REGAL ENTERTAINMENT GROUP
Form 10-K
March 15, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2004

Commission file number: 001-31315

Regal Entertainment Group

(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**02-0556934** (Internal Revenue Service Employer Identification Number)
9110 East Nichols Avenue, Suite 200 Centennial, CO (Address of Principal Executive Offices)	**80112** (Zip Code)

Registrant's Telephone Number, Including Area Code: **303/792-3600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ý No o

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on July 1, 2004, computed by reference to the closing price for the registrant's Class A common stock on the New York Stock Exchange on such date was $730,329,977 (40,506,377 shares at a closing price per share of $18.03).

Shares of Class A common stock outstanding 57,574,661 shares at March 10, 2005

Shares of Class B common stock outstanding 87,566,142 shares at March 10, 2005

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement to be used in connection with its 2005 Annual Meeting of Stockholders and to be filed within 120 days of December 30, 2004 are incorporated by reference into Part III, Items 10-14, of this report on Form 10-K.

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REGAL ENTERTAINMENT GROUP

PART I

The information in this Form 10-K contains certain forward-looking statements, including statements related to trends in the Company's business. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors" and "Business" as well as those discussed elsewhere in this Form 10-K.

Item 1. BUSINESS

THE COMPANY

Regal Entertainment Group, a Delaware corporation organized on March 6, 2002 ("we," "us," "our," the "Company" or "Regal"), 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 ("UATG"). The terms Regal or the Company, REH, Regal Cinemas, United Artists, Edwards, Regal CineMedia, Hoyts and UATG shall be deemed to include the respective subsidiaries of such entities when used in discussions included herein regarding the current operations or assets of such entities.

We acquired Regal Cinemas, United Artists, Edwards and Regal CineMedia through a series of transactions on April 12, 2002. For a detailed discussion of the transactions resulting in our acquisition of these subsidiaries, see Note 1 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K. Each of the theatre circuits operated by Regal Cinemas, United Artists and Edwards emerged from bankruptcy reorganization under Chapter 11 of Title 11 of the United States Code prior to our acquisition of such entities. For a detailed discussion of these bankruptcy proceedings, see Note 4 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K.

Our Internet address is www.Regalentertainmentgroup.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports, are available free of charge on our Internet website under the heading "Investor Relations" as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Prior to fiscal 2004, we reported the results of our operations under one reportable segment theatre exhibition operations. As of December 30, 2004, we manage our business under two reportable segments theatre exhibition operations and Regal CineMedia. The theatre exhibition segment generates revenues primarily from admissions and concession sales. Our Regal CineMedia segment focuses exclusively on the expansion of businesses ancillary to our theatre exhibition operations, such as advertising, and the creation of new complementary business lines that leverage our existing asset and customer bases, including rental of theatres for business meetings, concerts and other events. For a discussion of our reportable segments, including financial information for each segment for each of the last three fiscal years, including fiscal 2004, see Note 17 to the consolidated financial statements.

DESCRIPTION OF BUSINESS

Overview

We operate the largest and most geographically diverse theatre circuit in the United States, consisting of 6,273 screens in 558 theatres in 40 states as of December 30, 2004, with over 253 million

annual attendees for the fiscal year ended December 30, 2004. Our geographically diverse circuit includes theatres in all of the top 25 and 44 of the top 50 U.S. designated market areas. We primarily operate multi-screen theatres and have an average of 11.2 screens per location, which is well above the 2003 average of 5.9 screens per location for the North American motion picture exhibition industry. We develop, acquire and operate multi-screen theatres primarily in mid-sized metropolitan markets and suburban growth areas of larger metropolitan markets throughout the U.S. We seek to locate each theatre where it will be the sole or leading exhibitor within a particular geographic film-licensing zone. Management believes that as of December 30, 2004, approximately 87% of our screens were located in film licensing zones in which we are the sole exhibitor. Regal CineMedia focuses exclusively on the expansion of ancillary businesses, such as advertising, and the creation of new complementary business lines that leverage our existing asset and customer bases and has developed our Regal Digital Content Network[SM] ("DCN"). We believe the size, reach and quality of our theatre circuit provide an exceptional platform to realize economies of scale in our theatre operations and capitalize on Regal CineMedia's ancillary revenue opportunities.

For the fiscal year ended December 30, 2004, we reported total revenues, income from operations and net income of $2,468.0 million, $321.1 million and $82.5 million, respectively. In addition, we generated during such period $387.4 million of cash flows from operations during the year ended December 30, 2004. EBITDA (earnings before interest, taxes, depreciation and amortization) was approximately $412.2 million, or 16.7% of total revenues, for the year ended December 30, 2004. As a result of our focus on enhancing revenues, operating efficiently, strictly controlling theatre-level costs, successfully integrating accretive acquisitions and developing ancillary businesses through Regal CineMedia, we achieved what management believes are among the highest EBITDA margins in the domestic motion picture exhibition industry. We believe EBITDA provides a useful measure of liquidity and financial performance for our investors because EBITDA is an industry comparative measure of cash flows generated by our operations and because it is a primary financial measure used by management to assess the performance and liquidity of our Company. EBITDA is not a measurement of financial performance or liquidity under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States of America for purposes of analyzing our profitability or liquidity. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a portion of such funds are subject to contractual restrictions and functional requirements to pay debt service, fund necessary capital expenditures and meet other commitments from time to time as described in more detail below. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. See Part II, Item 7, of this Form 10-K, under the caption "Results of Operations EBITDA" for a tabular reconciliation of net income to EBITDA and net cash provided by operating activities.

Business Strategy

Our business strategy is to continue to enhance our leading position in the motion picture exhibition industry by capitalizing on prudent industry consolidation opportunities, realizing selective growth opportunities through new theatre construction, expanding and upgrades of our existing asset base and creating incremental revenue growth through our Regal CineMedia business. This strategy should enable us to continue to produce the free cash flow and financial flexibility necessary to provide meaningful value to our stockholders. Key elements of our strategy include:

Maximizing Stockholder Value. We continue to believe that our cash dividends are an efficient means of distributing value to our stockholders. Periodic increases in our quarterly cash dividends and the payment of two extraordinary cash dividends in the last two fiscal years demonstrates our confidence in our business and our continued commitment to providing value to stockholders. Since

our initial public offering in May 2002, we have returned over $1.6 billion to our stockholders in the form of these cash dividends.

Pursuing Strategic Acquisitions. We believe that our acquisition experience and capital structure position us well to execute future acquisitions. We intend to selectively pursue accretive theatre acquisitions that enhance our asset base and improve our consolidated operating results. In addition, we may pursue acquisitions that broaden our service offerings and the reach of our DCN and strengthen our Regal CineMedia business.

Pursuing Selective Growth Opportunities. We intend to selectively pursue expansion opportunities through new theatre construction that meets our strategic and financial return criteria. We also intend to enhance our theatre operations by selectively expanding and upgrading existing properties in prime locations. We have combined the capital spending programs of Regal Cinemas, United Artists, Edwards and Hoyts under one management team to maximize our return on investment by enabling us to make strategic capital expenditures that we believe will provide the highest returns taking into account our entire theatre portfolio.

Using Our Regal Digital Content Network℠ to Generate Ancillary Revenues. We are generating revenue growth through our DCN. We are using our DCN to generate revenue from on-screen and in-lobby advertising, the distribution of entertainment, music and other digital content and corporate communications services, conferencing, product introductions and interactive distance learning. We believe the technical capabilities and reach of our DCN are enhancing our advertising and promotions business by providing a more efficient process for advertisers and more flexibility to target specific audiences or to change advertising campaigns. Additionally, by providing a high quality pre-show program that has been branded "The 2wenty℠," and through improved projection and sound capabilities, we believe our DCN is providing a better entertainment experience for our patrons. Our DCN also enables us to leverage our assets more efficiently during non-peak periods from the rental of auditoriums on a single site and networked basis for seminars, business conferencing, distance learning, and other business meetings and from the distribution of alternative digital programming in the music, education, entertainment and sports categories. During 2004, Regal CineMedia added its first non-Regal theatre circuit to the DCN. This multi-year digital network affiliate agreement allows for the delivery of customized pre-show content and advertising, marketing and sales support for cinema advertising, as well as an option to participate in upcoming digitally delivered events, which allows us to further leverage the DCN to generate additional revenue. This network affiliate strategy is designed to expand the reach and market coverage of the DCN for Regal CineMedia's advertising clients and for the distribution of digital programming.

Competitive Strengths

We believe that the following competitive strengths position us to capitalize on future opportunities:

Industry Leader. We are the largest domestic motion picture exhibitor with nearly twice as many screens as our nearest competitor. We operate 6,273 screens in 558 theatres in 40 states across the nation. We believe that the quality and size of our theatre circuit is a significant competitive advantage for negotiating attractive national contracts and generating economies of scale. We believe that our market leadership positions us to capitalize on favorable attendance trends, attractive consolidation opportunities and ancillary businesses.

Superior Management Drives Strong Operating Margins. We have developed a proven operating philosophy focused on efficient operations and strict cost controls at both the corporate and theatre levels. At the corporate level, we are able to capitalize on our size and operational expertise to achieve economies of scale in purchasing and marketing functions. We have developed an efficient purchasing

and distribution supply chain that generates favorable concession margins. At the theatre level, management devotes significant attention to cost controls through the use of detailed management reports and performance-based compensation programs to encourage theatre managers to control costs effectively and increase concession sales.

Strong Cash Flow Generation. We have invested over $2.1 billion in capital expenditures since 1997 to expand and upgrade our theatre circuit. As a result, we do not expect to require major capital reinvestments in the near term to maintain our operations in excess of those included in our capital spending programs. The combination of our operating margins and our limited need to make maintenance capital expenditures will allow us to generate significant cash flow from operations.

Proven Acquisition and Integration Expertise. We have significant experience identifying, completing and integrating acquisitions of theatre circuits. We have demonstrated our ability to enhance revenues and realize operating efficiencies through the successful acquisition and integration of 15 theatre circuits since 1995. We have generally achieved immediate cost savings at acquired theatres and improved their profitability through the application of our consolidated operating functions and key supplier contracts.

Quality Theatre Portfolio. We believe that we operate one of the most modern theatre circuits among major motion picture exhibitors. As of December 30, 2004, approximately 66% of our screens were located in theatres featuring stadium seating. As of December 30, 2004, approximately 79% of our screens were located in theatres with 10 or more screens. Our theatres have an average of 11.2 screens per location, which is well above the 2003 average of 5.9 screens per location for the North American motion picture exhibition industry.

Leading Access to First-Run Films. As of December 30, 2004, approximately 87% of our screens were located in film licensing zones in which we are the sole exhibitor. Being the sole exhibitor in a film licensing zone provides us with access to all films distributed by major distributors and eliminates our need to compete with other exhibitors for films in that zone. As the sole exhibitor in a particular zone, we may exhibit all commercially successful films on our screens, subject to a successful negotiation with the distributor, and have the ability to compete for attendance generated from commercially popular films.

Distinctive Opportunity in Ancillary Revenues. Our Regal CineMedia segment focuses exclusively on leveraging our scale and theatre assets with digital distribution and projection and other new technology to increase our revenues from complementary lines of business. We believe our theatre and network affiliate asset base provides an attractive platform for advertisers and entertainment, sports, music and other content providers to reach a desirable customer base and for businesses, schools, churches and other organizations to use for corporate communications services, such as conferencing, product introductions, and distance learning. We believe we will be able to generate additional revenues from digital on-screen and in-lobby advertising, the distribution of entertainment, sports, music and other digital content, and by providing corporate communications services.

Dividend Policy

We believe that paying dividends on our shares of common stock is important to our stockholders. To that end, during fiscal 2004, we paid to our stockholders two quarterly cash dividends of $0.18 per share, one quarterly cash dividend of $0.20 per share and one quarterly cash dividend of $0.30 per share on each outstanding share of our Class A and Class B common stock, or approximately $123.7 million in the aggregate. On June 2, 2004, we paid to our stockholders an extraordinary cash dividend of $5.00 per share on each outstanding share of Class A and Class B common stock totaling approximately $718.3 million in the aggregate. On February 10, 2005, we declared a cash dividend of $0.30 per share on each outstanding share of Class A and Class B common stock. The dividend is

payable on March 15, 2005 to our stockholders of record on March 1, 2005. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our Class A and Class B common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. Dividends are considered quarterly and may be paid only when approved by our board of directors.

INDUSTRY OVERVIEW

The domestic motion picture exhibition industry has historically maintained steady growth in revenues and attendance. Since 1965, total box office revenues have grown at a compound annual growth rate of approximately 6% with annual attendance of approximately 1.6 billion attendees in 2003. The industry has been relatively unaffected by downturns in the economic cycle, with total box office revenues and attendance growing in three of the last five recessions. For example, 2003 was a steady year for the film exhibition industry in which total box office revenues of $9.5 billion approximated that of a record 2002, while attendance declined by approximately 4.0% to 1.6 billion attendees. Please note that as of the date of this Form 10-K, fiscal 2004 industry statistics are not available.

During the late 1990's, however, the domestic motion picture exhibition industry underwent a period of extraordinary new theatre construction and the upgrade of older theatres. From 1996 to 1999, the number of screens increased at a compound annual growth rate of approximately 8%, which was more than double the industry's screen growth rate of approximately 3.5% from 1965 to 1995. The aggressive building strategies undertaken by exhibitors resulted in intensified competition in once stable markets and rendered many older theatres obsolete more rapidly than anticipated. This effect, together with the fact that many older theatres were under long-term, non-cancelable leases, created an oversupply of screens, which caused both attendance per screen and revenue and operating income per screen to decline. Most major exhibitors used extensive debt financing to fund their expansion efforts and experienced significant financial challenges in 1999 and 2000.

In 2000 and 2001, substantially all of the major exhibitors of motion pictures reduced their expansion plans and implemented screen rationalization plans to close under-performing theatres. During this period, the number of screens declined by approximately 1,800, the first screen decline since 1963. This screen count rationalization benefited exhibitors as many patrons of closed theatres migrated to remaining theatres, which increased industry-wide attendance per screen and operating efficiencies.

The recent industry expansion was primarily driven by major exhibitors upgrading their asset bases to an attractive megaplex format that typically included 10 or more screens per theatre and adding enhanced features such as stadium seating, improved projection quality and superior sound systems. From 1996 to 1999, the five largest motion picture exhibitors spent over $4.1 billion on capital expenditures to expand and upgrade their theatre circuits. As a result of the extensive capital investment over the last several years, we believe future capital expenditures needed to maintain these modern theatres will be modest.

We believe that another evolution of theatre formats beyond the current megaplex is unlikely to occur in the foreseeable future. We believe theatres larger than the current 10 to 18 screen megaplex are not able to generate attractive returns in most locations because of the substantial market suitability requirements to generate a level of profitability similar to the current megaplex format. In addition, for the foreseeable future, we do not believe that additional major amenities will be required to meaningfully enhance the moviegoing experience. Consequently, we believe major exhibitors have reduced capital spending as compared to the late 1990's and the rate of new screen growth has returned to historical growth patterns prior to the late 1990's expansion.

INDUSTRY TRENDS

We believe that the U.S. motion picture exhibition industry will benefit from the following trends:

Increased Marketing of New Releases by Studios. Movie studios have increased marketing expenditures per new film at a compound annual growth rate of approximately 12% from 2000 to 2003. Because domestic movie theatres are the primary distribution channel for domestic film releases, the theatrical success of a film is often the most important factor in establishing its value in other film distribution channels, including home video and DVD, cable television, broadcast television and international releases. We believe that movie studios have placed an increased emphasis on theatrical success because these secondary distribution channels represent important and growing sources of additional revenues.

Affordable and Attractive Form of Entertainment. We believe that patrons are attending movies more frequently because movie-going is convenient, affordable and attractively priced relative to other forms of out-of-home entertainment. The average price per patron continues to compare favorably to other out-of-home entertainment alternatives such as concerts and sporting events. Since 1993, average movie ticket prices have increased at a compound annual growth rate of only 3%, while ticket prices for professional sporting events and concerts have increased at approximately three times that rate. Over the same time period, per capita movie attendance has grown from 4.8 to 5.4 times per year.

Modern Facilities Lower Future Capital Requirements. We believe that the modern, 10 to 18 screen megaplex theatre is the appropriate size facility for most areas. Over the last several years, major exhibitors have spent substantial capital upgrading their asset bases, including the development of the megaplex format and introducing enhanced amenities such as stadium seating and digital sound, which we believe has enhanced the moviegoing experience. Given the substantial capital spent on theatre circuit expansion and facilities upgrades, we believe that major exhibitors have reduced their capital spending for new theatre construction or further upgrades.

Increasing Appeal of a Diversity of Films. The increased appeal in the breadth of films benefits exhibitors by expanding the demographic base of moviegoers and generating greater attendance at a wider variety of movies.

Extension of Movie Release Calendar Reduces Seasonality. Distributors have increasingly staggered new releases over more weekends as opposed to opening multiple movies on the same weekend or saving major releases for only a few holiday weekends. This trend has reduced the seasonality of box office revenues by spreading attendance over an extended period of time, which we believe benefits exhibitors by increasing admissions and concessions revenues.

THEATRE OPERATIONS

We operate the largest theatre circuit in the United States with 6,273 screens in 558 theatres in 40 states as of December 30, 2004. We operate theatres in all of the top 25 and 44 of the top 50 U.S. designated market areas, which include locations in suburban growth areas. We target prime locations with excellent access to large, high patron-traffic areas. We operate our theatre circuit using our Regal Cinemas, United Artists and Edwards brands through our wholly owned subsidiaries, Regal Cinemas, Edwards, Hoyts and United Artists.

