
**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 March 31, 2011

Commission file number: 001-33296

NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5665602
(I.R.S. Employer
Identification No.)

9110 East Nichols Avenue, Suite 200
Centennial, Colorado
(Address of Principal Executive Offices)

80112-3405
(Zip Code)

Registrant's telephone number, including area code: (303) 792-3600

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of April 29, 2011, 55,140,076 shares of the registrant's common stock (including unvested restricted shares), par value of \$0.01 per share, were outstanding.

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PART I

Item 1. Financial Statements

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS (In millions, except share and per share data)
(UNAUDITED)

	March 31, 2011	December 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 50.8	\$ 74.4
Short-term investments	14.0	8.5
Receivables, net of allowance of \$4.0 and \$3.7 million, respectively	60.6	100.7
Prepaid expenses	2.5	1.7
Income taxes receivable	9.2	0.0
Other assets	3.1	3.9
Total current assets	140.2	189.2
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$48.8 and \$46.4 million, respectively	19.6	19.8
Intangible assets, net of accumulated amortization of \$13.0 and \$10.8 million, respectively	267.4	275.2
Deferred tax assets, net of valuation allowance of \$1.7 and \$1.7 million, respectively	353.9	355.7
Debt issuance costs, net	6.9	7.3
Other investment	6.7	6.7
Long-term investments	1.0	0.0
Other long-term assets	0.7	0.6
Total non-current assets	656.2	665.3
TOTAL	\$ 796.4	\$ 854.5
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	5.3	25.2
Payable to founding members under tax sharing agreement	10.3	21.6
Accrued expenses	7.1	8.9
Income tax payable	0.0	1.2
Current portion of long-term debt	0.0	1.2
Current portion of interest rate swap agreements	25.3	25.3
Accrued payroll and related expenses	5.5	12.7
Accounts payable	7.7	11.8
Deferred revenue	4.8	3.8
Other liabilities	0.2	0.2
Total current liabilities	66.2	111.9
NON-CURRENT LIABILITIES:		
Borrowings	778.0	775.0
Deferred tax liability	67.1	68.1
Payable to founding members under tax sharing agreement	172.7	172.4
Interest rate swap agreements	39.4	45.5
Total non-current liabilities	1,057.2	1,061.0
Total liabilities	1,123.4	1,172.9
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
EQUITY/(DEFICIT):		
NCM, Inc. Stockholders' Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively	0.0	0.0
Common stock, \$0.01 par value; 120,000,000 shares authorized, 53,755,721 and 53,549,477 issued and outstanding, respectively	0.5	0.5
Additional paid in capital (deficit)	(369.9)	(373.3)
Retained earnings (distributions in excess of earnings)	(32.5)	(20.5)
Accumulated other comprehensive loss	(16.1)	(17.5)
Total NCM, Inc. stockholders' equity/(deficit)	(418.0)	(410.8)
Noncontrolling interests	91.0	92.4
Total equity/(deficit)	(327.0)	(318.4)
TOTAL	\$ 796.4	\$ 854.5

See accompanying notes to condensed consolidated financial statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)
(UNAUDITED)

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
REVENUE:		
Advertising (including revenue from founding members of \$8.3 and \$9.6 million, respectively)	\$ 59.1	\$ 67.8
Fathom Events	11.7	16.8
Total	<u>70.8</u>	<u>84.6</u>
OPERATING EXPENSES:		
Advertising operating costs	3.5	4.5
Fathom Events operating costs (including \$1.9 and \$2.4 million to founding members, respectively)	7.6	11.1
Network costs	4.9	4.9
Theatre access fees—founding members	12.1	12.9
Selling and marketing costs	14.6	13.1
Administrative and other costs	8.5	7.7
Depreciation and amortization	4.6	4.0
Total	<u>55.8</u>	<u>58.2</u>
OPERATING INCOME	15.0	26.4
Interest Expense and Other, Net:		
Interest on borrowings	10.9	11.0
Change in derivative fair value	(1.2)	1.7
Accretion of interest on the discounted payable to founding members under tax sharing agreement	4.4	3.5
Total	<u>14.1</u>	<u>16.2</u>
INCOME BEFORE INCOME TAXES	0.9	10.2
(Benefit) Provision for Income Taxes	(0.7)	0.9
Equity loss from investment, net	0.0	0.6
CONSOLIDATED NET INCOME	1.6	8.7
Less: Net Income Attributable to Noncontrolling Interests	2.6	7.5
NET (LOSS) INCOME ATTRIBUTABLE TO NCM, INC.	\$ (1.0)	\$ 1.2
EARNINGS (LOSS) PER NCM, INC. COMMON SHARE:		
Basic	\$ (0.02)	\$ 0.03
Diluted	\$ (0.02)	\$ 0.03
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	53,691,186	42,209,698
Diluted	53,691,186	42,669,896

See accompanying notes to condensed consolidated financial statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(UNAUDITED)

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 1.6	\$ 8.7
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Deferred income tax expense	5.7	4.6
Depreciation and amortization	4.6	4.0
Non-cash share-based compensation	4.0	2.1
Excess tax benefit from share-based compensation	(0.1)	0.0
Accretion of interest on the discounted payable to founding members under tax sharing agreement	4.4	3.5
Net unrealized loss (gain) on hedging transactions	(1.2)	1.7
Equity loss from investment	0.0	0.6
Amortization of debt issuance costs	0.4	0.4
Other non-cash operating activities	0.0	0.1
Changes in operating assets and liabilities:		
Receivables—net	40.1	36.5
Accounts payable and accrued expenses	(14.0)	(15.1)
Amounts due to founding members	(1.0)	0.0
Payment to founding members under tax sharing agreement	(17.1)	(14.0)
Income taxes and other	(10.5)	(9.4)
Other operating	0.2	1.1
Net cash provided by operating activities	<u>17.1</u>	<u>24.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2.1)	(2.0)
Purchase of investments	(16.0)	0.0
Proceeds from sale of investments	9.5	0.0
Net cash used in investing activities	<u>(8.6)</u>	<u>(2.0)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(10.8)	(6.9)
Proceeds from borrowings	45.0	6.0
Repayments of borrowings	(43.2)	(1.0)
Founding member integration payments	1.1	1.2
Distributions to founding members	(25.7)	(31.1)
Excess tax benefit from share-based compensation	0.1	0.0
Proceeds from stock option exercises	1.8	0.7
Repurchase of stock for restricted stock tax withholding	(0.4)	(0.2)
Net cash used in financing activities	<u>(32.1)</u>	<u>(31.3)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(23.6)	(8.5)
CASH AND CASH EQUIVALENTS:		
Beginning of period	74.4	91.1
End of period	<u>\$ 50.8</u>	<u>\$ 82.6</u>

See accompanying notes to condensed consolidated financial statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In millions)
(UNAUDITED)

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Supplemental disclosure of non-cash financing and investing activity:		
Subsidiary equity (returned) issued for purchase of intangible asset	\$ (5.5)	\$ 39.8
Increase in dividends not requiring cash in the period	\$ 0.2	\$ 0.0
Increase in property and equipment not requiring cash in the period	\$ 0.0	\$ 0.3
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10.7	\$ 18.1
Cash paid for income taxes	\$ 4.0	\$ 5.2

See accompanying notes to condensed consolidated financial statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT) AND COMPREHENSIVE INCOME
(In millions, except share data)
(UNAUDITED)

