

REGAL ENTERTAINMENT GROUP  
Form 10-Q/A  
December 04, 2003

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## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

### FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended June 26, 2003

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**

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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 and 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  No

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

Class A Common Stock 52,573,340 shares outstanding at August 8, 2003

Class B Common Stock 89,216,142 shares outstanding at August 8, 2003

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**EXPLANATORY NOTE**

On August 26, 2003, Regal Entertainment Group filed a registration statement on Form S-3 (Commission File No. 333-108212) with the Securities and Exchange Commission (the "Commission"), which was amended on November 14, 2003 and incorporates by reference Regal's annual report on Form 10-K for the fiscal year ended December 26, 2002, quarterly reports on Form 10-Q for the fiscal quarters ended March 27, 2003 and June 26, 2003, and other current reports (or portions thereof) filed by Regal during 2003. The Commission determined to review the registration statement and also has undertaken a review of our periodic reports filed with the Commission identified above. We believe the review of the periodic reports was undertaken as a result of the Commission's normal review process.

As a result of the review of the periodic reports, the Commission requested that Regal supplement or clarify certain textual information in its quarterly report on Form 10-Q for the fiscal quarter ended June 26, 2003. Following management's discussions with the Commission's staff, Regal agreed to make the suggested changes to its second quarter 2003 Form 10-Q. Other than the supplemental or clarifying changes to the notes to the unaudited condensed consolidated financial statements included in the second quarter 2003 Form 10-Q, this amended quarterly report on Form 10-Q/A contains no changes to the unaudited condensed consolidated financial statements previously filed with the Commission by Regal.

The information contained in this amended quarterly report on Form 10-Q/A has not been updated to reflect events and circumstances occurring since its original filing. Such matters have been or will be addressed in reports filed with the Commission (other than this amended report) subsequent to the date of the original filing of Regal's second quarter 2003 Form 10-Q. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Regal has restated in its entirety each item of its originally filed second quarter 2003 Form 10-Q affected by this amendment.

**PART I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**REGAL ENTERTAINMENT GROUP**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>June 26, 2003</b>	<b>December 26, 2002</b>
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	June 26, 2003	December 26, 2002
(in millions, except share data)		
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 901.4	\$ 276.0
Restricted cash	6.7	22.5
Trade and other receivables, net	17.6	30.5
Inventories	8.0	6.7
Prepaid expenses and other current assets	41.8	39.7
Assets held for sale	8.2	9.7
Deferred income tax asset	8.9	4.7
	<b>992.6</b>	<b>389.8</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Land	135.0	134.7
Buildings, leasehold improvements and equipment	1,902.3	1,674.3
Construction in progress	12.5	6.5
	<b>2,049.8</b>	<b>1,815.5</b>
Total property and equipment	2,049.8	1,815.5
Accumulated depreciation and amortization	(226.2)	(160.0)
	<b>1,823.6</b>	<b>1,655.5</b>
Total property and equipment, net	1,823.6	1,655.5
GOODWILL	204.2	227.5
OTHER ASSETS	45.8	37.4
DEFERRED INCOME TAX ASSET	38.4	
	<b>3,104.6</b>	<b>2,310.2</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,104.6</b>	<b>\$ 2,310.2</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term obligations	\$ 31.0	\$ 17.0
Dividend payable	716.0	
Accounts payable	182.5	154.0
Accrued expenses	162.6	109.4
Bankruptcy claims and liabilities	4.0	23.6
	<b>1,096.1</b>	<b>304.0</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,096.1</b>	<b>304.0</b>
LONG-TERM DEBT	1,095.7	561.5
LEASE FINANCING ARRANGEMENTS	95.0	96.0
CAPITAL LEASE OBLIGATIONS	25.1	3.9
DEFERRED TAX LIABILITY		21.3
OTHER NONCURRENT LIABILITIES	57.5	49.9
	<b>2,369.4</b>	<b>1,036.6</b>
<b>TOTAL LIABILITIES</b>	<b>2,369.4</b>	<b>1,036.6</b>
MINORITY INTEREST	3.3	2.8
<b>STOCKHOLDERS' EQUITY:</b>		
Class A common stock, \$0.001 par value: 500,000,000 shares authorized; 52,519,539 and 46,448,382 shares issued and outstanding at June 26, 2003 and December 26, 2002, respectively		
Class B common stock, \$0.001 par value (convertible): 200,000,000 shares authorized; 89,216,142 and 85,287,957 shares issued and outstanding at June 26, 2003 and December 26, 2002, respectively	0.1	0.1
Preferred stock, \$0.001 par value: none issued and outstanding		
Additional paid in capital	728.1	1,196.6
Retained earnings	3.7	74.1

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	June 26, 2003	December 26, 2002
	<u>          </u>	<u>          </u>
TOTAL STOCKHOLDERS' EQUITY	731.9	1,270.8
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,104.6	\$ 2,310.2
	<u>          </u>	<u>          </u>

See accompanying notes to unaudited condensed consolidated financial statements.

**REGAL ENTERTAINMENT GROUP**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Quarter Ended June 26, 2003	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(in millions, except share data)				
<b>REVENUES:</b>				
Admissions	\$ 439.9	\$ 409.6	\$ 801.2	\$ 695.8
Concessions	172.7	172.2	310.2	286.0
Other operating revenue	35.5	25.5	64.8	40.5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUE</b>	<b>648.1</b>	<b>607.3</b>	<b>1,176.2</b>	<b>1,022.3</b>
<b>OPERATING EXPENSES:</b>				
Film rental and advertising costs	249.4	232.3	435.4	379.1
Cost of concessions	24.0	25.0	43.4	41.7
Rent expense	70.3	63.9	133.4	115.8
Other operating expenses	152.5	132.9	289.4	235.9
General and administrative expenses	15.8	17.8	30.4	33.7
Merger and restructuring expenses and amortization of deferred stock compensation	2.6	5.2	4.8	13.1
Depreciation and amortization	39.3	35.3	75.2	63.0
Loss (gain) on disposal and impairment of operating assets	0.9	0.4	(1.7)	0.2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL OPERATING EXPENSES</b>	<b>554.8</b>	<b>512.8</b>	<b>1,010.3</b>	<b>882.5</b>
<b>INCOME FROM OPERATIONS</b>	<b>93.3</b>	<b>94.5</b>	<b>165.9</b>	<b>139.8</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense, net	(15.4)	(17.4)	(29.1)	(31.8)
Loss on extinguishment of debt		(2.7)		(1.5)
Minority interest in earnings of consolidated subsidiaries	(0.1)	(3.5)	(0.4)	(12.2)
Other, net		0.3	0.1	(0.1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL OTHER EXPENSE, NET</b>	<b>(15.5)</b>	<b>(23.3)</b>	<b>(29.4)</b>	<b>(45.6)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>77.8</b>	<b>71.2</b>	<b>136.5</b>	<b>94.2</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>30.7</b>	<b>32.5</b>	<b>54.1</b>	<b>44.8</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET INCOME</b>	<b>\$ 47.1</b>	<b>\$ 38.7</b>	<b>\$ 82.4</b>	<b>\$ 49.4</b>

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	Quarter Ended June 26, 2003	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
LOSS ON REDEMPTION OF PREFERRED STOCK		28.2		28.2
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 47.1	\$ 10.5	\$ 82.4	\$ 21.2
EARNINGS PER SHARE:				
Basic	\$ 0.34	\$ 0.09	\$ 0.61	\$ 0.25
Diluted	\$ 0.33	\$ 0.09	\$ 0.59	\$ 0.24
AVERAGE SHARES OUTSTANDING (in thousands):				
Basic	138,473	115,974	135,139	84,277
Diluted	143,267	121,456	140,140	88,025

See accompanying notes to unaudited condensed consolidated financial statements.

REGAL ENTERTAINMENT GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
	(in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 82.4	\$ 49.4
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	75.2	63.0
Amortization of deferred stock compensation	2.5	0.8
Loss on debt extinguishment		1.5
Minority interest in earnings of consolidated subsidiaries	0.4	12.2
Deferred income taxes	8.7	34.3
(Gain) loss on disposal and impairment of operating assets	(1.7)	0.2
Changes in operating assets and liabilities (excluding effects of acquisition and reorganization):		
Trade and other receivables	3.9	(0.6)
Inventories	(0.6)	(0.4)
Prepaid expenses and other current assets	0.9	2.7
Accounts payable	18.8	(1.1)
Accrued expenses and other liabilities	49.5	9.9
NET CASH PROVIDED BY OPERATING ACTIVITIES	240.0	171.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(53.9)	(30.7)
Proceeds from disposition of assets	14.3	3.7
Cash used to acquire Hoyts, net of cash acquired	(97.6)	
Decrease in other long term assets		6.0
Decrease in reimbursable construction advances	9.2	0.2
Decrease in restricted cash	15.8	7.1

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	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
NET CASH USED IN INVESTING ACTIVITIES	(112.2)	(13.7)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash used to redeem Edwards preferred stock		(75.3)
Cash used to redeem Edwards senior subordinated notes		(11.3)
Cash used to payoff Edwards term loan		(180.0)
Cash used to payoff United Artists term credit facility		(240.0)
Net proceeds from senior subordinated notes offering		155.3
Net proceeds from initial public offering		315.4
Proceeds from exercise of stock purchase warrants	37.5	
Proceeds from Regal Cinemas senior credit facility	315.0	
Proceeds from convertible notes offering	240.0	
Net payment on convertible notes hedge and warrants	(18.8)	
Payment of debt acquisition costs	(10.8)	(5.3)
Cash used to pay dividend	(41.0)	
Proceeds from stock option exercises	8.2	0.5
Net payments on long term obligations	(11.7)	(5.1)
Payment of bankruptcy claims and liabilities	(20.8)	(73.3)
Cash of subsidiaries at acquisition date		167.1
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>497.6</b>	<b>48.0</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>625.4</b>	<b>206.2</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>276.0</b>	<b>68.1</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 901.4</b>	<b>\$ 274.3</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for income taxes, net of refunds received	\$ 6.0	\$ 9.6
Cash paid for interest	\$ 27.1	\$ 17.7
<b>SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES:</b>		
Declaration of extraordinary dividend	\$ 716.0	\$
Exchange of minority shares in Regal Cinemas for Regal Entertainment Group	\$	\$ 361.9
Exchange of minority shares in Edwards for Regal Entertainment Group	\$	\$ 44.4
Contribution of additional shares purchased from minority interests	\$	\$ 80.0

See accompanying notes to unaudited condensed consolidated financial statements.

