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Third Quarter Highlights

Strategic Acquisitions and Proactive Management Plan Continue to Offset Impacts of Challenging Environment

- Diversified Revenue Initiatives Cover 40% of Entertainment Decline
 - Hotel Services and System Sales Revenue up 12.5%
 - Guest Entertainment Revenue Down 11.2% (3.5% Lower Occupancy)
- Total Operating Expenses Down 13.5%
- Capital Investment Down 45%

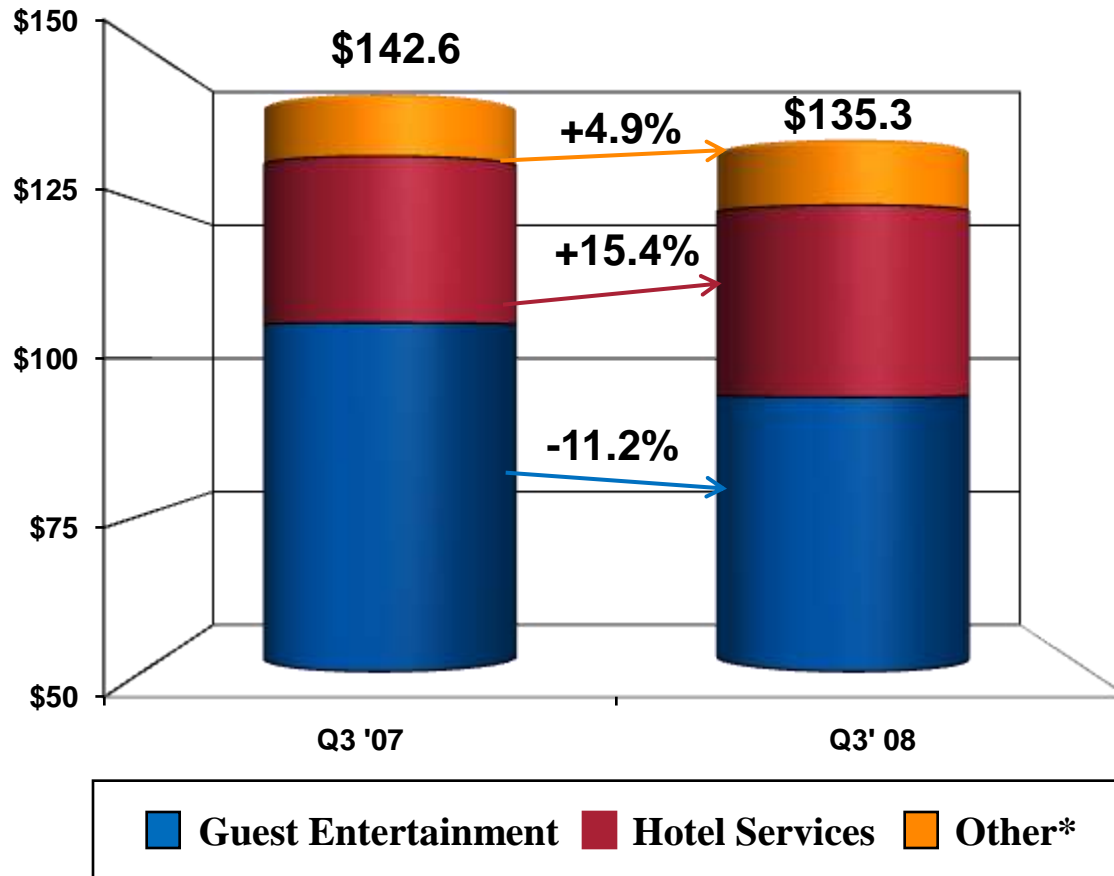
Result: Free Cash Flow* at \$6.2 Million for Quarter (vs. \$1.5 in Q3'07)

Free Cash Flow Used to Continue to Reduce Debt

- Long-Term Debt Reduced by \$6.1 Million
- Net LT Debt = \$595.5 Million (Outstanding LT Debt = \$610.4)

*Free Cash Flow equals Cash from Operations Minus Investing Activities

Diversifying Revenue Composition (\$ in millions)