	NCM, Inc.					
	Consolidated	Common Stock	Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest
Balance—December 30, 2010	\$ (318.4)	\$ 0.5	\$ (373.3)	\$ (20.5)	\$ (17.5)	\$ 92.4
Distributions to Members	(5.8)	0.0	0.0	0.0	0.0	(5.8)
Subsidiary equity (returned) for purchase of intangible asset	(5.5)	0.0	(2.7)	0.0	0.0	(2.8)
Income tax and other impacts of subsidiary ownership changes	2.6	0.0	1.5	0.0	(0.1)	1.2
Comprehensive Income gain (loss):						
Net unrealized gain on cash flow hedge, net of tax	4.0	0.0	0.0	0.0	1.5	2.5
Net income (loss), net of tax	1.6	0.0	0.0	(1.0)	0.0	2.6
Total Comprehensive Income Gain (Loss), net of tax	5.6			(1.0)	1.5	5.1
Share-based compensation issued	1.4	0.0	1.4	0.0	0.0	0.0
Share-based compensation expense/capitalized	4.1	0.0	3.2	0.0	0.0	0.9
Cash dividends declared \$0.20 per share	(11.0)	0.0	0.0	(11.0)	0.0	0.0
Balance—March 31, 2011	<u>\$ (327.0)</u>	<u>\$ 0.5</u>	<u>\$ (369.9)</u>	<u>\$ (32.5)</u>	<u>\$ (16.1)</u>	<u>\$ 91.0</u>
Balance — December 31, 2009	\$ (493.1)	\$ 0.4	\$ (490.2)	\$ (14.5)	\$ (11.8)	\$ 23.0
Distributions to Members	(6.2)	0.0	0.0	0.0	0.0	(6.2)
Subsidiary equity issued for purchase of intangible asset	39.8	0.0	16.2	0.0	0.0	23.6
Income tax and other impacts of subsidiary ownership changes	(4.4)	0.0	0.0	0.0	0.2	(4.6)
Comprehensive Income gain (loss):						
Net unrealized (loss) on cash flow hedge, net of tax	(3.2)	0.0	0.0	0.0	(0.9)	(2.3)
Net income, net of tax	8.7	0.0	0.0	1.2	0.0	7.5
Total Comprehensive Income Gain (Loss), net of tax	5.5			1.2	(0.9)	5.2
Share-based compensation issued	0.4	0.0	0.4	0.0	0.0	0.0
Share-based compensation expense/capitalized	2.2	0.0	1.7	0.0	0.0	0.5
Cash dividends declared \$0.16 per share	(6.9)	0.0	0.0	(6.9)	0.0	0.0
Balance—April 1, 2010	<u>\$ (462.7)</u>	<u>\$ 0.4</u>	<u>\$ (471.9)</u>	<u>\$ (20.2)</u>	<u>\$ (12.5)</u>	<u>\$ 41.5</u>

See accompanying notes to condensed consolidated financial statements.

**NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

1. THE COMPANY

Description of Business

National CineMedia, Inc. (“NCM, Inc.”) was incorporated in Delaware as a holding company with the sole purpose of becoming a member and sole manager of National CineMedia, LLC (“NCM LLC”). The terms “NCM”, “the Company” or “we” shall, unless the context otherwise requires, be deemed to include the consolidated entity. The Company operates the largest digital in-theatre network in North America, allowing NCM to distribute advertising, Fathom entertainment programming events and corporate events under long-term exhibitor services agreements (“ESAs”) with American Multi-Cinema, Inc. (“AMC”), a wholly owned subsidiary of AMC Entertainment, Inc. (“AMCE”), Regal Cinemas, Inc., a wholly owned subsidiary of Regal Entertainment Group (“Regal”), and Cinemark USA, Inc. (“Cinemark USA”), a wholly owned subsidiary of Cinemark Holdings, Inc. (“Cinemark”). AMC, Regal and Cinemark and their affiliates are referred to in this document as “founding members.” NCM LLC also provides such services to certain third-party theatre circuits under “network affiliate” agreements, which expire at various dates. The Company’s initial public offering (“IPO”) was completed in February 2007.

At March 31, 2011, NCM LLC had 110,635,685 common membership units outstanding, of which 53,755,721 (48.6%) were owned by NCM, Inc., 22,060,262 (19.9%) were owned by Regal, 17,495,920 (15.8%) were owned by Cinemark and 17,323,782 (15.7%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis.

Basis of Presentation

The Company has prepared the unaudited condensed consolidated financial statements and related notes of NCM, Inc. in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. Therefore, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K filed for the fiscal year ended December 30, 2010.

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 Company’s business is seasonal and for this and other reasons operating results for interim periods may not be indicative of the Company’s full year results or future performance. As a result of the various related-party agreements discussed in Note 4, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties.

Estimates— The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those related to the reserve for uncollectible accounts receivable, equity-based compensation and income taxes. Actual results could differ from those estimates.

Consolidation— NCM, Inc. consolidates the accounts of NCM LLC under the provision of ASC 810 *Consolidation*. Under ASC 810, a managing member of a limited liability company (“LLC”) is presumed to control the LLC, unless the non-managing members have the right to dissolve the entity or remove the managing member without cause, or if the non-managing members have substantive participating rights. The non-managing members of NCM LLC do not have either dissolution rights or removal rights. NCM, Inc. has evaluated the provisions of the NCM LLC membership agreement and has concluded that the various rights of the non-managing members are not substantive participation rights under ASC 810, as they do not limit NCM, Inc.’s ability to make decisions in the ordinary course of business. Refer to Note 9 for additional discussion.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Reclassifications – Certain reclassifications of previously reported amounts within operating activities in the statement of cash flows and share based compensation within the statement of equity and comprehensive income have been made to conform to the current year presentation.

Significant Accounting Policies

The Company's annual financial statements included in Form 10-K filed for the fiscal year ended December 30, 2010 contain a complete discussion of the Company's significant accounting policies.

Receivables— Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. At March 31, 2011, there were two advertising agency groups through which the Company sources national advertising revenue representing approximately 11% and 20%, of the Company's outstanding gross receivable balance; however, none of the individual contracts related to the advertising agencies were more than 10% of advertising revenue. At December 30, 2010 there were two advertising agency groups through which the Company sources national advertising revenue representing approximately 17% and 21%, of the Company's outstanding gross receivable balance; however, none of the individual contracts related to the advertising agencies were more than 10% of advertising revenue. The collectability risk is reduced by dealing with large, national advertising agencies who have strong reputations in the advertising industry and clients with stable financial positions.

Other Investment— Through March 15, 2010, the Company accounted for its investment in RMG Networks, Inc., ("RMG") (formerly Danoo, Inc.) under the equity method of accounting as required by ASC 323-10 *Investments – Equity Method and Joint Ventures* ("ASC 323-10"). During the first quarter of 2010, RMG sold additional common stock to other third party investors for cash, which reduced the Company's ownership in RMG, resulting in cost method accounting. At March 31, 2011, the Company's ownership in RMG was approximately 19% of the issued and outstanding preferred and common stock of RMG. Refer to Note 7 for additional discussion.

Recent Accounting Pronouncements

The Company has considered all recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its consolidated financial statements.

2. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of potentially dilutive common stock options, and restricted stock using the treasury stock method. The components of basic and diluted earnings (loss) per NCM, Inc, share are as follows:

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Net Income (Loss) Attributable to NCM, Inc. (in millions)	\$ (1.0)	\$ 1.2
Weighted average shares outstanding:		
Basic	53,691,186	42,209,698
Add: Dilutive effect of stock options and restricted stock	—	460,198
Diluted	53,691,186	42,669,896
Earnings (Loss) per NCM, Inc. share:		
Basic	\$ (0.02)	\$ 0.03
Diluted	\$ (0.02)	\$ 0.03

The effect of the 57,153,964 and 59,824,720 exchangeable NCM LLC common units held by the founding members for the quarter ended March 31, 2011 and April 1, 2010, respectively, have been excluded from the calculation of diluted weighted average shares and earnings per NCM, Inc. share as they were antidilutive. In addition, there were 429,781 and 380,451 stock options and 572,297 and 55,069 non-vested (restricted) shares for the quarter ended March 31, 2011 and April 1, 2010, respectively, excluded from the calculation as they were antidilutive, primarily as exercise prices on stock options and intrinsic value of restricted stock shares were above the average market value.

3. INTANGIBLE ASSETS

During the first quarter of 2011, NCM LLC's founding members returned a net 322,751 common membership units to NCM LLC, which is an adjustment to the previously issued common membership units issued in exchange for the rights to exclusive access, in accordance with the ESA, to net new theatre screens and attendees added by the founding members to NCM LLC's network. As a result, NCM LLC recorded a reduction to the intangible asset at fair value of the common membership units of \$5.5 million.

During the first quarter of 2010, NCM LLC issued 2,212,219 common membership units to its founding members in exchange for the rights to exclusive access to net new theatre screens and attendees added by the founding members to NCM LLC's network. As a result, NCM LLC recorded an intangible asset at fair value of \$39.8 million.

The Company based the fair value of the intangible assets on the market value of the common membership units when issued, which are freely convertible into the Company's common stock.

Pursuant to ASC 350-10 *Intangibles – Goodwill and Other*, the intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs. Amortization of the asset related to Regal Consolidated Theatres will not begin until after mid-2011 since the Company will not have access to on-screen advertising in the Regal Consolidated Theatres until the run-out of their existing on-screen advertising agreement.

4. RELATED-PARTY TRANSACTIONS

Pursuant to the ESAs, the Company makes monthly theatre access fee payments to the founding members, comprised of a payment per theatre attendee and a payment per digital screen with respect to the founding member theatres included in our network. The total theatre access fee to the founding members for the quarter ended March 31, 2011 and April 1, 2010 was \$12.1 million and \$12.9 million, respectively.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Under the ESAs, for the quarters ended March 31, 2011 and April 1, 2010, the founding members purchased 60 seconds of on-screen advertising time (with a right to purchase up to 90 seconds) from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a specified 30 second equivalent cost per thousand (“CPM”) impressions. The total revenue related to the beverage concessionaire agreements for the quarters ended March 31, 2011 and April 1, 2010 was \$8.2 million and \$9.2 million, respectively. In addition, the Company made payments to the founding members for use of their screens and theatres for its Fathom Events businesses. These payments are at rates (percentage of event revenue) included in the ESAs based on the nature of the event. Payments to the founding members for these events totaled \$1.9 million and \$2.4 million for the quarter ended March 31, 2011 and April 1, 2010, respectively.

Also, pursuant to the terms of the NCM LLC Operating Agreement in place since the completion of the IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC Operating Agreement, on a quarterly basis in arrears. Distributions for the quarter ended March 31, 2011 and April 1, 2010 are as follows (in millions):

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
AMC	\$ 1.8	\$ 1.9
Cinemark	1.8	1.7
Regal	2.2	2.6
NCM, Inc.	<u>5.4</u>	<u>4.3</u>
Total	<u>\$ 11.2</u>	<u>\$ 10.5</u>

The available cash payment by NCM LLC to its founding members for the quarter ended March 31, 2011 of \$5.8 million, which is included in amounts due to founding members at March 31, 2011, will be made in the second quarter of 2011. The available cash payment by NCM LLC to its founding members for the quarter ended April 1, 2010 of \$6.2 million was made in the second quarter of 2010.

On April 30, 2008, Regal acquired Consolidated Theatres and NCM issued common membership units to Regal upon the closing of its acquisition in exchange for the right to exclusive access to the theatres. The Consolidated Theatres had a pre-existing advertising agreement and, as a result, Regal must make “integration” payments pursuant to the ESAs on a quarterly basis in arrears through mid-2011 in accordance with certain run-out provisions. For the quarter ended March 31, 2011 and April 1, 2010, the Consolidated Theatres payment was \$0.2 million and \$0.4 million, respectively and represents a cash element of the consideration received for the common membership units issued. The Consolidated Theatres payment of \$0.2 million for the quarter ended March 31, 2011 was included in amounts due from founding members at March 31, 2011 and will be received in the second quarter of 2011.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Amounts due to founding members at March 31, 2011 were comprised of the following (in millions):

	<u>AMC</u>	<u>Cinemark</u>	<u>Regal</u>	<u>Total</u>
Theatre access fees, net of beverage revenues	\$ 0.4	0.4	0.5	\$ 1.3
Cost and other reimbursement	(0.3)	(0.5)	(0.8)	(1.6)
Distributions payable, net	1.8	1.8	2.0	5.6
Total	<u>\$ 1.9</u>	<u>1.7</u>	<u>1.7</u>	<u>\$ 5.3</u>

Amounts due to founding members at December 30, 2010 were comprised of the following (in millions):

	<u>AMC</u>	<u>Cinemark</u>	<u>Regal</u>	<u>Total</u>
Theatre access fees, net of beverage revenues	\$ 0.5	\$ 0.4	\$ 0.5	\$ 1.4
Cost and other reimbursement	(0.2)	(0.5)	(0.0)	(0.7)
Distributions payable, net	8.5	7.6	8.4	24.5
Total	<u>\$ 8.8</u>	<u>7.5</u>	<u>8.9</u>	<u>\$25.2</u>

Other — During the quarter ended March 31, 2011 and April 1, 2010, AMC, Cinemark and Regal purchased \$0.1 million and \$0.4 million respectively, of NCM LLC's advertising inventory for their own use. The value of such purchases are calculated by reference to NCM LLC's advertising rate card and included in advertising revenue.

Included in selling and marketing costs and Fathom Events operating costs is \$0.3 million and \$0.4 million for the quarter ended March 31, 2011 and April 1, 2010 respectively, related to purchases of movie tickets and concession products from the founding members primarily for marketing to NCM LLC's advertising clients and marketing resale to Fathom Business customers.

The Company paid the founding members \$17.1 million in the first quarter of 2011 for the 2010 taxable year and \$14.0 million in the first quarter of 2010 for the 2009 taxable year pursuant to the tax sharing agreement.

Related Party Affiliates — During 2009, NCM LLC entered into a digital content agreement and a Fathom agreement with LA Live Cinemas LLC ("LA Live"), an affiliate of Regal, for NCM LLC to provide in-theatre advertising and Fathom Events services to LA Live in its theatre complex. The affiliate agreement was entered into at terms that are similar to those of our other advertising affiliates. Included in advertising operating costs is an immaterial amount for the quarters ended March 31, 2011 and April 1, 2010, respectively, for payments to the affiliate under the agreement. As of March 31, 2011 and December 30, 2010 an immaterial amount and approximately \$0.1 million, respectively is included in accounts payable for amounts due to LA Live under the agreement.