**REGAL ENTERTAINMENT GROUP**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. THE COMPANY AND BASIS OF PRESENTATION**

Regal Entertainment Group (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.

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("Edwards"), Regal CineMedia Corporation ("Regal CineMedia"), Hoyts Cinemas Corporation ("Hoyts") and United Artists Theatre Group ("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.

Regal operates the largest theatre circuit in the United States, consisting of 6,119 screens in 562 theatres in 39 states as of June 26, 2003. Regal CineMedia focuses on the development of ancillary revenues. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years results in a 53-week fiscal year.

During 2000 and 2001, United Artists and a majority of its subsidiaries at that time (the "United Artists Bankrupt Entities"), Edwards Theatre Circuit Affiliated Group and its subsidiaries at that time (the "Edwards Bankrupt Entities", which were merged into Edwards in connection with the bankruptcy proceedings of the Edwards Bankrupt Entities described below), and Regal Cinemas, Inc. and its subsidiaries at that time (the "Regal Cinemas, Inc. Bankrupt Entities") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Courts identified below, as well as joint plans of reorganization. The joint plans of reorganization, as amended, for the United Artists Bankrupt Entities and the Edwards Bankrupt Entities were approved by the United States Bankruptcy Courts for the Central District of California and the District of Delaware, respectively. Such joint plans of reorganization became effective on March 2, 2001 ("UA Effective Date") for the United Artists Bankrupt Entities and September 29, 2001 ("Edwards Effective Date") for the Edwards Bankrupt Entities. The United States Bankruptcy Court for the Middle District of Tennessee approved the Regal Cinemas, Inc. Bankrupt Entities' joint plan of reorganization on December 7, 2001, and it became effective on January 29, 2002. Also on that date, The Anschutz Corporation and its subsidiaries ("Anschutz") and the other shareholders of Regal Cinemas, Inc. exchanged their equity interests in Regal Cinemas, Inc. for equity interests in Regal Cinemas and as a result, Regal Cinemas, Inc. became a wholly owned subsidiary of Regal Cinemas. Regal Cinemas was formed for the primary purpose of acquiring and holding the shares of common stock of Regal Cinemas, Inc. Edwards was formed in connection with the reorganization of the Edwards Bankrupt Entities to, among other things, effect the substantive consolidation of the Edwards Bankrupt Entities through their merger into Edwards. As a result of the merger transaction, Edwards succeeded to all of the assets and liabilities of the Edwards Bankrupt Entities.

Anschutz acquired controlling equity interests in United Artists, Edwards and Regal Cinemas, Inc. upon each of the entities' emergence from bankruptcy reorganization. Anschutz's contributions of these equity interests to the Company were recorded in the financial statements of the Company at the combined historical cost basis of Anschutz, which represents Anschutz's net cost to acquire certain debt of the United Artists Bankrupt Entities, the Edwards Bankrupt Entities and the Regal Cinemas, Inc. Bankrupt Entities prior to their filing voluntary petitions for relief under Chapter 11. Anschutz exchanged such debt holdings for controlling equity interests following the emergence from bankruptcy of the United Artists Bankrupt Entities, the Edwards Bankrupt Entities and the Regal Cinemas, Inc. Bankrupt Entities.

While the actual date that Regal Cinemas, Inc. emerged from bankruptcy and Anschutz acquired its controlling equity interest in Regal Cinemas was January 29, 2002, for financial reporting purposes the date is deemed to have occurred on January 24, 2002. As such, the Company's fiscal 2002 results of operations include the results of operations of United Artists (from January 4, 2002), Edwards (from December 28, 2001), and Regal Cinemas (from January 24, 2002).

Commencing in 2002, the Company elected to adopt the fiscal year end of Regal Cinemas, Inc. Regal Cinemas, Inc.'s 2001 fiscal year ended on December 27, 2001. As a result of the election to conform the reporting periods, United Artists' results of operations reflected in the accompanying 2002 financial statements reflect operating results from January 4, 2002. For the period from December 28, 2001 through January 3, 2002 (the date of United Artists' fiscal 2001 year end), United Artists recorded revenue of approximately \$17.8 million and net income of approximately \$2.5 million.

On March 5, 2002, Anschutz acquired a controlling equity interest in a digital video advertising company, Next Generation Network, Inc., which Anschutz contributed to Regal CineMedia in exchange for shares of Regal CineMedia capital stock.

On April 12, 2002, Regal acquired all of the outstanding common stock of Regal Cinemas, Edwards and Regal CineMedia and approximately 90% of the outstanding voting stock of United Artists through a series of transactions in which Regal exchanged for such capital stock shares of its Class A and Class B common stock. Regal also issued in the exchange transaction replacement options to purchase shares of its Class A common stock to the holders of outstanding options of United Artists and Regal Cinemas and replacement warrants to purchase shares of its Class A and Class B common stock to certain holders of outstanding warrants of United Artists.

In May 2002, the Company sold 18.0 million shares of its 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 \$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

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component of goodwill.

On March 28, 2003, Regal announced its 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, pursuant to a stock purchase agreement dated February 3, 2003, among Regal, HUSH Holdings U.S. Inc. ("HUSH") and Hoyts for an aggregate purchase price of \$213.1 million. The results of operations of the acquired theatre locations have been included in the accompanying financial statements for the periods subsequent to the acquisition date of March 28, 2003. See Note 2 for further discussion of this transaction.

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 amended and restated Regal Cinemas senior credit facility and the net proceeds of \$214.6 million from the issuance by Regal of \$240.0 million 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes. The dividend was recorded as a liability upon declaration and is reflected as a dividend payable in the accompanying unaudited condensed consolidated balance sheet as of June 26, 2003. Concurrent with the issuance of Regal's 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes, we entered into simultaneous 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 equity in the accompanying unaudited condensed consolidated balance sheet as of June 26, 2003. See Note 4 for further description of the related debt facilities, convertible note hedge and warrant transactions and extraordinary dividend transaction.

The Company has prepared the unaudited condensed consolidated balance sheet as of June 26, 2003 and the unaudited condensed consolidated statements of operations and cash flows in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. The December 26, 2002 unaudited condensed consolidated balance sheet information is derived from the audited consolidated financial statements of the Company included in the Company's annual report on Form 10-K filed on March 26, 2003 with the Securities and Exchange Commission (File No. 001-31315) for the Company's fiscal year ended December 26, 2002. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the audited consolidated financial statements. The results of operations for the quarter and two quarters ended June 26, 2003 are not necessarily indicative of the operating results that may be achieved for the full 2003 fiscal year.

Net income and total comprehensive income are the same for all periods presented.

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation.

## 2. ACQUISITION

On March 28, 2003, Regal acquired 52 Hoyts theatres representing 554 screens located in 10 states in the Northeastern United States, pursuant to a stock purchase agreement dated February 3, 2003, among Regal, HUSH and Hoyts. The purchase price of approximately \$213.1 million includes cash of approximately \$100.0 million, the issuance of 4,761,904 shares of Regal's Class A common stock to HUSH with an aggregate fair value of \$88.1 million as of the date of issuance, and the assumption of certain capital lease and other obligations with an aggregate fair value of approximately \$25.0 million. The value of the 4,761,904 Class A common shares issued was determined based on the closing market price of Regal's common shares on February 4, 2003, the date on which the terms of the acquisition were agreed to and announced. The transaction has been accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed for each of the respective theatre locations based on their estimated fair values at the date of acquisition, with the remaining balance allocated to goodwill. The results of operations of the acquired theatre operations have been included in the accompanying financial statements for the periods subsequent to the acquisition date of March 28, 2003.

The following is a preliminary summary of the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in millions):

Current assets	\$	1.1
Buildings, leasehold improvements and equipment, net		200.2
Goodwill		0.9



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Deferred income tax asset	33.0
Other assets	0.2
Current liabilities	(22.0)
Other liabilities	(0.3)
	_____
Total purchase price	\$ 213.1
	_____

The following unaudited pro forma results of operations for all periods presented assume the acquisition occurred as of the beginning of the respective periods. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combination been in effect on the date indicated, or which may occur in the future. Pro forma results for the quarter ended June 26, 2003 are not presented below because the Hoyts results are included in the statement of operations for the entire quarterly period.

	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
	(In millions, except per share amounts)		
Revenues	\$ 660.3	\$ 1,222.1	\$ 1,122.9
Operating income	100.2	172.2	154.8
Net income	41.8	85.8	57.9
Net income available to common stockholders	13.6	85.8	29.7
Earnings per share			
Basic:	\$ 0.11	\$ 0.62	\$ 0.33
Diluted:	\$ 0.11	\$ 0.60	\$ 0.32

### 3. PRO FORMA RESULTS OF OPERATIONS

On a pro forma basis, assuming (i) a full quarter of post-bankruptcy operating results for Regal Cinemas, United Artists and Edwards, (ii) the contribution by Anschutz and the exchange by several minority shareholders of their equity interests in United Artists, Edwards, Regal Cinemas and Regal CineMedia for shares of the Company, (iii) the issuance of \$150 million of 9<sup>3</sup>/<sub>8</sub>% senior subordinated notes due 2012 and (iv) the repayment of Edwards indebtedness and the effects of the Company's initial public offering in May 2002, total revenues, operating income and net income would have been \$607.3 million, \$94.5 million and \$46.5 million for the quarter ended June 27, 2002 and \$1,148.5 million, \$166.9 million and \$81.2 million for the two quarters ended June 27, 2002.

