moody's	B3	Aug-04	Stable
Fitch	-	-	-
S&P	B	Jul-05	Positive

Sources: Moody's and S&P ratings as of 07/20/05

Annual Filing Data (03/31/05)

Company-wide sales for fiscal year ending March 31, 2005 were $1.80 billion, a 1.3 percent increase over FY 2004. Between FY 2004 and 2005, net loss increased by 559.3 percent to $0.07 billion. The profile of AMC's sales and income performance is shown below:

AMC CORPORATE PERFORMANCE AND STATISTICS

	FY 2005	FY 2004	FY 2003
Revenues (in mil)*	$1,807	$1,783	$1,785
Total Expenses (in mil)*	$1,615	$1,544	$1,575
Net Income (in mil)*	-$71	-$11	-$30
Change in Revenues	1.3%	-0.1%	33.4%
Change in Expenses	4.6%	-2.0%	34.1%
Number of Screens**	3,546	3,544	3,524
Screens Per Theatre	15	15	15
Net Theatres Opened (Includes closed theatres)	-3	-7	58
Number of Theatres (Yr End)**	229	232	239
Number of Employees (Yr End)	15,600	17,200	18,300

Source: AMC 10K dated 03/31/05; *Sum of 14 weeks ended Successor Company and 38 weeks ended Predecessor Company for FY 2005; **Excludes 17 theatres with 160 screens in South America through a 50.0 percent owned unconsolidated joint venture

Store Openings / Closings

In fiscal 2005, AMC opened three theatres with 44 screens and closed six theatres with 42 screens. This resulted in AMC finishing the year with 229 theatres and 3,546 screens.

Carmike Cinemas Inc.

(7/05)

Carmike Cinemas, Inc. (“Carmike Cinemas”) is one of the largest motion picture exhibitors in the United States, operating 281 theatres and 2,187 screens as of March 31, 2005.
On May 19, 2005, Carmike Cinemas announced that it has completed the acquisition of George G. Kerasotes Corporation (“GKC Theatres”) for $66.0 million. As of February 28, 2005, GKC Theatres operated 30 theatres and 263 screens in Illinois, Michigan, Indiana and Wisconsin.

Bankruptcy (8/00)

On August 8, 2000, Carmike Cinemas and the subsidiaries Eastwynn Theatres, Inc., Wooden Nickel Pub, Inc. and Military Services, Inc. filed voluntary petitions for relief under Chapter 11 of the bankruptcy code. On January 4, 2002, the U.S. Bankruptcy Court for the District of Delaware entered an order confirming the Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code, dated as of November 14, 2001. On January 31, 2002, Carmike Cinemas emerged from bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Quarterly Filing Data (03/31/05)

Total revenues were $0.10 billion, a decrease of 13.0 percent over the similar year prior year quarter. Net income for the quarter was $0.4 million, a 75.5 percent decrease from $1.8 million in the similar prior year quarter.

QUARTERLY REVENUE BY SEGMENT (IN BIL)

Segment	FY 2005	FY 2004	Change
Carmike Cinemas	$0.10	$0.12	-13.0%
Total	**$0.10**	**$0.12**	**-13.0%**

Source: Carmike Cinemas 10Q dated 03/31/05

CREDIT RATINGS

Agency	Rating	Date	Outlook
Moody's	B3	Apr-05	Positive
Fitch	-	-	-
S&P	B	Jul-05	Positive

Sources: Moody's and S&P ratings as of 07/20/05

Annual Filing Data (12/31/04)

Company-wide sales for fiscal year ending December 31, 2004 were $0.49 billion, a 0.3 percent increase over FY 2003. Between FY 2003 and 2004, net income decreased by 72.0 percent to $0.03 billion. The profile of Carmike Cinemas's sales and income performance is shown below:

CARMIKE CINEMAS CORPORATE PERFORMANCE AND STATISTICS

	FY 2004	FY 2003	FY 2002
Revenues (in mil)	$494	$493	$507
Total Expenses (in mil)	$390	$391	$402
Net Income (in mil)	$30	$106	-$40
Change in Revenues	0.3%	-2.6%	10.8%
Change in Expenses	-0.2%	-2.8%	5.1%
Number of Screens	2,188	2,253	2,262
Screens per Theatre	7.8	7.5	7.3
Net Theatres Opened (Includes closed theatres)	-17	-9	-15
Number of Theatres (Yr End)	282	299	308
Number of Employees (Yr End)	7,821	9,030	9,310

Sources: Carmike Cinemas 10Ks dated 12/31/04, 12/31/03 and 12/31/02

Store Openings / Closings

In fiscal 2004, Carmike Cinemas opened three theatres and 41 screens and closed 20 theatres and 106 screens. This resulted in Carmike Cinemas finishing the year with 282 theatres and 2,188 screens.