During 2009, NCM LLC entered into a network affiliate agreement with Starplex Operating L.P. ("Starplex"), an affiliate of Cinemark, for NCM LLC to provide in-theatre advertising services to Starplex in its theatre locations. The affiliate agreement was entered into at terms that are similar to those of our other advertising affiliates. Starplex joined the NCM LLC advertising network in the first quarter of 2010. Included in advertising operating costs is \$0.4 million and \$0.1 million, for the quarter ended March 31, 2011 and April 1, 2010, respectively, for its share of advertising sold in its theatres under the affiliate agreement. As of March 31, 2011 and December 30, 2010 approximately \$0.5 million and \$0.5 million, respectively is included in accounts payable for amounts due to Starplex under the agreement.

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5. BORROWINGS

On February 13, 2007, concurrently with the closing of the IPO of NCM, Inc., NCM LLC entered into a senior secured credit facility with a group of lenders. The facility consists of a six-year \$80.0 million revolving credit facility and an eight-year, \$725.0 million term loan facility. The revolving credit facility portion is available, subject to certain conditions, for general corporate purposes of the Company in the ordinary course of business and for other transactions permitted under the credit agreement, and a portion is available for letters of credit.

The outstanding balance of the term loan facility at March 31, 2011 and December 30, 2010 was \$725.0 million. The outstanding balance under the revolving credit facility at March 31, 2011 and December 30, 2010 was \$53.0 million and \$50.0 million, respectively. As of March 31, 2011, the effective rate on the term loan was 5.4% including the effect of the interest rate swaps (both the swaps accounted for as hedges and those that are not). The interest rate swaps hedged \$550.0 million or 76% of the \$725.0 million term loan at a fixed interest rate of 6.484% while the unhedged portion was at an interest rate of 1.81%. The applicable margin on the term loan was lowered to 1.5% from 1.75% as a result of an upgrade of the corporate credit rating by the credit rating agencies specified in the credit agreement, in the first quarter of 2011. The weighted-average interest rate on the unhedged revolver was 2.0%. Commencing with the fourth fiscal quarter in fiscal year 2009, the applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC and its subsidiaries (the ratio of secured funded debt less unrestricted cash and cash equivalents, over a non-GAAP measure defined in the credit agreement). The senior secured credit facility also contains a number of covenants and financial ratio requirements, with which the Company was in compliance at March 31, 2011, including the consolidated net senior secured leverage ratio. There are no borrower distribution restrictions as long as the Company's consolidated net senior secured leverage ratio is below 6.5 times and the borrower is in compliance with its other debt covenants. As of March 31, 2011, its consolidated net senior secured leverage ratio was 3.7 times, while the covenant was 6.5 times.

On March 19, 2009, the Company gave an \$8.5 million note payable to Credit Suisse, Cayman Islands Branch ("Credit Suisse") with no stated interest to settle the \$10.0 million contingent put obligation and to acquire the \$20.7 million outstanding principal balance of debt of IdeaCast, Inc. ("IdeaCast") (together with all accrued interest and other lender costs required to be reimbursed by IdeaCast). The note was paid in full on January 15, 2011. At issuance the Company recorded the note at a present value of \$7.0 million. At December 30, 2010, \$1.2 million of the balance was recorded in current liabilities. Interest on the note was accreted at the Company's estimated incremental cost of debt based on then current market indicators over the term of the loan to interest expense. There was an immaterial amount of interest expense recognized on the note for the quarter ended March 31, 2011.

6. COMMITMENTS AND CONTINGENCIES

Legal actions—The Company is subject to claims and legal actions in the ordinary course of business. The Company believes such claims will not have a material adverse effect on its financial position or results of operations.

Minimum Revenue Guarantees—As part of the network affiliate agreements entered in the ordinary course of business under which the Company sells advertising for display in various theatre chains other than those of the founding members of NCM LLC, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If an affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. The amount and term varies for each network affiliate, but terms range from two to five years, prior to any renewal periods of which some are at the option of the Company. The maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is \$13.7 million over the remaining terms of the network affiliate agreements. As of March 31, 2011 and December 30, 2010 the Company had no liabilities recorded for these obligations as such guarantees are less than the expected share of revenue paid to the affiliate.

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7. FAIR VALUE MEASUREMENT

Fair Value of Financial Instruments—The carrying amounts of cash and other notes payable as reported in the Company’s balance sheets approximate their fair value due to their short maturity. The carrying amount of the revolving credit facility is considered a reasonable estimate of fair value due to its floating-rate terms. The carrying amounts and fair values of interest rate swap agreements are the same since the Company accounts for these instruments at fair value. The Company has estimated the fair value of its term loan based on an average of at least two non-binding broker quotes and the Company’s analysis to be \$713.9 million and \$713.3 million at March 31, 2011 and December 30, 2010, respectively. The carrying value of the term loan was \$725.0 million as of March 31, 2011 and December 30, 2010.

The fair value of the investment in RMG networks has not been estimated at March 31, 2011 as there were no monetary equity events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, and as it is not practicable to do so because RMG is not a publicly traded company. The carrying amount of the Company’s investment was \$6.7 million as of March 31, 2011 and December 30, 2010. Refer to Note 1-Significant Accounting Policies-Other Investment.

Recurring Measurements—The fair values of the Company’s assets and liabilities measured on a recurring basis pursuant to ASC 820-10 *Fair Value Measurements and Disclosures* are as follows (in millions):

	As of March 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents (1)	\$ 42.0	\$ 42.0	\$ 0.0	\$ 0.0
Short-term investments (2)	14.0	14.0	0.0	0.0
Long-term investments (2)	1.0	1.0	0.0	0.0
Total Assets	\$ 57.0	\$ 57.0	\$ 0.0	\$ 0.0
LIABILITIES:				
Current Portion of Interest Rate Swap Agreements (3)	\$ (25.3)	0.0	\$ (25.3)	0.0
Interest Rate Swap Agreements (3)	(39.4)	0.0	(39.4)	0.0
Total Liabilities	\$ (64.7)	\$ 0.0	\$ (64.7)	\$ 0.0

(1) *Cash Equivalents*— The Company’s cash equivalents are carried at estimated fair value.

(2) *Short-Term and Long-term Investments*— The Company’s short-term and long-term investments are classified as available-for-sale and are carried at estimated fair value with any unrealized gains, as well as losses that the Company considers to be temporary, reported net of tax in other comprehensive income within stockholders’ equity. Short-term investments have effective maturity dates from three to 12 months and long-term investments have effective maturity dates greater than 12 months. For the quarter ended March 31, 2011 there was an immaterial amount of net realized gains (losses) recognized in interest income and no net unrealized holding gains (losses) included in other comprehensive income.

(3) *Interest Rate Swap Agreements*—Refer to Note 8.

8. DERIVATIVE INSTRUMENTS

NCM LLC has interest rate swap agreements with four counterparties that, at their inception, qualified for and were designated as cash flow hedges against interest rate exposure on \$550.0 million of the variable rate debt obligations under the senior secured credit facility. The interest rate swap agreements have the effect of converting a portion of the Company’s variable rate debt to a fixed rate of 6.484%. All interest rate swaps were entered into for risk management purposes. The Company has no derivatives for other purposes.