### 4. LONG-TERM OBLIGATIONS

Long-term obligations at June 26, 2003 and December 26, 2002 consist of the following:

	June 26, 2003	December 26, 2002
	(In millions)	
Regal 3 <sup>3</sup> / <sub>4</sub> % Convertible Senior Notes	\$ 240.0	
Regal Cinemas Senior Credit Facility	525.9	\$ 219.4
Regal Cinemas 9 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes	350.0	350.0
Lease financing arrangements, 11.5%, maturing in various installments through 2021	97.0	97.8
Capital lease obligations	26.1	4.1
Other	7.8	7.1
	_____	_____
Total long-term obligations	1,246.8	678.4
Less current maturities	(31.0)	(17.0)
	_____	_____
Total long-term obligations, net	\$ 1,215.8	\$ 661.4
	_____	_____

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**Regal 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes** On May 28, 2003, Regal issued \$240.0 million aggregate principal amount of 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes due May 15, 2008. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2003. The notes are senior unsecured obligations of Regal and rank on parity with all of our existing and future senior unsecured indebtedness and prior to all of our subordinated indebtedness. The notes are effectively subordinated to all of our future secured indebtedness to the extent of the assets securing that indebtedness and to any indebtedness and other liabilities of our subsidiaries. None of our subsidiaries have guaranteed any of our obligations with respect to the notes. On or after May 15, 2007, our note holders will have the option to convert their notes, in whole or in part, into shares of our Class A common stock at any time prior to maturity, subject to certain limitations, unless previously purchased by us at the note holder's option upon a change in control, at the conversion price of \$21.175 per share (which conversion price has been adjusted for the effect of the extraordinary dividend paid on July 1, 2003 see Note 11). Prior to May 15, 2007, our note holders will have the right, at their option, to convert their notes, in whole or in part, into shares of our Class A common stock, subject to certain limitations, unless previously purchased by us at the note holder's option upon a change in control, at the conversion price of \$21.175 per share, subject to further adjustments described below, if:

the closing sale price of our Class A common stock on the previous trading day was 110% or more of the then current conversion price;

we distribute to all or substantially all holders of our common stock certain rights entitling them to purchase common stock at less than the closing sale price of our Class A common stock on the day preceding the declaration for such distribution;

other than the extraordinary dividend paid on July 1, 2003, we distribute to all or substantially all holders of our common stock cash or other assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 10% of the closing sale price of our Class A common stock on the day preceding the declaration for such distribution;

we become a party to a consolidation, merger or sale of all or substantially all of our assets or a change in control occurs, in each case, pursuant to which our common stock would be converted into cash, stock or other property unless, in the case of a consolidation or merger, all of the consideration, excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights, in such merger or consolidation consists of shares of common stock, American Depositary Shares or other certificates representing common equity interests traded on a United States national securities exchange or quoted on The NASDAQ Stock Market, or will be so traded or quoted when issued or exchanged in connection with such merger or consolidation, and as a result of such merger or consolidation the notes become convertible solely into such common stock or other certificates representing common equity interests; or

after any five consecutive trading-day period in which the average of the trading prices for the notes for that five trading-day period was less than 100% of the average of the conversion values for the notes during that period.

At the current conversion price of \$21.175, for each \$1,000 of aggregate principal amount of notes converted, the Company would deliver approximately 47.2255 shares of our Class A common stock. Upon conversion, we may elect to deliver cash in lieu of shares of Class A common stock or a combination of cash and shares of Class A common stock. With respect to the par amount of the conversion obligation, we intend to deliver cash to note holders upon conversion. The conversion price and the number of shares delivered on conversion are subject to adjustment upon certain events.

In connection with the issuance of the notes, we used approximately \$18.8 million of the net proceeds of the offering to enter into convertible note hedge and warrant transactions with respect to our Class A common stock to reduce the potential dilution from conversion of the notes. We used the remainder of the net proceeds from this offering in partial payment of an extraordinary dividend of \$5.05 per share of our Class A and Class B common stock to our stockholders of record as of June 20, 2003. See Note 11 for further discussion related to our extraordinary dividend.

Under the terms of the convertible note hedge arrangement (the "Convertible Note Hedge") with Credit Suisse First Boston ("CSFB"), we paid \$36.2 million for a forward purchase option contract under which we are entitled to purchase from CSFB a fixed number of shares of our Class A common stock (at a current price per share of \$21.175). In the event of the conversion of the notes, this forward purchase option contract allows us to purchase, at a fixed price equal to the implicit conversion price of shares issued under the convertible notes, a number of shares equal to the shares that we issue to a note holder upon conversion. Settlement terms of this forward purchase option allow the Company to elect cash or share settlement based on the settlement option it chooses in settling the conversion feature of the notes. We accounted for the Convertible Note Hedge pursuant to the guidance in EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock." Accordingly, the \$36.2 million purchase price of the forward stock purchase option contract was recorded

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as a debit to consolidated stockholders' equity.

We also sold to CSFB a warrant (the "Warrant") to purchase shares of our Class A common stock. The Warrant is currently exercisable for 11,334,120 shares of our Class A common stock at a current exercise price of \$24.43 per share. We received \$17.4 million cash from CSFB in return for the sale of this forward stock purchase option contract. CSFB cannot exercise the Warrant unless and until a conversion event occurs. We have the option of settling the Warrant in cash or shares of our Class A common stock. We accounted for the sale of the Warrant as the sale of a permanent equity instrument pursuant to the guidance in EITF 00-19. Accordingly, the \$17.4 million sales price of the forward stock purchase option contract was recorded as a credit to consolidated stockholders' equity.

The Convertible Note Hedge and the Warrant economically allow us to acquire sufficient shares of our Class A common stock from CSFB to meet our obligation to deliver shares of Class A common stock upon conversion by the note holder, unless the Class A common share price exceeds \$24.43. When the fair value of our shares of Class A common stock exceeds such price, the equity contracts have an offsetting economic impact, and accordingly will no longer be effective as a hedge of the dilutive impact of possible conversion.

**Amended and Restated Regal Cinemas Senior Credit Facility** On June 6, 2003, in connection with our extraordinary dividend described more fully in Note 11, Regal Cinemas entered into an additional term loan facility ("Term Loan D") under the amended and restated Regal Cinemas senior credit facility (a copy of which is filed herewith as Exhibit 4.2.) for approximately \$315.0 million. The Term Loan D facility amortizes at a rate of 5% per annum for the first five years of the loan, with the remaining 75% of principal (plus accrued interest) becoming due in June 2009. At June 26, 2003, the borrowings outstanding under the Term Loan D facility bore interest at approximately 3.8125%. The Term Loan D facility is guaranteed by Regal Cinemas and substantially all of its direct and indirect subsidiaries, as set forth in the amended and restated Regal Cinemas senior credit facility. The amended and restated Regal Cinemas senior credit facility carries identical covenants to those in the Regal Cinemas senior credit facility that was amended and restated. A summary description of the covenants and other provisions of the Regal Cinemas senior credit facility is incorporated herein by reference to Note 6 to our audited consolidated financial statements included in our 2002 annual report on Form 10-K, the summary description of which is qualified in its entirety to the full text of the amended and restated Regal Cinemas senior credit facility filed herewith as Exhibit 4.2.

As of June 26, 2003, Regal Cinemas had \$145 million committed under its undrawn senior revolving credit facility. Regal Cinemas also maintains letters of credit of \$30 million (of which approximately \$16.8 million was outstanding as of June 26, 2003), which reduces the availability under its senior revolving credit facility.

**Other Long-Term Obligations** All other long-term obligations not explicitly discussed herein are described in Note 6 to the consolidated financial statements included in Item 8 of our 2002 Annual Report on Form 10-K.

### 5. INCOME TAXES

The provision for income taxes of \$30.7 million and \$32.5 million for the quarters ended June 26, 2003 and June 27, 2002 reflect effective tax rates of approximately 39.5% and 45.6%, respectively. The provision for income taxes of \$54.1 million and \$44.8 million for the two quarters ended June 26, 2003 and June 27, 2002 reflect effective tax rates of approximately 39.6% and 47.6%, respectively. Excluding the effects of minority interest in earnings of consolidated subsidiaries recorded in the accompanying unaudited condensed consolidated statements of operations for the quarters ended June 26, 2003 and June 27, 2002 and two quarters ended June 26, 2003 and June 27, 2002, the Company's effective tax rates were approximately 39.4% and 43.5%, 39.5% and 42.1%, respectively.

For federal income tax purposes, the Company has carryover tax basis in certain assets acquired in the Hoyts acquisition described in Note 2. Such acquired entities had net operating loss carryforwards totaling approximately \$155.4 million as of the date of acquisition. Pursuant to certain IRS limitations, the Company's allowable annual deduction with respect to the Hoyts net operating loss carryforwards is limited to approximately \$8.6 million. During the quarter ended June 26, 2003, the Company recorded deferred tax assets in the amount of approximately \$33.0 million, net of a valuation allowance of approximately \$14.7 million, in connection with the Hoyts acquisition.