We primarily operate multi-screen theatres. Our multi-screen theatre complexes typically contain 10 to 18 screens, each with auditoriums ranging from 100 to 500 seats. As a result, our theatres appeal to a diverse group of patrons because we offer a wide selection of films and convenient show times. In addition, many of our theatres feature modern amenities such as wall-to-wall screens, digital stereo surround-sound, multi-station concessions stands, computerized ticketing systems, plush stadium seating

with cup holders and retractable armrests, neon-enhanced interiors and exteriors and video game areas adjacent to the theatre lobby.

Our modern, multi-screen theatres are designed to increase profitability by optimizing revenues per square foot and reducing the cost per square foot of operation. We vary auditorium seating capacities within the same theatre, allowing us to exhibit films on a more cost effective basis for a longer period of time by shifting films to smaller auditoriums to meet changing attendance levels. In addition, we realize significant operating efficiencies by having common box office, concessions, projection, lobby and restroom facilities, which enables us to spread some of our costs, such as payroll, advertising and rent, over a higher revenue base. We stagger movie show times to reduce staffing requirements and lobby congestion and to provide more desirable parking and traffic flow patterns. In addition, we believe that operating a theatre circuit consisting primarily of modern theatres enhances our ability to attract patrons.

The following table details the number of locations and theatre screens in our theatre circuit ranked by the number of screens in each state as of December 30, 2004:

State	Locations	Number of Screens
California	105	1,168
Florida	45	631
New York	52	550
Washington	35	315
Pennsylvania	24	294
Texas	22	289
Virginia	25	288
Ohio	23	274
Georgia	16	227
Oregon	22	191
New Jersey	13	162
Tennessee	13	154
Massachusetts	13	134
Maryland	11	127
Colorado	12	112
Nevada	9	110
Alabama	8	106
North Carolina	13	106
South Carolina	8	89
Indiana	7	88
Louisiana	10	82
Mississippi	10	79
Illinois	4	67
Idaho	7	63
New Mexico	7	58
New Hampshire	6	51
Hawaii	4	47
Connecticut	4	45
Alaska	5	43
Minnesota	3	43
Maine	4	38
Arkansas	3	36
Missouri	2	36
Delaware	2	33
Oklahoma	2	26
Michigan	2	22
West Virginia	2	22
Arizona	2	21
Kentucky	1	16
Wisconsin	1	16
District of Columbia	1	14

In connection with the combination of our theatre circuits, we have implemented best management practices across all of our theatres, including daily, weekly and monthly management reports generated for each individual theatre, as well as maintaining active communication between the theatres, divisional management and corporate management. We use these management reports and communications to closely monitor admissions and concessions revenues as well as accounting, payroll and workforce information necessary to manage our theatre operations effectively and efficiently.

We seek experienced theatre managers and require new theatre managers to complete a comprehensive training program within the theatres and at the "Regal Entertainment University," which is held at our theatre operating corporate office. The program is designed to encompass all phases of theatre operations, including our operating philosophy, policies, procedures and standards. In addition, we have an incentive compensation program for theatre-level management that rewards theatre managers for controlling operating expenses while complying with our operating standards.

In addition, we have implemented quality assurance programs in all of our theatres to maintain clean, comfortable and modern facilities. To maintain quality and consistency within our theatre circuit, district and regional managers regularly inspect each theatre. We also operate a "mystery shopper" program, which involves unannounced visits by unidentified customers who report on the quality of service, film presentation and cleanliness at individual theatres.

REGAL CINEMEDIA OPERATIONS

Regal CineMedia focuses on the expansion of ancillary businesses, such as advertising, and the creation of new complementary business lines that utilize our existing theatre operating personnel and leverage our existing asset and customer bases. We have committed resources and dedicated a management team with experience in these new business areas to focus exclusively on these opportunities and on emerging digital distribution and other technologies. Business focus areas include in-theatre advertising, business meetings, and non-feature film content distribution. We have invested in the equipment necessary to create our DCN. While digital projection technologies required to display motion pictures in our theatres are not yet commercially viable, lower-cost digital video and communications technology is available to expand the revenue generating capabilities and opportunities. Through 2004, 5,350 screens within 441 theatres in 79 markets were deployed as part of this digital network. In addition, our DCN is connected to 1,293 plasma screens that have been installed in the lobbies and other high-traffic locations within these theatres to provide additional advertising reach and exposure. Pursuant to our multi-year digital network affiliate agreement, we have agreed to install the DCN in certain non-Regal theatres and to provide advertising sales and network technology services to such theatres, providing an additional source of ancillary revenue. Inclusive of those screens installed under our digital network affiliate agreement, we intend to expand our DCN to approximately 6,000 screens in 84 markets in approximately 493 theatres during 2005. The total investment in our DCN (exclusive of the network affiliate) is expected to be approximately $80.2 million, of which we have invested approximately $73.3 million as of December 30, 2004. Approximately 91% of Regal's attendance base will have exposure to the DCN. We believe that this digital network is enabling us to more effectively capitalize on ancillary revenue opportunities.

In-Theatre Advertising. We believe that our theatres and DCN provide an attractive platform for advertisers by allowing them to target a large and desirable customer base and improve the efficiency and reduce the cost of in-theatre advertising. We believe on-screen and in-lobby advertising allows advertisers to achieve high impact appeal due to the engaged nature of the movie audience and the sound and projection capabilities of our theatres. We have developed proprietary software to distribute digital advertising content to specific screens or markets throughout our circuit. The addition of digital video and communications technologies has improved the quality of our on-screen advertising business and marketing and promotions business by replacing our slide projectors and 35mm "rolling stock" advertising. Our digital video and communications technologies make the delivery of advertising more

time and cost efficient for advertisers and allow for more targeted marketing. Prior to the deployment of our DCN, our in-theatre advertising programs consisted primarily of 35mm rolling stock television commercials, lower quality intermission slides, intermission music, lobby monitor advertising and entertainment, coupon distribution and customer sampling. With our DCN, the rolling stock commercials, intermission slides, and intermission music were replaced in February 2003 by a "digital pre-show" that we have branded "The 2wenty". "The 2wenty" includes, in addition to 30 and 60 second high quality advertisements, segments of original entertaining and informative content provided by national media companies such as NBC, Turner Broadcasting, Universal Entertainment and Sony Pictures Entertainment (collectively, the "Content Partners"). In addition to the long-term marketing and programming relationships created with the Content Partners, we have strong business relationships with many national advertisers, such as the Coca-Cola Company and Masterfoods, with advertising agency groups, and with a leading Internet ticket provider, Fandango. Approximately 85% of the advertising revenues come from national advertisers, with the remainder coming from regional and local advertisers. Our advertising business generally generates attractive margins because it is able to demand attractive pricing and utilizes the DCN and our existing theatre assets and personnel. The addition of network affiliates will increase the reach of the DCN and will further leverage our existing technology assets and sales force.

Regal CineMeetings and Events[SM]. Our Regal CineMeetings and Events[SM] business rents theatres on an individual or networked basis for seminars, corporate training, business meetings, church services, distance learning or business communication uses, product and customer research and other entertainment uses such as concerts and movie premieres. By utilizing our DCN and telephone networks, we can provide an interactive video conferencing network and two-way audio broadcasting and teleconferencing services. Theatre rentals allow us to utilize our assets more effectively during non-peak movie-going periods, including Monday through Thursday and Friday, Saturday, and Sunday mornings.

Other Business Opportunities. We believe that we will generate additional revenues in the future as we continue to expand our ancillary business activities. These activities are currently focused on creating a new kind of national digital distribution network for the distribution of music, education, sports, entertainment and other forms of digital content to paying customers as well as for educational and promotional purposes. As the new programming "Channels" are developed they will be included as one of the product offerings of Regal CineMedia. In addition, Regal CineMedia will work closely with our theatre operations group to leverage new technologies to create a more interactive relationship with patrons, to improve the marketing information we provide advertisers and thus improve the local marketing of motion pictures and provide a better overall movie-going experience for our customers. As part of this effort, our frequent movie-goer program, the "Regal Crown Club[SM]," was rolled out in all of our markets during 2003.

Group Advance Ticket and Gift Certificate Sales. Regal CineMedia manages the sale of our advance tickets sold to corporations and groups and the sale of gift certificates to individuals and groups. Cross-selling and bundling strategies across the advertising sales and other Regal CineMedia sales groups and across various of the Regal CineMedia product offerings provides many sales and operational cost benefits.

FILM DISTRIBUTION

Domestic movie theatres are the primary initial distribution channel for domestic film releases. The theatrical success of a film is often the most important factor in establishing its value in other film distribution channels. Motion pictures are generally made available through several alternative distribution methods after the theatrical release date, including home video and DVD, cable television, broadcast television, international distribution and satellite and pay-per-view services. A strong opening

run at the theatre can establish a film's success and substantiate the film's revenue potential for both domestic and international distribution channels. For example, the value of home video, DVD and pay cable distribution agreements frequently depends on the success of a film's theatrical release. As the primary distribution window for the public's evaluation of films, domestic theatrical distribution remains the cornerstone of a film's overall financial success.

The development of additional distribution channels has given motion picture producers the ability to generate a greater portion of a film's revenues through channels other than theatrical release. This increased revenue potential after a film's initial theatrical release has enabled major studios and some independent producers to increase the budgets for film production and advertising. The total cost of producing a film averaged approximately $63.8 million in 2003, compared with approximately $29.9 million in 1993, while the average cost to advertise and promote a film averaged approximately $39.0 million in 2003, compared with approximately $14.1 million in 1993.

FILM LICENSING

Evaluation of Film. We license films on a film-by-film basis by negotiating directly with film distributors. Prior to negotiating for a film license, we evaluate the prospects for upcoming films. Criteria we consider for each film include cast, director, plot, performance of similar films, estimated film rental costs and expected rating from the Motion Picture Association of America. Successful licensing depends greatly upon the exhibitor's knowledge of trends and historical film preferences of the residents in markets served by each theatre, as well as on the availability of commercially successful motion pictures.

Access to Film Product. Films are licensed from film distributors owned by major film production companies and from independent film distributors that generally distribute films for smaller production companies. Film distributors typically establish geographic film licensing zones and allocate each available film to one theatre within that zone. Film licensing zones are primarily dependant upon population density.

In film licensing zones where we are the sole exhibitor, we obtain film licenses by selecting a film from among those films being offered and negotiating directly with the distributor. In zones where there is competition, a distributor will either allocate films among the exhibitors in the zone, or, on occasion, may require the exhibitors in the zone to bid for a film. When films are licensed under the allocation process, a distributor will select an exhibitor who then negotiates film rental terms directly with the distributor. We currently do not bid for films in any of our markets.

Film Rental Fees. Film licenses typically specify rental fees based on the higher of a gross receipts formula or a theatre admissions revenues formula. Under a gross receipts formula, the distributor receives a specified percentage of box office receipts from the exhibition of the film, a sliding-scale percentage of box office receipts declining over the term of the film's run, or a combination thereof. Under a theatre admissions revenues formula, the distributor receives a specified percentage of the excess of admissions revenues over a negotiated allowance for theatre expenses. Although not specifically contemplated by the provisions of film licenses, film rental fees actually paid by us are in some circumstances adjusted subsequent to exhibition in relation to the commercial success of a film in a process known as "settlement."

Duration of Film Licenses. The duration of our film licenses are negotiated with our distributors on a case-by-case basis. The terms of our license agreements depend on performance of each film. Marketable movies that are expected to have high box office admission revenues will generally have longer license terms than movies with more uncertain performance and popularity.

Relationship with Distributors. Many distributors provide quality first-run movies to the motion picture exhibition industry. No single distributor dominates the market for an annual period, however

according to industry sources, ten major film distributors reportedly accounted for 96% of admissions revenues and all of the top 50 grossing films during 2003. We license films from each of the major distributors and believe that our relationships with these distributors are good. From year to year, the revenues attributable to individual distributors will vary widely depending upon the number and popularity of films that each one distributes.

CONCESSIONS

In addition to box office admissions revenues, we generated approximately 25.8% of our total revenues from concessions sales during fiscal 2004. We emphasize prominent and appealing concession stations designed for rapid and efficient service. We continually seek to increase concessions sales by optimizing product mix, introducing special promotions from time to time and by offering employee training and incentive programs to up-sell and cross-sell products. We have favorable concession supply contracts and have developed an efficient concession purchasing and distribution supply chain. Our management negotiates directly with manufacturers for many of our concession items to obtain competitive prices and to ensure adequate supplies.

COMPETITION

The motion picture industry is highly competitive. Motion picture exhibitors generally compete on the basis of the following competitive factors:

- ability to secure films with favorable licensing terms;
- seating capacity, availability of stadium seating, location and reputation of their theatres;
- quality of projection and sound systems at their theatres; and
- ability and willingness to promote the films they are showing.

Our competitors vary substantially in size, from small independent exhibitors to large national chains. As a result, our theatres are subject to varying degrees of competition in the regions in which they operate. Our competitors, including newly established motion picture exhibitors, may build new theatres or screens in areas in which we operate, which may result in increased competition and excess capacity in those areas. If this occurs, it may have an adverse effect on our business and results of operations. As the largest motion picture exhibitor, however, we believe that we will be able to generate economies of scale and operating efficiencies that will give us a competitive advantage over many of our competitors.

We also compete with other motion picture distribution channels, including home video and DVD, cable television, broadcast television and satellite and pay-per-view services. Other technologies such as video on demand could also have an adverse effect on our business and results of operations. In addition, we compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theatre and restaurants.

In addition to the motion picture industry, we also operate in other industries as a result of our ancillary business activities. These industries currently include advertising services and business communications services. Our advertising services compete with other forms of marketing media, including television, radio and billboards, as well as advertising in shopping centers, airports, stadiums, supermarkets and public transportation. While we believe that in-theatre advertising and promotions are becoming increasingly common and very effective, advertisers may choose alternative methods of conveying their messages. If this occurs, it may have an adverse effect on our ancillary business activities and may affect our results of operations.

Our auditorium rental and business communications services compete with other forms of large-scale venues, including hotel conference centers, concert halls, other public meeting venues and

in-house communications equipment. We believe that our combination of size, geographic distribution and advanced technology offer customers a unique and effective venue for events such as employee meetings and product demonstrations.

MARKETING AND ADVERTISING

Currently, film distributors organize and finance multimedia advertising campaigns for major film releases. To market our theatres, we utilize advertisements, including radio advertising, and movie schedules published in newspapers and over the Internet informing our patrons of film selections and show times. Newspaper advertisements are typically displayed in a single grouping for all of our theatres located in a newspaper's circulation area. In some of our markets we employ special marketing programs for specific films and concessions items.

In addition, we seek to develop patron loyalty through a number of marketing programs such as free summer children's film series and cross-promotional ticket redemptions and promotions within local communities. We currently offer these programs only in selected markets. We plan to use these programs in markets where we believe patron loyalty can be further enhanced, and we will continue to evaluate our markets on a case-by-case basis to determine the suitability of these programs in individual regions. In addition, we have a frequent moviegoer loyalty program, named the Regal Crown Club, in all of our markets.

MANAGEMENT INFORMATION SYSTEMS

We make extensive use of information technology (IT) for the management of our business, our theatres, and other revenue generating operations. The revenue streams generated by attendance and concession sales are fully supported by information systems to monitor cash flow and to detect fraud and inventory shrinkage. We have expanded our ability to sell tickets by using Internet ticketing partners and by deploying self-service customer activated terminals (CATs) in some of our higher volume theatres. The CATs can sell tickets for current and future shows and provide the capability to retrieve tickets purchased through our Internet partners. We continue to investigate and invest in IT technologies to improve services to our patrons and provide information to our management, allowing them to operate the theatres efficiently.

Our scheduling systems support the coordination needed to properly allocate our auditoriums between film showings and Regal CineMeetings and Events^{SM}, while also ensuring that movie audiences view the intended advertising and that revenue is allocated to the appropriate business function. The scheduling systems also provide information electronically and automatically to the newspapers, which allows them to publish correct show start times with approved advertising graphics. The sales and attendance information developed by the theatre systems is used directly for film booking and settlement as well as being the primary source of data for our financial systems.

SEASONALITY

Our revenues are usually seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, studios release the most marketable motion pictures during the summer and the holiday season. The unexpected emergence of a hit film during other periods can alter the traditional trend. The timing of movie releases can have a significant effect on our results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or any other quarter. The seasonality of motion picture exhibition, however, has become less pronounced in recent years as studios have begun to release major motion pictures somewhat more evenly throughout the year.

EMPLOYEES

As of March 1, 2005, we employed approximately 25,410 persons. Some of our facilities employ union projectionists. The Company's expansion into new markets may increase the number of employees represented by unions. The Company considers its employee relations to be good.

REGULATION

The distribution of motion pictures is in large part regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases. Consent decrees effectively require major film distributors to offer and license films to exhibitors, including us, on a film-by-film and theatre-by-theatre basis. Consequently, exhibitors cannot assure themselves of a supply of films by entering into long-term arrangements with major distributors, but must negotiate for licenses on a film-by-film basis.

