UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 25, 2008

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)
7132 Regal Lane **Knoxville, TN** (Address of Principal Executive Offices)	**37918** (Zip Code)

Registrant s Telephone Number, Including Area Code: **865-922-1123**

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x

Class A Common Stock 129,802,512 shares outstanding at October 31, 2008

Class B Common Stock 23,708,639 shares outstanding at October 31, 2008

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REGAL ENTERTAINMENT GROUP

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	September 25, 2008	December 27, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 113.1	$ 435.2
Trade and other receivables, net	40.8	73.5
Inventories	7.7	8.1
Prepaid expenses and other current assets	14.3	7.1
Assets held for sale	0.9	1.6
TOTAL CURRENT ASSETS	176.8	525.5
PROPERTY AND EQUIPMENT:		
Land	118.6	121.8
Buildings and leasehold improvements	1,898.9	1,701.6
Equipment	956.8	886.5
Construction in progress	29.4	24.2
Total property and equipment	3,003.7	2,734.1
Accumulated depreciation and amortization	(1,038.6)	(912.5)
TOTAL PROPERTY AND EQUIPMENT, NET	1,965.1	1,821.6
GOODWILL	180.0	181.7
INTANGIBLE ASSETS, NET	16.5	
DEFERRED INCOME TAX ASSET	103.0	64.0
OTHER NON-CURRENT ASSETS	116.1	42.1
TOTAL ASSETS	$ 2,557.5	$ 2,634.9
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Current portion of debt obligations	$ 23.2	$ 146.5
Accounts payable	103.5	183.0
Accrued expenses	55.4	54.7
Deferred revenue	83.9	113.9
Interest payable	22.2	28.9
Deferred income tax liability	0.5	0.5

TOTAL CURRENT LIABILITIES		288.7		527.5
LONG-TERM DEBT		1,905.1		1,718.2
LEASE FINANCING ARRANGEMENTS		78.5		81.8
CAPITAL LEASE OBLIGATIONS		17.6		19.0
NON-CURRENT DEFERRED REVENUE		341.2		279.8
OTHER NON-CURRENT LIABILITIES		150.3		127.4
TOTAL LIABILITIES		2,781.4		2,753.7
MINORITY INTEREST		(0.2)		0.5
STOCKHOLDERS DEFICIT:				
Class A common stock, $0.001 par value; 500,000,000 shares authorized, 129,796,761 and 129,518,587 shares issued and outstanding at September 25, 2008 and December 27, 2007, respectively		0.1		0.1
Class B common stock, $0.001 par value; 200,000,000 shares authorized, 23,708,639 shares issued and outstanding at September 25, 2008 and December 27, 2007				
Preferred stock, $0.001 par value; 50,000,000 shares authorized; none issued and outstanding				
Additional paid-in capital (deficit)		(211.6)		(160.4)
Retained earnings (accumulated deficit)		(5.4)		42.6
Accumulated other comprehensive loss, net		(6.8)		(1.6)
TOTAL STOCKHOLDERS DEFICIT		(223.7)		(119.3)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$	2,557.5	$	2,634.9

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except share and per share data)

	Quarter Ended September 25, 2008	Quarter Ended September 27, 2007	Three Quarters Ended September 25, 2008	Three Quarters Ended September 27, 2007
REVENUES:				
Admissions	$ 516.8	$ 515.8	$ 1,404.5	$ 1,400.4
Concessions	209.6	210.9	564.6	576.6
Other operating revenue	31.2	26.2	91.1	84.3
TOTAL REVENUES	757.6	752.9	2,060.2	2,061.3
OPERATING EXPENSES:				
Film rental and advertising costs	282.0	279.4	744.9	749.8
Cost of concessions	30.4	29.3	78.6	82.2
Rent expense	94.1	85.6	267.4	249.9
Other operating expenses	197.2	183.8	546.3	524.9
General and administrative expenses (including share-based compensation of $1.4 and $1.1 for the quarters ended September 25, 2008 and September 27, 2007, respectively, and $4.3 and $4.6 for the three quarters ended September 25, 2008 and September 27, 2007, respectively)	15.5	15.3	46.3	48.1
Depreciation and amortization	51.1	45.6	147.3	138.0
Net loss (gain) on disposal and impairment of operating assets	11.5	(3.6)	16.0	(0.8)
Equity in earnings of joint venture including former employee compensation	0.1	0.1	0.4	3.8
TOTAL OPERATING EXPENSES	681.9	635.5	1,847.2	1,795.9
INCOME FROM OPERATIONS	75.7	117.4	213.0	265.4
OTHER EXPENSE (INCOME):				
Interest expense, net	29.0	27.8	88.7	84.3
Earnings recognized from NCM	(7.1)	(7.1)	(21.4)	(9.3)
Loss on extinguishment of debt			70.5	
Gain on NCM transaction				(350.7)
Gain on sale of Fandango interest		(0.3)		(28.6)
Minority interest in earnings of consolidated subsidiaries and other	0.6	0.2	1.8	0.4
TOTAL OTHER EXPENSE (INCOME), NET	22.5	20.6	139.6	(303.9)
INCOME BEFORE INCOME TAXES	53.2	96.8	73.4	569.3
PROVISION FOR INCOME TAXES	21.6	38.8	31.0	229.5
NET INCOME	$ 31.6	$ 58.0	$ 42.4	$ 339.8
EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (Note 9):				
Basic	$ 0.21	$ 0.38	$ 0.28	$ 2.24

Diluted	$	0.21	$	0.36	$	0.28	$	2.13
AVERAGE SHARES OUTSTANDING (in thousands):								
Basic		152,864		152,683		152,841		151,590
Diluted		153,839		160,532		153,799		159,297
DIVIDENDS DECLARED PER COMMON SHARE	$	0.30	$	0.30	$	0.90	$	2.90

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Three Quarters Ended September 25, 2008	Three Quarters Ended September 27, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 42.4	$ 339.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	147.3	138.0
Share-based compensation expense	4.3	4.6
Change in fair value of interest rate swap	(0.5)	
Minority interest in earnings of consolidated subsidiaries	(0.2)	0.1
Deferred income tax benefit	(27.9)	(46.1)
Net loss (gain) on disposal and impairment of operating assets	16.0	(0.8)
Equity in earnings of non-consolidated entities	0.4	
Equity in earnings of joint venture including former employee compensation	0.4	3.8
Excess cash distribution on additional shares in NCM	1.0	
Gain on sale of Fandango interest		(28.6)
Non-cash gain on NCM transaction		(3.4)
Net loss on purchase of partnership interests		0.2
Loss on extinguishment of debt	70.5	
Non-cash rent expense	6.1	6.9
Changes in operating assets and liabilities, excluding the impact of acquisitions:		
Trade and other receivables	10.4	51.1
Inventories	0.9	0.1
Intangible assets	1.2	
Prepaid expenses and other current assets	(1.4)	(7.1)
Accounts payable	(82.0)	(59.8)
Income taxes payable	(5.2)	15.6
Deferred revenue	(37.7)	270.0
Accrued expenses and other liabilities	(18.9)	(11.0)
NET CASH PROVIDED BY OPERATING ACTIVITIES	127.1	673.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(99.1)	(82.0)
Proceeds from disposition of assets	3.6	31.9
Purchase of Consolidated Theatres, net of cash acquired	(209.3)	
Purchase of partnership interests, net of cash acquired		(1.1)
Dividends received from partnership		0.3
Investment in DCIP	(2.5)	(1.5)
Distributions to partnership	(0.4)	
Proceeds from sale of Fandango interest		28.6
NET CASH USED IN INVESTING ACTIVITIES	(307.7)	(23.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash used to pay dividends	(138.1)	(439.1)
Proceeds from stock option exercises	0.5	15.3
Proceeds from issuance of 6¼% Convertible Senior Notes	200.0	
Net cash paid for 6¼% Convertible Senior Notes convertible note hedge and warrant	(6.6)	

Net payments on long-term obligations		(17.2)		(17.0)
Cash used to redeem 3¾% Convertible Senior Notes		(194.1)		(0.1)
Net proceeds from 3¾% Convertible Senior Notes convertible note hedge and warrant		18.9		
Excess tax benefits from share-based payment arrangements		0.2		14.4
Payment of debt acquisition costs and other		(5.1)		(2.6)
NET CASH USED IN FINANCING ACTIVITIES		(141.5)		(429.1)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(322.1)		220.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		435.2		162.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	113.1	$	382.7
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for income taxes, net of refunds received	$	90.1	$	240.5
Cash paid for interest	$	96.6	$	96.0
SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES:				
Additional investment in NCM (Note 3)	$	73.4	$	

See accompanying notes to unaudited condensed consolidated financial statements.

REGAL ENTERTAINMENT GROUP

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 25, 2008

1. THE COMPANY AND BASIS OF PRESENTATION

Regal Entertainment Group (the Company, Regal, we or us) is the parent company of Regal Entertainment Holdings, Inc. (REH), which is tl parent company of Regal Cinemas Corporation (Regal Cinemas) and its subsidiaries. Regal Cinemas subsidiaries include Regal Cinemas, Inc. (RCI) and its subsidiaries, which include Edwards Theatres, Inc. (Edwards), Regal CineMedia Corporation (Regal CineMedia or RCM), Hoyts Cinemas Corporation (Hoyts) and United Artists Theatre Company (United Artists). The terms Regal or the Company, REH, Regal Cinemas, RCI, Edwards, Regal CineMedia or RCM, Hoyts and United Artists 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 6,782 screens in 551 theatres in 39 states and the District of Columbia as of September 25, 2008. 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 (such as fiscal 2008) results in a 53-week fiscal year. As of September 25, 2008, the Company managed its business under one reportable segment: theatre exhibition operations.