In assessing the valuation of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. The Company recorded a valuation allowance of approximately \$48.8 million and \$59.4 million against deferred tax assets at June 26, 2003 and December 26, 2002, as management believes it is more likely than not that such deferred tax asset amounts would not be realized in future tax periods. The valuation allowance relates to pre-acquisition deferred tax assets of Edwards, United Artists and Hoyts. During the quarter ended June 26, 2003 and in connection with the Company's payment of the extraordinary dividend, United Artists sold certain assets at fair market value to other companies within our consolidated group, resulting in a deferred taxable gain. Based on this transaction, the Company determined it was more likely than not that certain deferred tax assets of United Artists would be realized, and, accordingly reduced the valuation allowance by the amount of \$25.3 million. The reduction in the valuation allowance reduced goodwill related to the United Artists acquisition. Accordingly, future reductions in the valuation allowance will reduce goodwill related to these respective acquisitions.

## 6. CAPITAL STOCK AND STOCK BASED COMPENSATION

### *Capital Stock*

As of June 26, 2003, the Company's authorized capital stock consisted of:

500,000,000 shares of Class A common stock, par value \$0.001 per share;

200,000,000 shares of Class B common stock, par value \$0.001 per share; and

50,000,000 shares of preferred stock, par value \$0.001 per share.

Of the authorized shares of Class A common stock, 18,000,000 shares were sold in connection with the Company's initial public offering in May 2002. The Company's Class A common stock is listed on the New York Stock Exchange ("NYSE") under the trading symbol "RGC." As of June 26, 2003, 52,519,539 shares of Class A common stock were outstanding. Of the authorized shares of Class B common stock, 89,216,142 shares were outstanding as of June 26, 2003, all of which are held by Anschutz and OCM Principal Opportunities Fund II, L.P. and its subsidiaries ("Oaktree's Principal Activities Group"). Each share of Class B common stock converts into one share of Class A Common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock will be entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorized shares of the preferred stock, no shares were issued and outstanding as of June 26, 2003. The material terms and provisions of the Company's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described in the Company's 2002 Annual Report on Form 10-K.

### *Options and Warrants*

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. Other than disclosed in Note 4, no warrants to acquire the Company's common stock were outstanding at June 26, 2003.

In connection with the July 1, 2003 extraordinary cash dividend described more fully in Note 11, and pursuant to the antidilution adjustment terms of the 2002 Stock Incentive Plan, the exercise price and the number of shares of Class A common stock subject to options held by the Company's option holders were adjusted to restore their economic position to that existing immediately before the extraordinary dividend and the number of options reserved for issuance under the plan were adjusted. There were no accounting consequences for changes made to reduce the exercise prices and increase the number of shares underlying options as a result of the extraordinary cash dividend because (1) the aggregate intrinsic value of the awards immediately after the extraordinary dividend was not greater than the aggregate intrinsic value of the awards immediately before the extraordinary dividend and (2) the ratio of the exercise price per share to the market value per share was not reduced.

### *Stock-based Compensation*

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." SFAS No.148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to SFAS No. 123's fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No.123 and Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. Under SFAS No. 123, entities are permitted to recognize as expense the fair value of all stock-based awards on the date of grant over the vesting period and alternatively allows entities to continue to apply the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, and provide pro forma net income or loss and earnings or loss per share disclosures as if the fair-value-based method defined in SFAS No. 123 had been applied.

The Company has elected to continue accounting for its stock option grants under its 2002 Stock Incentive Plan using the intrinsic value method in accordance with the provisions of APB Opinion No. 25, which requires compensation costs to be recognized for the excess of the fair value of options on the date of grant over the option exercise price. Had the fair value of options granted under these plans been recognized in accordance with SFAS No. 123 as compensation expense on a straight-line basis over the vesting period of the grants, the Company's net income and earnings per share would have been recorded in the amounts indicated below (in millions, except per share data):

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	Quarter ended June 26, 2003	Quarter ended June 27, 2002	Two Quarters ended June 26, 2003	Two Quarters ended June 27, 2002
Net income available to common stockholders, as reported:	\$ 47.1	\$ 10.5	\$ 82.4	\$ 21.2
Less: additional stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.7)	(1.3)	(1.5)	(1.3)
<b>Pro forma net income</b>	<b>\$ 46.4</b>	<b>\$ 9.2</b>	<b>\$ 80.9</b>	<b>\$ 19.9</b>
Basic earnings per share:				
As reported	\$ 0.34	\$ 0.09	\$ 0.61	\$ 0.25
Pro forma	\$ 0.34	\$ 0.08	\$ 0.60	\$ 0.24
Diluted earnings per share:				
As reported	\$ 0.33	\$ 0.09	\$ 0.59	\$ 0.24
Pro forma	\$ 0.32	\$ 0.08	\$ 0.58	\$ 0.23

**7. CONTINGENCIES**

***Bankruptcy Claims***

Regal Cinemas, Inc. and Edwards have bankruptcy claims that remain unsettled and are subject to ongoing negotiation and possible litigation. At June 26, 2003, Regal Cinemas had accrued approximately \$4.0 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 the Regal Cinemas, Inc.'s claims are allowed by the bankruptcy court, they will be funded with cash on hand, cash flow from operations or borrowings under Regal Cinemas' revolving credit facility. To the extent the Edwards claims are allowed by the bankruptcy court, they will be funded from restricted cash that has been set aside, cash on hand, cash from operations and, if the allowed claims exceed \$55 million, from contributions by Anschutz and Oaktree's Principal Activities Group. The timing of these claims will depend upon the resolution of these claims.

***Other***

Regal Cinemas, Inc., Edwards and United Artists are defendants in a number of claims arising from their decision to file voluntary petitions for bankruptcy relief and to close theatre locations or to cease construction of theatres on sites for which such entities had contractual obligations to lease such property. The Company and its subsidiaries are also presently involved in various legal proceedings arising in the ordinary course of its business operations, including personal injury claims, employment and contractual matters and other disputes. The Company believes it has adequately provided for the settlement of such matters. Management believes any additional liability with respect to the above proceedings will not be material in the aggregate to the Company's consolidated financial position, results of operations or cash flows.

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, 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 has adversely impacted their ability to release first-run industry-anticipated top-grossing commercial films, 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. Management believes that the allegations are without merit and intends to defend vigorously the Plaintiffs' claims.

**8. RELATED PARTY TRANSACTIONS**

***Redemption of Edwards' Series A Preferred Stock and Series B Preferred Stock***

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On April 17, 2002, Regal used a portion of the proceeds from REH's sale of Edwards to Regal Cinemas, Inc. to cause Edwards to redeem its Series A and Series B preferred stock. Anschutz received \$47.8 million and Oaktree's Principal Activities Group received \$11.9 million in the redemption of Edwards' Series A preferred stock held by them. The holders of the Edwards Series B preferred stock, who are members of or entities controlled by the Edwards family, received an aggregate of \$15.7 million in the redemption of the Edwards Series B preferred stock held by them.

### *Payment of Edwards' Subordinated Notes*

On April 17, 2002, Regal used a portion of the proceeds from REH's sale of Edwards to Regal Cinemas, Inc. to cause Edwards to redeem from Anschutz and from Oaktree's Principal Activities Group approximately \$9.6 million and \$2.4 million, respectively, owed on the Edwards subordinated notes issued by Edwards to Anschutz and Oaktree's Principal Activities Group.

### *Warrant Exercises*

On May 23, 2003, all outstanding warrants held by Anschutz to purchase a total of 3,928,185 shares of Class B common stock, Craig Slater, a Regal director, to purchase a total of 6,696 shares of Class A common stock and, Michael F. Bennet, a Regal director, to purchase a total of 13,392 shares of Class A common stock were exercised at exercise prices of \$8.88 per share.

### *Other Transactions*

During the quarter ended June 26, 2003, Regal CineMedia incurred approximately \$509,000 of expenses payable to certain Anschutz affiliates for reimbursement of travel, marketing and communication expenses. Additionally, Regal CineMedia has recorded revenue of \$260,000 from certain affiliates of Anschutz and Oaktree's Principal Activities Group related to marketing and business meeting services provided by Regal CineMedia to these affiliates.

## 9. EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of the common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of potentially dilutive common stock options and warrants. The components of basic and diluted earnings per share are as follows (in millions, except share data):

	Quarter Ended June 26, 2003	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
Net income	\$ 47.1	\$ 38.7	\$ 82.4	\$ 49.4
Less:				
Loss on redemption of preferred stock		(28.2)		(28.2)
Net income available to common stockholders	\$ 47.1	\$ 10.5	\$ 82.4	\$ 21.2
Weighted average shares outstanding (in thousands):				
Basic:	138,473	115,974	135,139	84,277
Add common stock equivalents	4,794	5,482	5,001	3,748
Diluted:	143,267	121,456	140,140	88,025
Earnings per share				
Basic:	\$ 0.34	\$ 0.09	\$ 0.61	\$ 0.25
Diluted:	\$ 0.33	\$ 0.09	\$ 0.59	\$ 0.24

On April 17, 2002, Regal used a portion of the proceeds from REH's sale of Edwards to Regal Cinemas, Inc. to redeem approximately \$75.3 million of redeemable preferred stock of Edwards held by Anschutz, Oaktree's Principal Activities Group and members of the Edwards family. The difference between the carrying amount and redemption price of the redeemable preferred stock of \$28.2 million was recorded as a charge to equity and is reflected as a reduction of net income available to common stockholders in the accompanying consolidated statement of operations for the quarter and two quarters ended June 27, 2002.

The \$240 million convertible notes discussed in Note 4 allow us to settle any conversion, and we have the 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. The accounting for convertible debt with such settlement features is addressed in the consensus reached by the EITF with respect to the accounting for Instrument C as set forth in EITF 90-19, "Convertible Bonds with Issuer

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Option to Settle for Cash Upon Conversion." It is our intent to settle the notes' conversion obligations consistent with Instrument C. Because the accreted value of the notes will be settled for cash upon the conversion, only the conversion spread (the excess conversion value over the accreted value), which will be settled in stock, will result in potential dilution in our earnings-per-share computations.