On March 18, 2003, Reading International, Inc., Citadel Cinemas, Inc. and Sutton Hill Capital, LLC (collectively, the "Plaintiffs") filed a complaint and demand for jury trial in the United States District Court for the Southern District of New York against Oaktree Capital Management LLC, Onex Corporation ("Loews"), Regal, United Artists, United Artists Theatre Circuit, Inc., Loews Cineplex Entertainment Corporation, Columbia Pictures Industries, Inc., The Walt Disney Company, Universal Studios, Inc., Paramount Pictures Corporation, Metro-Goldwyn-Mayer Distribution Company, Fox Entertainment Group, Inc., Dreamworks LLC, Stephen Kaplan and Bruce Karsh (collectively, the "Defendants") alleging various violations by the Defendants of federal and state antitrust laws and New York common law. The Plaintiffs allege, among other things, that the consolidation of the theatre industry and alleged agreements between and among Regal, movie distributors, and Loews, have adversely impacted their ability to exhibit first-run industry-anticipated top-grossing commercial films at their Village East theatre in Lower Manhattan, and are seeking, among other things, a declaration that the Defendants' conduct is in violation of antitrust laws, damages, and equitable relief enjoining Defendants from engaging in future anticompetitive conduct. On December 10, 2003, the court granted Defendants' motion to dismiss in part, thereby dismissing several of Plaintiffs' claims and dismissing Sutton Hill as a plaintiff. On December 24, 2003, Plaintiffs amended their complaint to add Village East Limited Partnership as a Plaintiff. Management believes that the remaining allegations and claims are without merit and intends to vigorously defend against the Plaintiffs' claims.

Our theatres must comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, an award of damages to private litigants and additional capital expenditures to remedy such non-compliance.

United Artists and several of its subsidiaries and UATG are subject to a consent decree arising from a lawsuit captioned Connie Arnold et. al. v. United Artists Theatre Circuit, Inc. et. al. The plaintiffs alleged nationwide violations with the ADA for failure to remove barriers to access at existing theatres in a timely manner. In 1996, the parties involved in the case entered into a settlement agreement in which United Artists agreed to remove physical barriers to access at its theatres prior to July 2001. In January 2001, the settlement agreement was amended to, among other things, extend the completion date for barrier removal to July 2006 and require minimum expenditures of $250,000 a year for barrier removal.

On April 11, 2000, the Oregon Paralyzed Veterans of America, Kathy Stewmon, Tina Smith and Kathy Braddy filed an action against Regal Cinemas, Inc. and Eastgate Theatre Inc. dba Act III

Theatre, Inc. The plaintiffs alleged, among other things, that the "stadium seating" plans in six of the defendants' movie theatres violate the ADA and the related regulations of the Department of Justice. The United States District Court for the District of Oregon subsequently awarded summary judgement of the plaintiff's claims in favor of our subsidiaries. The plaintiffs (other than the Oregon Paralyzed Veterans of America, which did not join in the appeal) appealed the judgement to the United States Court of Appeals for the Ninth Circuit. On August 13, 2003, the United States Court of Appeals for the Ninth Circuit reversed the lower court ruling and remanded the case to the District Court with instructions to enter summary judgment in favor of the plaintiffs (other than Oregon Paralyzed Veterans of America). The appellate court did not address specific changes, if any, that might be required to bring the stadium-style theatres into compliance with its interpretation of the ADA, and its decision conflicts with a decision, based upon substantially similar facts, of the United States Court of Appeals for the Fifth Circuit captioned Lara v. Cinemark USA, Inc. We believe we are in compliance with the ADA regulation with respect to the subject theatres and as such appealed the Ninth Circuit's decision to the Supreme Court of the United States. On June 28, 2004, the Supreme Court denied our request for review. The matter is currently pending and will revert back to the District Court for a determination of what, if anything, the Company will be required to do with respect to the claimed need to make the facilities more accessible.

On December 18, 2000, the United States filed an action against Hoyts in the District of Massachusetts entitled United States v. Hoyts Cinema Corporation. The complaint alleges that the seating in each of Hoyts' 26 stadium-style theaters violated the ADA because it fails to provide wheelchair-bound patrons with lines of sight comparable to those available to other members of the general public and denies persons in wheelchairs access to the stadium portion of the theater. In March 28, 2003, Regal acquired 19 of the affected theatres from Hoyts and assumed the litigation associated therewith. On March 31, 2003, the District Court granted summary judgment to the United States finding that in order to comply with the ADA wheelchair seats had to be placed in the stadium section, but also ruled that the only theaters that required retrofitting by placing wheelchair seating within the stadium section of the theater, were those constructed or refurbished after December 18, 2000. Both Hoyts and the United States appealed the District Court's decision. On August 20, 2004, the United States Court of Appeals for the First Circuit vacated the District Court's summary judgment decision finding that the government's interpretation that the ADA requires access to the stadium portion of the theater for wheelchair-bound patrons was not controlling and remanded the case to the District Court for further proceedings.

From time to time, we have received letters for the attorneys general of states in which we operate theatres regarding investigation into the accessibility of our theatres to persons with visual or hearing impairments. We believe we provide the members of the visually and hearing impaired communities with reasonable access to the movie-going experience and, accordingly, we believe we are in substantial compliance with all applicable regulations.

We believe that we are in substantial compliance with all current applicable regulations relating to accommodations for the disabled. We intend to comply with future regulations in this regard, and except as set forth above, we do not currently anticipate that compliance will require us to expend substantial funds. Our theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship and health and sanitation requirements. We believe that we are in substantial compliance with all of such laws.

Item 2. PROPERTIES

As of December 30, 2004, we operated 481 of our theatres pursuant to lease agreements and owned the land and buildings for 77 theatres. For a December 30, 2004 list of the states in which we operated theatres and the number of theatres and screens operated in each such state, please see the chart under "Business Theatre Operations" above, which is incorporated herein by reference. The

majority of our leased theatres are subject to lease agreements with original terms of 20 years or more and, in most cases, renewal options for up to an additional 10 years. These leases provide for minimum annual rentals and the renewal options generally provide for rent increases. Some leases require, under specified conditions, further rental payments based on a percentage of revenues above specified amounts. A significant majority of the leases are net leases, which require us to pay the cost of insurance, taxes and a portion of the lessor's operating costs. Our theatre operating corporate office is located in approximately 96,450 square feet of owned space in Knoxville, Tennessee. Regal CineMedia's corporate office is located in approximately 47,500 square feet of leased space in Centennial, Colorado. We believe that these facilities are adequate for our operations.

Item 3. LEGAL PROCEEDINGS

Pursuant to General Instruction G(2) to Form 10-K and Rule 12b-23 under the Securities Exchange Act of 1934, as amended, the information required to be furnished by us under this Part I, Item 3 (Legal Proceedings) is incorporated by reference to the information contained under the captions "Bankruptcy Claims" and "Other" in Note 11 (Commitments and Contingencies) of our notes to consolidated financial statements included in Part II, Item 8 (Financial Statements and Supplementary Data) of this report on Form 10-K.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter ended December 30, 2004.

EXECUTIVE OFFICERS OF THE REGISTRANT

Shown below are the names, ages as of December 30, 2004, and current positions of our executive officers. There are no family relationships between any of the persons listed below, or between any of such persons and any of the directors of the Company or any persons nominated or chosen by the Company to become a director or executive officer of the Company.

Name	Age	Position
Michael L. Campbell	51	Co-Chairman of the board of directors and Co-Chief Executive Officer of Regal and Chief Executive Officer of Regal Cinemas
Kurt C. Hall	45	Co-Chairman of the board of directors and Co-Chief Executive Officer of Regal and President and Chief Executive Officer of Regal CineMedia
Gregory W. Dunn	45	Executive Vice President and Chief Operating Officer
Amy E. Miles	38	Executive Vice President, Chief Financial Officer and Treasurer
Peter B. Brandow	44	Executive Vice President, General Counsel and Secretary

Michael L. Campbell is our Co-Chairman and Co-Chief Executive Officer and is Chief Executive Officer of Regal Cinemas. Mr. Campbell has served as a director since March 2002 and is a member of our Executive Committee. Mr. Campbell founded Regal Cinemas, Inc. in November 1989, and has served as Chief Executive Officer of Regal Cinemas, Inc. since its inception. Mr. Campbell served as a director and executive officer of Regal Cinemas, Inc. when it filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code and throughout the bankruptcy proceedings described in Note 4 to the consolidated financial statements included in this Form 10-K. Prior thereto, Mr. Campbell was the Chief Executive Officer of Premiere Cinemas Corporation, which he co-founded in 1982, and served in such capacity until Premiere was sold in October 1989. Mr. Campbell is a director of Eon

Streams, Inc., Fandango, Inc. and the National Association of Theatre Owners ("NATO") and serves on its executive committee of the board of directors.

Kurt C. Hall is our Co-Chairman and Co-Chief Executive Officer and is President and Chief Executive Officer of Regal CineMedia. Mr. Hall has served as a director since March 2002 and is a member of our Executive Committee. Mr. Hall served as President and Chief Executive Officer of United Artists from March 1998 to August 2002, and as a director from May 1992 until August 2002. Mr. Hall served as a director and executive officer of United Artists when it filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code and throughout the bankruptcy proceedings described in Note 4 to the consolidated financial statements included in this Form 10-K. Prior thereto, Mr. Hall served as Chief Operating Officer since February 1997, and as Executive Vice President since May 1992. Mr. Hall was Chief Financial Officer of United Artists from May 1992 to March 1998. Mr. Hall serves on the executive committee of NATO.

Gregory W. Dunn is our Executive Vice President and Chief Operating Officer and President and Chief Operating Officer of Regal Cinemas and served as Executive Vice President and Chief Operating Officer of Regal Cinemas, Inc. from 1995 to March 2002. Mr. Dunn served as an executive officer of Regal Cinemas, Inc. when it filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code and throughout the bankruptcy proceedings described in Note 4 to the consolidated financial statements included in this Form 10-K. Mr. Dunn served as Vice President of Marketing and Concessions of Regal Cinemas, Inc. from 1991 to 1995.

Amy E. Miles is our Executive Vice President, Chief Financial Officer and Treasurer and has served as the Executive Vice President, Chief Financial Officer and Treasurer of Regal Cinemas, Inc. since January 2000. Ms. Miles served as an executive officer of Regal Cinemas, Inc. when it filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code and throughout the bankruptcy proceedings described in Note 4 to the consolidated financial statements included in this Form 10-K. Prior thereto, Ms. Miles served as Senior Vice President of Finance from April 1999, when she joined Regal Cinemas, Inc. Ms. Miles was a Senior Manager with Deloitte & Touche from 1998 to 1999. From 1989 to 1998, she was with PricewaterhouseCoopers, LLC.

Peter B. Brandow is our Executive Vice President, General Counsel and Secretary and has served as the Executive Vice President, General Counsel and Secretary of Regal Cinemas, Inc. since July 2001, and prior to that time he served as Senior Vice President, General Counsel and Secretary of Regal Cinemas, Inc. since February 2000. Mr. Brandow served as an executive officer of Regal Cinemas, Inc. when it filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code and throughout the bankruptcy proceedings described in Note 4 to the consolidated financial statements included in this Form 10-K. Mr. Brandow served as Vice President, General Counsel and Secretary from February 1999 when he joined Regal Cinemas, Inc. From September 1989 to January 1999, Mr. Brandow was an associate with the law firm Simpson Thatcher & Bartlett.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common equity consists of Class A and Class B common stock. Our Class A common stock has traded on the New York Stock Exchange since May 9, 2002 under the symbol "RGC." There is no established public trading market for our Class B common stock.

The following table sets forth the historical high and low sales prices per share of our Class A common stock as reported by the New York Stock Exchange for the fiscal periods indicated.

	Fiscal 2004(1)	
	High	Low
First Quarter (January 2, 2004 April 1, 2004)	$ 22.05	$ 19.55
Second Quarter (April 2, 2004 July 1, 2004)	23.31	17.35
Third Quarter (July 2, 2004 September 30, 2004)	19.31	17.73
Fourth Quarter (October 1, 2004 December 30, 2004)	21.75	18.95

(1) On June 2, 2004, the Company paid an extraordinary cash dividend of $5.00 per share, on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

	Fiscal 2003(2)	
	High	Low
First Quarter (December 27, 2002 March 27, 2003)	$ 22.72	$ 16.85
Second Quarter (March 28, 2003 June 26, 2003)	24.15	17.15
Third Quarter (June 27, 2003 September 25, 2003)	23.72	17.31
Fourth Quarter (September 26, 2003 January 1, 2004)	21.54	18.40

(2) On July 1, 2003, the Company paid an extraordinary cash dividend of $5.05 per share, on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

On March 10, 2005, there were 125 stockholders of record of our Class A common stock and two stockholders of record of our Class B common stock.

Dividend Policy

During fiscal 2003, we paid to our stockholders four quarterly cash dividends of $0.15 per share on each share of our Class A and Class B common stock, or approximately $83.3 million in the aggregate. On July 1, 2003, we paid to our stockholders an extraordinary cash dividend of $5.05 per share, on each share of Class A and Class B common stock totaling approximately $716.0 million in the aggregate. During fiscal 2004, we paid to our stockholders two quarterly cash dividends of $0.18 per share, one quarterly cash dividend of $0.20 per share and one quarterly cash dividend of $0.30 per share on each share of our Class A and Class B common stock, or approximately $123.7 million in the aggregate. On June 2, 2004, we paid to our stockholders an extraordinary cash dividend of $5.00 per share on each outstanding share of Class A and Class B common stock totaling approximately $718.3 million in the aggregate. On February 10, 2005 we declared a cash dividend of $0.30 per share on each outstanding of Class A and Class B common stock. The dividend is payable on March 15, 2005 to our stockholders of record on March 1, 2005. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our Class A and Class B common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future

will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K.

Share Repurchase Program

On September 13, 2004, we announced that the Company's board of directors had authorized a share repurchase program, which provides for the authorization to repurchase up to $50 million of its outstanding Class A common stock within a twelve month period. Repurchases can be made from time to time as market conditions warrant, through open market purchases, negotiated transactions, or in such a manner deemed appropriate by the Company. During the year ended December 30, 2004, we made no repurchases of our outstanding Class A common stock.

Item 6. SELECTED FINANCIAL DATA

SELECTED HISTORICAL FINANCIAL DATA AND OTHER FOR REGAL ENTERTAINMENT GROUP

Regal was created through a series of transactions during 2001 and 2002. The Anschutz Corporation and its subsidiaries ("Anschutz") acquired controlling equity interests in United Artists, Edwards and Regal Cinemas, Inc. upon United Artists' emergence from bankruptcy reorganization on March 2, 2001, Edwards' emergence from bankruptcy reorganization on September 29, 2001 and Regal Cinemas, Inc.'s emergence from bankruptcy reorganization on January 29, 2002. Regal's consolidated financial statements reflect the results of operations from the dates Anschutz acquired its controlling equity interests in United Artists, Edwards and Regal Cinemas, Inc. These controlling equity interests have been recorded in Regal's consolidated financial statements at Anschutz's combined historical cost basis.

We present below selected historical consolidated financial data for Regal based on historical data (i) for the period ended January 3, 2002, considering the historical results for United Artists for the period from March 2, 2001 to January 3, 2002, and Edwards for the period from September 29, 2001 to December 27, 2001 (the fiscal 2001 periods in which Anschutz controlled United Artists and Edwards, "the period under common control"), (ii) for the fiscal year ended December 26, 2002, considering the results of operations of United Artists (from January 4, 2002), Edwards (from December 28, 2001), and Regal Cinemas (from January 24, 2002, the date upon which Anschutz is deemed to have acquired its controlling equity interest in Regal Cinemas, Inc.), (iii) for the fiscal year ended January 1, 2004, considering the results of operations of United Artists, Regal Cinemas, and Edwards from December 27, 2002 and Hoyts from March 28, 2003, and (iv) for the fiscal year ended December 30, 2004, considering the results of operations of United Artists, Regal Cinemas, Edwards and Hoyts from January 2, 2004, the results of operations of seven theatres acquired during the quarter ended July 1, 2004 and the 28 operating theatres acquired from Signature Theatres on September 30, 2004 for periods subsequent to the respective acquisition dates. The fiscal year ended January 1, 2004 consisted of 53 weeks of operations. The selected historical consolidated financial data as of and for the fiscal years ended December 30, 2004, January 1, 2004 and December 26, 2002 and the period ended January 3, 2002 were derived from the audited consolidated financial statements of Regal and the notes thereto. The selected historical financial data do not necessarily indicate the operating results or financial position that would have resulted from our operation on a combined basis during the periods presented, nor is the historical data necessarily indicative of any future operating results or financial position of Regal. Because historical financial data for Regal for the period under common control ended January 3, 2002 include only partial year data for United Artists (from March 2, 2001) and Edwards (from September 29, 2001), we have included limited information for Regal. In addition to the

below selected financial data, you should also refer to the more complete financial information included elsewhere in this Form 10-K.