In March 2005, Regal and AMC Entertainment Inc. (AMC) announced the combination of the operations of RCM and AMC s subsidiary, National Cinema Network, Inc. (NCN), into a new joint venture company known as National CineMedia, LLC (National CineMedia). In July 2005, Cinemark, Inc. (Cinemark), through a wholly owned subsidiary, acquired an interest in National CineMedia. On February 13, 2007, National CineMedia, Inc. (NCM, Inc.), a newly formed entity that serves as the sole manager of National CineMedia, completed an initial public offering, or IPO, of its common stock. In connection with the IPO of NCM, Inc., RCM, through its wholly owned subsidiary Regal CineMedia Holdings, LLC (RCH), AMC and Cinemark amended and restated the operating agreement of National CineMedia and other ancillary agreements. In connection with the series of transactions completed in connection with the IPO, Regal received gross cash proceeds totaling approximately $628.3 million and retained a 22.6% interest in NCM, Inc. After the payment of current taxes, net cash proceeds from these transactions totaled approximately $447.4 million. The Company used a portion of the net cash proceeds to fund an extraordinary cash dividend of $2.00 per share on each outstanding share of its Class A and Class B common stock, including outstanding restricted stock, or approximately $302.0 million in the aggregate. Stockholders of record at the close of business on March 28, 2007 were paid this $302.0 million dividend on April 13, 2007. As discussed further in Note 3 Investment in National CineMedia, LLC, as a result of the transactions completed in connection with the IPO, the Company recognized a gain of approximately $350.7 million during the quarter ended March 29, 2007.

On February 12, 2007, we, along with AMC and Cinemark, formed a joint venture company known as Digital Cinema Implementation Partners, LLC, a Delaware limited liability company (DCIP), to explore the possibility of implementing digital cinema in our theatres and to create a financing model and establish agreements with major motion picture studios for the implementation of digital cinema. The Company s year-to-date cash investment in DCIP totaled approximately $2.5 million as of September 25, 2008. We account for our investment in DCIP following the equity method of accounting. For the three quarters ended September 25, 2008, the Company recorded a loss of $2.3 million

representing its share of the net loss of DCIP. Such loss is presented as a component of Minority interest in earnings of consolidated subsidiaries and other.

During the three quarters ended September 27, 2007, the Company sold its equity interest in Fandango, Inc. (Fandango) for proceeds of $28.6 million. As a result of this transaction, the Company recognized a gain on the

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sale of approximately $28.6 million ($17.2 million after tax). In connection with the sale, the Company agreed to amend its existing contract with Fandango in exchange for an amendment fee totaling $5.5 million. This amount has been recorded as deferred revenue and will be amortized to revenue on a straight-line basis over the six year term of the amendment.

For a discussion of the series of events leading to the formation of the Company and other significant transactions which have occurred through December 27, 2007, please refer to Note 1 to the consolidated financial statements included in Part II, Item 8 of our annual report on Form 10-K filed on February 26, 2008 with the Securities and Exchange Commission (the Commission) (File No. 001-31315) for the fiscal year ended December 27, 2007.

On March 10, 2008, Regal issued $200.0 million aggregate principal amount of 6¼% Convertible Senior Notes due March 15, 2011 (the 6¼% Convertible Senior Notes). Concurrent with the issuance of the 6¼% 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 6¼% Convertible Senior Notes into shares of our Class A common stock. The net cost of the convertible note hedge and warrant transactions was approximately $6.6 million and is included as a component of equity in the accompanying unaudited condensed consolidated balance sheet as of September 25, 2008. See Note 4 Debt Obligations for further description of the 6¼% Convertible Senior Notes and the related convertible note hedge and warrant transactions. The Company used cash on hand and a portion of the net proceeds from the issuance of the 6¼% Convertible Senior Notes to redeem approximately $90.0 million principal amount of Regal s 3¾% Convertible Senior Notes due May 15, 2008 (the 3¾% Convertible Senior Notes), in a series of privately negotiated transactions. As a result of the early redemption, the Company recorded a $52.8 million loss on debt extinguishment during the quarter ended March 27, 2008. In connection with the early redemption, the Company received net proceeds of approximately $13.7 million from Credit Suisse International (Credit Suisse) attributable to the convertible note hedge and warrant transactions associated with the 3¾% Convertible Senior Notes described further in Note 4 Debt Obligations. Such proceeds were recorded as an increase to additional paid-in capital. In connection with the final maturity of the 3¾% Convertible Senior Notes on May 15, 2008, holders of the remaining $33.7 million in principal amount exercised their conversion rights. The Company elected to settle these conversions entirely in cash for approximately $51.4 million using the remaining proceeds from the issuance of the 6¼% Convertible Senior Notes. As a result of these conversions, the Company recorded a $17.7 million loss on debt extinguishment during the quarter ended June 26, 2008. In connection with these conversions, the Company received net proceeds of approximately $5.2 million from Credit Suisse attributable to the convertible note hedge and warrant transactions associated with the 3¾% Convertible Senior Notes. Such proceeds were also recorded as an increase to additional paid-in capital. See Note 4 Debt Obligations for further discussion of this transaction.

On April 30, 2008, the Company acquired Consolidated Theatres Holdings, G.P. (Consolidated Theatres), which holds a total of 28 theatres with 400 screens in Georgia, Maryland, North Carolina, South Carolina, Tennessee and Virginia. The total net cash purchase price for the acquisition was approximately $209.3 million, subject to post-closing adjustments. The results of operations of the acquired theatres have been included in the Company s consolidated financial statements for periods subsequent to the acquisition date. In conjunction with the closing, we entered into a final judgment with the Antitrust Division of the United States Department of Justice (DOJ), which requires us to hold separate and divest ourselves of four theaters comprising 52 screens in North Carolina. During the quarter ended September 25, 2008, the Company entered into an agreement to sell three of the four theatres. As a result, the Company recorded impairment charges of approximately $7.9 million during the quarter ended September 25, 2008 related to these theatres. See Note 2 Recent Acquisitions for further discussion of this transaction.

As described more fully in Note 3 Investment in National CineMedia, LLC, on April 9, 2008, we received approximately 0.8 million additional common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement dated as of February 13, 2007, by and among National CineMedia, NCM, Inc., RCH, RCI and other parties thereto (the Common Unit Adjustment Agreement). On May 29, 2008, we received an additional 2.9 million common units of National CineMedia in accordance with the adjustment provisions of the Common Unit Adjustment Agreement for our acquisition of Consolidated Theatres. These adjustments increased the number of National CineMedia common units held by us to

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approximately 24.9 million and as a result, on a fully diluted basis, we own a 25.1% interest in NCM, Inc. as of September 25, 2008.

During the three quarters ended September 25, 2008, Regal paid three quarterly cash dividends of $0.30 on each outstanding share of the Company s Class A and Class B common stock, or approximately $138.1 million in the aggregate.

Total comprehensive income for the quarter ended September 25, 2008 and September 27, 2007 was $34.5 million and $48.9 million, respectively. Total comprehensive income for the three quarters ended September 25, 2008 and September 27, 2007 was $37.2 million and $329.9 million, respectively. Total comprehensive income consists of net income and other comprehensive income (loss), net of tax, related to the change in the aggregate unrealized gain (loss) on the Company s interest rate swap arrangements during each of the quarters and three quarters ended September 25, 2008 and September 27, 2007. The Company s interest rate swap arrangements are further described in Note 4 Debt Obligations.

The Company has prepared the unaudited condensed consolidated balance sheet as of September 25, 2008 and the unaudited condensed consolidated statements of income and cash flows in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the 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 27, 2007 unaudited condensed consolidated balance sheet information is derived from the audited consolidated financial statements of the Company included in its annual report on Form 10-K for the fiscal year ended December 27, 2007. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto. The results of operations for the quarter and three quarters ended September 25, 2008 are not necessarily indicative of the operating results that may be achieved for the full 2008 fiscal year.

2. RECENT ACQUISITIONS

Acquisition of Consolidated Theatres

On April 30, 2008, the Company acquired Consolidated Theatres, which holds a total of 28 theatres with 400 screens in Georgia, Maryland, North Carolina, South Carolina, Tennessee and Virginia. The total net cash purchase price for the acquisition was approximately $209.3 million, subject to post-closing adjustments. In conjunction with the closing, we entered into a final judgment with the Antitrust Division of the DOJ, which requires us to hold separate and divest ourselves of four theaters comprising 52 screens in North Carolina. During the quarter ended September 25, 2008, the Company entered into an agreement to sell three of the four theatres. As a result, the Company recorded impairment charges of approximately $7.9 million during the quarter ended September 25, 2008 related to these theatres. As described further in Note 11 Subsequent Events, on October 23, 2008 the Company completed its divestiture of the three theatres.

The acquisition 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. The allocation of the purchase price is based on management s judgment after evaluating several factors, including an independent third party valuation. The results of operations of the acquired theatres have been included in the Company s consolidated financial statements for periods

subsequent to the acquisition date.

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

Current assets	$	1.4
Property and equipment, net		209.9
Intangible assets		18.1
Current liabilities		(11.2)
Long-term liabilities		(8.9)
Total purchase price	$	209.3

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The transaction included the acquisition of certain identifiable intangible assets, including $9.9 million related to favorable leases with a weighted average amortization period of 13.1 years and approximately $8.2 million related to an on-screen advertising contract which will be amortized on a straight-line basis through January 2011. During the quarter and three quarters ended September 25, 2008, the Company recognized $1.1 million and $1.6 million, respectively, of amortization related to these intangible assets.

The following unaudited pro forma results of operations for the quarter ended September 27, 2007 and the three quarters ended September 25, 2008 and September 27, 2007, respectively, assume the above acquisition occurred as of the beginning of fiscal 2007. Pro forma results were omitted for the quarter ended September 25, 2008 since actual reported results were the same as the pro forma results. 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 dates indicated, or which may occur in the future.

	Quarter Ended September 27, 2007	Three Quarters Ended September 25, 2008	Three Quarters Ended September 27, 2007
	(in millions except per share amounts)		
Revenues	$ 795.0	$ 2,101.4	$ 2,168.7
Income from operations	121.1	211.0	269.3
Net income	60.2	41.2	342.2
Earnings per share of Class A and Class B common stock:			
Basic	0.39	0.27	2.26
Diluted	0.38	0.27	2.15

3. INVESTMENT IN NATIONAL CINEMEDIA, LLC

Formation of National CineMedia, LLC

In March 2005, Regal and AMC announced the combination of the operations of RCM and AMC s subsidiary, NCN, into a new joint venture company known as National CineMedia. In July 2005, Cinemark, through a wholly owned subsidiary, acquired an interest in National CineMedia. National CineMedia focuses on the expansion of in-theatre advertising and the creation of complementary business lines that leverage the existing operating personnel, asset and customer bases of its theatrical exhibition partners, which includes us, AMC and Cinemark. National CineMedia is, subject to limited exceptions, the exclusive provider of advertising and event services to Regal, AMC and Cinemark.