Common stock equivalents consist of principally stock options and stock purchase warrants. Stock options to purchase 898,600 shares of common stock for the quarter and two quarters ended June 26, 2003 and 237,830 shares and 118,915 shares for the quarter and two quarters ended June 27, 2002, respectively were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive.

### 10. RECENT ACCOUNTING PRONOUNCEMENTS

Effective December 27, 2002, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes accounting standards for recognition and measurement of the fair value of obligations associated with the retirement of long-lived assets when there is a legal obligation to incur such costs. Under SFAS No. 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises and will be amortized to expense over the life of the asset. The adoption of SFAS No. 143 did not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements including the rescission of Statement 4, which required all gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30 will now be used to classify those gains and losses. As a result of the Company's adoption of SFAS No. 145 on December 27, 2002, the extraordinary gain from debt extinguishment during fiscal 2002 has been reclassified to earnings from continuing operations.

Effective December 27, 2002, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses significant issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities, and nullifies the guidance in Emerging Issues Task Force ("EITF") Issue No. 94-3 (EITF 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Retroactive application of SFAS No. 146 is prohibited and, accordingly, liabilities recognized prior to the initial application of SFAS No. 146 will continue to be accounted for in accordance with EITF 94-3 or other applicable preexisting guidance.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. Guarantees meeting the characteristics described in the interpretation are required to be initially recorded at fair value, which is different from general current practice of recognition of a liability only when loss is probable and reasonably estimable, as prescribed in SFAS No. 5, "Accounting for Contingencies." The interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor's having to make payments under the guarantee is remote. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51." This interpretation addresses consolidation by business enterprises of entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses or receives a majority of its expected residual returns. The consolidation requirements of this interpretation apply immediately to variable interest entities created after January 31, 2003 and apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain new disclosure requirements apply to all financial statements issued after January 31, 2003. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In November of 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16"). EITF 02-16 addresses the accounting for cash consideration given to a reseller of a vendor's products from a vendor. EITF 02-16 indicates that cash consideration received by a customer from a vendor is presumed to be a reduction in the price of the vendor's products or services and should, therefore, be characterized as a reduction of cost of sales when recognized in the customer's income statement. The EITF indicated that such presumption is overcome when the consideration is either (a) a reimbursement of costs incurred by the customer to sell the vendor's products, in which case the cash consideration should be characterized as a reduction of that cost when recognized in the customer's income statement, or (b) a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterized as revenue when recognized in the customer's income statement. The EITF also reached a consensus

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that a rebate or refund of a specified amount of cash consideration that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in progress by the customer toward earning the rebate or refund, provided the amounts are reasonably estimable. On December 27, 2002, the Company adopted EITF 02-16, effective with arrangements entered into or after November 21, 2002. Such adoption did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. Many of these instruments previously were classified as equity or temporary equity and as such, SFAS No. 150 represents a significant change in practice in the accounting for a number of mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of SFAS No. 150 will have a material impact on our financial position, cash flows or results of operations.

### 11. SUBSEQUENT EVENTS

As further described in Note 1 and Note 4, on July 1, 2003 Regal paid an extraordinary cash dividend of \$5.05 per share on its Class A and Class B common stock, totaling approximately \$716.0 million, to stockholders of record at the close of business on June 20, 2003.

Also in connection with the extraordinary cash dividend payment, and pursuant to the antidilution adjustment terms of our 2002 Stock Incentive Plan, the exercise price and the number of shares of Class A common stock subject to options held by the Company's option holders were adjusted to restore their economic position to that existing immediately before the extraordinary dividend and the number of options reserved for issuance under the plan were adjusted. There were no accounting consequences for changes made to reduce the exercise prices and increase the number of underlying shares.

On July 7, 2003, Regal acquired an aggregate of 2,451,441 shares of its Class A common stock from LB I Group Inc. and Edwards Affiliated Holdings, LLC. Thereafter, on July 9, 2003, Regal issued for the price it paid for those shares those same 2,451,441 shares of its Class A common stock to one of its stockholders, GSCP Recovery, Inc. In June 2003, GSCP Recovery offered Regal the option to issue shares of Class A common stock in lieu of paying GSCP Recovery cash in respect of the extraordinary dividend. Regal exercised its option on July 7, 2003. The number of shares of Class A common stock outstanding did not change as a result of the transactions and Regal's aggregate sales and purchase prices for the shares in the transactions were identical.

On July 22, 2003, the Company declared a cash dividend of \$0.15 per share on each share of the Company's Class A and Class B common stock, payable on September 12, 2003, to stockholders of record on August 26, 2003.

### Item 2.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Some of the information in this Quarterly Report on Form 10-Q 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-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", 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 factors as more fully discussed under the heading "Risk Factors" contained in our Annual Report on Form 10-K filed on March 26, 2003 with the Securities and Exchange Commission (File No. 001-31315) for the Company's fiscal year ended December 26, 2002. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.*

#### Overview

We are the largest domestic motion picture exhibitor with 6,119 screens in 562 theatres in 39 states as of June 26, 2003. We conduct our operations primarily through our wholly owned subsidiaries, Regal Cinemas, United Artists, Edwards, Hoyts and Regal CineMedia.



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Regal was created through a series of transactions during 2001 and 2002. Anschutz acquired controlling equity interests in United Artists and Edwards upon the emergence from bankruptcy reorganization on March 2, 2001 of the United Artists Bankrupt Entities (as defined in Note 1 to the accompanying unaudited condensed consolidated financial statements) and on September 29, 2001 of the Edwards Bankrupt Entities (as defined in Note 1 to the accompanying unaudited condensed consolidated financial statements). 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 accompanying unaudited condensed consolidated financial statements) emerged from bankruptcy reorganization. Anschutz exchanged its controlling equity interest in Regal Cinemas, Inc. for a controlling equity interest in Regal Cinemas immediately thereafter. Regal Cinemas, Inc. is a wholly owned subsidiary of Regal Cinemas. In addition, Regal CineMedia was formed in February 2002 to focus on the development of ancillary revenues and became our wholly owned subsidiary on April 12, 2002. On April 17, 2002, Regal Cinemas, Inc. acquired all of the outstanding capital stock of Edwards and, as a result, Edwards became a wholly owned subsidiary of Regal Cinemas, Inc.

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. Accordingly, the Company's unaudited condensed consolidated financial statements for fiscal 2002 include the results of operations of United Artists (from January 4, 2002), Edwards (from December 28, 2001), and Regal Cinemas (from January 24, 2002).

On March 28, 2003, Regal acquired Hoyts. Accordingly, the results of operations of the acquired Hoyts theatre locations have been included in the accompanying financial statements for the periods subsequent to the acquisition date of March 28, 2003.

The Company generates revenues primarily from admissions and concession sales. Additional revenues are generated by on-screen advertisements, the rental of theatres for business meetings and other events by Regal CineMedia, electronic video games located adjacent to the lobbies of certain of the Company's theatres and vendor marketing programs. Film rental costs depend on 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 the Company purchases certain concession items, such as fountain drinks and popcorn, in bulk and not pre-packaged for individual servings, the Company is able to improve its margins by negotiating volume discounts. Other operating expenses consist primarily of theatre labor and occupancy costs.

### Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of our 2002 Annual Report on Form 10-K. Our 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. The Company evaluates and modifies 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 reorganization 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 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 Unaudited Condensed Consolidated Financial Statements, if applicable, where such estimates, assumptions, and accounting policies affect the Company's reported and expected results.

The Company believes the following accounting policies are critical to its business operations and the understanding of its results of operations and affect the more significant judgments and estimates used in the preparation of its consolidated financial statements:

The Company estimates its 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. Film costs and the related film costs payable are adjusted to the final film settlement in the period that the Company settles with the distributors. Actual film costs and film costs payable could differ materially from those estimates.

We depreciate and amortize the components of our property and equipment on a straight-line basis over the estimated useful lives of the assets. The estimates of the assets' useful lives require our judgment and our knowledge of the assets being depreciated and amortized. When necessary, the assets' useful lives are revised and the impact on depreciation and amortization is recognized on a prospective basis. Actual economic lives may differ materially from these estimates. In addition, the Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable. When the future undiscounted cash flows of the operations to which the assets relate do not exceed the carrying value of the asset, such assets are written down to fair value.

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The Company 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 test. Based on an impairment test conducted during the fourth quarter of 2002, the Company was not required to record a charge for

goodwill impairment. The Company will perform a fourth-quarter goodwill impairment test on an annual basis. In assessing the recoverability of the goodwill, the Company 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, the Company may be required to record impairment charges for these assets in future periods.

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 and operating loss and tax credit carryforwards. In addition, income tax rules and regulations are subject to interpretation and require judgment by the Company and may be challenged by the tax authorities. 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. The Company records a valuation allowance if it is deemed more likely than not that its deferred income tax assets will not be realized. The Company reassesses the need for such allowance on an ongoing basis. Should the Company ultimately realize certain tax assets with a valuation allowance that relate to pre-acquisition periods, goodwill would be reduced.

We applied the principles of purchase and reorganization accounting when recording the acquisitions of controlling equity interests by Anschutz and the exchange of stock for minority interests and the emergence from bankruptcy of the theatre companies and the subsequent acquisition of Hoyts. These accounting principles require that we estimate the fair value of the individual assets and liabilities, including estimates of bankruptcy-related claims. 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.

### Results of Operations for the quarters and two quarters ended June 26, 2003 and June 27, 2002

The following table sets forth the percentage of total revenues represented by certain items included in the Company's unaudited condensed consolidated statements of operations for the quarters and two quarters ended June 26, 2003 and June 27, 2002.