➤ **30.7% of Revenue from Non-Guest Entertainment Sources**

* "Other" includes System Sales, Advertising and Other

Total Revenue Per Room Comparison

	<u>Q3 '08</u>	<u>Q3 '07</u>	Change <u>Q3 '08 vs Q3 '07</u>	
Revenue per Room				
Guest Entertainment				
Movies	\$ 15.65	\$ 17.44	\$ (1.79)	-10.3%
Other Guest Entertainment	1.20	1.62	\$ (0.42)	-25.9%
Total Guest Entertainment	16.85	19.06	\$ (2.21)	-11.6%
Hotel Services				
TV Programming	4.99	4.29	\$ 0.70	16.3%
Broadband	0.53	0.51	\$ 0.02	3.9%
Total Hotel Services	5.52	4.80	\$ 0.72	15.0%
System Sales, Advertising & Other	1.93	1.87	\$ 0.06	3.2%
Total Revenue per Room	\$ 24.30	\$ 25.73	\$ (1.43)	-5.6%

- **Hotel Services and System Sales Offset 40% of Decline in Guest Entertainment**
- **Substantial Increase in Hotel Services Revenue with Conversion to HD**
- **Guest Entertainment: Occupancy down 3.5%; Very “Cautious Consumer”**
- **Decrease in Other Guest Entertainment Primarily due to Games and Internet**

Gross Profit Per Room Comparison

	<u>Q3 '08</u>	<u>Q3 '07</u>	<u>Change</u>
Gross Profit Margin			
Guest Entertainment			
Movies	62.3%	61.7%	0.6%
Other Guest Entertainment	26.3%	36.9%	-10.6%
Total Guest Entertainment	59.8%	59.6%	0.2%
Hotel Services			
TV Programming	8.3%	2.6%	5.7%
Broadband	7.1%	16.0%	-8.9%
Total Hotel Services	8.2%	4.0%	4.2%
System Sales, Advertising & Other	24.8%	24.1%	0.7%
Total Gross Margin	45.3%	46.8%	-1.5%

- **Stable Gross Margin for Guest Entertainment**
- **Substantial Increase in TV Programming Margin**
- **Gross Profit from TV Programming up 270% - \$1.7 Million**

Operating Expenses Down 13.5% (\$ in millions)

Reductions Driven by:

- On Command Integration
- Proactive Management Plan

Operating Expense Savings Buffer Approx 80% of Gross Profit Reduction

	<u>2008</u> <u>Q3 Actual</u>	<u>2007</u> <u>Q3 Actual</u>	<u>Savings</u>	<u>% Savings</u>
Operating Expenses:				
System Operations	\$ 14.9	\$ 15.5	\$ (0.6)	4.0%
SG&A	<u>\$ 12.5</u>	<u>\$ 16.2</u>	<u>\$ (3.7)</u>	22.9%
Total	\$ 27.4	\$ 31.7	\$ (4.3)	13.5%
Annualized			\$ 17.2	

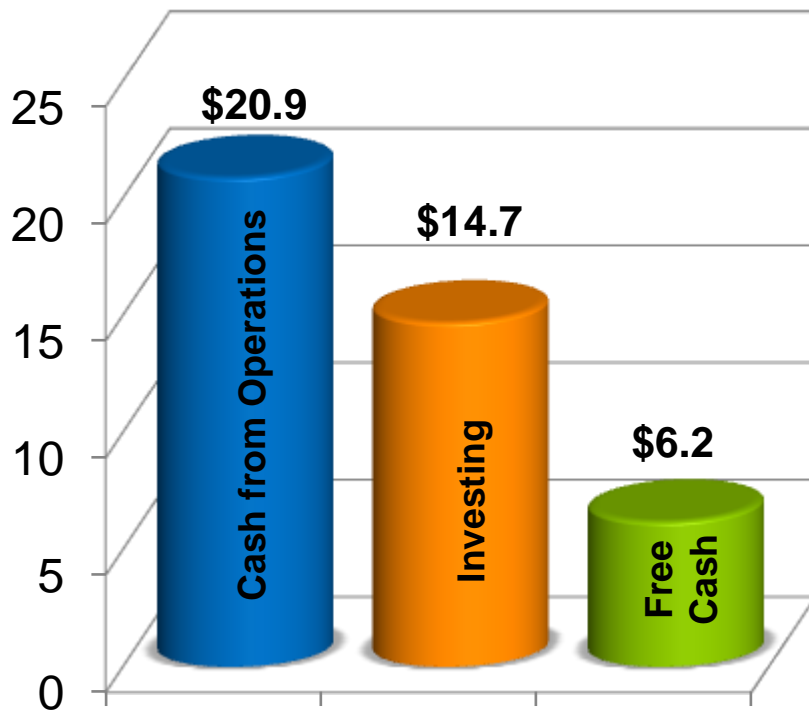
Net Loss Reduced By 45% (\$ in millions)