As part of the March 2005 joint venture transaction, RCM and NCN entered into a Contribution and Unit Holders Agreement with National CineMedia pursuant to which, among other things, RCM and NCN agreed to contribute assets to National CineMedia and National CineMedia agreed to assume specified liabilities of RCM and NCN in consideration for the issuance of equity units by National CineMedia to RCM s wholly-owned subsidiary, RCH and NCN, respectively. The assets contributed to National CineMedia by RCM included fixed assets and agreements as well as approximately $1.3 million in cash. The Company accounts for its investment in National CineMedia using the equity method of accounting and did not recognize any gain or loss resulting from the initial formation of National CineMedia due to the Company s continued involvement in the operations of National CineMedia.

Initial Public Offering of National CineMedia, Inc.

On February 13, 2007, NCM, Inc., a newly formed entity that serves as the sole manager of National CineMedia, completed an IPO of its common stock. NCM, Inc. sold 38.0 million shares of its common stock for $21 per share in the IPO, less underwriting discounts and expenses. NCM, Inc. used a portion of the net cash proceeds

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from the IPO to acquire newly issued common units from National CineMedia. As a result of the NCM, Inc. s acquisition of common units in National CineMedia, the Company recognized a change in interest gain of approximately $182.7 million along with a corresponding increase in the Company s equity investment in National CineMedia.

In connection with the completion of the IPO, the joint venture partners, including RCI, amended and restated their exhibitor services agreements (ESA) with National CineMedia, whereby in exchange for its pro rata share of the IPO proceeds (approximately $281.0 million), RCI agreed to a modification of National CineMedia s payment obligation under the ESA. The modification extended the term of the ESA to 30 years, provided National CineMedia with a five year right of first refusal beginning one year prior to the end of the term and changed the basis upon which RCI is paid by National CineMedia from a percentage of revenues associated with advertising contracts entered into by National CineMedia to a monthly theatre access fee. The theatre access fee is composed of a fixed $0.07 payment per patron which will increase by 8% every five years starting at the end of fiscal 2011 and a fixed $800 payment per digital screen each year, which will increase by 5% annually starting at the end of fiscal 2007. Pursuant to our Common Unit Adjustment Agreement, from time to time, common units of National CineMedia held by the joint venture partners will be adjusted through a formula primarily based on the number of theatres operated and theatre attendance generated by each joint venture partner. On-screen advertising time provided to our beverage concessionaire is provided by National CineMedia under the terms of our agreement. In addition, we receive mandatory quarterly distributions of any excess cash from National CineMedia.

The amount we received for agreeing to the ESA modification was approximately $281.0 million, which represents the estimated fair value of the ESA modification payment. We estimated the fair value of the ESA payment based upon a valuation performed by the Company with the assistance of third party specialists. This amount has been recorded as deferred revenue and will be amortized to advertising revenue over the 30 year term of the agreement following the units of revenue method. Under the units of revenue method, amortization for a period is calculated by computing a ratio of the proceeds received from the ESA modification payment to the total expected decrease in revenues due to entry into the new ESA over the 30 year term of the agreement and then applying that ratio to the current period s expected decrease in revenues due to entry into the new ESA.

At the closing of the IPO, the underwriters exercised their over-allotment option to purchase an additional 4.0 million shares of common stock of NCM, Inc. at the initial offering price of $21 per share, less underwriting discounts and commissions. In connection with this over-allotment option exercise, Regal, AMC and Cinemark each sold to NCM, Inc. common units of National CineMedia on a pro rata basis at the initial offering price of $21 per share, less underwriting discounts and expenses. Regal sold approximately 1.6 million common units to NCM, Inc. for proceeds of approximately $32.2 million and recognized a gain on the sale of such units of approximately $19.3 million. Upon completion of this sale of common units, Regal held approximately 21.2 million common units of National CineMedia. Such common units are immediately redeemable on a one-to-one basis for shares of NCM, Inc. common stock. We account for our investment in National CineMedia following the equity method of accounting.

Upon the closing of the IPO, National CineMedia entered into a $725.0 million term loan facility, the net cash proceeds of which were used to redeem preferred units issued to each of Regal, AMC and Cinemark on a pro rata basis pursuant to a recapitalization of National CineMedia prior to completion of the IPO. We received approximately $315.1 million as a result of the preferred unit redemption. The Company recognized such cash distributions from National CineMedia by (1) reducing its equity investment in National CineMedia from approximately $166.4 million to zero and (2) recording distributions in excess of the investment balance in National CineMedia of approximately $148.7 million as a gain. Because the investment (and net advances) in National CineMedia has been reduced to zero, we will not provide for any additional losses as we have not guaranteed obligations of National CineMedia and we are not otherwise committed to provide further financial support for National CineMedia. In addition, during future periods, the Company will not recognize its share of any undistributed equity in the earnings of National CineMedia from the Company s initial investment in National CineMedia until National CineMedia s future net earnings equal or exceed the amount of the above excess distribution. Until such time, equity earnings related to the Company s initial investment in National CineMedia will be recognized only to the extent that the Company receives cash distributions from National CineMedia. During the quarters ended September 25, 2008 and September 27, 2007, the Company received $6.8 million and $7.1 million, respectively, in cash distributions from National CineMedia. During the three quarters ended September 25, 2008

and September 27, 2007, the Company received $20.6 million and $9.3 million, respectively, in cash distributions from National CineMedia**.** Approximately $1.0 million of cash distributions received during the quarter ended September 25, 2008 were recognized as a reduction in our investment in National CineMedia. The remaining amounts were recognized in equity earnings during each of these periods and have been included as component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

After the payment of current taxes, net cash proceeds from these transactions totaled approximately $447.4 million. The Company used a portion of the net cash proceeds to fund an extraordinary cash dividend of $2.00 per share on each outstanding share of its Class A and Class B common stock, or approximately $302.0 million in the aggregate. Stockholders of record at the close of business on March 28, 2007 were paid this dividend on April 13, 2007.

On April 9, 2008, we received approximately 0.8 million additional common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. On May 29, 2008, we received an additional 2.9 million common units of National CineMedia in accordance with the adjustment provisions of the Common Unit Adjustment Agreement for our acquisition of Consolidated Theatres. These adjustments increased the number of National CineMedia common units held by us to approximately 24.9 million and as a result, on a fully diluted basis, we own a 25.1% interest in NCM, Inc. as of September 25, 2008. The Company recorded the additional units at fair value using the available closing stock prices of NCM, Inc. as of the dates at which the units were received. Since the additional common units received do not represent the funding of prior losses of National CineMedia, the fair value of such units were recorded as separate investment tranches in National CineMedia. Accordingly, the Company recorded a $73.4 million increase in its investment in National CineMedia during the quarter ended June 26, 2008. Since Consolidated Theatres maintains an existing agreement with an on-screen advertising provider, National CineMedia will not be provided access to such theatre locations until expiration of the related advertising contract. In accordance with the Common Unit Adjustment Agreement, Regal agreed to pay National CineMedia an amount that approximates the earnings before interest, taxes, depreciation and amortization that would have been generated by National CineMedia if it were able to sell on-screen advertising in the acquired theatre locations on an exclusive basis. The fair value of such payment was approximately $8.0 million and was accrued by the Company during the quarter ended June 26, 2008. Such amount was determined by the present value of the ultimate amount estimated to be paid to National CineMedia (approximately $8.9 million) through expiration of the on-screen advertising contract. The accretion associated with this obligation will be reflected in interest expense over the life of the related obligation. The Company recorded the remaining $65.4 million as an increase to deferred revenue. This amount will be amortized to advertising revenue over the remaining term of the ESA (approximately 29 years) following the units of revenue method.

Since the additional common units received represent separate investment tranches in National CineMedia, any undistributed equity in the earnings of National CineMedia pertaining to these tranches will be recognized under the equity method of accounting. As a result, the Company s share in the net income of National CineMedia with respect to these tranches totaled $1.3 million and $1.8 million, respectively, during the quarter and three quarters ended September 25, 2008. Such amounts have been included as a component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

As a result of the ESA amendment and related modification payment, for the quarters ended September 25, 2008 and September 27, 2007, theatre access fees and other revenues received from National CineMedia, net of payments for on-screen advertising time provided to our beverage concessionaire, totaled approximately $2.6 million and $1.2 million, respectively. For the three quarters ended September 25, 2008 and for the period from February 13, 2007 through September 27, 2007, such amounts totaled approximately $8.3 million and $3.8 million, respectively. These amounts are presented as a component of other operating revenues in the Company s financial statements. During the quarters ended September 25, 2008 and September 27, 2007, the Company recognized $0.9 million and $0.6 million, respectively, of advertising revenue utilizing the units of revenue amortization method. During the three quarters ended September 25, 2008 and the period from February 13, 2007 through September 27, 2007, the Company recognized $2.3 million and $1.5 million, respectively, of advertising revenue utilizing the units of revenue amortization method. As of September 25, 2008, approximately $1.4 million and $1.0 million due from/to National CineMedia were included in Trade and other receivables, net and Accounts payable, respectively. As of December 27, 2007, approximately $2.0 million and $2.2 million due

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from/to National CineMedia were included in Trade and other receivables, net and Accounts payable, respectively.

Summarized unaudited condensed income statement information for National CineMedia for the quarter and two quarters ended June 26, 2008 is as follows (in millions):

	Quarter Ended June 26, 2008	Two Quarters Ended June 26, 2008
Revenues	$ 86.7	$ 149.4
Income from operations	39.1	56.8
Net income	4.3	3.9

As of the date of this quarterly report on Form 10-Q, no summarized financial information for National CineMedia was available for the quarter and three quarters ended September 25, 2008.