	Quarter Ended June 26, 2003	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
<b>Revenues:</b>				
Admissions	67.9%	67.4%	68.1%	68.1%
Concessions	26.6	28.4	26.4	28.0
Other operating revenues	5.5	4.2	5.5	3.9
<b>Total revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Operating expenses:</b>				
Film rental and advertising costs	38.5	38.3	37.0	37.1
Cost of concessions	3.7	4.1	3.7	4.1
Rent expense	10.8	10.5	11.3	11.3
Other operating expenses	23.5	21.9	24.6	23.1
General and administrative	2.4	2.9	2.6	3.3
Merger and restructuring expenses and amortization of deferred stock compensation	0.4	0.9	0.4	1.3
Depreciation and amortization	6.1	5.8	6.4	6.1
Loss (gain) on disposal and impairment of operating assets	0.2	0.1	(0.1)	0.0
<b>Total operating expenses</b>	<b>85.6</b>	<b>84.5</b>	<b>85.9</b>	<b>86.3</b>

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	Quarter Ended June 26, 2003	Quarter Ended June 27, 2002	Two Quarters Ended June 26, 2003	Two Quarters Ended June 27, 2002
Operating income	14.4%	15.5%	14.1%	13.7%

**Total Revenues**

The following table summarizes certain revenues and revenue-related data for the quarter ended June 26, 2003 ("Q2 2003 period"), the quarter ended June 27, 2002 ("Q2 2002 period"), the two quarters ended June 26, 2003 ("Fiscal 2003 period"), and the two quarters ended June 27, 2002 ("Fiscal 2002 period") (in millions, except average prices):

	Q2 2003 period	Q2 2002 period	Fiscal 2003 period	Fiscal 2002 period
Admissions	\$ 439.9	\$ 409.6	\$ 801.2	\$ 695.8
Concessions	172.7	172.2	310.2	286.0
Other operating revenues	35.5	25.5	64.8	40.5
Total revenues	\$ 648.1	\$ 607.3	\$ 1,176.2	\$ 1,022.3
Attendance	68.6	68.8	127.0	116.9
Average ticket price	6.41	5.95	6.31	5.95
Average concession per patron	2.52	2.50	2.44	2.45

*Admissions*

Total admissions revenues for the Q2 2003 period increased \$30.3 million, or 7.4%, from the Q2 2002 period. The increase in admissions revenues in the Q2 2003 period compared to Q2 2002 period was primarily attributable to a 7.7% increase in ticket prices offset by a 0.3% decrease in attendance which is attributable to a decline in industry box office results for the Q2 2003 period and the closure of 256 underperforming screens since the end of the Q2 2002 period, partially offset by the inclusion of Hoyts from March 28, 2003. Excluding the effects of Hoyts, attendance for the Q2 2003 period was approximately 63.2 million, an 8.1% decrease from the Q2 2002 period.

Total admissions revenues for the Fiscal 2003 period increased \$105.4 million, or 15.1%, from 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 6.1% increase in ticket prices coupled with an 8.6% increase in attendance, which is principally related to the inclusion of Regal Cinemas and United Artists for a full two quarters in the Fiscal 2003 period and the inclusion of Hoyts from March 28, 2003. The increase in Fiscal 2003 attendance was partially offset by a decline in industry box office results and the closure of 256 underperforming screens since the end of the Q2 2002 period. The Fiscal 2002 period includes the results of United Artists from January 4, 2002 and Regal Cinemas from January 24, 2002. Excluding the effects of Hoyts, attendance for the Fiscal 2003 period was approximately 121.6, a 4.0% increase from the Fiscal 2002 period.

*Concessions*

Total concessions revenues for the Q2 2003 period increased \$0.5 million, or 0.3%, from the Q2 2002 period. The increase in concessions revenues in the Q2 2003 period compared to the Q2 2002 period was due to a 0.8% increase in average concessions per patron, offset by a 0.3% decrease in attendance, which is attributable to a decline in industry box office results for the Q2 2003 period and the closure of 256 underperforming screens since the end of the Q2 2002 period, partially offset by the inclusion of Hoyts from March 28, 2003 as discussed above.

Total concessions revenues for the Fiscal 2003 period increased \$24.2 million, or 8.5%, from the Fiscal 2002 period. The increase in concessions revenues in the Fiscal 2003 period compared to the Fiscal 2002 period was due to a 4.1% increase in average concessions per patron and a 6.1% increase in attendance, which is primarily attributable the inclusion of Regal Cinemas and United Artists for a full two quarters in the Fiscal 2003 period and the inclusion of Hoyts from March 28, 2003 as discussed above, partially offset by a general decline in industry box office results for the Fiscal 2003 period and the closure of 256 underperforming screens since the end of the Q2 2002 period.

*Other Operating Revenues*

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Total other operating revenues increased \$10.0 million, or 39.2%, to \$35.5 million for the Q2 2003 period, from \$25.5 million for the Q2 2002 period. Total other operating revenues increased \$24.3 million, or 60.0%, to \$64.8 million for the Fiscal 2003 period, from \$40.5 million for the Fiscal 2002 period. Included in other operating revenues are on-screen advertising revenues, meetings and events and other marketing revenues from certain of the Company's vendor marketing programs. The increase in other operating revenues was primarily attributable to the inclusion of Hoyts from March 28, 2003, increases in advertising revenues generated by Regal CineMedia and to a lesser extent, increases in the Company's revenues from vendor marketing programs during the Q2 2003 and Fiscal 2003 periods.

### *Operating Expenses*

The following table summarizes certain theatre operating expenses for the Q2 2003, Fiscal 2003, Q2 2002 and Fiscal 2002 periods (dollars in millions):

	Q2 2003 period		Q2 2002 period		Fiscal 2003 period		Fiscal 2002 period	
	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues
Film rental and advertising costs(1)	249.4	56.7	232.3	56.7	435.4	54.3	379.1	54.5
Cost of concessions(2)	24.0	13.9	25.0	14.5	43.4	14.0	41.7	14.6
Rent expense(3)	70.3	10.8	63.9	10.5	133.4	11.3	115.8	11.3
Other operating expenses(3)	152.5	23.5	132.9	21.9	289.4	24.6	235.9	23.1
General and administrative expenses(3)	15.8	2.4	17.8	2.9	30.4	2.6	33.7	3.3

- (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.

### *Film Rental and Advertising Costs*

Film rental and advertising costs increased \$17.1 million, or 7.4%, to \$249.4 million in the Q2 2003 period, from \$232.3 million in the Q2 2002 period. Film rental and advertising costs as a percentage of admissions revenues remained consistent at 56.7% during the Q2 2003 and Q2 2002 periods. Film rental and advertising costs increased \$56.3 million, or 14.9%, to \$435.4 million in the Fiscal 2003 period, from \$379.1 million in the Fiscal 2002 period. Film rental and advertising costs as a percentage of admissions revenues decreased slightly to 54.3% in the Fiscal 2003 period as compared to 54.5% in the Fiscal 2002 period. The increase in film rental and advertising costs during the Q2 2003 and Fiscal 2003 periods was primarily attributable to the inclusion of Regal Cinemas and United Artists for a full two quarters in the Fiscal 2003 period and the inclusion of Hoyts from March 28, 2003.

### *Cost of Concessions*

Cost of concessions decreased \$1.0 million, or 4.0%, to \$24.0 million in the Q2 2003 period, from \$25.0 million in the Q2 2002 period. Cost of concessions as a percentage of concessions revenues decreased to 13.9% in the Q2 2003 period as compared to 14.5% in the Q2 2002 period. Cost of concessions increased \$1.7 million, or 4.1%, to \$43.4 million in the Fiscal 2003 period, from \$41.7 million in the Fiscal 2002 period. Cost of concessions as a percentage of concessions revenues decreased to 14.0% in the Fiscal 2003 period as compared to 14.6% in the Fiscal 2002 period. The decrease in the cost of concessions in Q2 2003 and Fiscal 2003 periods as a percentage of concessions revenues is primarily attributable to the realization of operating efficiencies realized through the 2002 integration of Regal Cinemas, United Artists and Edwards and to a lesser extent, the second quarter 2003 integration of Hoyts.

### *Rent Expense*

Rent expense increased \$6.4 million, or 10.0%, to \$70.3 million in the Q2 2003 period from \$63.9 million in the Q2 2002 period. Rent expense as a percentage of total revenues was 10.8% and 10.5% for the Q2 2003 and Q2 2002 periods, respectively. Rent expense increased \$17.6 million, or 15.2%, to \$133.4 million in the Fiscal 2003 period from \$115.8 million in the Fiscal 2002 period. Rent expense as a percentage of total revenues was 11.3% for the Fiscal 2003 and Fiscal 2002 periods. The increase in rent expense in the Q2 2003 and Fiscal 2003 periods

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was primarily attributable to the inclusion of Hoyts from March 28, 2003, partially offset by the closure of 256 underperforming screens since the end of the Q2 2002 period.

### *Other Operating Expenses*

Other operating expenses increased \$19.6 million, or 14.7%, to \$152.5 million in the Q2 2003 period, from \$132.9 million in the Q2 2002 period. Other operating expenses as a percentage of total revenues increased to 23.5% in the Q2 2003 period as compared to 21.9% in the Q2 2002 period. Other operating expenses increased \$53.5 million, or 22.7%, to \$289.4 million in the Fiscal 2003 period, from \$235.9 million in the Fiscal 2002 period. Other operating expenses as a percentage of total revenues rose to 24.6% in the Fiscal 2003 period as compared to 23.1% in the Fiscal 2002 period. The increase in total other operating expenses and as a percentage of total revenues in the Q2 2003 and Fiscal 2003 periods was primarily attributable to incremental costs associated with the inclusion of Hoyts from March 28, 2003 and a full two quarters of Regal Cinemas and United Artists for the Fiscal 2003 period coupled with incremental expenses associated with Regal CineMedia, which did not begin substantive operations until the second quarter of 2002. Such increases are partially offset by operating efficiencies realized through the 2002 integration of Regal Cinemas, United Artists and Edwards.