Cash flow hedge accounting was discontinued on September 15, 2008 due to the event of default created by the bankruptcy of Lehman Brothers Holdings Inc. (“Lehman”) and the inability of the Company to continue to demonstrate the swap would be effective. In accordance with ASC 815 *Derivatives and Hedging*, the net derivative loss as of September 14, 2008 related to the discontinued cash flow hedge with Lehman Brothers Special Financing (“LBSF”) shall continue to be reported in accumulated other comprehensive income unless it is probable that the

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forecasted transaction will not occur by the end of the originally specified time period. Accordingly, the net derivative loss is being amortized to interest expense over the remaining term of the interest rate swap through February 13, 2015. The amount amortized during the quarter ended March 31, 2011 and April 1, 2010 was \$0.3 million. The Company estimates approximately \$1.3 million will be amortized to interest expense and other, net in the next 12 months.

In February 2010, NCM LLC entered into an interest rate swap agreement with Barclays Bank PLC (“Barclays”) to replace the Lehman swap that was terminated in February 2010. The Company did not elect cash flow hedge accounting and the interest rate swap with Barclays is recorded at fair value with any change in the fair value recorded in the statement of operations. There was a \$1.5 million decrease and a \$1.4 million increase in the fair value of the liability for the quarter ended March 31, 2011 and April 1, 2010, respectively, which the Company recorded as a component of interest expense and other, net.

Both at inception and on an on-going basis the Company performs an effectiveness test using the hypothetical derivative method. The fair values of the interest rate swaps with the counterparties other than Barclays (representing notional amounts of \$412.5 million associated with a like amount of the variable rate debt) are recorded on the Company’s balance sheet as a liability with the change in fair value recorded in other comprehensive income since the instruments were determined to be perfectly effective at March 31, 2011 and December 30, 2010. There were no amounts reclassified into current earnings due to ineffectiveness during the periods presented other than as described herein.

The fair value of the Company’s interest rate swap is based on dealer quotes, and represents an estimate of the amount the Company would receive or pay to terminate the agreements taking into consideration various factors, including current interest rates and the forward yield curve for 3-month LIBOR.

As of March 31, 2011 and December 30, 2010, the estimated fair value and line item caption of derivative instruments recorded were as follows (in millions):

	Liability Derivatives			
	As of March 31, 2011		As of December 30, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments in cash flow hedges:				
Current portion of interest rate swap agreements	Current Liabilities	\$19.0	Current Liabilities	\$19.0
Interest Rate Swaps	Other Liabilities	\$29.5	Other Liabilities	\$34.1
Derivatives not designated as hedging instruments:				
Current portion of interest rate swap agreements	Current Liabilities	\$ 6.3	Current Liabilities	\$ 6.3
Interest Rate Swaps	Other Liabilities	\$ 9.9	Other Liabilities	\$11.4
Total derivatives		<u>\$64.7</u>		<u>\$70.8</u>

The effect of derivative instruments in cash flow hedge relationships on the consolidated financial statements for the quarter ended March 31, 2011 and April 1, 2010 were as follows (in millions):

	Unrealized Gain (Loss) Recognized in NCM, Inc’s OCI (Pre-tax)		Realized Gain (Loss) Recognized in Interest Expense (Pre-tax)	
	For the Quarter Ended			
	March 31, 2011	April 1, 2010	March 31, 2011	April 1, 2010
Interest Rate Swaps	\$0.0	\$(8.8)	\$(4.9)	\$(4.9)

There was \$0.3 million of ineffectiveness recognized for each of the quarters ended March 31, 2011 and April 1, 2010, respectively.

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The effect of derivatives not designated as hedging instruments under ASC 815 on the consolidated financial statements for the quarter ended March 31, 2011 and April 1, 2010 were as follows (in millions):

	Gain or (Loss) Recognized in Interest Expense (Pre-tax) for the Quarter Ended	
	March 31, 2011	April 1, 2010
Interest on borrowings	\$ (1.6)	\$ (1.4)
Change in derivative fair value	1.2	(1.7)
Total	<u>\$ (0.4)</u>	<u>\$ (3.1)</u>

9. OWNERSHIP CHANGES

The table below presents the changes in NCM, Inc.'s equity resulting from net income attributable to NCM, Inc. and transfers to or from noncontrolling interests (in millions):

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Net income (loss) attributable to NCM, Inc.	\$ (1.0)	\$ 1.2
Subsidiary equity (returned) issued for purchase of intangible asset	(2.7)	16.2
Income tax and other impacts of subsidiary ownership changes	1.5	0.0
Change from net income (loss) attributable to NCM, Inc. and transfers from noncontrolling interests	<u>\$ (2.2)</u>	<u>\$ 17.4</u>

10. SEGMENT REPORTING

Advertising is the principal business activity of the Company and is the Company's reportable segment under the requirements of ASC 280, *Segment Reporting*. Advertising revenue accounts for 83.5% and 80.1% of consolidated revenue for the quarter ended March 31, 2011 and April 1, 2010, respectively. Fathom Consumer Events and Fathom Business Events are operating segments under ASC 280, but do not meet the quantitative thresholds for segment reporting. The following table presents revenues less directly identifiable expenses to arrive at operating income net of direct expenses for the advertising reportable segment, the combined Fathom Events operating segments, and network, administrative and unallocated costs. Management does not evaluate its segments on a fully allocated cost basis. Therefore, the measure of segment operating income net of direct expenses shown below is not prepared on the same basis as operating income in the consolidated statement of operations and the results below are not indicative of what segment results of operations would have been had it been operated on a fully allocated cost basis. Management cautions that it would be inappropriate to assume that unallocated operating costs are incurred proportional to segment revenue or any directly identifiable segment expenses. Unallocated operating costs consist primarily of network costs, general and administrative costs and other unallocated costs including depreciation and amortization. Management does not track segment assets and, therefore, segment asset information is not presented.

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	<u>Quarter Ended March 31, 2011 (in millions)</u>			<u>Consolidated</u>
	<u>Advertising</u>	<u>Fathom Events and Other</u>	<u>Network, Administrative and Unallocated Costs</u>	
Revenue	\$ 59.1	\$ 11.7		\$ 70.8
Operating costs	15.6	7.6		23.2
Selling and marketing costs	11.6	2.1	\$ 0.9	14.6
Other costs	0.7	0.2		0.9
Operating income, net of direct expenses	<u>\$ 31.2</u>	<u>\$ 1.8</u>		
Network, administrative and other costs			17.1	17.1
Consolidated Operating Income				<u>\$ 15.0</u>

	<u>Quarter Ended April 1, 2010 (in millions)</u>			<u>Consolidated</u>
	<u>Advertising</u>	<u>Fathom Events and Other</u>	<u>Network, Administrative and Unallocated Costs</u>	
Revenue	\$ 67.8	\$ 16.8		\$ 84.6
Operating costs	17.4	11.1		28.5
Selling and marketing costs	10.6	2.1	0.4	13.1
Other costs	0.7	0.2		0.9
Operating income, net of direct expenses	<u>\$ 39.1</u>	<u>\$ 3.4</u>		
Network, administrative and other costs			15.7	15.7
Consolidated Operating Income				<u>\$ 26.4</u>

The following is a summary of revenues by category (in millions):

	<u>Quarter Ended March 31, 2011</u>	<u>Quarter Ended April 1, 2010</u>
National Advertising Revenue	\$ 38.3	\$ 46.4
Founding Member Advertising Revenue from Beverage Concessionaire Agreements	8.2	9.2
Local Advertising Revenue	12.6	12.2
Fathom Consumer Revenue	7.9	13.0
Fathom Business Revenue	<u>3.8</u>	<u>3.8</u>
Total Revenues	<u>\$ 70.8</u>	<u>\$ 84.6</u>

11. SUBSEQUENT EVENTS

On April 26, 2011, the Company declared a cash dividend of \$0.20 per share (approximately \$10.9 million) on each share of the Company's common stock (including outstanding restricted stock) to stockholders of record on May 19, 2011 to be paid on June 2, 2011. On April 26, 2011, the Company's stockholders approved an increase in authorized capital stock from 120,000,000 to 175,000,000 shares of common stock, par value of \$0.01 per share.