	Fiscal year Ended December 30, 2004	Fiscal year Ended January 1, 2004(3)	Fiscal Year Ended December 26, 2002	Period Under Common Control Ended January 3, 2002
	(in millions, except per share data)			
Statement of Operations Data:				
Total revenues	$ 2,468.0	$ 2,489.9	$ 2,140.2	$ 556.9
Income from operations	321.1	379.1	283.6	34.1
Net income	82.5	185.4	117.2	4.9
Earnings per diluted share	0.55	1.30	0.79	0.28
Dividends per common share(1),(2)	5.86	5.65	0.15	

	As of or for the fiscal year ended December 30, 2004	As of or for the fiscal year ended January 1, 2004(3)	As of or for the fiscal year ended December 26, 2002	As of or for the period ended January 3, 2002
	(in millions, except operating data)			
Other financial data:				
Cash flow provided by operating activities	$ 387.4	$ 476.1	$ 373.2	$ 61.6
Cash flow (used in) provided by investing activities	(306.2)	(181.9)	(115.0)	9.4
Cash flow (used in) provided by financing activities(1),(2)	(126.1)	(281.4)	(50.2)	21.5
Balance sheet data at period end:				
Cash and cash equivalents	$ 243.9	$ 288.8	$ 276.0	$ 68.0
Total assets	2,542.4	2,449.8	2,310.2	1,122.7
Total long-term obligations	2,005.8	1,227.2	678.4	438.9
Stockholders' equity	69.0	794.9	1,270.8	383.0
Operating data:				
Theatre locations	558	550	524	252
Screens	6,273	6,045	5,663	2,214
Average screens per location	11.2	11.0	10.8	8.8
Attendance (in millions)	253.8	265.6	241.4	63.9
Average ticket price	$ 6.53	$ 6.36	$ 6.02	$ 5.99
Average concessions per patron	$ 2.51	$ 2.43	$ 2.44	$ 2.40

(1) Includes the June 2, 2004 payment of the $5.00 extraordinary cash dividend paid on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

(2) Includes the July 1, 2003 payment of the $5.05 extraordinary cash dividend paid on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

(3) Fiscal year ended January 1, 2004 was comprised of 53 weeks.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA FOR UNITED ARTISTS

We present below selected historical financial data for United Artists, our predecessor company for accounting purposes. Effective March 1, 2001 United Artists emerged from protection under Chapter 11 of the United States Bankruptcy Code pursuant to a reorganization plan that provided for the discharge of significant financial obligations. In accordance with AICPA Statement of Position 90-7, United Artists adopted fresh start reporting whereby United Artists' assets, liabilities and new capital structure were adjusted to reflect estimated fair values as of March 1, 2001, the date control was acquired by Anschutz. For the periods prior to March 2, 2001, the assets and liabilities of United Artists and the related consolidated results of operations are referred to below as "Historical Company," and for periods subsequent to March 1, 2001, the assets and liabilities of United Artists and the related consolidated results of operations are referred to as the "Reorganized Company."

As a result of the above, the financial data of the Historical Company is not comparable to the financial data of the Reorganized Company. For this and other reasons, you should read the selected historical financial data provided below in conjunction with United Artists' consolidated financial statements and accompanying notes found in our Form 10-K, as amended, filed for our fiscal year ended December 26, 2002. As previously discussed, the results of operations of the Reorganized Company are included in the results of operations of Regal commencing March 2, 2001.

	Reorganized Company	Historical Company(1)	
	Forty-Four Weeks Ended January 3, 2002	Nine Weeks Ended March 1, 2001	Fiscal Year Ended December 28, 2000
	(in millions)		
Revenue:			
Admissions	$ 322.2	$ 69.1	$ 372.4
Concession sales	130.1	26.9	154.6
Other	19.2	3.2	23.3
Total revenue	471.5	99.2	550.3
Costs and expenses:			
Film rental and advertising expenses	179.3	36.2	204.9
Direct concession costs	14.8	3.1	18.0
Other operating expenses	181.4	35.7	227.5
Sale and leaseback rentals	14.8	2.9	16.9
General and administrative	16.8	3.2	21.3
Depreciation and amortization	35.6	6.8	44.8
Asset impairments, lease exit and restructure costs(2)	2.9	1.1	55.1
Gain on disposition of assets, net	(2.1)	(4.6)	(14.4)
Total costs and expenses	443.5	84.4	574.1
Operating income (loss) from continuing operations	28.0	14.8	(23.8)
Net income (loss) available to common stockholders	$ 3.2	$ 534.4	$ (123.6)

	Reorganized Company	Historical Company(1)	
	Forty-Four Weeks Ended January 3, 2002	Nine Weeks Ended March 1, 2001	Fiscal Year Ended December 28, 2000
	(in millions, except operating data)		
Other financial data:			
Cash flow provided by (used in) operating activities	$ 38.8	$ (2.7)	$ (1.2)
Cash flow provided by (used in) investing activities	6.1	2.7	1.5
Cash flow provided by (used in) financing activities	(22.0)	2.6	0.3
Balance sheet data at period end:			
Cash and cash equivalents	$ 23.5	$ 7.5	$ 11.4
Total assets	453.6	422.5	432.5
Total debt(3)	248.6	727.5	722.5
Stockholders' equity (deficit)	99.4	(519.3)	(519.3)
Operating data:			
Theatre locations	205	214	220
Screens	1,574	1,590	1,625
Average screens per location	7.7	7.4	7.4
Attendance (in millions)	54.7	12.0	66.7
Average ticket price	$ 5.89	$ 5.76	$ 5.58
Average concessions per patron	$ 2.38	$ 2.24	$ 2.32

(1) Beginning in 1999, United Artists changed its reporting period from the traditional calendar year to a 52/53 week presentation. The 2001 year contained 53 weeks and ended on January 3, 2002. The 2000 year contained 52 weeks and ended on December 28, 2000.

(2) Includes non-cash charges for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of*, the non-cash write off of under-performing theatres, and costs related to United Artists' restructuring, exclusive of those amounts incurred subsequent to the petition date (September 5, 2000), which are classified as reorganization items.

(3) Total debt at December 28, 2000 and at March 1, 2001 includes $716.4 million of debt that is a liability subject to compromise as part of United Artists' reorganization.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Regal and the notes thereto included elsewhere in this report on Form 10-K.

Overview And Basis Of Presentation

We conduct our operations primarily through our wholly owned subsidiaries, Regal Cinemas, United Artists, Edwards, Hoyts and Regal CineMedia. We operate the largest and most geographically diverse theatre circuit in the United States, consisting of 6,273 screens in 558 theatres in 40 states as of December 30, 2004. Regal CineMedia focuses exclusively on the expansion of ancillary businesses, such as advertising, and complementary business lines that leverage our existing asset and customer bases. We believe the size, reach and quality of our theatre circuit provide an exceptional platform to realize economies of scale in our theatre operations and capitalize on Regal CineMedia's ancillary revenue opportunities.

We generate revenues primarily from admissions and concession sales. Additional revenues are generated by on-screen advertisements, rental of theatres for business meetings, concerts and other events distributed on a live or pre-recorded basis by Regal CineMedia over the DCN, vendor marketing programs and electronic video games located adjacent to the lobbies of certain of our theatres. Film rental costs depend on a variety of factors including the prospects of a film, the popularity of a film and the length of time since the film's release and generally decline as a percentage of admission revenues the longer a film is in exhibition. Because we purchase certain concession items, such as fountain drinks and popcorn, in bulk and not pre-packaged for individual servings, we are able to improve our margins by negotiating volume discounts. Other operating expenses consist primarily of theatre labor and occupancy costs.

Regal was created through a series of transactions during 2001 and 2002. Anschutz acquired controlling equity interests in United Artists (our predecessor for accounting purposes) upon the emergence from bankruptcy reorganization on March 2, 2001 of the United Artists Bankrupt Entities (as defined in Note 1 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K). In the same manner, on September 29, 2001, Anschutz acquired controlling equity interests in the Edwards Bankrupt Entities (as defined in Note 1 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K). On January 29, 2002, Anschutz acquired a controlling equity interest in Regal Cinemas, Inc. when the Regal Cinemas, Inc. Bankrupt Entities (as defined in Note 1 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K) emerged from bankruptcy reorganization. Anschutz exchanged its controlling equity interest in Regal Cinemas, Inc. for a controlling equity interest in Regal Cinemas immediately thereafter. In addition, Regal CineMedia was formed in February 2002 to focus on the development of ancillary revenues. Regal acquired the controlling equity interests of United Artists, Edwards, Regal Cinemas and Regal CineMedia through a series of transactions described in further detail in Note 1 to the accompanying consolidated financial statements included in this Form 10-K.

The Company's consolidated financial statements reflect the results of operations from the dates Anschutz acquired its controlling equity interests in United Artists, Edwards and Regal Cinemas. These controlling equity interests have been recorded in the Company's consolidated financial statements at Anschutz's combined historical cost basis. The results of operations of the acquired Hoyts theatre locations have been included in the Company's consolidated financial statements for periods subsequent to the acquisition date of March 28, 2003. The results of operations of the seven theatres acquired during the quarter ended July 1, 2004 and the 28 operating theatres acquired from Signature Theatres on September 30, 2004 (see Note 3 "Acquisitions" to the accompanying consolidated financial statements included in this Form 10-K) have been included in the Company's consolidated financial statements for periods subsequent to the respective acquisition dates.

Prior to fiscal 2004, we reported the results of our operations under one reportable segment theatre exhibition operations. As of December 30, 2004, we manage our business under two reportable segments theatre exhibition operations and Regal CineMedia. For a discussion of our reportable segments, including financial information for each segment for each of the last three fiscal years, including fiscal 2004, see Note 17 to the consolidated financial statements.

For a summary of industry trends as well as other risks and uncertainties relevant to the Company, see "Business Industry Trends" above and "Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors" below.

Results of Operations

Based on our review of industry sources, national box office revenues were estimated to have increased approximately one to two percent for the calendar year of 2004 over the calendar year of 2003. We believe that the slight increase in national 2004 box office revenues resulted from increased

average ticket prices per patron, partially offset by a slight decline in national attendance. The increase in average ticket price per patron is primarily attributable to increases in ticket prices and a favorable first quarter 2004 film mix consisting of a higher percentage of R-rated films, which resulted in sales of a greater proportion of full price tickets. Throughout the remainder of 2004, the film mix shifted to a more family-oriented and concession-friendly product, which moderated average ticket prices, but favorably impacted average concession revenues per patron. The lackluster performance of certain holiday films during the fourth quarter of 2004 in comparison to holiday films of the fourth quarter of 2003 contributed to the overall decline in national attendance during 2004.

Our total revenue for year ended December 30, 2004 ("Fiscal 2004 Period") was $2,468.0 million, a 0.9% decrease from total revenue of $2,489.9 million for the year ended January 1, 2004 ("Fiscal 2003 Period"). On a comparative basis, results for the Fiscal 2003 Period were positively impacted by the timing of our fiscal 2003 calendar which consisted of fifty-three weeks compared to the fifty-two weeks in the Fiscal 2004 Period. The Fiscal 2003 Period's additional week of operations is significant in that it accounted for approximately 3.8% of the Fiscal 2003 Period total attendance. Offsetting the impact of the timing of the Fiscal 2003 Period, the Fiscal 2004 Period results benefited from the results of operations of the acquired Hoyts Cinemas theatres for all periods, whereas the results of operations of the acquired Hoyts Cinemas theatres were excluded from the first three months of the Fiscal 2003 Period because the Hoyts Cinemas acquisition did not occur until March 28, 2003. In addition, the Fiscal 2004 Period includes results of operations of 35 operating theatres acquired during the second and third quarters of 2004. See Note 3 to the accompanying consolidated financial statements included in this Form 10-K for additional information regarding these acquisitions. As a net result of the above factors, the Fiscal 2004 Period box office results were negatively impacted by a net decline in attendance of approximately 4.4%, partially offset by a 2.7% increase in average ticket prices per patron due to increases in retail ticket prices and sales of a greater proportion of full-price tickets from R-rated films during the first quarter of the Fiscal 2004 Period.

On a same screen basis, the Company's calendar box office revenue growth approximated the industry box office revenue growth for the comparative time period in the prior year. During the Fiscal 2004 Period, we achieved growth in average concession revenues per patron and other operating revenues. The growth in average concession revenues per patron was benefited by price increases and a return to family-oriented and concession friendly film product in the second and third quarters of the Fiscal 2004 Period. In addition, an increase of 32.5% in Regal CineMedia revenues contributed to the increase in other operating revenues for the Fiscal 2004 Period. Income from operations decreased 15.3% to $321.1 million for the Fiscal 2004 Period compared to $379.1 million in the Fiscal 2003 Period. Net income decreased 55.5% to $82.5 million in the Fiscal 2004 Period as compared to net income of $185.4 million in the Fiscal 2003 Period. Earnings per diluted share decreased to $0.55 for the Fiscal 2004 Period compared to $1.30 during the Fiscal 2003 Period. EBITDA was $412.2 million for the Fiscal 2004 Period, a decrease of 23.3% from $537.1 million in the Fiscal 2003 Period and represented an EBITDA margin of 16.7%. The decline in net income, diluted earnings per share, EBITDA and EBITDA margin is primarily attributable to the factors discussed above and a loss on extinguishment of debt of $76.1 million recorded in the Fiscal 2004 Period as a result of the refinancing transactions consummated in connection with the extraordinary dividend transaction described further in Notes 1 and 7 to the accompanying consolidated financial statements included in this Form 10-K. A tabular reconciliation of net income to EBITDA and net cash provided by operating activities is provided below under "Results of Operations EBITDA."

During the Fiscal 2004 Period, the Company made significant progress with its strategic initiatives:

- We demonstrated our commitment to providing incremental value to our stockholders. Total cash dividends distributed to our stockholders during the Fiscal 2004 Period, including the $718.3 million extraordinary dividend paid on June 2, 2004, totaled approximately $842.2 million. During the second and third quarters of 2004, we announced two increases (totaling

approximately 67%) to our quarterly Class A and Class B common stock cash dividend of $0.20 per share and $0.30 per share, respectively. In addition, during the Fiscal 2004 Period, we instituted a share repurchase program, which provides for the authorization to repurchase up to $50 million of our outstanding Class A common stock. No repurchases were effected during the Fiscal 2004 Period.

On April 29, 2004, we acquired five theatres representing 49 screens in the Northeastern United States. On May 5, 2004, we acquired an additional two theatres with 26 screens also in the Northeastern United States. On September 30, 2004, we acquired 30 theatres comprising 309 screens (including two theatres with 30 screens under construction) in California and Hawaii from Signature Theatres. 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 the Fiscal 2004 Period, these acquisitions contributed approximately 5.0 million attendees or 2.0% to our total attendance. These acquisitions are consistent with our commitment to consummate accretive acquisitions that enhance our asset base and improve our consolidated operating results.

In addition to the Fiscal 2004 acquisitions, we opened three new theatres with 48 screens, added 19 screens through expansion to existing facilities and closed 30 theaters with 193 screens, ending the Fiscal 2004 Period with 558 theaters and 6,273 screens.

Our Regal CineMedia business continued to contribute incremental revenue and EBITDA for the Fiscal 2004 Period. Regal CineMedia's EBITDA totaled approximately $56.6 million, an increase of 40.4% over the prior year. Our Regal CineMedia EBITDA margins increased as we ended the Fiscal 2004 Period approximately 3.2% ahead of the Fiscal 2003 Period. A tabular reconciliation of net income to EBITDA and net cash provided by operating activities is provided below under "Results of Operations EBITDA.

We remain optimistic regarding the 2005 film slate and share the view of a number of film studio executives and analysts who believe the industry is poised to benefit from a year of solid box office performance. Evidenced by the film studios' continued efforts to promote and market upcoming film releases, 2005 appears to be another year of high-profile releases such as *War of the Worlds, King Kong, Star Wars: Episode III, Harry Potter and the Goblet of Fire* and *Batman Begins*.

During 2004, we believe that the industry screen count grew by approximately 2.0%-2.5% while the Company's average screen count declined by less than 1%. We intend to grow our theatre circuit through selective expansion and through accretive acquisitions. With respect to capital expenditures, due in part to the timing of certain construction projects, we expect theatre capital expenditures to be in the range of $150 million to $165 million for fiscal 2005, consisting of new theatre development, expansion of existing theatre facilities, upgrades and maintenance. In addition, we are forecasting approximately $15 million of Regal CineMedia capital expenditures.

We will continue to focus on a simple business strategy including evaluation of accretive acquisition opportunities, enhancement of attractive business opportunities through Regal CineMedia, and continued pursuit of a business strategy that will provide incremental returns to our stockholders. For an understanding of the significant factors that influenced our performance during the past three fiscal years, the preceding and following discussion should be read in conjunction with the consolidated financial statements and the notes thereto presented in this Form 10-K.

The following table sets forth the percentage of total revenues represented by certain items included in our consolidated statements of income for the Fiscal 2004 Period, Fiscal 2003 Period and

Fiscal 2002 Period (dollars and attendance in millions, except average ticket prices and average concession per patron):

	Fiscal 2004 Period		Fiscal 2003 Period		Fiscal 2002 Period	
	$	**% of Revenue**	**$**	**% of Revenue**	**$**	**% of Revenue**
Revenues:						
Admissions	$ 1,657.9	67.2%	$ 1,690.0	67.9%	$ 1,453.7	67.9%
Concessions	636.4	25.8	646.2	26.0	588.3	27.5
Other operating revenue	173.7	7.0	153.7	6.1	98.2	4.6
Total revenue	2,468.0	100.0	2,489.9	100.0	2,140.2	100.0
Operating expenses:						
Film rental and advertising costs(1)	878.5	53.0	908.9	53.8	790.3	54.4
Cost of concessions(2)	94.9	14.9	92.9	14.4	84.4	14.3
Rent expense(3)	287.0	11.6	278.5	11.2	217.3	10.2
Other operating expense(3)	638.1	25.9	603.1	24.2	539.8	25.2
General and administrative expenses(3)	63.5	2.6	62.1	2.5	65.1	3.1
Depreciation and amortization(3)	174.6	7.1	158.5	6.4	134.4	6.3
Merger and restructuring expenses and amortization of deferred stock compensation(3)	6.4	0.3	8.9	0.4	18.9	0.9
Net loss (gain) on disposal and impairment of operating assets(3)	(1.4)	(0.1)	(2.1)	(0.1)	6.4	0.3
Net loss on lawsuit settlements	5.3	0.2				
Total operating expenses(3)	2,146.9	87.0	2,110.8	84.8	1,856.6	86.8
Income from operations(3)	321.1	13.0	379.1	15.2	283.6	13.2
Interest expense, net(3)	95.6	3.9	72.0	2.9	61.7	2.9
Provision for income taxes(3)	59.5	2.4	121.2	4.9	89.8	4.2
Net income(3)	82.5	3.3	185.4	7.4	117.2	5.5
EBITDA(3),(6)	412.2	16.7	537.1	21.6	403.1	18.8
Attendance	253.8		265.6		241.4	
Average ticket price(4)	$ 6.53	*	$ 6.36	*	$ 6.02	*
Average concession per patron(5)	$ 2.51	*	$ 2.43	*	$ 2.44	*

*
Not meaningful

(1)
Percentage of revenues calculated as a percentage of admissions revenues.