### *General and Administrative Expenses*

General and administrative expenses decreased \$2.0 million or 11.2% to \$15.8 million during the Q2 2003 period, from \$17.8 million in the Q2 2002 period. As a percentage of total revenues, general and administrative expenses were approximately 2.4% and 2.9% in the Q2 2003 and Q2 2002 periods, respectively. General and administrative expenses decreased \$3.3 million or 9.8% to \$30.4 million during the Fiscal 2003 period, from \$33.7 million in the Fiscal 2002 period. As a percentage of total revenues, general and administrative expenses were approximately 2.6% and 3.3% in the Fiscal 2003 and Fiscal 2002 periods, respectively. The decrease during the Q2 2003 and Fiscal 2003 periods was primarily attributable to operating efficiencies realized through the 2002 integration of Regal Cinemas, United Artists and Edwards and to a lesser extent, the second quarter 2003 integration of Hoyts.

### *Depreciation and Amortization*

Depreciation and amortization increased \$4.0 million, or 11.3%, to \$39.3 million in the Q2 2003 period, from \$35.3 million in the Q2 2002 period. Depreciation and amortization increased \$12.2 million, or 19.4%, to \$75.2 million in the Fiscal 2003 period, from \$63.0 million in the Fiscal 2002 period. The increase during the Q2 2003 and Fiscal 2003 periods in depreciation and amortization is primarily due to the inclusion of Hoyts from March 28, 2003 and a full two quarters of Regal Cinemas and United Artists for the Fiscal 2003 period, offset by the closure of 256 under-performing screens since the end of the Q2 2002 period.

### *Operating Income*

Operating income totaled approximately \$93.3 million for the Q2 2003 period. The reported operating income for the Q2 2003 period represents a decrease of \$1.2 million from operating income of \$94.5 million in the Q2 2002 period. Operating income totaled approximately \$165.9 million for the Fiscal 2003 period, which represents an increase of \$26.1 million from \$139.8 in the Fiscal 2002 period. The increase in operating income 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 two quarters in the Fiscal 2003 period and the results of Hoyts from March 28, 2003, coupled with the realized benefits associated with the 2002 integration of Regal Cinemas, United Artists and Edwards. Operating income for the Q2 2003 and Fiscal 2003 periods was partially offset by a general decline in industry box office attendance and the fixed cost nature of certain operating expense items described in previous sections.

### *Interest Expense*

Interest expense decreased \$2.0 million, or 11.5%, to \$15.4 million in the Q2 2003 period, from \$17.4 million in the Q2 2002 period. Interest expense decreased \$2.7 million, or 8.5%, to \$29.1 million in the Fiscal 2003 period, from \$31.8 million in the Fiscal 2002 period. The decrease in interest expense in the Q2 2003 and Fiscal 2003 periods is principally due to slightly lower weighted average interest rates on the Regal Cinemas senior credit facility.

### *Income Taxes*

The provision for income taxes of \$30.7 million and \$32.5 million for the Q2 2003 and Q2 2002 periods reflect effective tax rates of approximately 39.5% and 45.6%, respectively. The provision for income taxes of \$54.1 million and \$44.8 million for the Fiscal 2003 and Fiscal 2002 periods reflect effective tax rates of approximately 39.6% and 47.6%, respectively. Excluding the effects of minority interest in earnings of consolidated subsidiaries recorded in the accompanying unaudited condensed consolidated statements of operations for Q2 2003 and Q2 2002 periods and the Fiscal 2003 and Fiscal 2002 periods, the Company's effective tax rates were approximately 39.4% and 43.5%, 39.5% and 42.1%, respectively. The Q2 2002 and Fiscal 2002 effective tax rates also reflected the impact of certain non-deductible merger expenses.

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### *Net Income*

Net income totaled \$47.1 million for the Q2 2003 period. The reported net income for the Q2 2003 period represents an increase of \$8.4 million from \$38.7 million in the Q2 2002 period. Net income totaled \$82.4 million for the Fiscal 2003 period, which represents an increase of \$33.0 million from \$49.4 million in the Fiscal 2002 period.

### **EBITDA**

EBITDA (earnings before interest, taxes, depreciation and amortization) was approximately \$132.5 million, or 20.4% of total revenues, for the Q2 2003 period. We believe EBITDA provides a useful measure of liquidity for our investors because EBITDA is an industry comparative measure of liquidity prior to the payment of interest and taxes and because it is a primary financial measure used by management to assess the performance of our Company. 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 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 in this Quarterly Report on Form 10-Q. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. For the Q2 2003 period, the Company reported total revenues, operating income and net income of \$648.1 million, \$93.3 million and \$47.1 million, respectively. In addition, the Company generated \$162.7 million of cash flows from operations for the Q2 2003 period. A reconciliation of net cash provided by operating activities to EBITDA and net income is calculated as follows:

	<b>Q2 2003 period</b>
	<b>(in millions)</b>
Net cash provided by operating activities	\$ 162.7
Changes in working capital items and other	(69.4)
	93.3
Operating income	93.3
Depreciation and amortization	39.3
Minority interest and other, net	(0.1)
	132.5
<b>EBITDA</b>	<b>\$ 132.5</b>
Depreciation and amortization	(39.3)
Interest expense, net	(15.4)
Provision for income taxes	(30.7)
	47.1
<b>Net income</b>	<b>47.1</b>

### *Changes in Cash Flows*

Cash flows generated from operating activities were approximately \$240.0 million for the Fiscal 2003 period compared to approximately \$171.9 million for the Fiscal 2002 period. The increase was attributable to increases in net income, decreases in certain non-cash items and increases in certain working capital items. Capital expenditures were \$53.9 million for the Fiscal 2003 period compared to \$30.7 million for the Fiscal 2002 period. The increase is primarily due to the inclusion of Hoyts from March 28, 2003 and a full two quarters 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 quarter of 2002. Cash flows provided by financing activities were approximately \$497.6 million for the Fiscal 2003 period compared to cash flows provided by financing activities of approximately \$48.0 million for the Fiscal 2002 period. The increase in cash flows from financing activities was primarily attributable to a series of financing transactions (see Notes 4 and 11) used to fund the \$716.0 million extraordinary cash dividend declared during the Q2 2003 period.

### *Liquidity and Capital Resources*

The Company conducts its operations through its subsidiaries: Regal Cinemas, United Artists, Edwards, Hoyts and Regal CineMedia. The Company was formed in the first quarter of 2002 and expects its primary uses of cash to be for operating expenses, general corporate purposes

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related to corporate operations and the Company's quarterly dividend. The Company's principal sources of liquidity are from its operating subsidiaries. In the Company's operating subsidiaries, principal uses of cash will be for operating expenses, capital expenditures, and debt service. The principal sources of liquidity for the Company's subsidiaries are cash generated from their operations, cash on hand and the revolving credit facilities provided for under the amended and restated Regal Cinemas senior credit facilities.

The Company's revenues are generally collected in cash through admissions and concessions revenues. The Company's 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. The Company's current liabilities generally include items that will become due within twelve months and, as a result, at any given time, the Company's balance sheet is likely to reflect a working capital deficit.

The Company funds the cost of its operating subsidiaries' capital expenditures through internally generated cash flow, cash on hand and financing activities. The Company's capital requirements have historically arisen principally in connection with acquisitions of theatres, new theatre openings, adding new screens to existing theatres, upgrading the Company's theatre facilities and replacing equipment. The Company intends to continue to grow its theatre circuit through selective expansion and acquisition opportunities. The Company currently expects capital expenditures for theatre development, replacement, expansion, upgrading and maintenance to be in the range of \$90 million to \$100 million in 2003. In addition to capital expenditures associated with its theatre operations, the Company expects to incur capital expenditures of approximately \$50 million in connection with Regal CineMedia during 2003. The Company anticipates a significant portion of the Regal CineMedia capital expenditures to be made in connection with the development and deployment of the digital content network to provide advertising and promotional services and to distribute various forms of digital programming. During the two quarters ended June 26, 2003, the Company invested an aggregate of approximately \$53.9 million in capital expenditures.

In May 2002, the Company sold 18.0 million shares of its Class A common stock in an initial public offering at a price of \$19.00 per share, receiving as of June 26, 2003 aggregate net offering proceeds, net of underwriting discounts, commissions and other offering expenses, of \$314.8 million.

On March 28, 2003, the Company completed its previously announced 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 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. Regal expects to complete the integration of Hoyts during the second half of fiscal 2003.

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 amended and restated Regal Cinemas senior credit facility and the net proceeds of \$214.6 million from the issuance by Regal of \$240.0 million 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes. The dividend was recorded as a liability upon declaration and is reflected as a dividend payable in the accompanying unaudited condensed consolidated balance sheet as of June 26, 2003. 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.

Concurrent with the issuance of Regal's 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes, we entered into simultaneous 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 equity in the accompanying unaudited condensed consolidated balance sheet as of June 26, 2003. In connection with these hedging arrangements, our counterparty is expected to take positions in our Class A common stock in secondary market transactions and/or may enter into various derivative transactions. Such hedging arrangements could increase the price of our Class A common stock. Our counterparty 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. Such activity may affect the market price of our Class A common stock. See Note 4 for further description of the above debt facilities and the related convertible note hedge and warrant transactions.

The \$240 million Convertible Senior Notes discussed in Note 4 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

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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, 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 June 13, 2003, we paid a cash dividend of \$0.15 per share of Class A and Class B common stock, or \$21.2 million in the aggregate, to our stockholders of record on May 27, 2003. On July 22, 2003, the Company declared a cash dividend of \$0.15 per share on each share of the Company's Class A and Class B common stock, payable on September 12, 2003, to stockholders of record on August 26, 2003. 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.