4. DEBT OBLIGATIONS

Debt obligations at September 25, 2008 and December 27, 2007 consist of the following (in millions):

	September 25, 2008	December 27, 2007
Regal 6¼% Convertible Senior Notes	$ 200.0	$
Regal 3¾% Convertible Senior Notes		123.7
Regal Cinemas Senior Credit Facility	1,670.3	1,683.0
Regal Cinemas 93/8% Senior Subordinated Notes	51.5	51.5
Lease financing arrangements, weighted average interest rate of 11.18%, maturing in various installments through January 2021	82.8	85.8
Capital lease obligations, 8.5% to 10.3%, maturing in various installments through December 2017	19.3	20.6
Other	0.5	0.9
Total debt obligations	2,024.4	1,965.5
Less current portion	23.2	146.5
Total debt obligations, less current portion	$ 2,001.2	$ 1,819.0

Regal 6¼% Convertible Senior Notes On March 10, 2008, Regal issued $200.0 million aggregate principal amount of the 6¼% Convertible Senior Notes. Interest on the 6¼% Convertible Senior Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning September 15, 2008. The 6¼% Convertible Senior 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 6¼% Convertible Senior 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 6¼% Convertible Senior Notes. On or after December 15, 2010, our note holders will have the option to convert their 6¼% Convertible Senior 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 fundamental change (as defined in the indenture to the 6¼% Convertible Senior Notes dated March 10, 2008) at the then-existing conversion price per share. Prior to December 15, 2010, our note holders have the right, at their option, to convert their 6¼% Convertible Senior 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 fundamental change, at the then existing conversion price per share, subject to further adjustments described below, if:

- during any calendar quarter commencing after June 30, 2008, and only during such calendar quarter, if the last reported sale price per share of Class A common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price per share of Class A common stock for the 6¼% Convertible Senior Notes on the last trading day of such immediately preceding calendar quarter;

- during the five consecutive business days immediately after any ten consecutive trading day period (such 10 consecutive trading day period, the Note Measurement Period) in which the trading price (calculated using the trading price for each of the trading days in the Note Measurement Period) per $1,000 principal amount of the 6¼% Convertible Senior Notes was less than 95% of the product of the last reported sale price per share of Class A common stock and the conversion rate for each day of the Note Measurement Period as determined following a request by a holder of the notes in accordance with the procedures described more fully in the 6¼% Convertible Senior Notes indenture;

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- during certain periods if specified corporate transactions occur or specified distributions to holders of common stock are made, each as set forth in the 6¼% Convertible Senior Notes indenture (excluding certain distributions and excluding quarterly dividends not in excess of the base dividend amount (as defined in the 6¼% Convertible Senior Notes indenture)), in which case, the conversion price per share will be adjusted as set forth in the 6¼% Convertible Senior Notes indenture; or

- a fundamental change (as defined in the 6¼% Convertible Senior Notes indenture) occurs, a note holder may elect to convert all or a portion of its notes at any time commencing on the effective date of such transaction or 15 days prior to the anticipated effective date (in certain circumstances) until the latter of: (i) the day before the fundamental change repurchase date and (ii) 30 days following the effective date of such transaction (but in any event prior to the close of business on the business day prior to the maturity date), in which case we will increase the conversion rate for the notes surrendered for conversion by a number of additional shares of Class A common stock, as set forth in the table in the 6¼% Convertible Senior Notes indenture.

On September 25, 2008, at the then-current conversion price of $23.0336 per share (which conversion price may be adjusted pursuant to the certain events described further in the 6¼% Convertible Senior Notes indenture), each $1,000 of aggregate principal amount of 6¼% Convertible Senior Notes is convertible into approximately 43.4148 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. 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 6¼% Convertible Senior Notes, we used approximately $6.6 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 6¼% Convertible Senior Notes. Under the terms of the convertible note hedge arrangement (the 2008 Convertible Note Hedge) with Credit Suisse, we paid $12.6 million for a forward purchase option contract under which we are entitled to purchase from Credit Suisse a fixed number of shares of our Class A common stock (at September 25, 2008, at a price per share of $23.0336). In the event of the conversion of the 6¼% Convertible Senior 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 6¼% Convertible Senior Notes, a number of shares of Class A Common stock 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 6¼% Convertible Senior Notes. We accounted for the 2008 Convertible Note Hedge pursuant to the guidance in Emerging Issues Task Force (EITF) 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company s Own Stock. Accordingly, the $12.6 million purchase price of the forward stock purchase option contract was recorded as an increase to consolidated stockholders deficit.

We also sold to Credit Suisse a warrant (the 2008 Warrant) to purchase shares of our Class A common stock. The 2008 Warrant is currently exercisable for approximately 8.7 million shares of our Class A common stock at a September 25, 2008 exercise price of $25.376 per share (which exercise price may be adjusted pursuant to the provisions of the 2008 Warrant). We received $6.0 million in cash from Credit Suisse in return for the sale of this forward share purchase option contract. Credit Suisse cannot exercise the 2008 Warrant unless and until a conversion event occurs. We have the option of settling the 2008 Warrant in cash or shares of our Class A common stock. We accounted for the sale of the 2008 Warrant as the sale of a permanent equity instrument pursuant to the guidance in EITF 00-19. Accordingly, the $6.0 million sales price of the forward stock purchase option contract was recorded as a debit to consolidated stockholders deficit.

The 2008 Convertible Note Hedge and the 2008 Warrant allow us to acquire sufficient Class A common shares from Credit Suisse to meet our obligation to deliver Class A common shares upon conversion by the note holder, unless the Class A common share price exceeds $25.376 (as of September 25, 2008). When the fair value of our Class A common shares exceeds such price, the equity contracts no longer have an offsetting economic impact, and accordingly will no longer be effective as a share-for-share hedge of the dilutive impact of possible conversion.

The 6¼% Convertible Senior Notes allow us to settle any conversion by remitting to the note holder the accreted value of the note in cash plus the conversion spread (the excess conversion value over the accreted value) in

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either cash, shares of our Class A common stock or a combination of stock and cash. 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 B as set forth in EITF 90-19, Convertible Bonds with Issuer Option to Settle for Cash upon Conversion. Because the accreted value of the 6¼% Convertible Senior Notes may be settled in cash, shares of our Class A common stock or a combination of stock and cash, the accreted value of the 6¼% Convertible Senior Notes is assumed to be settled in shares and will result in dilution in our earnings per share computations using the if-converted method, if the effect is dilutive (see Note 10 Recent Accounting Pronouncements).

Regal 3¾% Convertible Senior Notes As further described in Note 5 to the consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007, on May 28, 2003, Regal issued $240.0 million aggregate principal amount of the 3¾% Convertible Senior Notes.

In connection with the issuance of the 6¼% Convertible Senior Notes described above, on March 5, 2008 and March 10, 2008, we redeemed a total of approximately $90.0 million principal amount of the 3¾% Convertible Senior Notes, in a series of privately negotiated transactions. As a result of the early redemption, the Company recorded a $52.8 million loss on debt extinguishment during the quarter ended March 27, 2008. In connection with the early redemption, the Company received net proceeds of approximately $13.7 million from Credit Suisse attributable to the convertible note hedge (the 2003 Convertible Note Hedge) and the warrant (the 2003 Warrant) associated with the 3¾% Convertible Senior Notes. Such proceeds were recorded as an increase to additional paid-in capital. In connection with the final maturity of the 3¾% Convertible Senior Notes on May 15, 2008, holders of the remaining $33.7 million in principal amount exercised their conversion rights. The Company elected to settle these conversions entirely in cash for approximately $51.4 million using the remaining proceeds from the issuance of the 6¼% Convertible Senior Notes. As a result of these conversions, the Company recorded a $17.7 million loss on debt extinguishment during the quarter ended June 26, 2008. In connection with these conversions, the Company received net proceeds of approximately $5.2 million from Credit Suisse attributable to the convertible note hedge and warrant transactions associated with the 3¾% Convertible Senior Notes. Such proceeds were also recorded as an increase to additional paid-in capital.

Regal Cinemas Fifth Amended and Restated Credit Agreement On October 27, 2006, Regal Cinemas entered into a fifth amended and restated credit agreement (the Amended Senior Credit Facility) with Credit Suisse, Cayman Islands Branch (as successor to Credit Suisse First Boston), as Administrative Agent and the other lenders party thereto, which consists of a term loan facility (the Term Facility) in an aggregate original principal amount of $1,700.0 million and a revolving credit facility (the Revolving Facility) in an aggregate principal amount of up to $100.0 million. Due to the of recent bankruptcy filings by Lehman Brothers Holdings Inc. (Lehman) and certain of its affiliates and the sudden deterioration in the credit standing of the Lehman affiliate party to our Revolving Facility, the aggregate principal amount available for drawing under the Revolving Facility was reduced by $5.0 million to $95.0 million. The Revolving Facility has a separate sublimit of $10.0 million for short-term loans and a sublimit of $30.0 million for letters of credit.

The Term Facility will mature on October 27, 2013 and the Revolving Facility will mature on October 27, 2011. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of Eurodollar rate loans, at the end of each interest period, but in no event less often than every three months. The Term Facility amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility during the first six years thereof, with the balance payable in two equal installments, the first on June 30, 2013 and the second on October 27, 2013.

Borrowings under the Amended Senior Credit Facility bear interest, at Regal Cinemas option, at either a base rate or an Adjusted Eurodollar Rate (as defined in the Amended Senior Credit Facility) plus, in each case, an applicable margin. As of September 25, 2008 and December 27, 2007, borrowings of $1,670.3 million and $1,683.0 million, respectively, were outstanding under the Term Facility at an effective interest rate of 4.95% (as of September 25, 2008) and 6.09% (as of December 27, 2007), after the impact of the interest rate swaps described below is taken into account.

Under the Amended Senior Credit Facility, Regal Cinemas also established an additional term loan facility (Incremental Term Facility) solely to fund, or reimburse Regal Cinemas for funding, distributions to the Company for the purpose of redeeming, repurchasing, acquiring or otherwise settling the conversion of all or a portion of the

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3¾% Convertible Senior Notes. The Incremental Term Facility expired on May 15, 2008, the date at which the 3¾% Convertible Senior Notes matured.

The Amended Senior Credit Facility is further described in Note 5 to the consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007.

Interest Rate Swaps As described in Note 5 to the consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007, on July 13, 2004, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with final maturity terms ranging from three to five years each. On September 8, 2005, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with a maturity term of four years. These interest rate swaps were designated to hedge approximately $1,100.0 million of variable rate debt obligations. On June 30, 2007, one of our interest rate swaps designated to hedge approximately $200.0 million of variable rate debt obligations matured. On August 9, 2007, Regal Cinemas entered into two additional hedging relationships via two distinct interest rate swap agreements with maturity terms of two years each. These interest rate swaps were designated to hedge approximately $200.0 million of variable rate debt obligations. On June 30, 2008, two of our interest rate swaps designated to hedge $300.0 million of variable rate debt obligations matured.