(2)
Percentage of revenues calculated as a percentage of concessions revenues.

(3)
Percentage of revenues calculated as a percentage of total revenues.

(4)
Calculated as admissions revenue/attendance.

(5)
Calculated as concessions revenue/attendance.

(6) EBITDA represents earnings before interest, taxes, depreciation and amortization. See " Results of Operations EBITDA" below for a tabular reconciliation of net income to Total EBITDA and net cash provided by operating activities.

Fiscal 2004 Period Compared to Fiscal 2003 Period

Admissions

Total admissions revenues decreased $32.1 million, or 1.9%, to $1,657.9 million for the Fiscal 2004 Period, from $1,690.0 million for the Fiscal 2003 Period. The Fiscal 2003 Period results were favorably impacted by the timing of the Fiscal 2003 Period calendar, which consisted of fifty-three weeks compared to the fifty-two weeks during the Fiscal 2004 Period. The additional week of operations was significant in that it accounted for approximately 3.8% of the Fiscal 2003 Period total attendance. Offsetting the impact of the timing of the Fiscal 2003 Period, the Fiscal 2004 Period results benefited from the results of operations of the acquired Hoyts Cinemas theatres for all periods, whereas the results of operations of the acquired Hoyts Cinemas theatres were excluded from the first three months of the Fiscal 2003 Period because the Hoyts Cinemas acquisition did not occur until March 28, 2003. In addition, the Fiscal 2004 Period includes results of operations of 35 operating theatres acquired during the second and third quarters of 2004. See Note 3 to the accompanying consolidated financial statements included in this Form 10-K for additional information regarding these acquisitions. As a net result of the above factors, the Fiscal 2004 Period box office results were negatively impacted by a net decline in attendance of approximately 4.4%, partially offset by a 2.7% increase in average ticket prices per patron due to increases in retail ticket prices and sales of a greater proportion of full-price tickets from R-rated films during the first quarter of the Fiscal 2004 Period. On a same screen basis, the Company's 2004 calendar box office growth approximated the industry box office growth for the comparative time period in the prior year.

Concessions

Total concessions revenues decreased $9.8 million, or 1.5%, to $636.4 million for the Fiscal 2004 Period, from $646.2 million for the Fiscal 2003 Period. The decrease in concessions revenues in the Fiscal 2004 Period compared to the Fiscal 2003 Period was due to a 4.4% decrease in attendance, partially offset by a 3.3% increase in average concessions per patron. The net increase in Fiscal 2004 Period concessions per patron is primarily attributable to price increases and a favorable film product mix in the second and third quarters of the Fiscal 2004 Period.

Other Operating Revenues

Total other operating revenues increased $20.0 million, or 13.0%, to $173.7 million for the Fiscal 2004 Period, from $153.7 million for the Fiscal 2003 Period. Included in other operating revenues are on-screen advertising revenues, business meetings and concert event revenues generated by Regal CineMedia, marketing revenues from our vendor marketing programs and game revenues. The increase in other operating revenues was primarily attributable to increases in Regal CineMedia revenues which increased $24.5 million, or 32.5%, to $99.9 million for the Fiscal 2004 Period, from $75.4 million for the Fiscal 2003 Period. In addition, incremental revenues from the inclusion of Hoyts for the full Fiscal 2004 Period and the Fiscal 2004 Period acquisitions contributed to the increase in other operating revenues. Increased utilization of the advertising inventory along with increased earned rates on advertising sold, incremental revenues from business meetings, special screenings and concert events and digital programming contributed to the increase in Regal CineMedia revenues.

Film Rental and Advertising Costs

Film rental and advertising costs decreased $30.4 million, or 3.3%, to $878.5 million in the Fiscal 2004 Period, from $908.9 million in the Fiscal 2003 Period. Film rental and advertising costs as a percentage of admissions revenues decreased to 53.0% in the Fiscal 2004 Period as compared to 53.8% in the Fiscal 2003 Period. The decrease in film rental and advertising costs as a percentage of box

office revenues during the Fiscal 2004 Period is a result of a favorable film product mix and a continued focus on managing advertising costs.

Cost of Concessions

Cost of concessions increased $2.0 million, or 2.2%, to $94.9 million in the Fiscal 2004 Period, from $92.9 million in the Fiscal 2003 Period. Cost of concessions as a percentage of concessions revenues increased to 14.9% in the Fiscal 2004 Period as compared to 14.4% in the Fiscal 2003 Period. The increase in the cost of concessions and costs of concessions as a percentage of concession revenues in the Fiscal 2004 Period is primarily attributable to the mix of concession product coupled with increases in promotional costs.

Rent Expense

Rent expense increased $8.5 million or 3.1% to $287.0 million in the Fiscal 2004 Period, from $278.5 million in Fiscal 2003 Period. Rent expense as a percentage of total revenues was 11.6% and 11.2% for the Fiscal 2004 Period and the Fiscal 2003 Period, respectively. The increase in rent expense in the Fiscal 2004 Period was primarily attributable to the inclusion of Hoyts and the Fiscal 2004 Period acquisitions. The increase in rent expense as a percentage of total revenues in the Fiscal 2004 Period was primarily attributable to the decline in total revenues in comparison to the Fiscal 2003 Period.

Other Operating Expenses

For the Fiscal 2004 Period, other operating expenses increased $35.0 million, or 5.8%, to $638.1 million, from $603.1 million in the Fiscal 2003 Period. Other operating expenses as a percentage of total revenues increased to 25.9% in the Fiscal 2004 Period as compared to 24.2% in the Fiscal 2003 Period. The increase in total other operating expenses in the Fiscal 2004 Period was primarily attributable to increases in certain non-rent occupancy costs and certain other operating costs, incremental costs associated with the inclusion of Hoyts and the Fiscal 2004 Period acquisitions and increases in Regal CineMedia operating expenses. The increase in other operating expenses as a percentage of total revenues in the Fiscal 2004 Period was primarily attributable to the above factors, coupled with a decline in total revenues during the Fiscal 2004 Period.

General and Administrative Expenses

General and administrative expenses increased $1.4 million, or 2.3%, to $63.5 million during the Fiscal 2004 Period, from $62.1 million in the Fiscal 2003 Period. As a percentage of total revenues, general and administrative expenses remained relatively consistent for the Fiscal 2004 Period and the Fiscal 2003 Period. The increase in general and administrative expenses during the Fiscal 2004 Period was primarily attributable to increases in legal and professional fees.

Depreciation and Amortization

Depreciation and amortization increased $16.1 million, or 10.2%, to $174.6 million in the Fiscal 2004 Period, from $158.5 million in the Fiscal 2003 Period. The increase during the Fiscal 2004 Period in depreciation and amortization is primarily due to the inclusion of Hoyts and the Fiscal 2004 Period acquisitions and a $7.4 million increase in Regal CineMedia depreciation expense.

Income from Operations

Income from operations totaled approximately $321.1 million for the Fiscal 2004 Period, which represents a decrease of $58.0 million, or 15.3% from $379.1 million in the Fiscal 2003 Period. The decrease in income from operations during the Fiscal 2004 Period is primarily attributable to the timing of our Fiscal 2004 Period calendar, which resulted in a decline in total revenue in comparison to the

Fiscal 2003 Period calendar, increases in certain operating expense items, including a loss on a lawsuit settlement arising from the exhibition of a film, partially offset by the inclusion of the results of operations of the acquired Hoyts Cinemas theatres and the Fiscal 2004 Period acquisitions, increases in Regal CineMedia revenues, certain realized benefits associated with the integration of Hoyts and the Fiscal 2004 Period acquisitions and a reduction of merger and restructuring expenses.

Interest Expense

Net interest expense increased $23.6 million, or 32.8%, to $95.6 million in the Fiscal 2004 Period, from $72.0 million in the Fiscal 2003 Period. The increase in interest expense in the Fiscal 2004 Period is principally due to higher outstanding indebtedness as a result of the financing arrangements consummated in the second quarter of 2004 in connection with the extraordinary dividend transaction described further in Notes 1 and 7 to the accompanying consolidated financial statements included in this Form 10-K. Such increase is partially offset by the redemption the Company's higher-rate debt consisting of approximately $298.1 million aggregate principal amount of the Regal Cinemas 9$^{3}/_{8}$% Senior Subordinated Notes due 2012 (the "Senior Subordinated Notes") along with a $502.9 million principal payment to extinguish the Regal Cinemas third amended and restated senior credit facility.

Income Taxes

The provision for income taxes of $59.5 million and $121.2 million for the Fiscal 2004 Period and the Fiscal 2003 Period reflect effective tax rates of approximately 41.9% and 39.5%, respectively. With respect to the Fiscal 2004 Period, the effective tax rate is higher than the statutory tax rate as a result of the impact of certain non-deductible expenses and management's determination that certain state tax attributes more likely than not will not be realized. The effective tax rate for the Fiscal 2003 Period does not differ substantially from the statutory tax rate.

Net Income

Net income totaled $82.5 million for the Fiscal 2004 Period, which represents a decrease of $102.9 million, or 55.5%, from $185.4 million in the Fiscal 2003 Period. The decrease in net income for the Fiscal 2004 Period is attributable to the decrease in income from operations, increases in interest expense, a loss on extinguishment of debt of $76.1 million recorded as a result of the second quarter 2004 refinancing transactions, partially offset by a related decrease in income taxes, as discussed above.

Fiscal 2003 Period Compared to Fiscal 2002 Period

Admissions

Total admissions revenues increased $236.3 million, or 16.3%, to $1,690.0 million for the Fiscal 2003 Period, from $1,453.7 million for the Fiscal 2002 Period. The increase in admissions revenues in the Fiscal 2003 Period compared to the Fiscal 2002 Period was primarily attributable to a 10.0% increase in attendance, which is principally related to the inclusion of Regal Cinemas and United Artists for a full year in the Fiscal 2003 Period, the inclusion of Hoyts from March 28, 2003 and the impact of the 53rd week of operations, partially offset by the net closure of 180 screens during the Fiscal 2003 Period. These box office results were favorably impacted by a 5.6% increase in average ticket prices, which reflected actual price increases and the impact of a favorable film product mix. The Fiscal 2002 Period includes the results of Edwards from December 28, 2001 (a full fiscal year), the results of United Artists from January 4, 2002 (a full fiscal year less one week) and Regal Cinemas from January 24, 2002 (approximately 11 months). Excluding the effects of the inclusion of Hoyts and the impact of week 53 during the Fiscal 2003 Period, attendance for the Fiscal 2003 Period was approximately 239.6 million, a 0.7% decrease from the Fiscal 2002 Period.

Concessions

Total concessions revenues increased $57.9 million, or 9.8%, to $646.2 million for the Fiscal 2003 Period, from $588.3 million for the Fiscal 2002 Period. The increase in concessions revenues in the Fiscal 2003 Period compared to the Fiscal 2002 Period was due to the 10.0% increase in attendance. Concessions revenue per patron declined 0.4% for the Fiscal 2003 Period. This decline is primarily attributable to film product mix, which was comprised of a higher proportion of R-rated and PG-13 rated films. These films typically result in lower concession revenue per patron.

Other Operating Revenues

Total other operating revenues increased $55.5 million, or 56.5%, to $153.7 million for the Fiscal 2003 Period, from $98.2 million for the Fiscal 2002 Period. Included in other operating revenues are on-screen advertising revenues, meetings and events generated by Regal CineMedia, marketing revenues from our vendor marketing programs and game revenues. The increase in other operating revenues was primarily attributable to increases in Regal CineMedia revenues which increased $49.3 million to $75.4 million for the Fiscal 2003 Period, from $26.1 million for the Fiscal 2002 Period, the inclusion of Hoyts from March 28, 2003 and, to a lesser extent, increases in our revenues from vendor marketing programs during the Fiscal 2003 Period.

Film Rental and Advertising Costs

Film rental and advertising costs increased $118.6 million, or 15.0%, to $908.9 million in the Fiscal 2003 Period, from $790.3 million in the Fiscal 2002 Period. Film rental and advertising costs as a percentage of admissions revenues decreased slightly to 53.8% in the Fiscal 2003 Period as compared to 54.4% in the Fiscal 2002 Period as a result of a decline in advertising expense and a lower percentage of box office revenues being derived from higher grossing films. The increase in film rental and advertising costs during the Fiscal 2003 Period was primarily attributable to the inclusion of Regal Cinemas and United Artists for a full year in the Fiscal 2003 Period, the inclusion of Hoyts from March 28, 2003 and the impact of week 53 during the Fiscal 2003 Period.

Cost of Concessions

Cost of concessions increased $8.5 million, or 10.1%, to $92.9 million in the Fiscal 2003 Period, from $84.4 million in the Fiscal 2002 Period. Cost of concessions as a percentage of concessions revenues increased slightly to 14.4% in the Fiscal 2003 Period as compared to 14.3% in the Fiscal 2002 Period. The increase in the cost of concessions in the Fiscal 2003 Period as a percentage of concessions revenues is primarily attributable to product mix, offset by the realization of operating efficiencies realized through the 2002 integration of Regal Cinemas, United Artists and Edwards.

Rent Expense

Rent expense increased $61.2 million, or 28.2%, to $278.5 million in the Fiscal 2003 Period from $217.3 million in the Fiscal 2002 Period. Rent expense as a percentage of total revenues was 11.2% and 10.2% for the Fiscal 2003 and Fiscal 2002 Periods, respectively. The increase in rent expense in the Fiscal 2003 Period was primarily attributable to the inclusion of Hoyts from March 28, 2003 and Regal Cinemas and United Artists for a full year in the Fiscal 2003 Period and to a lesser extent, increases in contingent rent related to the impact of week 53 during the Fiscal 2003 Period.

Other Operating Expenses

Other operating expenses increased $63.3 million, or 11.7%, to $603.1 million in the Fiscal 2003 Period, from $539.8 million in the Fiscal 2002 Period. Other operating expenses as a percentage of total revenues declined to 24.2% in the Fiscal 2003 Period as compared to 25.2% in the Fiscal 2002 Period.

The increase in total other operating expenses in the Fiscal 2003 Period was primarily attributable to incremental costs associated with the inclusion of Hoyts from March 28, 2003, the impact of week 53 and a full year of Regal Cinemas and United Artists during the Fiscal 2003 Period, coupled with incremental expenses associated with Regal CineMedia, which did not begin substantive operations until the second fiscal quarter of 2002. The decline in other operating expenses as a percentage of total revenues is primarily attributable to the fixed nature of various theatre operating expenses, coupled with an increase in total revenues.

General and Administrative Expenses

General and administrative expenses decreased $3.0 million, or 4.6%, to $62.1 million during the Fiscal 2003 Period, from $65.1 million in the Fiscal 2002 Period. As a percentage of total revenues, general and administrative expenses were approximately 2.5% and 3.1% in the Fiscal 2003 and Fiscal 2002 Periods, respectively. The decrease in general and administrative expenses as a percentage of total revenues during the Fiscal 2003 Period was primarily attributable to operating efficiencies realized through the 2002 integration of Regal Cinemas, United Artists and Edwards, coupled with an increase in total revenues.

Depreciation and Amortization

Depreciation and amortization increased $24.1 million, or 17.9%, to $158.5 million in the Fiscal 2003 Period, from $134.4 million in the Fiscal 2002 Period. The increase during the Fiscal 2003 Period in depreciation and amortization is primarily due to the inclusion of a full year of Regal Cinemas (including a $9.9 million increase in Regal CineMedia depreciation expense) for the Fiscal 2003 Period and the inclusion of Hoyts from March 28, 2003.

Income from Operations

Income from operations totaled approximately $379.1 million for the Fiscal 2003 Period, which represents an increase of $95.5 million, or 33.7% from $283.6 million in the Fiscal 2002 Period. The increase in income from operations during the Fiscal 2003 Period is primarily attributable to the growth in total revenues as a result of the inclusion of Regal Cinemas and United Artists for a full year in the Fiscal 2003 Period, the results of Hoyts from March 28, 2003 and the impact of week 53 during the Fiscal 2003 Period, coupled with the realized benefits associated with the 2002 integration of Regal Cinemas, United Artists and Edwards. The increase in income from operations during the Fiscal 2003 Period was also attributable to a reduction of merger and restructuring expenses, partially offset by increases in certain other operating expense items described in previous sections.

Interest Expense

Net interest expense increased $10.3 million, or 16.7%, to $72.0 million in the Fiscal 2003 Period, from $61.7 million in the Fiscal 2002 Period. The increase in interest expense in the Fiscal 2003 Period is principally due to higher outstanding indebtedness for the Fiscal 2003 Period as a result of the financing arrangements consummated in the second fiscal quarter of 2003 in connection with the extraordinary dividend transaction.

Income Taxes

The provision for income taxes of $121.2 million and $89.8 million for the Fiscal 2003 and Fiscal 2002 Periods reflect effective tax rates of approximately 39.5% and 43.4%, respectively. Excluding the effects of minority interest in earnings of consolidated subsidiaries recorded in the accompanying consolidated statements of income for the Fiscal 2003 and Fiscal 2002 Periods, our effective tax rates were approximately 39.5% and 40.7%, respectively. The Fiscal 2002 Period effective tax rate reflects the impact of certain non-deductible merger expenses.