	Q3'08	Q3'07	Change Q3 '08 vs Q3 '07	
Guest Entertainment Gross Profit	\$ 56.1	\$ 63.0	\$ (6.9)	-11%
Other Gross Profit	5.2	3.7	1.5	41%
Total Gross Profit	\$ 61.3	\$ 66.7	\$ (5.4)	-8%
Total Operating Costs	(56.7)	(68.1)	11.4	17%
Operating Income (Loss)	\$ 4.6	\$ (1.4)	\$ 6.0	NA
Interest	10.5	11.7	(1.2)	10%
Other	0.4	(1.7)	2.0	NA
Net Income (Loss)	\$ (6.3)	\$ (11.4)	\$ 5.1	45%

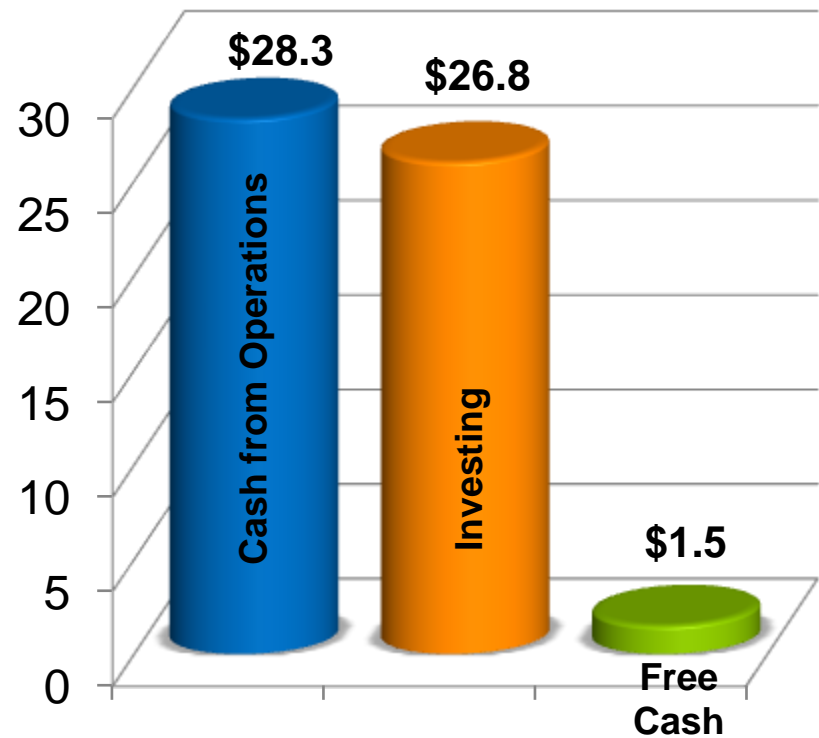
- **Reduction in Operating Costs More Than Offset Declines in Gross Profit**
- **Interest Expense Reduced by 10% (Lower Debt and Reduction in Interest Rate)**

Increase in Free Cash Flow* (\$ in millions)