In fiscal 2005, Carmike Cinemas plans to add approximately 141 screens and close approximately 35 screens. Capital expenditures for the fiscal 2005 are estimated to be $50.0 million.

As of the first quarter of fiscal 2005, Carmike Cinemas opened two theatres and 16 screens and closed three theatres and 17 screens. Capital expenditures for the quarter were approximately $25.5 million.

Cinemark USA

(7/05)

Cinemark USA, Inc. ("Cinemark") is one of the largest motion picture exhibitors operating theatres with 3,192 screens in United States, Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia as of March 31, 2005.

Quarterly Filing Data (03/31/05)

Total revenues were $0.24 billion, an increase of 1.7 percent over the similar prior year quarter. Net income for the quarter was $12.1 million, a 21.3 percent increase from $9.9 million in the similar prior year quarter.

QUARTERLY REVENUE BY SEGMENT (IN BIL)

Segment	FY 2005	FY 2004	Change
Cinemark	$0.24	$0.23	1.7%
Total	**$0.24**	**$0.23**	**1.7%**

Source: Cinemark 10Q dated 03/31/05

CREDIT RATINGS

Agency	Rating	Date	Outlook
Moody's	B3	Mar-04	Stable
Fitch	-	-	-
S&P	B+	Jul-05	Negative

Sources: Moody's and S&P ratings as of 07/20/05

Annual Filing Data (12/31/04)

Company-wide sales for fiscal year ending December 31, 2004 were $0.94 billion, a 1.6 percent decrease over FY 2003. Between FY 2003 and 2004, net income decreased by 0.4 percent to $0.04 billion. The profile of Cinemark's sales and income performance is shown below:

CINEMARK CORPORATE PERFORMANCE AND STATISTICS

	FY 2004	FY 2003	FY 2002
Revenues (in mil)	$1,024	$951	$936
Total Expenses (in mil)	$670	$627	$619
Net Income (in mil)	$45	$45	$36
Change in Revenues	7.7%	1.6%	9.6%
Change in Expenses	6.9%	1.3%	7.7%
Number of Screens	3,172	3,096	3,031
Screens Per Theatre	11	11	11
Net Theatres Opened (Includes closed theatres)	6	6	4
Number of Theatres (Yr End)	292	286	280
Number of Employees (Yr End)	13,200	12,700	12,500

Sources: Cinemark 10Ks dated 12/31/04, 12/31/03 and 12/31/02

Store Openings / Closings

In fiscal 2004, Cinemark opened 17 new theatres and 175 screens and added four screens to existing theatres. This resulted in Cinemark finishing the year with 292 theatres and 3,172 screens.

In fiscal 2005, Cinemark plans to open 23 new theatres and 272 screens. Capital expenditures for fiscal 2005 are estimated to be $76.0 million.

On January 28, 2005, Cinemark opened of a 14 screen, all stadium-seating theatre at Denton, TX. On October 21, 2004, Cinemark and CBL & Associates Properties, Inc. announced that construction will begin in the spring of 2005 on the 16 screen, all stadium-seating Cinemark movie theatre adjacent to Fayette Mall in Lexington, KY. The megaplex will be the fourth Cinemark theatre in the Lexington area and will be located at the intersection of Nicholasville and Reynolds Roads. The 60,000 square foot state-of-the-art facility will celebrate a grand opening in the spring of 2006.

As of the first quarter of fiscal 2005, Cinemark opened two new theatres with 20 screens. Cinemark had signed commitments to open 15 new theatres with 144 screens by the end of fiscal 2005 and open 14 new theatres with 157 screens subsequent to fiscal 2005.