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 (the "Exchange Act"), 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 the specific words, including but not limited to "may," "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 for the Company's fiscal year ended December 30, 2010. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein and the audited financial statements and other disclosure included in our annual report on Form 10-K for the Company's fiscal year ended December 30, 2010. In the following discussion and analysis, the term net income (loss) refers to net income (loss) attributable to NCM, Inc.

Overview

NCM operates the largest digital in-theatre network in North America, for the distribution of advertising, and Fathom Consumer and Business Events. Our revenue is principally derived from the sale of advertising and, to a lesser extent, from our Fathom Events business. We have long-term ESAs with NCM LLC's founding members and multi-year agreements with several other theatre operators, whom we refer to as network affiliates. The ESAs with the founding members and network affiliate agreements grant us exclusive rights, subject to limited exceptions, to sell advertising and meeting services and distribute entertainment programming in those theatres. Our advertising and Fathom Events businesses are distributed across our proprietary digital content network ("DCN") and live digital broadcast network ("DBN"). Approximately 95% of the aggregate founding member and network affiliate theatre attendance is generated by theatres connected to our DCN.

Management focuses on several measurements that we believe provide us with the necessary metrics and key performance indicators for us to manage our business and to determine how we are performing versus our internal goals and targets, and against the performance of our competitors and other benchmarks in the marketplaces in which we operate. Senior executives hold monthly meetings with managers and staff to discuss and analyze operating results and address significant variances to budget in an effort to identify trends and changes in our business. We focus on many operating metrics including changes in operating income before depreciation and amortization ("OIBDA"), Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed in "—Non-GAAP Financial Measures" below, as some of our primary measurement metrics. In addition, we pay particular attention to our monthly advertising performance measurements, including advertising inventory utilization, pricing (CPM), local and total advertising revenue per attendee and the number of Fathom Events locations, revenue per event and location. Finally, we monitor our operating cash flow and related financial leverage (see Note 5 to the unaudited condensed consolidated financial statements) and revolving credit facility availability and cash balances to ensure that debt obligations and future declared dividends can be met while providing adequate cash reserves to operate our business.

Our operating results may be affected by a variety of internal and external factors and trends described more fully in the section entitled "Risk Factors" in our Form 10-K filed with the SEC on February 25, 2011 for the Company's fiscal year ended December 30, 2010.

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Summary Historical and Operating Data

The following table presents operating data and OIBDA. See “—Non-GAAP Financial Measures” below for a discussion of the calculation of Adjusted OIBDA and reconciliation to operating income.

(In millions, except per share data)	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Revenue	\$ 70.8	\$ 84.6
Operating income	\$ 15.0	\$ 26.4
Adjusted OIBDA	\$ 23.6	\$ 32.5
Adjusted OIBDA margin	33.3%	38.4%
Net Income (Loss) Attributable to NCM, Inc.	\$ (1.0)	\$ 1.2
Net Income (Loss) per NCM, Inc. Basic Share	\$ (0.02)	\$ 0.03
Net Income (Loss) per NCM, Inc. Diluted Share	\$ (0.02)	\$ 0.03
Total advertising revenue (\$ in millions)	\$ 59.1	\$ 67.8
Total theater attendance (in millions)	133.2	161.9
Total advertising revenue per attendee	\$ 0.44	\$ 0.42

Non-GAAP Financial Measures

OIBDA, Adjusted OIBDA and Adjusted OIBDA margin are not financial measures calculated in accordance with generally accepted accounting principles (“GAAP”) in the United States. OIBDA represents operating income before depreciation and amortization expense. Adjusted OIBDA excludes from OIBDA non-cash share based payment costs and deferred stock compensation. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. These non-GAAP financial measures are used by management to evaluate operating performance and to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on its operating performance and so highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company’s management, helps improve their ability to understand the Company’s operating performance and makes it easier to compare the Company’s results with other companies that may have different depreciation and amortization policies, and non-cash share based compensation programs or different interest rates or debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company’s business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company’s share based payment costs and deferred stock compensation. OIBDA or Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as indicators of operating performance, nor should they be considered in isolation of, or as substitutes for financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies.

OIBDA and Adjusted OIBDA do not reflect the Regal Consolidated Theatres integration payments. Regal made Consolidated Theatre payments to NCM LLC pursuant to the revised ESAs, which were \$0.2 million and \$0.4 million for the quarter ended March 31, 2011 and April 1, 2010, respectively.

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The following table reconciles operating income to OIBDA and Adjusted OIBDA for the periods presented (dollars in millions):

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Operating income	\$ 15.0	\$ 26.4
Depreciation and amortization	4.6	4.0
OIBDA	19.6	30.4
Share-based compensation costs (1)	4.0	2.1
Adjusted OIBDA	<u>\$ 23.6</u>	<u>\$ 32.5</u>
Total Revenue	\$ 70.8	\$ 84.6
Adjusted OIBDA margin	<u>33.3%</u>	<u>38.4%</u>

(1) Share-based payment costs are included in network operations, selling and marketing and administrative expense in the accompanying unaudited condensed consolidated financial statements.

Basis of Presentation

The results of operations data for the quarter March 31, 2011 and April 1, 2010 were derived from the unaudited condensed consolidated financial statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

Results of Operations

Quarter Ended March 31, 2011 and April 1, 2010

Revenue. Total revenue of the Company for the quarter ended March 31, 2011 was \$70.8 million compared to \$84.6 million for the quarter ended April 1, 2010, a decrease of \$13.8 million, or 16.3%. The decrease in total revenue was primarily the result of a decrease in total advertising revenue of \$8.7 million or 12.8% (including revenue from our founding member beverage concessionaire agreements, or “beverage revenue”) in addition to a \$5.1 million or 30.4% decrease in Fathom Events revenue.

National advertising revenues of \$46.5 million (including \$8.2 million of beverage revenue) for the quarter ended March 31, 2011 decreased 16.4% from \$55.6 million (including \$9.2 million of beverage revenue) for the quarter ended April 1, 2010. National advertising revenue (excluding beverage revenue) for the quarter ended March 31, 2011 decreased \$8.1 million or 17.5% to \$38.3 million compared to \$46.4 million for the quarter ended April 1, 2010. This decrease was primarily due to the first quarter of 2010 including a significant advertising contract from one client in the military category that was not repeated in the first quarter of 2011. Additionally, content partner spending decreased \$3.2 million for the quarter ended March 31, 2011 due to a shift in 2011 committed spending to later in the year. These decreases in client spending offset by a 17.6% decrease in advertising impressions available for sale compared to the prior year period, contributed to a decrease in inventory utilization (excluding beverage revenue) to 71.0% for the quarter ended March 31, 2011 from 78.1% for the quarter ended April 1, 2010. The impact of these decreases was partially offset by continued expansion of our overall client base and a favorable TV advertising scatter market that contributed to a 3.2% increase in national advertising CPMs (excluding beverage revenue). The 10.9% decrease in payments from the founding members for their beverage concessionaire agreements was due primarily to a 15.4% decrease in founding member attendance due to a weak box office during the first quarter of 2011, offset by the impact of the annual contractual 6% beverage revenue CPM increase.