As of June 26, 2003, Regal Cinemas had \$145 million committed under its undrawn senior revolving credit facility, \$525.9 million outstanding under its senior secured term loan and \$350 million principal amount of 9<sup>3</sup>/<sub>8</sub>% senior subordinated notes due 2012. Regal Cinemas also maintains letters of credit of \$30 million (of which approximately \$16.8 million was outstanding as of June 26, 2003) which reduces the availability under its senior revolving credit facility.

### *Contractual Obligations and Commitments*

The Company primarily leases its theatres pursuant to long-term non-cancelable operating leases. As of June 26, 2003, the Company's estimated contractual cash obligations and commercial commitments over the next several years are as follows (in millions):

Payments Due by Period					
	Total	Current	2 3 Years	4 5 Years	After 5 Years
<b>Contractual Cash Obligations</b>					
Long-term debt	\$ 1,115.9	\$ 27.0	\$ 54.0	\$ 448.6	\$ 586.3
Capital lease obligations	26.1	1.0	2.0	3.6	19.5
Lease financing arrangements	97.0	2.0	5.1	6.8	83.1
Bankruptcy claims and liabilities	4.0	4.0			
Other long term obligations	7.8	1.0	2.3	2.9	1.6
Operating leases	3,554.6	243.5	474.1	464.3	2,372.7
Extraordinary dividend	716.0	716.0			
	\$ 5,521.4	\$ 994.5	\$ 537.5	\$ 926.2	\$ 3,063.2
Amount of Commitment Expiration per Period					
	Total Amounts Committed	Current	2 3 Years	4 5 Years	After 5 Years
<b>Other Commercial Commitments</b>					
Total commercial commitments(1)	\$ 145.0				\$ 145.0

(1)

As of June 26, 2003, Regal Cinemas had \$145 million committed under its undrawn senior revolving credit facility. Regal Cinemas also maintains letters of credit of \$30 million (of which approximately \$16.8 million was outstanding as of June 26, 2003) which reduces the availability under its senior revolving credit facility.



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The Company believes that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under its revolving credit facilities 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 at least 12 months.

### *Bankruptcy Claims*

Regal Cinemas, Inc. and Edwards have bankruptcy claims that remain unsettled and are subject to ongoing negotiation and possible litigation. At June 26, 2003, Regal Cinemas had accrued approximately \$4.0 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 these claims are allowed by the bankruptcy court, they will be funded with cash on hand, cash flow from operations or borrowings under Regal Cinemas' revolving credit facility. In addition to these sources of funding, with respect to allowed Edwards claims, they may also be funded from restricted cash that has been set aside, and, if the allowed Edwards claims exceed \$55 million, from contributions by Anschutz and Oaktree's Principal Activities Group. The timing of payment on these claims will depend upon the resolution of these claims.

### **Recent Accounting Pronouncements**

Effective December 27, 2002, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes accounting standards for recognition and measurement of the fair value of obligations associated with the retirement of long-lived assets when there is a legal obligation to incur such costs. Under SFAS No. 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises and will be amortized to expense over the life of the asset. The adoption of SFAS No. 143 did not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements including the rescission of Statement 4, which required all gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30 will now be used to classify those gains and losses. As a result of the Company's adoption of SFAS No. 145 on December 27, 2002, the extraordinary gain from debt extinguishment during fiscal 2002 has been reclassified to earnings from continuing operations.

Effective December 27, 2002, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses significant issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities, and nullifies the guidance in EITF Issue No. 94-3 (EITF 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Retroactive application of SFAS No. 146 is prohibited and, accordingly, liabilities recognized prior to the initial application of SFAS No. 146 will continue to be accounted for in accordance with EITF 94-3 or other applicable preexisting guidance.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. Guarantees meeting the characteristics described in the interpretation are required to be initially recorded at fair value, which is different from general current practice of recognition of a liability only when loss is probable and reasonably estimable, as prescribed in SFAS No. 5, "Accounting for Contingencies." The interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor's having to make payments under the guarantee is remote. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51." This interpretation addresses consolidation by business enterprises of entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses or receives a majority of its expected residual returns. The consolidation requirements of this interpretation apply immediately to variable interest entities created after January 31, 2003 and apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain new disclosure requirements apply to all financial statements issued after January 31, 2003. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

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In November of 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16"). EITF 02-16 addresses the accounting for cash consideration given to a reseller of a vendor's products from a vendor. EITF 02-16 indicates that cash consideration received by a customer from a vendor is presumed to be a reduction in the price of the vendor's products or services and should, therefore, be characterized as a reduction of cost of sales when recognized in the customer's income statement. The EITF indicated that such presumption is overcome when the consideration is either (a) a reimbursement of costs incurred by the customer to sell the vendor's products, in which case the cash consideration should be characterized as a reduction of that cost when recognized in the customer's income statement, or (b) a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterized as revenue when recognized in the customer's income statement. The EITF also reached a consensus that a rebate or refund of a specified amount of cash consideration that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in progress by the customer toward earning the rebate or refund, provided the amounts are reasonably estimable. On December 27, 2002, the Company adopted EITF 02-16, effective with arrangements entered into or after November 21, 2002. Such adoption did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. Many of these instruments previously were classified as equity or temporary equity and as such, SFAS No. 150 represents a significant change in practice in the accounting for a number of mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of SFAS No. 150 will have a material impact on our financial position, cash flows 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.

## PART II OTHER INFORMATION

### Item 6.

#### EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No.	Exhibit Description
3.1	Amended and Restated Bylaws, as amended, of Regal
4.1	First Amendment to Amended and Restated Credit Agreement, dated as of May 21, 2003, among Regal Cinemas, Regal Cinemas, Inc., the Lenders party thereto, and Lehman Commercial Paper Inc., as administrative agent for the Lenders
4.2	Second Amended and Restated Credit Agreement, dated as of June 6, 2003, among Regal Cinemas, Regal Cinemas, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Lehman Brothers Inc. and Credit Suisse First Boston, as joint advisors, joint lead arrangers and joint book managers of the Revolving Credit Facility and the Tranche C Term Loan Facility, Credit Suisse First Boston, as sole advisor, sole lead arranger and sole book manager of the Tranche D Term Loan Facility, Credit Suisse First Boston, as syndication agent, General Electric Capital Corporation, as documentation agent, and Lehman Commercial Paper Inc., as administrative agent
4.3	Fifth Supplemental Indenture, dated as of June 6, 2003, among CineMedia Software, Inc., a Delaware corporation, UATG, Regal Cinemas and U.S. Bank National Association, as trustee under the Indenture referred to therein

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Exhibit No.	Exhibit Description
4.4	Form of Regal Cinemas 9 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes due 2012 (incorporated by reference to Exhibit A to exhibit 4.6 to Regal's registration statement on Form S-1 (Commission File No. 333-84096) filed March 11, 2002)
4.5	Indenture, dated as of May 28, 2003, among Regal and U.S. Bank National Association, as trustee
4.6	Form of Regal 3 <sup>3</sup> / <sub>4</sub> % Convertible Senior Notes Due 2008 (included in exhibit 4.5)
4.7	Fourth Supplemental Indenture, dated as of March 27, 2003, among Regal Cinemas, Interstate Theatres Corporation, Frederick Plaza Cinema, Inc. and U.S. Bank National Association (incorporated by reference to exhibit 4.1 to Regal's Form 10-Q (Commission File No. 001-31315) filed for the fiscal quarter ended March 27, 2003)
4.8	Regal 3 <sup>3</sup> / <sub>4</sub> % Convertible Senior Notes due 2008 Registration Rights Agreement, dated May 28, 2003
10.1	Stock Purchase Agreement, dated as of February 3, 2003, among Regal, HUSH and Hoyts (incorporated by reference to exhibit 10.1 to Regal's Form 10-Q (Commission File No. 001-31315) filed for the fiscal quarter ended March 27, 2003)
10.2	Stockholder Agreement, dated as of March 27, 2003, between Regal and HUSH (incorporated by reference to exhibit 10.2 to Regal's Form 10-Q (Commission File No. 001-31315) filed for the fiscal quarter ended March 27, 2003)
31.1	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal
31.3	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32	Section 1350 Certifications

Previously filed.

(b) Current reports on Form 8-K filed during our second fiscal quarter of 2003:

Current report on Form 8-K furnished under Item 9 (Regulation FD Disclosure) on April 1, 2003

Current report on Form 8-K filed under Items 5 (Other Events and Regulation FD Disclosure) and 7 (Financial Statements and Exhibits) and furnished pursuant to Item 12 (Results of Operations and Financial Condition) under Item 9 (Regulation FD Disclosure) on April 22, 2003

Current report on Form 8-K filed under Items 5 (Other Events and Regulation FD Disclosure) and 7 (Financial Statements and Exhibits) on May 19, 2003

Current report on Form 8-K filed under Items 5 (Other Events and Regulation FD Disclosure) and 7 (Financial Statements and Exhibits) on May 22, 2003

Current report on Form 8-K filed under Item 5 (Other Events and Regulation FD Disclosure) on June 6, 2003

Current report on Form 8-K filed under Items 5 (Other Events and Regulation FD Disclosure) and 7 (Financial Statements and Exhibits) on June 11, 2003

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**REGAL ENTERTAINMENT GROUP**

Date: December 3, 2003

By: /s/ AMY E. MILES

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Amy E. Miles  
*Executive Vice President and  
 Chief Financial Officer*

**REGAL ENTERTAINMENT GROUP**

**Exhibit Index**

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**Exhibit Description**

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32 Section 1350 Certifications

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