Net Income

Net income totaled $185.4 million for the Fiscal 2003 Period, which represents an increase of $68.2 million from $117.2 million in the Fiscal 2002 Period.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) was approximately $412.2 million, or 16.7% of total revenues, for the Fiscal 2004 Period, $537.1 million, or 21.6% of total revenues, for the Fiscal 2003 Period and $403.1 million, or 18.8% of total revenues, for the Fiscal 2002 Period. We believe EBITDA provides a useful measure of liquidity and financial performance for our investors because EBITDA is an industry comparative measure of liquidity and financial performance prior to the payment of interest and taxes and because it is a primary financial measure used by management to assess our performance and liquidity. EBITDA is not a measurement of liquidity or financial performance under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States of America for purposes of analyzing our profitability or liquidity. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, fund necessary capital expenditures and to meet other commitments from time to time as described in more detail in this Form 10-K. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income to EBITDA and net cash provided by operating activities is calculated as follows:

	Fiscal 2004 Period	Fiscal 2003 Period	Fiscal 2002 Period
		(in millions)	
Net income	$ 82.5	$ 185.4	$ 117.2
Interest expense, net	95.6	72.0	61.7
Provision for income taxes	59.5	121.2	89.8
Depreciation and amortization	174.6	158.5	134.4
Total EBITDA	412.2	537.1	403.1
EBITDA Theatre Group, net of inter-company eliminations	355.6	496.8	399.6
EBITDA RCM	56.6	40.3	3.5
Total EBITDA	412.2	537.1	403.1
Interest expense, net	(95.6)	(72.0)	(61.7)
Provision for income taxes	(59.5)	(121.2)	(89.8)
Deferred income taxes	2.2	26.4	73.5
Changes in operating assets and liabilities	50.1	102.0	24.0
Loss on extinguishment of debt	76.1		1.5
Other items, net	1.9	3.8	22.6
Net cash provided by operating activities	$ 387.4	$ 476.1	$ 373.2

Cash Flows

The following table summarizes certain cash flow data for the Fiscal 2004, 2003 and 2002 Periods:

	Fiscal 2004 Period	Fiscal 2003 Period	Fiscal 2002 Period
		(in millions)	
Net cash provided by operating activities	$ 387.4	$ 476.1	$ 373.2
Net cash used in investing activities	(306.2)	(181.9)	(115.0)
Net cash used in financing activities	(126.1)	(281.4)	(50.2)
Net (decrease) increase in cash and cash equivalents	$ (44.9)	$ 12.8	$ 208.0

Fiscal 2004 Period Compared to Fiscal 2003 Period

Cash flows generated from operating activities were approximately $387.4 million for the Fiscal 2004 Period compared to approximately $476.1 million for the Fiscal 2003 Period. The $88.7 million net decrease was attributable to a $102.9 million decrease in net income offset by a net increase of $14.2 million in adjustments to reconcile net income to cash provided by operating activities. Such adjustments primarily included a $76.1 million loss on the extinguishment of debt and an increase in depreciation and amortization of $16.1 million, which is primarily attributable to increases in depreciation expense related to Regal CineMedia, the inclusion of the Fiscal 2004 Period acquisitions and the inclusion of Hoyts during the entire Fiscal 2004 Period as compared to only nine months during the Fiscal 2003 Period. In addition, a net decrease of $51.9 million in changes in operating assets and liabilities contributed to the decrease in net cash provided by operating activities. The net decrease in operating assets and liabilities was primarily related to the timing of certain vendor payments and income tax payments and an increase in deferred revenues. The changes in certain other working capital items were primarily related to the change in the Company's calendar for the Fiscal 2004 Period as compared to the Fiscal 2003 Period.

Capital expenditures were $124.3 million for the Fiscal 2004 Period compared to $137.5 million for the Fiscal 2003 Period. This decrease is primarily due to fewer capital expenditures associated with Regal CineMedia and the timing of certain capital projects during the Fiscal 2004 period. During the Fiscal 2004 Period, the Company consummated three acquisitions for a net aggregate purchase price of $223.6 million. Also during the Fiscal 2004 Period, Regal Cinemas entered into a sale and leaseback transaction involving one of its owned theatres for total sale proceeds of approximately $11.5 million.

Cash flows used in financing activities were approximately $126.1 million for the Fiscal 2004 Period compared to cash flows used in financing activities of approximately $281.4 million for the Fiscal 2003 Period. The net decrease in cash flows used in financing activities during the Fiscal 2004 Period is primarily attributable to the June 2, 2004 extraordinary dividend payment, redemption of a portion of the Senior Subordinated Notes, repayment of the third amended and restated Regal Cinemas senior credit facility and increases in our Fiscal 2004 Period dividend payments, offset by borrowings under the new $1,750.0 million Regal Cinemas Senior Credit Facility entered into on May 10, 2004 (the "Senior Credit Facility"). See Notes 1 and 7 to the consolidated financial statements included in this Form 10-K for further description of such financing transactions.

Fiscal 2003 Period Compared to Fiscal 2002 Period

Cash flows generated from operating activities were approximately $476.1 million for the Fiscal 2003 Period compared to approximately $373.2 million for the Fiscal 2002 Period. The net increase was attributable to a $68.2 million increase in net income partially offset by a net decrease of $43.3 million in adjustments to reconcile net income to cash provided by operating activities. Such adjustments

included a reduction in deferred income taxes of $47.1 million partially offset by an increase in depreciation and amortization of $24.1 million. In addition, a net increase of $78.0 million in changes in operating assets and liabilities contributed to the increase in net cash provided by operating activities. The net increase in operating assets and liabilities was primarily related to a $47.1 million increase in income taxes payable coupled with increases in the change in prepaid expenses and other current assets and accrued expenses and other liabilities.

Capital expenditures were $137.5 million for the Fiscal 2003 Period compared to $108.2 million for the Fiscal 2002 Period. Such increase is primarily due to the inclusion of Hoyts from March 28, 2003 and a full twelve months of operations of Regal Cinemas and United Artists during the Fiscal 2003 Period coupled with incremental capital expenditures associated with Regal CineMedia, which did not begin substantive operations until the second fiscal quarter of 2002. Cash flows used in investing activities for the Fiscal 2003 Period also reflect approximately $97.6 million of net cash used to acquire Hoyts.

Cash flows used in financing activities were approximately $281.4 million for the Fiscal 2003 Period compared to cash flows used in financing activities of approximately $50.2 million for the Fiscal 2002 Period. The net increase in cash flows used in financing activities during the Fiscal 2003 Period is primarily attributable to the financing transactions and related payment of the extraordinary dividend, which is discussed more fully under "Liquidity and Capital Resources."

Liquidity and Capital Resources

On a consolidated basis, we expect our primary uses of cash to be for operating expenses, capital expenditures, general corporate purposes related to corporate operations, debt service and the Company's quarterly dividend. The principal sources of liquidity are cash generated from operations, cash on hand and the Revolving Facility provided for under Regal Cinemas' Senior Credit Facility. Under the terms of the Senior Credit Facility, Regal Cinemas is restricted as to how much it can advance or distribute to Regal, its indirect parent. Since Regal is a holding company with no significant assets other than its subsidiaries, this restriction could impact Regal's ability to effect future debt or dividend payments, pay corporate expenses or redeem its Convertible Senior Notes.

Our revenues are generally collected in cash through admissions and concessions revenues. Our operating expenses are primarily related to film and advertising costs, rent and occupancy, and payroll. Film costs are ordinarily paid to distributors within 30 days following receipt of admissions revenues and the cost of the Company's concessions are generally paid to vendors approximately 30 days from purchase. Our current liabilities generally include items that will become due within twelve months and, as a result, at any given time, our balance sheet is likely to reflect a working capital deficit.

We fund the cost of capital expenditures through internally generated cash flows, cash on hand, proceeds from disposition of assets and financing activities. Our capital requirements have historically arisen principally in connection with acquisitions of theatres, new theatre construction, adding new screens to existing theatres, development of our DCN, upgrading the Company's theatre facilities and replacing equipment. We intend to continue to grow our theatre circuit through selective expansion and acquisition opportunities. We currently expect capital expenditures for theatre development, replacement, expansion, upgrading and maintenance to be in the range of $150 million to $165 million in fiscal 2005, exclusive of acquisitions. Such capital expenditures are expected to be partially funded through asset dispositions. In addition to capital expenditures associated with our theatre operations, we expect to incur capital expenditures of approximately $15 million in connection with Regal CineMedia during fiscal 2005. Regal CineMedia capital expenditures will be made in connection with the deployment of our DCN to provide advertising and promotional services and digital distribution content capabilities to additional markets coupled with expenditures for other in-lobby advertising and

promotional initiatives. During the Fiscal 2004 Period, we invested an aggregate of approximately $124.3 million in capital expenditures.

In May 2002, we sold 18.0 million shares of our Class A common stock in an initial public offering at a price of $19.00 per share, receiving aggregate net offering proceeds, net of underwriting discounts, commissions and other offering expenses, of approximately $314.8 million.

On August 16, 2002, REH acquired the remaining outstanding shares of common stock of United Artists held by the United Artists minority stockholders and warrants to acquire shares of common stock of United Artists held by various institutional holders for approximately $34.0 million. The $22.3 million difference between the carrying amount and purchase price of the minority interest was recorded as a component of goodwill.

On March 28, 2003, we completed our acquisition of certain theatre operations of Hoyts representing a total of 52 theatres and 554 screens located in 10 states in the Northeastern United States for an aggregate purchase price of $213.1 million. The purchase price included cash of approximately $100.0 million, the issuance of 4,761,904 shares of Regal's Class A common stock to HUSH Holdings U.S. Inc. ("HUSH") with an aggregate fair value of $88.1 million and the assumption of certain capital lease obligations with an aggregate fair value of approximately $25.0 million.

On May 23, 2003, all outstanding warrants held by Anschutz to purchase a total of 3,928,185 shares of Class B common stock and warrants held by certain other investors to purchase a total of 296,129 shares of Class A common stock were exercised at exercise prices of $8.88 per share. Proceeds from the transactions totaled approximately $37.5 million.

On June 10, 2003, Regal declared an extraordinary cash dividend of $5.05 per share on each outstanding share of its Class A and Class B common stock. Stockholders of record at the close of business on June 20, 2003 were paid this dividend on July 1, 2003. Sources used to fund the approximate $716.0 million extraordinary dividend included cash on hand of approximately $190.6 million, the net proceeds of $310.8 million from the term loan under the Senior Credit Facility and the net proceeds of $214.6 million from the issuance by Regal of $240.0 million 3$^{3}/_{4}$% Convertible Senior Notes on May 28, 2003 (the "Convertible Senior Notes"). The dividend was recorded as a reduction of retained earnings (reduced to zero as of June 10, 2003) and additional paid-in capital upon declaration.

Concurrent with the issuance of our Convertible Senior Notes, we entered into convertible note hedge and warrant transactions with respect to our Class A Common Stock in order to reduce the potential dilution from conversion of the notes into shares of our Class A Common Stock. The net cost of the convertible note hedge and warrant transactions was approximately $18.8 million and is included as a component of stockholders' equity. See Note 7 to the accompanying consolidated financial statements in the Form 10-K for further description of the Convertible Senior Notes and the related convertible note hedge and warrant transactions. The Convertible Senior Notes allow us to settle any conversion, and we have the ability and intent to settle any conversion, by remitting to the note holder the accreted value of the note in cash, while settling the conversion spread (the excess conversion value over the accreted value) in the shares of our Class A Common Stock. Based upon our ability to generate cash flow from operations, our financial capacity and ability to raise capital and available cash on hand, we believe that we have the ability to generate the liquidity necessary to settle in cash the principal amount of the Convertible Senior Notes upon a conversion event.

On April 29, 2004, Regal acquired five theatres representing 49 screens in the Northeastern United States. On May 5, 2004, Regal acquired an additional 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. 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. The results of operations of the acquired theatre operations have been included in the Company's consolidated financial statements for periods subsequent to the respective acquisition dates. See Note 3 "Acquisitions" to the accompanying consolidated financial statements included in this Form 10-K for further discussion of these transactions.

On May 10, 2004, Regal Cinemas entered into its new Senior Credit Facility with Credit Suisse First Boston, acting through its Cayman Islands Branch, as Administrative Agent, and the other lenders and agents party thereto, which consists of a $1,650.0 million Term Facility (the "Term Facility") and a Revolving Facility (the "Revolving Facility") of up to $100.0 million, in order to, among other things, refinance its existing indebtedness (the "Refinancing"). The Revolving Facility has a sublimit of $10.0 million for short-term loans and a sublimit of $30.0 million for letters of credit. The Term Facility matures on November 10, 2010 and the Revolving Facility matures on May 10, 2009. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of Eurodollar rate loans, at the end of each interest period, but in no event less often than every 3 months. As of December 30, 2004, the interest rate on the Term Facility was approximately 4.0%. The Term Facility amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility during the first six years thereof, with the balance payable in two equal installments, the first on June 30, 2010 and the second on November 10, 2010. Approximately $918.3 million of the proceeds from the Senior Credit Facility, together with a portion of Regal Cinemas' available cash, was distributed by Regal Cinemas to Regal, which used approximately $718.3 million of the proceeds to pay an extraordinary dividend to its stockholders on June 2, 2004, as described below, and set aside the remaining balance for the fiscal 2004 acquisitions described under Note 3 "Acquisitions" to the accompanying consolidated financial statements included in this Form 10-K and for general corporate purposes. Upon consummation of the Refinancing, Regal recognized a loss on debt extinguishment of approximately $76.1 million. For a detailed summary of other material terms of the Senior Credit Facility, please refer to the information provided under Note 7 "Debt Obligations Regal Cinemas Fourth Amended and Restated Credit Agreement" to the accompanying consolidated financial statements included in this Form 10-K. As a result of this additional indebtedness, our principal and interest payment obligations will increase substantially. The degree to which we will be leveraged could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. On June 30, 2004, Regal made a $50.0 million voluntary prepayment of the outstanding senior secured term loan.

On May 12, 2004, we, through our subsidiary Regal Cinemas Bond Corporation, completed a cash tender offer and consent solicitation for Regal Cinemas' Senior Subordinated Notes. Consideration for each $1,000 principal amount of Senior Subordinated Notes tendered was $1,169.05, plus a consent payment of $20.00 per $1,000 principal amount of Senior Subordinated Notes for those holders who properly tendered their Senior Subordinated Notes with a consent on or before April 27, 2004. Approximately $298.1 million aggregate principal amount of the Senior Subordinated Notes was purchased in the tender offer, resulting in our payment of approximately $56.3 million in excess of the $298.1 million aggregate principal amount of the Senior Subordinated Notes tendered in connection with the tender offer and consent solicitation. The aggregate consideration paid in respect of the tender offer and consent solicitation was financed with a portion of the proceeds from Regal Cinemas' Senior Credit Facility. On July 15, 2004, the Company purchased an additional $361,000 principal amount of the Senior Subordinated Notes from a third party. For a detailed summary of the tender offer and consent solicitation, please refer to the information provided under Note 7 to the accompanying consolidated financial statements in this Form 10-K.

On May 13, 2004, Regal declared an extraordinary cash dividend of $5.00 per share on each outstanding share of its Class A and Class B common stock. Stockholders of record at the close of business on May 21, 2004 were paid this dividend on June 2, 2004. The dividend was recorded as a reduction of additional paid-in capital upon declaration. A portion of the net proceeds from Regal Cinemas' Senior Credit Facility was used to fund the approximate $718.3 million extraordinary dividend.

On July 13, 2004, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with final maturity terms ranging from three to five years each. These swaps were assigned to hedge approximately $800.0 million of variable rate liabilities under the Senior Credit Facility. Under the terms of the interest rate swap agreements, Regal Cinemas pays interest at various fixed rates ranging from 3.49% 4.15% and will receive interest at a variable rate based on the 3-month LIBOR. The 3-month LIBOR rate on each reset date determines the variable portion of the interest rate-swaps for the following three-month period. The interest rate swaps settle any accrued interest for cash on the last day of each calendar quarter, until expiration. At such dates, the differences to be paid or received on the swaps will be included in interest expense. As of December 30, 2004, the aggregate fair value of the swaps was determined to be approximately ($8.3 million), which has been recorded as a component of "Other Non-Current Liabilities" with a corresponding amount of $5.0 million, net of tax, recorded to "Accumulated Other Comprehensive Loss." The swaps exhibited no ineffectiveness for the year ended December 30, 2004.

As of December 30, 2004, we had approximately $1,591.9 million outstanding under the Regal Cinemas Term Facility and $51.5 million aggregate principal amount remaining under the Notes. As of December 30, 2004, Regal Cinemas had used in connection with the Refinancing or distributed to Regal all of the net proceeds from the Term Facility and had approximately $98.6 million available for drawing under the $100.0 million Revolving Facility. Regal Cinemas maintains a letter of credit sub-facility of up to $30.0 million (of which approximately $1.4 million was outstanding as of December 30, 2004), which reduces availability under the Revolving Facility.

During the year ended December 30, 2004, Regal paid two cash dividends of $0.18 per share, one cash dividend of $0.20 per share and one cash dividend of $0.30 per share on each outstanding share of the Company's Class A and Class B common stock, or $123.7 million in the aggregate, in addition to the extraordinary cash dividend of $5.00 per share. On February 10, 2005 the Company declared a cash dividend of $0.30 per share on each outstanding share of the Company's Class A and Class B common stock. The dividend is payable on March 15, 2005 to stockholders of record on March 1, 2005. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our Class A and Class B common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

During the year ended December 30, 2004, the Company instituted a share repurchase program, which provides for the authorization to repurchase up to $50 million of its outstanding Class A common stock within a twelve month period. Repurchases can be made from time to time as market conditions warrant, through open market purchases, negotiated transactions, or in such manner deemed appropriate by the Company. During the year ended December 30, 2004, the Company made no repurchases of its outstanding Class A Common Stock.