On September 15, 2008, because of the sudden deterioration in the credit standing of the Lehman counterparty to an interest rate swap agreement designed to hedge approximately $100.0 million of variable rate debt obligations, the Company concluded that the hedging relationship was no longer expected to be highly effective in achieving offsetting cash flows. As a result, on September 15, 2008, the hedging relationship ceased to qualify for hedge accounting under Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). As of September 25, 2008, the fair value of this interest rate swap was determined to be approximately $(2.1) million, which has been recorded as a component of Other Non-Current Liabilities with an offsetting amount of approximately $(1.6) million, net of tax, recorded to Accumulated Other Comprehensive Loss. For the period from September 15, 2008 through September 25, 2008, the Company recognized $0.5 million (the change in fair value of the former hedging derivative) as a reduction of interest expense in the accompanying unaudited condensed financial statements. As described further in Note 11 Subsequent Events, on October 3, 2008, the interest rate swap effectively terminated.

As of September 25, 2008, the aggregate fair value of the other interest rate swaps was determined to be approximately $(8.6 million), which has been recorded as a component of Accrued Expenses with a corresponding amount of $(5.2 million), net of tax, recorded to Accumulated Other Comprehensive Loss. These interest rate swaps exhibited no ineffectiveness for the quarters and three quarters ended September 25, 2008 and September 27, 2007.

Other Long-Term Obligations All other long-term obligations (including the Regal Cinemas $9^{3}/_{8}$ % Senior Subordinated Notes) not explicitly discussed herein are described in Note 5 to the consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007 and incorporated by reference herein.

5. INCOME TAXES

The provision for income taxes of $21.6 million and $38.8 million for the quarters ended September 25, 2008 and September 27, 2007, respectively, reflect effective tax rates of approximately 40.6% and 40.1%, respectively. The provision for income taxes of $31.0 million and $229.5 million for the three quarters ended September 25, 2008 and September 27, 2007, respectively, reflect effective tax rates of approximately 42.2% and 40.3%, respectively. The effective tax rates for the quarters and three quarters ended September 25, 2008 and September 27, 2007 reflect the impact of certain non-deductible expenses. The increase in the effective tax rate for the quarter ended September 25, 2008 is primarily attributable to an increase in interest accrued relative to uncertain state tax positions during the quarter ended September 25, 2008. The increase in the effective tax rate for the three quarters ended September 25, 2008 is primarily attributable to the state tax effects of the $70.5 million loss ($44.1 million after related tax effects) on debt extinguishment recorded in the three quarters ended September 25, 2008 in connection with the redemption of approximately $123.7 million principal amount of the 3¾% Convertible Senior Notes and, to a lesser extent, other state tax matters.

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In assessing the realizable value 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 has recorded a valuation allowance against deferred tax assets at September 25, 2008 and December 27, 2007, totaling $10.5 million as management believes it is more likely than not that certain deferred tax assets will not be realized in future tax periods. As of September 25, 2008 and December 27, 2007, approximately $8.0 million of the valuation allowance relates to pre-acquisition deferred tax assets of Edwards and United Artists. Accordingly, future reductions in the valuation allowance associated with a change in management s determination of the Company s ability to realize these deferred tax assets will reduce recorded goodwill related to such acquisitions (see Note 10 Recent Accounting Pronouncements).

During the three quarters ended September 25, 2008, the Company reached agreement with certain state taxing authorities regarding an uncertain tax position. Settlements of the uncertain tax position resulted in payments to the taxing authorities totaling approximately $0.5 million, a reduction in the gross unrecognized tax benefits of approximately $1.6 million and a reduction in the total net unrecognized tax benefits that would affect the effective tax rate if recognized of $0.4 million. In addition, during the quarter ended September 25, 2008, the Company reduced gross unrecognized tax benefits by approximately $0.3 million as a result of the lapse of the statute of limitations on certain tax returns. As of September 25, 2008 and December 27, 2007, gross unrecognized tax benefits were $36.0 million and $37.9 million, respectively, and the total net unrecognized tax benefits that would affect the effective tax rate if recognized were $5.3 million and $5.7 million, respectively.

In conjunction with the settlements of the uncertain tax position, the Company reduced accrued gross interest and penalties by approximately $2.0 million during the three quarters ended September 25, 2008. Coupled with a $1.1 million accrual of interest on other uncertain tax positions and a reversal of accrued interest of $0.1 million associated with the lapse of the statute of limitations, the reduction in interest and penalties for the settlements has resulted in accrued gross interest and penalties of approximately $2.8 million as of September 25, 2008. As of December 27, 2007, accrued gross interest and penalties totaled approximately $3.8 million.

The Company and its subsidiaries collectively file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In June 2005, the Company was notified that the Internal Revenue Service (IRS) would examine its 2002 and 2003 federal income tax returns. During October 2005, the IRS completed its examination of the Company s federal tax returns for such years and the Company and the IRS agreed to certain adjustments to the Company s 2002 and 2003 federal tax returns. Such adjustments did not have a material impact on the Company s provision for income taxes. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2005, and with limited exceptions, is no longer subject to state income tax examinations before 2004. However, the taxing authorities still have the ability to review the propriety of tax attributes created in closed tax years if such tax attributes are utilized in an open tax year.

6. CAPITAL STOCK AND SHARE-BASED COMPENSATION

Capital Stock

As of September 25, 2008, 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, 18.0 million 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 under the trading symbol RGC. As of September 25, 2008, 129,796,761 shares of Class A common stock were outstanding. Of the authorized shares of Class B common stock, 23,708,639 shares were outstanding as of September 25, 2008, all of which are held by Anschutz Company (Anschutz). Each share of

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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 is 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 September 25, 2008. The Class A common stock is entitled to one vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. 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 Note 10 to the financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007.

Share Repurchase Program

During 2004, the Company s board of directors authorized a share repurchase program, which provided for the authorization to repurchase up to $50.0 million of the Company s outstanding Class A common stock within a twelve month period. During the quarter ended June 30, 2005, the Company repurchased 520,386 shares of its outstanding Class A common stock at an aggregate cost of approximately $10.0 million. The Company s board of directors extended the share repurchase program during the fiscal year ended December 27, 2007 for an additional twelve month period. The share repurchase program expired on September 30, 2008. The Company made no repurchases of its outstanding Class A common stock during the quarters and three quarters ended September 25, 2008 and September 27, 2007. Treasury shares are retired upon repurchase. At retirement, the Company records treasury stock purchases at cost with any excess of cost over par value recorded as a reduction of additional paid-in capital.

Warrants

Other than disclosed in Note 4 Debt Obligations and Note 9 Earnings Per Share, no warrants to acquire the Company s Class A or Class B common stock were outstanding as of September 25, 2008.

Share-Based Compensation

In 2002, the Company established the 2002 Stock Incentive Plan (the Incentive Plan) for a total of 11,194,354 authorized shares, which provides for the granting of incentive stock options and non-qualified stock options to officers, employees and consultants of the Company. As described below under Restricted Stock and Performance Share Units, the Incentive Plan also provides for grants of restricted stock and performance shares that are subject to restrictions and risks of forfeiture. Readers should refer to Note 10 to the financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007 for additional information related to these awards and the Incentive Plan.

Stock Options

In connection with the July 1, 2003, June 2, 2004 and April 13, 2007 extraordinary cash dividends and pursuant to the antidilution adjustment terms of the 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 prevent dilution and restore their economic position to that existing immediately before the extraordinary dividends. The antidilution adjustments made with respect to such options resulted in a decrease in the range of exercise prices, from $2.4407 to $16.1768 per share, an increase in the aggregate number of shares issuable upon exercise of such options by 5,185,100, and an increase in the total number of authorized shares under the Incentive Plan to 18,269,213 (after giving effect to the May 11, 2005 amendment to the Incentive Plan, which increased the total number of shares of Class A common stock authorized for issuance under the Incentive Plan by 1,889,759 shares). As of September 25, 2008 and after giving effect to the antidilution adjustments and the May 11, 2005 amendment to the Incentive Plan, options to purchase a total of 593,264 shares of Class A common stock were outstanding under the Incentive Plan, and 2,652,546 shares remain available for future issuance under the Incentive Plan. Stock option information presented herein has been adjusted to give effect to the extraordinary dividends. There were no accounting consequences for changes made to reduce the exercise prices and increase the number of shares underlying options

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as a result of the extraordinary cash dividends because (1) the aggregate intrinsic value of the awards immediately after the extraordinary dividends was not greater than the aggregate intrinsic value of the awards immediately before the extraordinary dividends and (2) the ratio of the exercise price per share to the market value per share was not reduced.

There were no stock options granted during the quarters and three quarters ended September 25, 2008 and September 27, 2007. During the quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $0.1 million of share-based compensation expense related to stock options. During the three quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $0.2 million and $1.3 million, respectively, of share-based compensation expense related to stock options. Such expense is presented as a component of general and administrative expenses for the quarters and three quarters ended September 25, 2008 and September 27, 2007. At September 25, 2008, there was $0.3 million of unrecognized compensation cost related to share-based payments.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the stock is sold over the exercise price of the options. In accordance with SFAS No. 123R (revised), Shared-Based Payment (SFAS 123R), we are required to report excess tax benefits from the award of equity instruments as financing cash flows. Excess tax benefits are recorded when a deduction reported for tax return purposes for an award of equity instruments exceeds the cumulative compensation cost for the instruments recognized for financial reporting purposes. For the three quarters ended September 25, 2008, our unaudited condensed consolidated statement of cash flows reflects $0.2 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were $0.5 million for the three quarters ended September 25, 2008. The actual income tax benefit realized from stock option exercises was $0.2 million for the same period. For the three quarters ended September 27, 2007, our unaudited condensed consolidated statement of cash flows reflects $14.4 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were $15.3 million for the three quarters ended September 27, 2007. The actual income tax benefit realized from stock option exercises was $17.0 million for the same period.