Local advertising revenue increased \$0.4 million or 3.3% to \$12.6 million for the quarter ended March 31, 2011 compared to \$12.2 million for the quarter ended April 1, 2010. This increase was primarily due to an increased number of contracts with mid and large sized local businesses while smaller local businesses continue to be impacted by the weak local economy. Local revenue per theatre attendee increased 12.5% to \$0.09 per attendee for the first quarter of 2011 compared to \$0.08 for the first quarter of 2010 due to local revenue increasing while theatre attendance declined.

Total advertising revenue (including beverage revenue) per attendee for the quarter ended March 31, 2011 increased 4.8% to \$0.44 per attendee compared to \$0.42 for the quarter ended April 1, 2010. The increase in the advertising revenue per attendee was due to the impact of the 17.7% decrease in theatre attendance combined with the 12.8% decrease in total advertising revenue. Excluding beverage revenue, total advertising revenue per attendee increased 5.5%.

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Fathom Events revenue decreased 30.4%, to \$11.7 million for the quarter ended March 31, 2011 as compared to \$16.8 million for the quarter ended April 1, 2010. Our Fathom Consumer events revenue decreased 39.2% primarily due to a decrease in revenue per event site of 39.9% when compared to a much stronger 2010 event mix, including one particular event in the Metropolitan Opera series that set a record representing approximately 18.0% of our 2010 first quarter Fathom Event revenue. Our Fathom Business revenue was at a consistent level as compared to the first quarter of 2010, as business communication spending has still not recovered to pre-recession levels.

Operating expenses. Total operating expenses for the quarter ended March 31, 2011 were \$55.8 million compared to \$58.2 million for the quarter ended April 1, 2010. The 4.1% decrease in 2011 compared to the 2010 period was primarily the result of the decrease in our advertising and Fathom revenue, offset by a \$1.9 million increase in non-cash share-based compensation expense. Set forth below is a discussion of the operating expenses.

Advertising operating costs. Advertising operating costs of \$3.5 million for the quarter ended March 31, 2011 decreased 22.2% from \$4.5 million for the quarter ended April 1, 2010. This decrease was primarily the result of a \$0.8 million decrease in payments made to our advertising affiliates due to the decrease in national advertising revenue (excluding beverage) as well as a decrease in network affiliate screens. Network affiliate screens represented 13.3% of total network screens for the first quarter of 2011 versus 16.0% for the 2010 period as the shift from the AMC Kerasotes Acquisition was partially offset by the addition of new network affiliates.

Fathom Events operating costs. Fathom Events operating costs of \$7.6 million for the quarter ended March 31, 2011 decreased 31.5% compared to \$11.1 million during the quarter ended April 1, 2010. The decrease was primarily the result of a decrease in content payments and revenue share amounts to theatre circuits related to the lower revenue generated by the Fathom Consumer division and other event expenses.

Network costs. Network costs of \$4.9 million for the quarter ended March 31, 2011 were consistent with \$4.9 million for the quarter ended April 1, 2010, despite an increase in network screens of 120 or 0.7%.

Theatre access fees. Theatre access fees were \$12.1 million for the quarter ended March 31, 2011 compared to \$12.9 million for the quarter ended April 1, 2010. The decrease is due primarily to the 15.4% decrease in founding member attendance as compared to the first quarter of 2010, partially offset by the impact of the annual rate increase and 5.1% increase in digital screens operated by our founding members.

Selling and marketing costs. Selling and marketing costs increased to \$14.6 million, or 11.5% for the quarter ended March 31, 2011 compared to \$13.1 million for the quarter ended April 1, 2010. This increase was primarily due to higher personnel costs including a \$0.5 million increase in non-cash share-based compensation expense.

Administrative and other costs. Administrative and other costs for the quarter ended March 31, 2011 were \$8.5 million compared to \$7.7 million for the quarter ended April 1, 2010, an increase of 10.4%. The increase is due to a \$1.1 million increase in non-cash share-based compensation offset by cost savings in professional services.

Depreciation and amortization. Depreciation and amortization expense increased \$0.6 million to \$4.6 million for the quarter ended March 31, 2011, compared to \$4.0 million for the quarter ended April 1, 2010, primarily as a result of increased amortization expense recognized on intangible assets added during 2010 in accordance with the annual and extraordinary Common Unit Adjustments.

Net income (loss). Net loss generated for the quarter ended March 31, 2011 was \$1.0 million, compared to \$1.2 million of net income for the quarter ended April 1, 2010. The decrease was due primarily to the decrease in operating income, offset by a decrease in the provision for income taxes and net income attributable to noncontrolling interests. The change in the income tax benefit of \$0.7 million for March 31, 2011 compared to income tax expense of \$0.9 million for April 1, 2010 is due primarily to lower pre-tax income. Net income attributable to noncontrolling interests decreased \$4.9 million to \$2.6 million for the quarter ended March 31, 2011 due to lower levels of NCM LLC net income.

Known Trends and Uncertainties

The current macro-economic environment, and continued late breaking national television scatter advertising market in general, present uncertainties that could impact our results of operations, including the timing and amount of spending from our advertising clients and collections of accounts receivable. However, we are cautiously optimistic that the impact to our business associated with these issues will not be significant due to factors including the growth in our advertising client base, the effectiveness of cinema advertising relative to other advertising mediums, and the effectiveness and increasing scale of our broader national network and the related increase in salable advertising impressions and Fathom live broadcast locations. Subsequent to the first quarter of 2010, we added several new affiliate theatres to our national network including: Metropolitan Theatres Corporation, Great Escape Theatres and RC Theatres, and in 2011 we have contracted to add Consolidated Theatres, Rave Cinemas, LLC, Showplex Cinemas, Inc., Digital Cinema Destinations, Corp. and Coming Attractions and we are discussing network affiliate relationships with other theatre circuits that could be added during 2011. In total, these contracted new affiliates are expected to add nearly 36 million new attendees on a full-year pro-forma basis, representing approximately 340 million new salable advertising impressions. Our sales force either has or will integrate these additional impressions into the advertising sales process during 2011 and then we expect that these attendees will be additive to our revenue, operating income and cash flow. We believe that the continued growth of our network will continue to strengthen our selling proposition and competitive positioning versus other national advertising platforms.

Under the ESAs, up to 90 seconds of the *FirstLook* program can be sold to our founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements. During 2011 and in 2010, we sold 60 seconds to our founding members. We expect to continue to sell 60 seconds of time to the founding members in the remainder of 2011 and for the foreseeable future.

We remain involved in discussions with the founding member circuits to explore a restructuring of the Fathom Events business relationship. The discussions are on-going and we do not know how the existing relationship might be changed or if it will be changed. Any change to the Fathom Events business relationship with the founding members will require approval of our Audit Committee and a majority of our independent directors in addition to any other required approvals by our board of directors.