Q3 2008



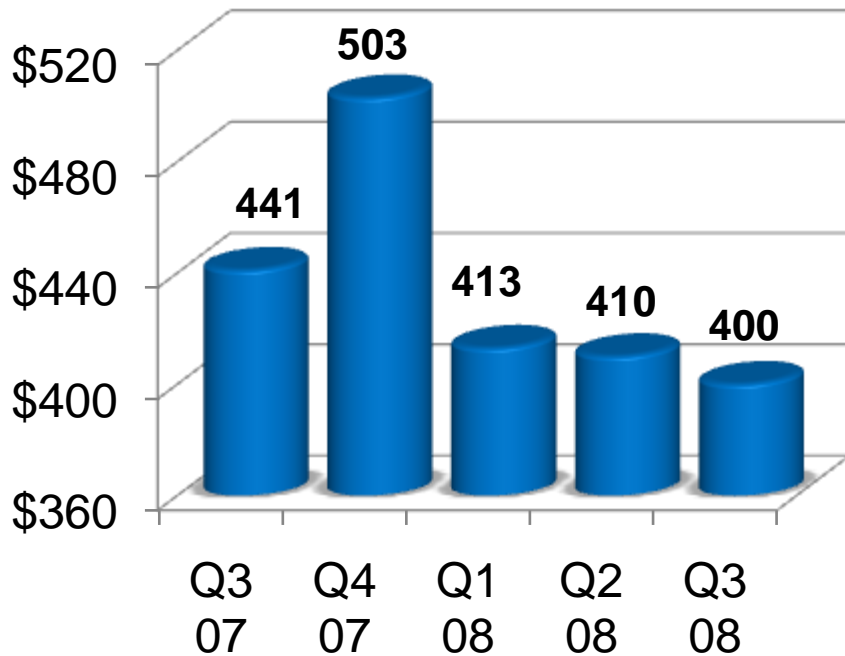
Q3 2007



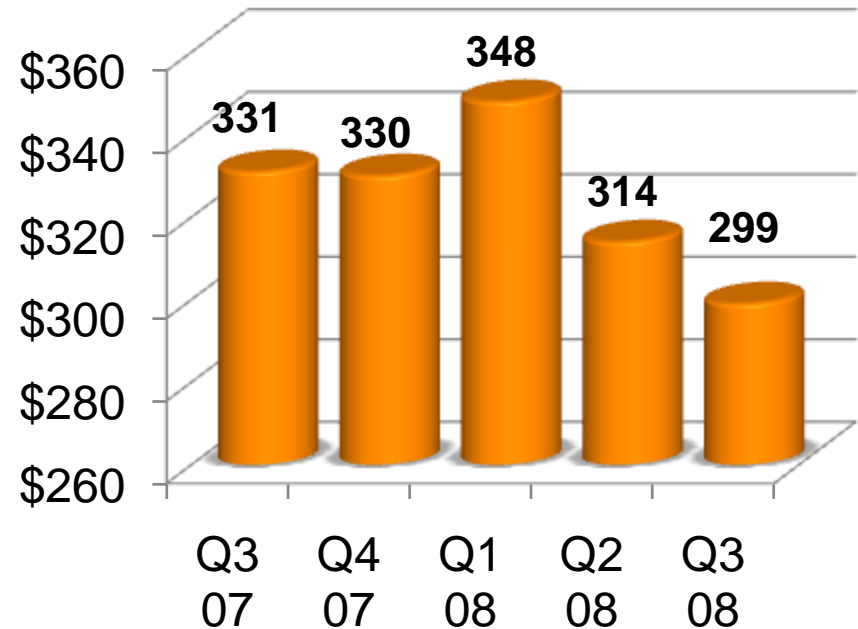
*Free Cash Flow equals Cash from Operations Minus Investing Activities

Reducing High Definition Capital Per Room

New HD



Converted HD



- **New HD Per-Room Investment Down 9%**
- **Converted HD Per-Room Investment Down 10%**

2008 Financial Guidance (\$ in millions except per share)

	<u>2008</u>	<u>2008 Adjusted*</u>
Revenue	\$ 537.0 – \$541.0	
Adjusted Operating Cash Flow	\$ 134.5 – \$137.5	
Net Loss	\$ (38.0) – \$(35.0)	\$ (22.5) – \$ (19.5)
Net Loss Per Share	\$ (1.71) – \$(1.57)	\$ (1.01) – \$(0.88)
Net Free Cash Flow	\$ 17.5 – \$ 20.0	\$ 26.5 – \$ 29.5
Net Free Cash Flow Per Share		\$ 1.19 – \$ 1.32

* Adjusted guidance excludes integration and restructuring expenses and amortization of purchased intangibles.