The following table represents stock option activity for the three quarters ended September 25, 2008:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Yrs.)
Outstanding options at beginning of period	655,965	$ 9.30	4.78
Granted			
Exercised	(58,895)	8.46	
Forfeited	(3,806)	16.18	
Outstanding options at end of period	593,264	9.34	4.05
Exercisable options at end of period	567,534	9.03	3.97

Restricted Stock

As described in Note 9 to the financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007, the Company maintains the Incentive Plan which provides for restricted stock awards to officers, directors and key employees. Under the Incentive Plan, shares of Class A common stock of the Company may be granted at nominal cost to officers, directors and key employees, subject to a continued employment restriction. On January 16, 2008, 229,572 shares were granted under the Incentive Plan at nominal cost to officers, key employees and certain directors. The closing price of our Class A common stock on the date of grant was $17.07 per share.

During the quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $0.9 million and $0.7 million, respectively, of share-based compensation expense related to restricted share grants. During the three quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $2.8 million and $2.2 million, respectively, of share-based compensation expense related to restricted share grants. Such expense is presented as a component of general and administrative expenses. The compensation expense for these awards was determined based on the market price of our stock at the date of grant

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applied to the total numbers of shares that were anticipated to fully vest. As of September 25, 2008, we have unrecognized compensation expense of $6.3 million associated with restricted stock awards.

The following table represents the restricted stock activity for the three quarters ended September 25, 2008:

	Three Quarters Ended September 25, 2008
Unvested at beginning of period	459,848
Granted during the period	229,572
Vested during the period	(40,284)
Forfeited during the period	(10,293)
Unvested at end of period	638,843

During the three quarters ended September 25, 2008, the Company paid three cash dividends of $0.30 on each share of outstanding restricted stock totaling approximately $0.6 million. During the three quarters ended September 27, 2007, the Company paid three cash dividends of $0.30 on each share of outstanding restricted stock totaling approximately $0.4 million. In addition, on March 5, 2007, Regal declared an extraordinary cash dividend of $2.00 per share on each outstanding restricted share. Restricted stockholders of record at the close of business on March 28, 2007 were paid this dividend on April 13, 2007. The restricted stock dividend was recorded as a $1.0 million increase to stockholders deficit upon declaration.

Performance Share Units

As described in Note 9 to the financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007, the Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Company and each grantee of performance share units (each a Performance Agreement). Pursuant to the terms and conditions of the Performance Agreement, grantees will be issued shares of restricted common stock of the Company in an amount determined by the attainment of Company performance criteria set forth in the Performance Agreement. The shares of restricted common stock received upon attainment of the performance criteria will be subject to further vesting over a period of time, provided the grantee remains a service provider to the Company during such period.

On January 16, 2008, 252,721 performance shares were granted under the Incentive Plan at nominal cost to officers and key employees. The closing price of our Class A common stock on the date of grant was $17.07 per share. Each performance share represents the right to receive from 0% to 175% of the target numbers of shares of restricted common stock. The number of shares of restricted common stock earned will be determined by comparing the actual average annual total shareholder return (stock price appreciation plus dividend yield) attained (TSRA) on Regal s Class A common stock on January 16, 2011 (the third anniversary of the grant date) to the target TSRA set forth in the Performance Agreement. A target number of shares of restricted common stock to be earned by each eligible grantee has been established with respect to the 2008 performance share grants and is primarily based on the grantee s employee classification and base compensation, referred to as target long-term incentive (Target LTI) below. In addition, these awards are subject to an additional one-year vesting requirement. The Company has developed a performance range around the target TSRA and the number of shares of restricted stock that will be issued will be based on actual TSRA, according to the following schedule:

Average Annual Shareholder Return	**Target Shares of Restricted Stock**
12.5% < TSRA < 15.0%	50% of Target LTI
15.0% < TSRA < 17.5%	100% of Target LTI
17.5% < TSRA < 20.0%	125% of Target LTI
20.0% < TSRA < 25.0%	150% of Target LTI
25.0% < TSRA	175% of Target LTI

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Since the performance shares contain a market condition which should be reflected in the grant date fair value of an award in accordance with the provisions of SFAS 123R, the performance shares were measured on the date of grant using a Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair market value for the performance shares granted. On January 16, 2008, the aggregate fair value of the 2008 performance share awards was determined to be $1.6 million, which includes related dividends on shares ultimately earned and paid on January 16, 2011. The fair value of the performance share awards will be amortized as compensation expense over the expected term of the awards. The key assumptions used for valuing the 2008 performance share awards follow:

Measurement date		1/16/2008
Measurement date closing stock price	$	17.07
Expected volatility		19.98%
Risk-free interest rate		2.55%
Expected dividend yield		7.03%

Expected volatility is based on historical volatility of the Company s dividend adjusted common stock price measured daily over a three year period ending on January 16, 2008. The risk-free interest rate is set equal to the yield on three-year (constant maturity) U.S. Government bonds as of January 16, 2008. The expected dividend yield assumption is based on the Company s history and expectation of future dividend payouts. The dividend yield is included in the calculation of returns for measurement against the performance goals defined above.

During the quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $0.5 million and $0.3 million, respectively, of share-based compensation expense related to performance share grants. During the three quarters ended September 25, 2008 and September 27, 2007, the Company recognized approximately $1.3 million and $1.1 million, respectively, of share-based compensation expense related to performance share grants. Such expense is presented as a component of general and administrative expenses.

The following table summarizes information about the Company s number of performance shares for the three quarters ended September 25, 2008:

	Three Quarters Ended September 25, 2008
Unvested at beginning of period	567,632
Granted (based on target TSRA)	252,721
Forfeited	(25,712)
Unvested at end of period	794,641

The above table does not reflect the maximum or minimum number of shares of restricted stock contingently issuable. An additional 595,980 shares of restricted stock could be issued providing the maximum TSRA is met.

7. COMMITMENTS AND CONTINGENCIES

Acquisition of Consolidated Theatres

As described in Note 2 Recent Acquisitions, in conjunction with the closing of Consolidated Theatres, we entered into a final judgment with the Antitrust Division of the DOJ, which requires us to hold separate and divest ourselves of four theaters comprising 52 screens in North Carolina. During the quarter ended September 25, 2008, the Company entered into an agreement to sell three of the four theatres. As described further in Note 11 Subsequent Events, on October 23, 2008 the Company completed its divestiture of the three theatres.

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Sale-Leaseback Transactions

The Company s sale-leaseback transactions are described in Note 6 to the consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 27, 2007.

Other

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

In prior years, private litigants and the DOJ had filed claims against us or our subsidiaries alleging that a number of our theatres with stadium seating violated the ADA because these theatres allegedly failed to provide wheelchair-bound patrons with lines of sight comparable to those available to other members of the general public and denied persons in wheelchairs access to the stadium portion of the theatres. On June 8, 2005, Regal reached an agreement with the DOJ resolving and dismissing the private litigants claims and all claims made by the United States under the ADA. From time to time, we receive claims that the stadium seating offered by our theatres allegedly violates the ADA. In these instances, we seek to resolve or dismiss these claims based on the terms of the DOJ settlement or under applicable ADA standards.

In addition, we, from time to time, receive letters from the attorneys general of states in which we operate theatres regarding investigation into the accessibility of our theatres to persons with visual or hearing impairments. We believe we provide the members of the visually and hearing impaired communities with reasonable access to the movie-going experience.

We believe that we are in substantial compliance with all current applicable regulations relating to accommodations for the disabled. We intend to comply with future regulations in this regard, and except as set forth above, we do not currently anticipate that compliance will require us to expend substantial funds.

Our theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship and health and sanitation requirements. We believe that we are in substantial compliance with all of such laws.

On or about January 3, 2007, suit was initiated against the Company in Federal Court, Central District of California, styled, *Bateman, individually and on behalf of all others similarly situated, v. Regal Cinemas, Inc. and United Artists Theatre Circuit, Inc., et al.,* alleging violations of the Fair and Accurate Transaction Act, for allegedly printing expiration dates and credit card numbers on customer receipts. The plaintiff seeks to represent a class of individuals allegedly harmed by this alleged practice. The complaint seeks actual damages and/or statutory damages of at least one hundred dollars or up to one thousand dollars per violation, and attorney fees and costs. We believe we are in substantial

compliance with all applicable federal and state laws governing these trade practices.

RCI is a defendant in a few remaining claims arising from its decision to file voluntary petitions for bankruptcy relief. We and our various subsidiary corporations are also presently involved in various legal proceedings arising in the ordinary course of our business operations, including personal injury claims, employment and contractual matters and other disputes. We believe we have adequately provided for the settlement of such matters. Management believes any additional liability with respect to these claims and disputes will not be material in the aggregate to our consolidated financial position, results of operations or cash flows.

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8. RELATED PARTY TRANSACTIONS

During the quarter ended September 25, 2008, Regal Cinemas incurred capitalized costs of $0.1 million to an Anschutz affiliate, Qwest Communications and its subsidiaries, for network infrastructure upgrades. During the quarters ended September 25, 2008 and September 27, 2007, Regal Cinemas incurred approximately $1.3 million and $1.0 million, respectively, of expenses payable to Qwest Communications and its subsidiaries for telecommunication and network monitoring services. In addition, Regal Cinemas incurred approximately $0.1 million of expenses payable to Anschutz affiliates for certain advertising services during the quarters ended September 25, 2008 and September 27, 2007. Also during the quarters ended September 25, 2008 and September 27, 2007, Regal Cinemas received less than $0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the three quarters ended September 25, 2008, Regal Cinemas incurred capitalized costs of $12.2 million to Qwest Communications and its subsidiaries for network infrastructure upgrades. Regal Cinemas incurred approximately $4.1 million and $3.1 million, respectively, of expenses payable to Qwest Communications and its subsidiaries for telecommunication and network monitoring services during the three quarters ended September 25, 2008 and September 27, 2007. In addition, Regal Cinemas incurred approximately $0.2 million of expenses payable to Anschutz affiliates for certain advertising services during the three quarters ended September 25, 2008 and September 27, 2007. Also during the three quarters ended September 25, 2008 and September 27, 2007, Regal Cinemas received less than $0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the quarter ended June 26, 2008, Regal entered into a management agreement with an Anschutz affiliate to manage a Los Angeles, California theatre site on their behalf. The ultimate financial terms of the management agreement were approved by the Company s board of directors, and the management fee payable to Regal will be based on a percentage of revenues generated by the theatre, subject to a minimum annual fee payable to Regal regardless of revenues generated. The theatre is scheduled to open in late 2009.