Contractual Cash Obligations and Commitments

The Company primarily leases its theatres pursuant to long-term non-cancelable operating leases. As of December 30, 2004, the Company's estimated contractual cash obligations and commercial commitments over the next several periods are as follows (in millions):

	Payments Due By Period				
	Total	Current	13-36 months	37-60 months	After 60 months
Contractual Cash Obligations					
Debt obligations(1)	$ 1,887.5	$ 256.5	$ 34.8	$ 32.3	$ 1,563.9
Future interest on debt obligations(2)	555.6	97.4	194.4	201.7	62.1
Capital lease obligations, including interest(3)	41.0	3.3	6.7	6.9	24.1
Lease financing arrangements, including interest(3)	194.0	13.3	26.7	26.7	127.3
Bankruptcy claims and liabilities(4)	1.2	1.2			
Operating leases(5)	3,781.2	277.2	548.5	546.5	2,409.0
Other long term and purchase obligations	2.6	1.9	0.6	0.1	
Total contractual cash obligations	$ 6,463.1	$ 650.8	$ 811.7	$ 814.2	$ 4,186.4

	Amount of Commitment Expiration per Period				
	Total Amounts Available	Current	2-3 years	4-5 years	After 5 years
Other Commercial Commitments(6)	$ 100.0	$	$	$	$ 100.0

(1) These amounts are included on our consolidated balance sheet as of December 30, 2004. Our Senior Credit Facility provides for mandatory prepayments under certain scenarios. See Note 7 to the accompanying consolidated financial statements included in this Form 10-K for additional information about our long-term debt obligations and related matters. Our Convertible Senior Notes are reflected on our consolidated balance sheet at December 30, 2004 and in the above table as a current liability due to the conversion rights of the note holders, as more fully discussed in Note 7, even though the notes mature in 2008.

(2) Future interest payments on the Company's unhedged debt obligations (consisting of approximately $791.9 million of variable interest rate borrowings under the Term Facility, $240.0 million outstanding under the Convertible Senior Notes, approximately $51.5 million due under the Senior Subordinated Notes and approximately $4.1 million of other debt obligations) are based on the stated fixed rate or in the case of the $791.9 million of variable interest rate borrowings under the Term Facility, the current interest rate (4.56%) as of the date of this Form 10-K. Future interest payments on the Company's hedged indebtedness as of December 30, 2004 (the remaining $800.0 million of borrowings under the Term Facility) are based on (1) the applicable margin (as defined in to Note 7 to the consolidated financial statements included in this Form 10-K) as of the date of this Form 10-K (2.0%) and (2) the expected fixed interest payments under the Company's interest rate swap agreements, which are described in further detail under Note 7 to the accompanying consolidated financial statements included in this Form 10-K.

(3) The present value of these obligations, excluding interest, is included on our consolidated balance sheet as of December 30, 2004. Future interest payments are calculated based interest rates implicit in the underlying leases, which range from 3.3% to 12.3%, maturing in various installments through 2021. Refer to Note 7 to the consolidated financial statements included in this Form 10-K for additional information about our capital lease obligations and lease financing arrangements.

(4)

These amounts are included on our consolidated balance sheet as of December 30, 2004. Refer to Note 11 to the accompanying consolidated financial statements included in this Form 10-K for additional information about our bankruptcy related matters.

(5)

We enter into operating leases in the normal course of business. Such lease agreements provide us with the option to renew the leases at defined or then fair value rental rates for various periods. Our future operating lease obligations would change if we exercised these renewal options or if we enter into additional operating lease agreements. Our operating lease obligations are further described in Note 11 to the consolidated financial statements included in this Form 10-K.

(6)

As of December 30, 2004, Regal Cinemas had approximately $98.6 million available for drawing under the Revolving Facility (as defined in Note 7 to the accompanying consolidated financial statements included in this Form 10-K). Regal Cinemas also maintains a letter of credit sub-facility of up to $30.0 million (of which approximately $1.4 million was outstanding as of December 30, 2004), which reduces the availability under the Revolving Facility.

We believe that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under our Revolving Facility will be adequate for the Company to execute its business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for the next 12 months.

Ratings

The Company is rated by nationally recognized rating agencies. The significance of individual ratings varies from agency to agency. However, companies assigned ratings at the top end of the range have, in the opinion of certain rating agencies, the strongest capacity for repayment of debt or payment of claims, while companies at the bottom end of the range have the weakest capability. Ratings are always subject to change and there can be no assurance that the Company's current ratings will continue for any given period of time. A downgrade of the Company's debt ratings, depending on the extent, could increase the cost to borrow funds. Below are our latest ratings per category, which were current as of December 30, 2004.

Category	Moody's	Standard and Poor's
Regal $3^{3}/_{4}$% Convertible Senior Notes	B3	B
Regal Cinemas Senior Credit Facility	Ba3	BB-

Debt Obligations

On May 10, 2004, Regal Cinemas entered into its new Senior Credit Facility which consists of a Term Facility in an aggregate principal amount of up to $1,650.0 million and a Revolving Facility in an aggregate principal amount of up to $100.0 million. For a detailed summary of the material terms of our Senior Credit Facility, please refer to the information provided under Note 7 to the accompanying consolidated financial statements included in this Form 10-K.

For information regarding our other material debt instruments, including our Convertible Senior Notes and Regal Cinemas' Senior Subordinated Notes, please see the information under Note 7 "Debt Obligations" to the accompanying consolidated financial statements included in this Form 10-K.

Interest Rate Swaps

On July 13, 2004, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with final maturity terms ranging from three to five years each. These swaps were assigned to hedge approximately $800.0 million of variable rate liabilities under the Senior Credit Facility. Under the terms of the interest rate swap agreements, Regal Cinemas pays interest at various fixed rates ranging from 3.49% to 4.15% and will receive interest at a variable rate based on the

3-month LIBOR. The 3-month LIBOR rate on each reset date determines the variable portion of the interest rate-swaps for the following three-month period. The interest rate swaps settle any accrued interest for cash on the last day of each calendar quarter, until expiration. At such dates, the differences to be paid or received on the swaps will be included in interest expense. No premium or discount was incurred upon the Company entering into the swaps, because the pay and receive rates on the swaps represented prevailing rates for each counterparty at the time the swaps were entered into. The interest rate swaps prospectively qualified for cash flow hedge accounting treatment in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and as such, the Company has effectively hedged its exposure to variability in the future cash flows attributable to the 3-month LIBOR on approximately $800.0 million of the aforementioned credit facility. The change in the fair values of the swaps is recorded on the Company's consolidated balance sheet as an asset or liability with the effective portion of the swaps' gains or losses reported as a component of other comprehensive income (loss) and the ineffective portion reported in earnings. As interest expense is accrued on the debt obligation, amounts in accumulated other comprehensive income/loss related to the designated hedging instruments (the four interest rate swaps) will be reclassified into earnings to obtain a net cost on the debt obligation equal to the effective yield of the fixed rate of each swap. The fair value of the Company's interest rate swaps is based on dealer quotes, and represents an estimate of the amounts Regal Cinemas would receive or pay to terminate the agreements taking into consideration various factors, including current interest rates. As of December 30, 2004, the aggregate fair value of the swaps was determined to be approximately ($8.3 million), which has been recorded as a component of "Other Non-Current Liabilities" with a corresponding amount of $5.0 million, net of tax, recorded to "Accumulated Other Comprehensive Loss." The swaps exhibited no ineffectiveness for the year ended December 30, 2004.

Sale-Leaseback Transactions

For information regarding our various sale and leaseback transactions, refer to Note 8 to the accompanying consolidated financial statements included Part II, Item 8 of this Form 10-K.

Bankruptcy Claims

Regal Cinemas, Inc. has bankruptcy claims that remain unsettled and are subject to ongoing negotiation and possible litigation. At December 30, 2004, Regal Cinemas had accrued approximately $1.2 million for the estimated costs to resolve such bankruptcy claims. In the opinion of management, based on its examination of these matters, its experience to date and discussions with legal counsel, the outcome of these legal matters, after taking into consideration the amounts already accrued, is not expected to have a material effect on the Company's liquidity or results of operations. To the extent claims are allowed by the bankruptcy court, they will be funded with cash on hand or cash flow from operations. For a detailed discussion of the bankruptcy proceedings, see Note 4 to the consolidated financial statements included in Part II, Item 8, of this Form 10-K.

Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet as well as the reported amounts of revenues and expenses during the reporting period. We routinely make estimates and judgments about the carrying value of our assets and liabilities that are not readily apparent from other sources. We evaluate and modify on an ongoing basis such estimates and assumptions, which includes, but are not limited to, those related to film costs, property and equipment, goodwill, income taxes and purchase accounting. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain

assets and liabilities. Actual results, under conditions and circumstances different from those assumed, may differ materially from estimates. The impact and any associated risks related to estimates, assumptions, and accounting policies are discussed within Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the notes to the Consolidated Financial Statements, if applicable, where such estimates, assumptions, and accounting policies affect our reported and expected results. Management has discussed the development and selection of its critical accounting estimates with the audit committee of our Board of Directors and the audit committee has reviewed our related disclosures herein.

We believe the following accounting policies are critical to our business operations and the understanding of our results of operations and affect the more significant judgments and estimates used in the preparation of our consolidated financial statements:

We applied the principles of purchase accounting when recording the acquisitions of Hoyts and other subsequent acquisitions. These accounting principles require that we estimate the fair value of the individual assets and liabilities, including the related deferred tax assets and liabilities related to such amounts. The estimation of the fair value of the assets and liabilities involves a number of judgments and estimates that could differ materially from the actual amounts.

We adopted SFAS 142, "Goodwill and Other Intangible Assets" in 2002. SFAS 142 specifies that goodwill and indefinite-lived intangible assets will no longer be amortized but instead will be subject to an annual impairment assessment. Based on our annual impairment assessment conducted during the fourth quarter of fiscal 2004, we were not required to record a charge for goodwill impairment. In assessing the recoverability of the goodwill, we must make various assumptions regarding estimated future cash flows and other factors in determining the fair values of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets in future periods.

We estimate our film cost expense and related film cost payable based on management's best estimate of the ultimate settlement of the film costs with the distributors. Generally, less than one-third of our quarterly film expense is estimated at period-end. The length of time until these costs are known with certainty depends on the ultimate duration of the film play, but is typically "settled" within two to three months of a particular film's opening release. Upon settlement with our film distributors, film cost expense and the related film cost payable are adjusted to the final film settlement. Such adjustments have been historically insignificant. Actual film costs and film costs payable could differ materially from those estimates. For the fiscal years ended December 30, 2004, January 1, 2004 and December 26, 2002, there were no significant changes in our film cost estimation and settlement procedures.

We depreciate and amortize the components of our property and equipment on a straight-line basis over the estimated useful lives of the assets. Each owned theatre consists of a building structure, structural improvements, seating and concession and film display equipment. While we have assigned an estimated useful life of less than 30 years to certain acquired facilities, we estimate that our newly constructed buildings generally have an average economic useful life to us of 30 years. Certain of our buildings have been in existence for more than forty years. With respect to equipment (e.g., concession stand, point-of-sale equipment and certain DCN assets), a substantial portion is depreciated over seven years or less, which has been our historical replacement period. Seats and projection equipment generally have a longer useful economic life, and their depreciable lives (12-15 years) are based on our experience and replacement practices. The estimates of the assets' useful lives require our judgment and our knowledge of the assets being depreciated and amortized. Further, we review the economic useful lives of such assets annually and make adjustments thereto as necessary. Actual economic lives may differ materially from these estimates.

The majority of our properties were appraised as part of the bankruptcy process. Such appraisals supported the estimated lives being used for depreciation and amortization purposes. Furthermore, our analysis of our historical capital replacement program is consistent with our depreciation policies. Finally, we review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Such analysis evaluates assets for impairment on an individual theatre basis. When the future undiscounted cash flows of the operations to which the assets relate do not exceed the carrying value of the assets, such assets are written down to fair value. Our experience indicates that theatre properties become impaired primarily due to market or competitive factors rather than physical (wear and tear) or functional (inadequacy or obsolescence) factors. In this regard, we do not believe the frequency or volume of facilities impaired due to these market factors are significant enough to impact the useful lives used for depreciation periods.

For the fiscal years ended December 30, 2004, January 1, 2004 and December 26, 2002, no significant changes have been made to the depreciation and amortization rates applied to operating assets, the underlying assumptions related to estimates of depreciation and amortization, or the methodology applied. For the fiscal year ended December 30, 2004, consolidated depreciation and amortization expense was $174.6 million, representing 7.1% of consolidated total revenues. If the estimated lives of all assets being depreciated were increased by one year, the consolidated depreciation and amortization expense would have decreased by approximately $12.6 million or 7.2%. If the estimated lives of all assets being depreciated were decreased by one year, the consolidated depreciation and amortization expense would have increased by approximately $14.7 million or 8.4%.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carryforwards based on their probable tax treatment. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance if it is deemed more likely than not that our deferred income tax assets will not be realized. We reassess the need for such valuation allowance on an ongoing basis. An increase in the valuation allowance generally results in an increase in the provision for income taxes recorded in such period. With the exception of valuation allowances recorded relative to pre-acquisition periods, decreases in the valuation allowance generally result in a decrease in the provision for income taxes. Should we ultimately realize a benefit from tax assets in excess of the amount recorded that relates to pre-acquisition periods, goodwill would be reduced to the extent of such excess or recorded goodwill, as appropriate.

Additionally, income tax rules and regulations are subject to interpretation and require judgment by us and may be challenged by the tax authorities. Accordingly, although we believe that our tax return positions are fully supportable, we establish accruals relative to tax uncertainties that we deem to be probable of loss and that can be reasonably estimated. Such accruals are evaluated on an ongoing basis as part of our process for determining our provision for income taxes. Among other items deemed relevant by us, the evaluations are based on new legislation, other new technical guidance, judicial proceedings, and our specific circumstances, including the progress of tax audits. With the exception of certain changes in pre-acquisition tax uncertainties, any change in the balance of an accrual established relative to a tax uncertainty impacts the provision for income taxes in the period that the adjustment is made to the accrual.

For the fiscal year ended December 30, 2004, our provision for income taxes was $59.5 million. Changes in management's estimates and assumptions regarding the probability that certain tax return positions will be sustained, the enacted tax rate applied to deferred tax assets and liabilities, the ability to realize the value of deferred tax assets, or the timing of the reversal of tax basis differences could impact the provision for income taxes and change the effective tax rate. A one percentage point change in the effective tax rate from 41.9% to 42.9% would have increased the current year income tax provision by approximately $1.4 million.

Quarterly Results

The Company's consolidated financial statements for the year ended January 1, 2004 include the results of operations of United Artists, Edwards and Regal Cinemas from December 27, 2002 and Hoyts from March 28, 2003. The Company's consolidated financial statements for the year ended December 30, 2004 include the results of operations of United Artists, Regal Cinemas, Edwards and Hoyts from January 2, 2004, the results of operations of seven theatres acquired during the quarter ended July 1, 2004 and the 28 operating theatres acquired from Signature Theatres on September 30, 2004 for periods subsequent to the respective acquisition dates. The comparability of our results between quarters is impacted by the inclusion from such dates of the results of operations of each of such entities and to a lesser extent, seasonality.

The following tables set forth selected unaudited quarterly results for the eight quarters ended December 30, 2004. The quarterly financial data as of each period presented below have been derived from Regal's unaudited consolidated financial statements for those periods. Results for these periods are not necessarily indicative of results for the full year. The quarterly financial data should be read in conjunction with the consolidated financial statements of Regal and notes thereto included elsewhere in this Form 10-K.

	Dec. 30, 2004	Sept. 30, 2004	July 1, 2004(1)	April 1, 2004	Jan. 1, 2004(3)	Sept. 25, 2003(2)	June 26, 2003	Mar. 27, 2003
	In millions (except per share data)							
Total revenues	$ 643.1	$ 611.3	$ 673.1	$ 540.5	$ 683.8	$ 629.9	$ 648.1	$ 528.1
Income from operations	71.4	74.2	113.9	61.6	117.7	95.5	93.3	72.6
Net income	24.5	27.8	7.4	22.8	58.8	44.2	47.1	35.3
Diluted earnings per share	0.16	0.19	0.05	0.16	0.40	0.30	0.33	0.26
Dividends per common share	$ 0.30	$ 0.20	$ 5.18	$ 0.18	$ 0.15	$ 5.20	$ 0.15	$ 0.15

(1) Includes the June 2, 2004 payment of the $5.00 extraordinary cash dividend paid on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

(2) Includes the July 1, 2003 payment of the $5.05 extraordinary cash dividend paid on each share of Class A and Class B common stock. See Note 1 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further discussion.

(3) The fourth quarter of the Fiscal 2003 Period includes one additional week of operations.

Inflation

The Company does not believe that inflation has had a material impact on its financial position or results of operations.

Seasonality

The Company's revenues are usually seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, studios release the most marketable motion pictures during the summer and the holiday seasons. The unexpected emergence of a "hit" film during other periods can alter the traditional pattern. The timing of movie releases can have a significant effect on the Company's results of operations, and the results of one quarter are not necessarily indicative of the results for the next or any other quarter. The seasonality of motion picture exhibition, however, has become less pronounced in recent years as studios have begun to release major motion pictures somewhat more evenly throughout the year.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements relevant to our operations, please refer to the information provided under Note 2 to the accompanying consolidated financial statements, which information is incorporated herein by reference.