Adjusted Operating Cash Flow Bridge (\$ in millions)

First Three Quarters Adjusted Operating Cash Flow	\$ 105.9
Seasonality Factor	76.6%
Adjusted Annualized AOCF Run Rate	\$ 138.0
Fourth Quarter Incremental AOCF	\$1.0 - \$2.0
(Synergies, TV Programming Margin, System Sales)	
2008 AOCF at YTD Movie Run Rate	\$ 139.0

Sensitivity to Changes in Movie Revenue per Room

Yr/Yr Change	Revenue	AOCF
-6.5%	\$ 543.0	\$ 139.0
-7.0%	\$ 541.0	\$ 137.5
-7.5%	\$ 539.0	\$ 136.0
-8.0%	\$ 537.0	\$ 134.5
-8.5%	\$ 535.0	\$ 133.0

Adjusted Free Cash Flow Analysis

(\$ in millions except per share)

	9 Mo 2008	Updated 2008 Guidance*	Per Share
Adjusted Operating Cash Flow	\$ 105.9	\$ 136.0	\$ 6.10
Interest Expense (net)	\$ (32.0)	\$ (42.0)	
Working Capital (net)	<u>(1.8)</u>	<u>(1.5)</u>	
Pre-Investment Cash Flow	\$ 72.1	\$ 92.5	\$ 4.25
Corporate Assets	\$ (15.2)	\$ (16.5)	
Minor Extensions	(5.2)	(7.0)	
Major Renewals	<u>\$ (15.5)</u>	<u>\$ (18.5)</u>	
Pre-Expansion Cash Flow	\$ 36.2	\$ 50.5	\$ 2.27
New Rooms	<u>\$ (17.5)</u>	<u>\$ (22.5)</u>	
Adjusted Free Cash Flow	\$ 18.7	\$ 28.0	\$ 1.26

* Midpoint 2008 Guidance

Covenant Analysis

(\$ in millions)

	As of <u>9/30/2008</u>	Updated <u>Guidance '08*</u>
Outstanding Debt	\$ 610.4	\$ 596.8
Cash	<u>14.9</u>	<u>10.0</u>
Net Debt	\$ 595.5	\$ 586.8
 AOCF (trailing 12 mo)	 \$ 139.3	 \$ 136.0
 Leverage Ratio:		
Outstanding	4.38x	4.39x
Net Debt	4.28x	4.31x
 Covenant	 4.50x	 4.50x

➤ **Repaid \$6.6 Million on Term B Loan in Q3**

*Midpoint 2008 Guidance

Proactive Management Plan

Managing to Changing Environment

- Reducing Operating Cost and Capital Investment Levels
- New Revenue Initiatives Making Positive Impact
- Paying Down Long-Term Debt

Preparing for Prolonged Downturn

- Right-sizing Operations to Economy
- Reducing Capital Investment Plans
 - Fourth Quarter 2008: \$13 to \$14 Million
 - First Quarter 2009: Less than \$10 Million

Consulting with Largest Customers

- Focus on Their Key Needs
- Fully Prepared to Meet Demand for System Sales
 - HD Television Programming and Broadband Systems
 - Sale of HD VOD Systems

Goal: Manage to Debt Covenant Compliance

We Have Tools to Navigate through Environment

- Operating Cost Reductions
- Growth of Strategic Initiatives
- Reduction in Capital Investment Plans

Long-Term Net Debt Targets

- Q4'08: Midpoint = \$587 million (\$8.7 million reduction from 9/30/08)
- Q1'09: \$570 to \$575 million (\$12 to \$17 million reduction from 12/31/08)

Capital Allocation:

- Cash Flow from Operations = \$23 to \$24 million per quarter
- Q4 '08: Allocate \$8.7 million to Debt Reduction
- Q1'09: Allocate \$12 to \$17 million to Debt Reduction



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Reconciliation of Operating Income to Adjusted Operating Cash Flow

Operating Income

Plus: Depreciation & Amortization

Plus: Amortization of Purchased Intangibles

Plus: Restructuring Charges and Integration Expenses

Plus: Share-based Compensation

Equals: Adjusted Operating Cash Flow

Reconciliation of Net Loss to Adjusted Net Loss

Net Loss

Plus: Amortization of Acquired Intangibles

Plus: Restructuring Charges and Integration Expenses

Plus: Write-off of Debt Issuance Costs

Equals: Adjusted Net Loss

Reconciliation of Adjusted Free Cash Flow

Cash from Operations

Less: Cash Used for Investing Activities

Plus: Restructuring Charges and Integration Expenses

Plus: One -Time Cash Charge Associated with Debt Tender

Plus: One-Time Working Capital

Plus: Acquisition Investment

Equals: Adjusted Free Cash Flow