9. EARNINGS PER SHARE

We compute net income per share of Class A and Class B common stock in accordance with SFAS No. 128, Earnings per Share (SFAS 128) using the two-class method. Under the provisions of SFAS 128, basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, common stock equivalents outstanding during the period. Potential common stock equivalents consist of the incremental common shares issuable upon the exercise of common stock options, restricted stock and performance shares, the conversion spread on the 3¾% Convertible Senior Notes, the 2003 Warrant, the assumed conversion of the 6¼% Convertible Senior Notes and the 2008 Warrant issued in connection with the 6¼% Convertible Senior Notes. The dilutive effect of outstanding stock options, restricted shares and performance shares, the conversion spread on the 3¾% Convertible Senior Notes, the 2003 Warrant and the 2008 Warrant issued in connection with the 6¼% Convertible Senior Notes is reflected in diluted earnings per share by application of the treasury-stock method. The dilutive effect of assumed conversion of the 6¼% Convertible Senior Notes is reflected in diluted earnings per share by application of the if-converted method. In addition, the computation of the diluted net income per share of Class A common stock assumes the conversion of Class B common stock, while the diluted net income per share of Class B common stock does not assume the conversion of those shares.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. In accordance with EITF 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, the undistributed earnings for the periods presented are allocated based on the contractual participation rights of the Class A and Class B common shares as if the earnings for the periods presented had been distributed. As the liquidation and dividend rights are identical, the undistributed

earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in the computation of the diluted net income per share of Class A common stock, the undistributed earnings are equal to net income for that computation.

The following table sets forth the computation of basic and diluted net income per share of Class A and Class B common stock (in millions, except share and per share data):

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	Quarter ended September 25, 2008		Quarter ended September 27, 2007		Three Quarters Ended September 25, 2008		Three Quarters Ended September 27, 2007	
	Class A	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**
Basic net income per share:								
Numerator:								
Allocation of undistributed earnings	$ 26.7	$ 4.9	$ 49.0	$ 9.0	$ 35.8	$ 6.6	$ 286.5	$ 53.3
Denominator:								
Weighted average common shares outstanding (in thousands)	129,155	23,709	128,974	23,709	129,132	23,709	127,830	23,760
Basic net income per share	$ 0.21	$ 0.21	$ 0.38	$ 0.38	$ 0.28	$ 0.28	$ 2.24	$ 2.24
Diluted net income per share:								
Numerator:								
Allocation of undistributed earnings for basic computation	$ 26.7	$ 4.9	$ 49.0	$ 9.0	$ 35.8	$ 6.6	$ 286.5	$ 53.3
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	4.9		9.0		6.6		53.3	
Reallocation of undistributed earnings to Class B shares for effect of other dilutive securities				(0.4)				(2.6)
Interest expense on 6¼% Convertible Senior Notes	(1)				(1)			
Allocation of undistributed earnings	$ 31.6	$ 4.9	$ 58.0	$ 8.6	$ 42.4	$ 6.6	$ 339.8	$ 50.7
Denominator:								
Number of shares used in basic computation (in thousands)	129,155	23,709	128,974	23,709	129,132	23,709	127,830	23,760
Weighted average effect of dilutive securities (in thousands)								
Add:								
Conversion of Class B to Class A common shares outstanding	23,709		23,709		23,709		23,760	
Stock options	185		267		133		825	
Restricted stock and performance shares	790		600		534		633	
Conversion spread on 3¾% Convertible Senior Notes and the 2003 Warrant			6,982		291		6,249	
Conversion of 6¼% Convertible Senior Notes	(1)				(1)			
Number of shares used in per share computations (in thousands)	153,839	23,709	160,532	23,709	153,799	23,709	159,297	23,760
Diluted net income per share	$ 0.21	$ 0.21	$ 0.36	$ 0.36	$ 0.28	$ 0.28	$ 2.13	$ 2.13

(1) No amount reported as the impact on net income per share of Class A common stock would have been antidilutive. There were no antidilutive common stock equivalents outstanding as of September 27, 2007.

10. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). Among other requirements, SFAS 157 defines fair value and establishes a framework for measuring fair value and also expands disclosure about the use of fair value to measure assets and liabilities. The adoption of SFAS 157 did not have a material impact on the Company s consolidated financial position, cash flows and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to choose to measure certain financial instruments and other eligible items at fair value when the items are not otherwise currently required to be measured at fair value. Under SFAS 159, the decision to measure items at fair value is made at specified election dates on an irrevocable instrument-by-instrument basis. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront cost and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish, on the face of the statement

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of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. The adoption of SFAS 159 did not have a material impact on the Company s consolidated financial position, cash flows and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS 141(R)). SFAS 141(R) requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). SFAS 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS 141(R) is required for combinations after December 15, 2008. Early adoption and retroactive application of SFAS 141(R) to fiscal years preceding the effective date are not permitted. The Company is evaluating the adoption of SFAS 141(R) and its impact on the Company s consolidated financial position, cash flows and results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains it controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is evaluating the adoption of SFAS 160 and its impact on the Company s consolidated financial position, cash flows and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) which amends SFAS 133, and requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect a company s financial position, financial performance, and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk, and the company s strategies and objectives for using derivative instruments. The Statement expands the current disclosure framework in SFAS 133. SFAS 161 is effective prospectively for annual or interim reporting periods beginning on or after November 15, 2008.

In May 2008, the FASB issued FASB Staff Position APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (FSP 14-a). FSP 14-a specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate on the instrument s issuance date when interest cost is recognized in subsequent periods. The 6¼% Convertible Senior Notes and the 3¾% Convertible Senior Notes are within the scope of FSP 14-a; therefore, we will be required to record the debt portions of the 6¼% Convertible Senior Notes and the 3¾% Convertible Senior Notes at their fair values as of the dates of issuance and amortize the discount into interest expense over the life of the debt during the periods in which the debt instruments are outstanding. However, there will be no effect on our cash interest payments. A cumulative effect of a change in accounting principle on periods prior to those presented shall be recognized as of the beginning of the first period presented with an offsetting adjustment to retained earnings. FSP 14-a is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and will be applied retrospectively to all periods presented. Accordingly, the adoption of FSP 14-a will be reflected in our consolidated financial statements beginning with the first fiscal quarter of 2009. The Company is currently evaluating the adoption of FSP 14-a and its impact on its consolidated financial position, cash flows and results of operations.

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11. SUBSEQUENT EVENTS

On October 3, 2008, the Lehman counterparty to an interest rate swap agreement designed to hedge approximately $100.0 million of variable rate debt obligations filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As a result, an event of default occurred under the provisions of the interest rate swap agreement between us and the Lehman counterparty, which effectively terminated the interest rate swap. The Company is in the process of determining a final termination value associated with the interest rate swap, but does not expect the termination value to be materially different from the liability recorded (approximately $2.1 million) as of September 25, 2008.

On October 23, 2008, the Company declared a cash dividend of $0.30 per share on each share of the Company s Class A and Class B common stock (including outstanding restricted stock), payable on December 18, 2008, to stockholders of record on December 10, 2008.

Also on October 23, 2008, the Company completed its divestiture of three theatres comprising 42 screens in North Carolina pursuant to a final judgment with the DOJ described further in Note 2 Recent Acquisitions.

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 February 26, 2008 with the Commission (File No. 001-31315) for the Company s fiscal year ended December 27, 2007. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.

The Company

We conduct our operations through our wholly owned subsidiaries. We operate the largest and most geographically diverse theatre circuit in the United States, consisting of 6,782 screens in 551 theatres in 39 states and the District of Columbia as of September 25, 2008. We believe the size, reach and quality of our theatre circuit provide an exceptional platform to realize economies of scale from our theatre operations. We also maintain an investment in National CineMedia, which has primarily concentrated its efforts on the expansion of in-theatre advertising and the creation of complementary business lines that leverage the existing operating personnel, asset and customer bases of its theatrical exhibition partners, which includes us, AMC and Cinemark. The Company manages its business under one reportable segment: theatre exhibition operations.

We generate revenues primarily from admissions and concession sales. Additional revenues are generated by our vendor marketing programs and electronic video games located adjacent to the lobbies of certain of our theatres. In addition, National CineMedia provides us with a theatre access fee associated with revenues generated from its sale of on-screen advertising, rental of theatres for business meetings and concerts and other events. Film rental costs depend on a variety of factors including the prospects of a film and the popularity of a film and such film rental costs generally increase as the admissions revenues generated by a film increase. Because we purchase certain concession items, such as fountain drinks and popcorn, in bulk and not pre-packaged for individual servings, we are able to improve our margins by negotiating volume discounts. Other operating expenses consist primarily of theatre labor and occupancy costs.

On February 12, 2007, we, along with AMC and Cinemark, formed a joint venture company DCIP, to explore the possibility of implementing digital cinema in our theatres and to create a financing model and establish agreements with major motion picture studios for the implementation of digital cinema. Future digital cinema

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developments will be managed by DCIP, subject to the approval of us, AMC and Cinemark. Each of Regal, AMC and Cinemark has an equal ownership interest in DCIP. DCIP is continuing to work with film studios and financial institutions to negotiate and finalize the related financing plans that would provide for a studio-financed conversion to digital projection. Upon completion of the related studio agreements and financing, we are prepared to begin converting our existing theatres from 35 mm film projection to digital projection and intend to complete the conversion of our entire circuit in approximately three to four years.

On February 13, 2007, NCM, Inc., a newly formed entity that serves as the sole manager of National CineMedia, completed an IPO of its common stock. In connection with the series of transactions completed in connection with the IPO, Regal received gross cash proceeds totaling approximately $628.3 million and retained a 22.6% interest in NCM, Inc. After the payment of current taxes, net cash proceeds from these transactions totaled approximately $447.4 million. As discussed further in Note 3 Investment in National CineMedia, LLC, as a result of the transactions completed in connection with the IPO, the Company recognized a gain of approximately $350.7 million during the quarter ended March 29, 2007.

During the three quarters ended September 27, 2007, the Company sold its equity interest in Fandango for proceeds of $28.6 million. As a result of this transaction, the Company recognized a gain on the sale of approximately $28.6 million ($17.2 million after tax). In connection with the sale, the Company agreed to amend its existing contract with Fandango in exchange for an amendment fee totaling $5.5 million. This amount has been recorded as deferred revenue and will be amortized to revenue on a straight-line basis over the six year term of the amendment.