Forward-looking Statements

Some of the information in this Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Form 10-K, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" may constitute forward-looking statements. In some cases you can identify these "forward-looking statements" by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain risk factors as more fully discussed under "Risk Factors" below.

Risk Factors

Investing in our securities involves a significant degree of risk. In addition to the other information contained in this annual report, you should consider the following factors before investing in our securities.

Our substantial lease and debt obligations could impair our financial condition

We have substantial lease and debt obligations. For fiscal 2004, our total rent expense and net interest expense were approximately $287.0 million and $95.6 million, respectively. As of December 30, 2004, we had total long-term obligations of $2,005.8 million. As of December 30, 2004, we had total contractual cash obligations of approximately $6,463.1 million. For a detailed discussion of our contractual cash obligations and other commercial commitments over the next several years, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Commitments" provided above.

If we are unable to meet our lease and debt service obligations, we could be forced to restructure or refinance our obligations and seek additional equity financing or sell assets. We may be unable to restructure or refinance our obligations and obtain additional equity financing or sell assets on satisfactory terms or at all. As a result, inability to meet our lease and debt service obligations could cause us to default on those obligations. Many of our lease agreements and the agreements governing the terms of our debt obligations contain restrictive covenants that limit our ability to take specific actions or require us not to allow specific events to occur and prescribe minimum financial maintenance requirements that we must meet. If we violate those restrictive covenants or fail to meet

the minimum financial requirements contained in a lease or debt instrument, we would be in default under that instrument, which could, in turn, result in defaults under other leases and debt instruments. Any such defaults could materially impair our financial condition and liquidity.

Our theatres operate in a competitive environment.

The motion picture exhibition industry is fragmented and highly competitive with no significant barriers to entry. Theatres operated by national and regional circuits and by small independent exhibitors compete with our theatres, particularly with respect to film licensing, attracting patrons and developing new theatre sites. Moviegoers are generally not brand conscious and usually choose a theatre based on its location, the films showing there and its amenities.

In recent years, motion picture exhibitors have been upgrading their asset bases to an attractive megaplex format which features stadium seating, improved projection quality and superior sound systems. Generally, a modern megaplex is preferred by patrons over a slope-floored multiplex theatre, which was the dominant theatre-type built prior to 1996. Although, as of December 30, 2004, approximately 66% of our screens were located in theatres featuring stadium seating, we still serve many markets with profitable sloped-floored multiplex theatres. These theatres may be more vulnerable to competition than our modern megaplex theatres, and should other theatre operators choose to build and operate modern megaplex theatres in these markets, the performance of our theatres in these markets may be significantly and negatively impacted. In addition, should other theatre operators return to the aggressive building strategies undertaken from 1996 to 1999, our attendance, revenue and income from operations per screen could decline substantially.

Our in-theatre advertising business operates in a competitive environment.

Regal CineMedia's in-theatre advertising operations must compete with a number of other cinema advertising companies and advertising mediums including, most notably, television, newspaper, radio and the Internet. There can be no guarantee that in-theatre advertising will continue to attract major advertisers or that Regal CineMedia's in-theatre advertising format will be favorably received by the theatre-going public. If Regal CineMedia is unable to generate expected sales of advertising, it may not maintain the level of profitability we hope to achieve, and its results of operations may be adversely affected.

We depend on motion picture production and performance.

Our ability to operate successfully depends upon the availability, diversity and appeal of motion pictures, our ability to license motion pictures and the performance of such motion pictures in our markets. We mostly license first-run motion pictures, the success of which have increasingly depended on the marketing efforts of the major studios. Poor performance of, or any disruption in the production of (including by reason of a strike) these motion pictures, or a reduction in the marketing efforts of the major studios, could hurt our business and results of operations. In addition, a change in the type and breadth of movies offered by studios may adversely affect the demographic base of moviegoers.

We depend on our relationships with film distributors.

The film distribution business is highly concentrated, with ten major film distributors reportedly accounting for 96% of admissions revenues and all of the top 50 grossing films during 2003. Our business depends on maintaining good relations with these distributors. In addition, we are dependent on our ability to negotiate commercially favorable licensing terms for first-run films. A deterioration in our relationship with any of the nine major film distributors could affect our ability to negotiate film licenses on favorable terms or our ability to obtain commercially successful films and, therefore, could hurt our business and results of operations.

No assurance of a supply of motion pictures.

The distribution of motion pictures is in large part regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases. Consent decrees resulting from those cases effectively require major motion picture distributors to offer and license films to exhibitors, including us, on a film-by-film and theatre-by-theatre basis. Consequently, we cannot assure ourselves of a supply of motion pictures by entering into long-term arrangements with major distributors, but must compete for our licenses on a film-by-film and theatre-by-theatre basis.

We may not benefit from our acquisition strategy.

We may have difficulty identifying suitable acquisition candidates. Even if we do identify such candidates, we anticipate significant competition from other motion picture exhibitors and financial buyers when trying to acquire these candidates, and there can be no assurances that we will be able to acquire such candidates at reasonable prices or on favorable terms. Moreover, some of these possible buyers may be stronger financially than we are. As a result of this competition for limited assets, we may not succeed in acquiring suitable candidates or may have to pay more than we would prefer to make an acquisition. If we cannot identify or successfully acquire suitable acquisition candidates, we may not be able to successfully expand our operations and the market price of our securities could be adversely affected.

In any acquisition, we expect to benefit from cost savings through, for example, the reduction of overhead and theatre level costs, and from revenue enhancements resulting from the acquisition. There can be no assurance, however, that we will be able to generate sufficient cash flow from these acquisitions to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits. Nor can there be any assurance that our profitability will be improved by any one or more acquisitions. If we cannot generate sufficient cash flow to service debt incurred to finance an acquisition, our results of operations and profitability would be adversely affected. Any acquisition may involve operating risks, such as:

- the difficulty of assimilating the acquired operations and personnel and integrating them into our current business;
- the potential disruption of our ongoing business;
- the diversion of management's attention and other resources;
- the possible inability of management to maintain uniform standards, controls, procedures and policies;
- the risks of entering markets in which we have little or no experience;
- the potential impairment of relationships with employees;
- the possibility that any liabilities we may incur or assume may prove to be more burdensome than anticipated; and
- the possibility that any acquired theatres or theatre circuit operators do not perform as expected.

We must comply with the ADA.

Our theatres must comply with the ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or technically infeasible for alterations. Noncompliance with the ADA, including with respect to "lines of sight" and other requirements currently in dispute as described in greater detail in Note 11 to the accompanying consolidated financial statements included

in this Form 10-K, could result in the imposition of injunctive relief, fines, an award of damages to private litigants or additional capital expenditures to remedy such noncompliance. Any such imposition of injunctive relief, fines, damage awards or capital expenditures could materially adversely affect our business and results of operations.

An increase in the use of alternative film delivery methods may drive down movie theatre attendance and limit ticket prices.

We also compete with other movie delivery vehicles, including cable television, downloads via the Internet, video disks and cassettes, satellite and pay-per-view services. Further, technologies for movie delivery (such as video on demand) could have a material adverse effect on our business and results of operations. We also compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theatre and restaurants.

Development of digital technology may increase our capital expenses.

The industry is in the early stages of conversion from film-based media to electronic based media. There are a variety of constituencies associated with this anticipated change, which may significantly impact industry participants, including content providers, distributors, equipment providers and exhibitors. Should the conversion process rapidly accelerate and the major studios not finance the conversion as expected, we may have to raise additional capital to finance the conversion costs associated with this potential change. The additional capital necessary may not, however, be available to us on attractive terms, if at all. Furthermore, it is impossible to accurately predict how the roles and allocation of costs (including operating costs) between various industry participants will change if the industry changes from physical media to electronic media.

We depend on our senior management.

Our success depends upon the retention of our senior management, including Michael Campbell and Kurt Hall, our Co-Chairmen and Co-Chief Executive Officers. We cannot assure you that we would be able to find qualified replacements for the individuals who make up our senior management if their services were no longer available. The loss of services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations. We do not currently maintain key-man life insurance for any of our employees. The loss of any member of senior management could adversely affect our ability to effectively pursue our business strategy.

The interests of our controlling stockholder may conflict with your interests.

Anschutz owns substantially all of our outstanding Class B common stock. Our Class A common stock has one vote per share while our Class B common stock has ten votes per share on all matters to be voted on by stockholders. As a result, as of December 30, 2004, Anschutz controlled approximately 79.0% of the voting power of all of our outstanding common stock. For as long as Anschutz continues to own shares of common stock representing more than 50% of the voting power of our common stock, it will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Anschutz will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Anschutz but not to other stockholders. In addition, Anschutz and its affiliates have controlling interests in companies in related and unrelated industries, including interests in the sports, motion picture production and music entertainment industries. In the future, it may combine our company with one or more of its other holdings.

A prolonged economic downturn could materially affect our business by reducing consumer spending on movie attendance.

We depend on consumers voluntarily spending discretionary funds on leisure activities. Motion picture theatre attendance may be affected by prolonged negative trends in the general economy that adversely affect consumer spending, including such trends resulting from terrorist attacks on, or wars or threatened wars involving, the United States. Any reduction in consumer confidence or disposable income in general may affect the demand for motion pictures or severely impact the motion picture production industry, which, in turn, could adversely affect our operations.

Our results of operations fluctuate on a seasonal basis and may be unpredictable, which could increase the volatility of our stock price.

Our revenues are usually seasonal because of the way the major film distributors release films. Generally, the most marketable movies are released during the summer and the holiday season. Poor performance of these films, or a disruption in the release of films during these periods, could hurt our results for the entire fiscal year. An unexpected "hit" film during other periods can alter the traditional trend. The timing of movie releases can have a significant effect on our results of operations, and our results of operations for one fiscal period are not necessarily indicative of our results of operations for any other fiscal period. These variations in results could cause increased volatility in our stock price.

Our stock price may be volatile and decline substantially

The stock market in general has experienced extreme price and volume fluctuations in recent years. These broad market fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. You may be unable to resell your shares at or above the purchased market price because of a number of factors, including actual or anticipated quarterly fluctuations in our operating results; changes in expectations of future financial performance or changes in estimates of securities analysts; changes in the market valuations of other companies; announcements relating to strategic relationships, acquisitions or industry consolidation; and general economic, market and political conditions not related to our business.

A substantial number of restricted shares are eligible for sale which could cause the market price for our Class A common stock to decline.

We cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Sales of substantial amounts of shares of our Class A common stock in the public market, or the perception that those sales will occur, could cause the market price of our Class A common stock to decline.

As of March 10, 2005, we had outstanding 4,215,455 shares of Class A common stock and 87,566,142 shares of Class B common stock that may convert into Class A common stock on a one-for-one basis, all of which shares of common stock constitute "restricted securities" under the Securities Act. Provided the holders comply with the applicable volume limits and other conditions prescribed in Rule 144 under the Securities Act, all of these restricted securities are currently freely tradable.

Anschutz, Oaktree's Principal Activities Group and certain other significant stockholders are able to sell their shares pursuant to the registration rights that we have granted as described in "Description of Capital Stock Registration Rights." We cannot predict whether substantial amounts of our Class A common stock will be sold in the open market in anticipation of, or following, any divestiture by Anschutz, Oaktree's Principal Activities Group or our directors or executive officers of their shares of our common stock.

Additionally, as of March 10, 2005, approximately 10,163,000 shares of our Class A common stock are issuable upon exercise of stock options that vest and are exercisable at various dates through June 23, 2014, with exercise prices ranging from $2.6901 to $17.83. Of such options, as of March 10, 2005, 3,198,389 were exercisable. All of such shares subject to options are registered and will be freely tradable when the option is exercised unless such shares are acquired by an affiliate of Regal, in which case the affiliate may only sell the shares subject to the volume limitations imposed by Rule 144 of the Securities Act.

The sale of a substantial number of shares may make it difficult for us to sell equity securities in the future.

Sales of substantial amounts of shares of our Class A common stock in the public market, or the perception that those sales will occur, might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. If we are unable to sell equity securities at times and prices that we deem appropriate, our ability to fund growth could be adversely affected.

Our amended and restated certificate of incorporation and our amended and restated bylaws, as amended, contain anti-takeover protections, which may discourage or prevent a takeover of our company, even if an acquisition would be beneficial to our stockholders.

Provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as amended, as well as provisions of the Delaware General Corporation Law, could delay or make it more difficult to remove incumbent directors or for a third party to acquire us, even if a takeover would benefit our stockholders.

Our issuance of shares of preferred stock could delay or prevent a change of control of our company.

Our board of directors has the authority to cause us to issue, without any further vote or action by the stockholders, up to 50,000,000 shares of preferred stock, par value $0.001 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

Our issuance of preferred stock could dilute the voting power of the common stockholders.

The issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

Our issuance of preferred stock could adversely affect the market value of our common stock.

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

We are a holding company dependent on our subsidiaries for our ability to service our debt and pay our dividends.

We are a holding company with no operations of our own. Consequently, our ability to service our subsidiaries' debt and pay dividends on our common stock is dependent upon the earnings from the businesses conducted by our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Any distribution of earnings to us from our subsidiaries, or advances or other distributions of funds by these subsidiaries to us, all of which are subject to statutory or contractual restrictions, are contingent upon the subsidiaries' earnings and are subject to various business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the Convertible Senior Notes and our common stock to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

Payment of our extraordinary dividends could impair our ability to fund capital requirements or service our debt obligations and may have adverse tax consequences to the holders of the Convertible Senior Notes.

On July 1, 2003, we paid to our stockholders an extraordinary cash dividend of $5.05 per share on each outstanding share of Class A and Class B common stock totaling approximately $716.0 million in the aggregate. We used approximately $214.6 million of the net proceeds from our $240.0 million Convertible Senior Notes offering, as well as the net proceeds from an additional term loan facility under the Regal Cinemas' Senior Credit Facility of approximately $310.8 million and approximately $190.6 million of cash on hand to pay this extraordinary dividend. On June 2, 2004, we paid another extraordinary cash dividend of $5.00 per share on each share of our outstanding Class A and Class B common stock totaling approximately $718.3 million in the aggregate. We funded the dividend from internally generated funds and the net proceeds of the completion of our $1.75 billion recapitalization transaction. The extraordinary dividends reduced our available funds and could adversely affect our ability to fund potential acquisitions, capital expenditures, working capital or other expenditures, including capital expenditures of Regal CineMedia. The reduction in available funds could also materially affect our ability to meet our debt service obligations including settling the accreted value of the Convertible Senior Notes in cash. Our payment of the extraordinary dividends resulted in antidilution adjustments to the conversion price of the Convertible Senior Notes pursuant to the terms of the indenture governing the Convertible Senior Notes. Upon the conversion of the Convertible Senior Notes, additional shares of common stock received as a result of those increases may be deemed to be payments of taxable dividends to a holder of the Convertible Senior Notes to the extent of our current and accumulated earnings and profits.

Hedging transactions and other transactions

We have entered into convertible note hedge and warrant transactions with respect to our common stock, the exposure for which was held at the time the Convertible Senior Notes were issued by Credit Suisse First Boston International. The convertible note hedge and warrant transactions are expected to reduce the potential dilution from conversion of the notes. In connection with these hedging arrangements, Credit Suisse First Boston International has taken positions in our Class A common stock in secondary market transactions and/or entered into various derivative transactions after the pricing of the notes. Such hedging arrangements could increase the price of our Class A common stock. Credit Suisse First Boston International is likely to modify its hedge positions from time to time prior to conversion, redemption or maturity of the notes by purchasing and selling shares of our Class A

common stock, other securities of Regal or other instruments we may wish to use in connection with such hedging. We cannot assure you that such activity will not affect the market price of our Class A common stock. For further description of the convertible note hedge and warrant transactions, see Note 7 to the accompanying consolidated financial statements included in this Form 10-K

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk is confined to interest rate exposure of its and its wholly owned subsidiaries' debt obligations that bear interest based on floating rates. The Senior Credit Agreement provides for variable rate interest that could be adversely affected by an increase in interest rates. As of December 30, 2004, borrowings of $1,591.9 million under the Term Facility were outstanding. Borrowings under the Term Facility bear interest, at Regal Cinemas' option, at either an adjusted Eurodollar rate or a base rate plus, in each case, an applicable margin. The base rate is the higher of Prime Rate and the Federal Funds Effective Rate plus 0.5%. The borrowings outstanding under the Term Facility bore interest of approximately 4.0% as of December 30, 2004.

During the year ended December 30, 2004, Regal Cinemas entered into four distinct hedging relationships via four separate interest rate swap agreements with final maturity terms ranging from three to five years each for the purpose of hedging approximately $800 million of variable interest rate risk under the Senior Credit Facility. Under the terms of the interest rate swap agreements, Regal Cinemas pays interest at various fixed rates ranging from 3.49% 4.15% and receives interest at a variable rate based on the 3-month LIBOR. For a further description of the swap agreements, see Note 7 to the accompanying consolidated financial statements, which information is incorporated herein by reference.

A one-half percent rise in the interest rate on the Company's unhedged variable rate indebtedness (approximately $791.9 million at December 30, 2004), would have increased reported interest expense by approximately $4.7 million for the year ended December 30, 2004.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors
Regal Entertainment Group:

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

Management, including our principal co-chief executive officers and principal financial officer, conducted an evaluation of the effectiveness of such controls as of December 30, 2004. This assessment was based on criteria for effective internal control over financial reporting described in *Int*