On March 10, 2008, Regal issued $200.0 million aggregate principal amount of the 6¼% Convertible Senior Notes. Concurrent with the issuance of the 6¼% 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 6¼% Convertible Senior Notes into shares of our Class A common stock. The net cost of the convertible note hedge and warrant transactions was approximately $6.6 million and is included as a component of equity in the accompanying unaudited condensed consolidated balance sheet as of September 25, 2008. See Note 4 Debt Obligations for further description of the 6¼% Convertible Senior Notes and the related convertible note hedge and warrant transactions. The Company used cash on hand and a portion of the net proceeds from the issuance of the 6¼% Convertible Senior Notes to redeem approximately $90.0 million principal amount of the 3¾% Convertible Senior Notes, in a series of privately negotiated transactions. As a result of the early redemption, the Company recorded a $52.8 million loss on debt extinguishment during the quarter ended March 27, 2008. In connection with the early redemption, the Company received net proceeds of approximately $13.7 million from Credit Suisse attributable to the convertible note hedge and warrant transactions associated with the 3¾% Convertible Senior Notes described further in Note 4 Debt Obligations. Such proceeds were recorded as an increase to additional paid-in capital. In connection with the final maturity of the 3¾% Convertible Senior Notes on May 15, 2008, holders of the remaining $33.7 million in principal amount exercised their conversion rights. The Company elected to settle these conversions entirely in cash for approximately $51.4 million using the remaining proceeds from the issuance of the 6¼% Convertible Senior Notes. As a result of these conversions, the Company recorded a $17.7 million loss on debt extinguishment during the quarter ended June 26, 2008. In connection with these conversions, the Company received net proceeds of approximately $5.2 million from Credit Suisse attributable to the convertible note hedge and warrant transactions associated with the 3¾% Convertible Senior Notes. Such proceeds were also recorded as an increase to additional paid-in capital. See Note 4 Debt Obligations for further discussion of this transaction.

On April 30, 2008, the Company acquired Consolidated Theatres, which holds a total of 28 theatres with 400 screens in Georgia, Maryland, North Carolina, South Carolina, Tennessee and Virginia. The total net cash purchase price for the acquisition was approximately $209.3 million, subject to post-closing adjustments. The results of operations of the acquired theatres have been included in the Company s consolidated financial statements for periods subsequent to the acquisition date. In conjunction with the closing, we entered into a final judgment with the Antitrust Division of the DOJ, which requires us to hold separate and divest ourselves of four theaters comprising 52 screens in North Carolina. During the quarter ended September 25, 2008, the Company entered into an agreement to sell three of the four theatres. As a result, the Company recorded impairment charges of approximately $7.9 million during the quarter ended September 25, 2008 related to these theatres. See Note 2 Recent Acquisitions for further discussion of this acquisition.

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As described more fully in Note 3 Investment in National CineMedia, LLC, on April 9, 2008, we received approximately 0.8 million additional common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. On May 29, 2008, we received an additional 2.9 million common units of National CineMedia in accordance with the adjustment provisions of the Common Unit Adjustment Agreement for our acquisition of Consolidated Theatres. These adjustments increased the number of National CineMedia common units held by us to approximately 24.9 million and as a result, on a fully diluted basis, we own a 25.1% interest in NCM, Inc. as of September 25, 2008.

During the three quarters ended September 25, 2008, Regal paid three quarterly cash dividends of $0.30 on each outstanding share of the Company s Class A and Class B common stock, or approximately $138.1 million in the aggregate.

For a summary of industry trends as well as other risks and uncertainties relevant to the Company, see Business Industry Overview and Trends and Risk Factors contained in our annual report on Form 10-K for the fiscal year ended December 27, 2007 and Results of Operations below.

Results of Operations

Based on our review of industry sources, national box office revenues for the time period that corresponds to Regal s third fiscal quarter of 2008 were estimated to have decreased by approximately 3% in comparison to the third fiscal quarter of 2007. The industry s box office results were negatively impacted by difficult comparisons generated by high profile films released in the third quarter of 2007, including *Transformers, Harry Potter & the Order of The Phoenix, The Bourne Ultimatum* and *Ratatouille*, partially offset by ticket price increases and strong attendance from key third quarter 2008 film releases, such as *The Dark Knight*.

Our total revenues for the quarter ended September 25, 2008 (Q3 2008 Period) were $757.6 million and consisted of $516.8 million of admissions revenues, $209.6 million of concessions revenues and $31.2 million of other operating revenues, and increased slightly from total revenues of $752.9 million for the quarter ended September 27, 2007 (Q3 2007 Period).

Our Q3 2008 Period admissions revenues increased 0.2% from the Q3 2007 Period. A 4.0% increase in our average ticket price, largely offset by an attendance decrease of 3.6%, led to the slight net increase in the Q3 2008 Period admissions revenues. We believe that the overall decrease in attendance during the Q3 2008 Period was primarily a result of the decline in attendance among the top tier films exhibited during the period. Attendance for the Q3 2008 Period was bolstered by the addition of 523 new screens added since the end of the Q3 2007 Period, including the 400 screens acquired with Consolidated Theatres on April 30, 2008, partially offset by the closure of 96 underperforming screens subsequent to the end of the Q3 2007 period. Price increases identified during our ongoing periodic pricing reviews (which include analysis of various factors including general inflationary trends and local market conditions) along with the mix of film product exhibited during the Q3 2008 Period were the primary drivers of the increase in our Q3 2008 Period average ticket price. Based on our review of certain industry sources, the decrease in our admissions revenues on a per screen basis was slightly greater than the industry s results for the Q3 2008 Period as compared to the Q3 2007 Period. We believe the greater than industry decline in admissions revenues on a per screen basis was primarily attributable to the Company s out-performance on high profile films exhibited during the Q3 2007 Period, our increase in ticket prices as compared to the industry during the Q3 2008 Period and the Q3 2007 Period, partially offset by greater than industry box office per screen growth from premium priced films exhibited during the Q3 2008 Period.

In addition, during the Q3 2008 Period, we experienced a slight decline in concessions revenues and an increase in other operating revenues. The decrease in concessions revenues during the Q3 2008 Period was due to the aforementioned Q3 2008 Period decrease in attendance, partially offset by an increase in average concessions revenues per patron. Average concessions revenues per patron during the Q3 2008 Period were positively impacted by price increases effected during the Q3 2008 Period. The increase in other operating revenues during the Q3 2008 Period was primarily attributable to an increase in National CineMedia revenues and an increase in revenues related to unredeemed gift certificates and discount tickets.

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Income from operations totaled $75.7 million during the Q3 2008 Period, which represents a decrease of $41.7 million, or 35.5%, from $117.4 million in the Q3 2007 Period. The decrease in income from operations during the Q3 2008 Period was primarily attributable to increases in certain operating expense items described in further detail below, partially offset by an increase in other operating revenues. The Company reported net income of $31.6 million in the Q3 2008 Period compared to net income of $58.0 million in the Q3 2007 Period. Diluted earnings per share of Class A and Class B common stock was $0.21 in the Q3 2008 Period compared to $0.36 during the Q3 2007 Period. The decreases in net income and diluted earnings per share of Class A and Class B common stock were primarily due to the decline in operating income during the Q3 2008 Period.

During the Q3 2008 Period and the three quarters ended September 25, 2008 (the Fiscal 2008 Period), we continued to make progress with respect to the following strategic initiatives:

- We demonstrated our commitment to providing incremental value to our stockholders. Total cash dividends distributed to our stockholders during the Fiscal 2008 Period totaled approximately $138.1 million.
- On April 30, 3008, the Company acquired Consolidated Theatres which holds a total of 28 theatres with 400 screens in Georgia, Maryland, North Carolina, South Carolina, Tennessee and Virginia, for a total net cash purchase price of approximately $209.3 million, subject to post-closing adjustments.
- In addition to the acquisition of Consolidated Theatres during the Fiscal 2008 Period, we opened 5 new theatres with 65 screens, added 12 screens through expansion and closed 9 underperforming theatres with 83 screens, ending the Fiscal 2008 Period with 551 theaters and 6,782 screens.
- Finally, we entered into an agreement to expand our IMAX presence by agreeing to install 31 additional IMAX digital projection systems by the end of 2010. We continue to remain optimistic regarding the benefits of digital cinema primarily as it relates to future growth potential associated with 3D film product and other 3D content and are pleased to see continued support of 3D and IMAX film product by the major studios.

The following table sets forth the percentage of total revenues represented by certain items included in our unaudited condensed consolidated statements of income for the Q3 2008 Period, the Q3 2007 Period, the Fiscal 2008 Period and the three quarters ended September 27, 2007 (the Fiscal 2007 Period) (dollars and attendance in millions, except average ticket prices and average concessions per patron):

	Q3 2008 Period		Q3 2007 Period		Fiscal 2008 Period		Fiscal 2007 Period	
	$	**% of Revenue**	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**% of Revenue**
Revenues:								
Admissions	$ 516.8	68.2%	$ 515.8	68.5%	$ 1,404.5	68.2%	$ 1,400.4	67.9%
Concessions	209.6	27.7	210.9	28.0	564.6	27.4	576.6	28.0
Other operating revenues	31.2	4.1	26.2	3.5	91.1	4.4	84.3	4.1
Total revenues	757.6	100.0	752.9	100.0	2,060.2	100.0	2,061.3	100.0
Operating expenses:								
Film rental and advertising costs(1)	282.0	54.6	279.4	54.2	744.9	53.0	749.8	53.5
Cost of concessions(2)	30.4	14.5	29.3	13.9	78.6	13.9	82.2	14.3
Rent expense(3)	94.1	12.4	85.6	11.4	267.4	13.0	249.9	12.1
Other operating expenses(3)	197.2	26.0	183.8	24.4	546.3	26.5	524.9	25.5
General and administrative expenses (including	15.5	2.0	15.3	2.0	46.3	2.2	48.1	2.3

share-based compensation expense of $1.4 and $1.1 for the Q3 2008 Period and the Q3 2007 Period, respectively, and $4.3 and $4.6 for the Fiscal 2008 Period and the Fiscal 2007 Period, respectively)(3)								
Depreciation and amortization(3)	51.1	6.7	45.6	6.1	147.3	7.1	138.0	6.7

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Net loss (gain) on disposal and impairment of operating assets(3)	11.5	1.5&nb