Financial Condition and Liquidity

Liquidity and Capital Resources

As of March 31, 2011, our cash, cash equivalents and short-term investments balance was \$64.8 million, a decrease of \$18.1 million compared to the balance of \$82.9 million as of December 30, 2010. The balance at April 1, 2010 was \$82.6 million, or a \$17.8 million decrease compared to the balance at March 31, 2011. This decrease in our cash balance was offset by an additional \$27.0 million of borrowing availability on our revolving credit facility as of March 31, 2011 for total liquidity availability of \$91.8 million compared to \$112.9 and \$82.6 million at December 30, 2010 and April 1, 2010, respectively. Our cash balances will fluctuate due to the seasonality of our business and related timing of collections of accounts receivable balances and operating expenditure payments, as well as available cash payments (as defined) to NCM LLC's founding members, interest payments on our term loan and principal payments on debt, income tax payments, tax sharing payments to our founding members and quarterly dividends to NCM, Inc's common shareholders. Our net debt balances (debt balance net of cash, cash equivalents and short-term investment balance) decreased \$13.3 million compared to the balance at April 1, 2010.

We have generated and used cash as follows (in millions):

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
Operating cash flow	\$ 17.1	\$ 24.8
Investing cash flow	\$ (8.6)	\$ (2.0)
Financing cash flow	\$ (32.1)	\$ (31.3)

- **Operating Activities.** The decrease in cash provided by operating activities for the quarter ended March 31, 2011 versus the quarter ended April 1, 2010 was primarily due to lower operating income and the timing of payments for income taxes and taxes due under the tax sharing agreement, and normal operating expenses as well as the timing of the collection of accounts receivable balances.

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- **Investing Activities.** The cash used in investing activities for the quarter ended March 31, 2011 increased compared to the quarter ended April 1, 2010 due to the purchase of investments such as commercial paper with excess cash balances consistent with our investment policy.
- **Financing Activities.** The change in financing cash flows for the quarter ended March 31, 2011 versus the quarter ended April 1, 2010 was primarily due to an increase in our quarterly dividend and an increase in repayments on our revolving credit agreement in 2011 as compared to 2010, offset by lower available cash distributions to our founding members due to lower operating income.

Sources of capital and capital requirements. NCM, Inc.'s primary source of liquidity and capital resources are available cash distributions from NCM LLC. NCM LLC's primary sources of liquidity and capital resources are its operating activities and availability under its senior secured revolving credit facility.

Management believes that future funds generated from NCM LLC's operations and cash on hand should be sufficient to fund working capital requirements, NCM LLC's debt service requirements, and capital expenditure and other investing requirements, through the next 12 months. Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members can be impacted by the seasonality experienced in advertising revenues and to a lesser extent theatre attendance. NCM LLC is required pursuant to the terms of its operating agreement to distribute its available cash, as defined in the operating agreement, to its members (the founding members and NCM, Inc.). The available cash distribution to the members of NCM LLC for the quarter ended March 31, 2011 was \$11.2 million, of which \$5.4 million was distributed to NCM, Inc. NCM, Inc. will use cash received from the available cash distributions to fund income taxes, payments associated with the tax sharing agreement with the founding members and current and future dividends as declared by the board of directors, including a dividend declared in April 2011 of \$0.20 per share (approximately \$10.9 million) which will be paid on June 2, 2011. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund NCM, Inc.'s tax sharing payments to the founding member circuits, income taxes and its regular dividend for the next 12 months. Declaration of future dividends is at the discretion of the Board of Directors dependent on anticipated cash needs, overall financial condition, future prospects for earnings, available cash and cash flows as well as other relevant factors.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" contained in our annual report on Form 10-K filed for the fiscal year ended December 30, 2010 and incorporated by reference herein. As of March 31, 2011, there were no significant changes in those critical accounting estimates.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements relevant to our business operations, see the information provided under Note 1 to the unaudited condensed consolidated financial statements included elsewhere in this document.

Related-Party Transactions

For a discussion of the related-party transactions, see the information provided under Note 4 to the unaudited condensed consolidated financial statements included elsewhere in this document.

Off-Balance Sheet Arrangements

Our operating lease obligations, which primarily include office leases, are not reflected on our balance sheet. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual and Other Obligations" contained in our annual report on Form 10-K for the fiscal year ended December 30, 2010 and incorporated by reference herein. We do not believe these arrangements are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the attendance patterns within the film exhibition industry as well as the timing of marketing expenditures by our advertising clients. Advertising expenditures tend to be higher during the second, third, and fourth fiscal quarters and are correlated to theatre attendance levels and new product releases and advertising client marketing priorities and cycles. The actual quarterly results for each quarter could differ materially depending on these factors or other risks and uncertainties. Based on our historical experience, our first quarter typically has less revenue than the other quarters of a given year

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due primarily to lower advertising client demand and lower theatre industry attendance levels. Accordingly, there can be no assurances that seasonal variations will not materially affect our results of operations in the future. The following table reflects the quarterly percentage of total revenue for the fiscal years ended 2009 and 2010.

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
FY 2009	19.3%	24.4%	25.1%	31.2%
FY 2010	19.8%	23.2%	29.4%	27.6%

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk to which we are exposed is interest rate risk. We have entered into variable-to-fixed interest rate swap arrangements economically hedging \$550.0 million of the \$725.0 million term loan at a fixed interest rate of 6.484%. For a discussion of market risks, see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” contained in our annual report on Form 10-K for the fiscal year ended December 30, 2010 and incorporated by reference herein. The current interest rates on that debt are lower than those implicit in the hedge, thus a 100 basis point fluctuation in market interest rates would have the effect of increasing or decreasing our cash interest expense by approximately \$2.3 million for an annual period on a total of \$228.0 million of unhedged debt (which includes \$53.0 million outstanding on our revolver). Because each of our interest rate swaps was in a liability position at March 31, 2011, we are not currently exposed to counterparty risk related to the swaps.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission’s rules and forms, and that information is accumulated and communicated to our management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) as appropriate to allow timely decisions regarding required disclosure. As of March 31, 2011, our management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Company’s management concluded that the Company’s disclosure controls and procedures as of March 31, 2011 were effective.

There have been no changes in the Company’s internal controls over financial reporting that occurred during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are sometimes involved in legal proceedings arising in the ordinary course of business. We are not aware of any litigation currently pending that would have a material adverse effect on our operating results or financial condition.

Item 1A. Risk Factors

There have been no material changes from risk factors as previously disclosed in our Annual Report on Form 10-K filed with the SEC on February 25, 2011 for the fiscal year ended December 30, 2010.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
December 31, 2010 through January 27, 2011 (1)	17,396	\$ 19.65	—	N/A
January 28, 2011 through February 24, 2011	—	—	—	N/A
February 25, 2011 through March 31, 2011 (2)	1,479,638	—	—	N/A

- (1) Represents shares delivered to the Company from restricted stock held by Company employees upon vesting for purpose of funding the recipient's tax withholding obligations.
- (2) Represents common membership units returned to NCM LLC by AMC to settle the adjustment required by the Common Unit Adjustment Agreement. The NCM LLC common membership units are exchangeable into shares of common stock of NCM, Inc. on a one-for-one basis.

Item 3. Defaults Upon Senior Securities

None

Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits

<u>Exhibit</u>	<u>Reference</u>	<u>Description</u>
3.1	*	Amended and Restated Certificate of Incorporation.
3.2	(1)	Amended and Restated Bylaws.
10.1	(2)	Common Unit Adjustment Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., National CineMedia, LLC, Regal CineMedia Holdings, LLC, American Multi-Cinema, Inc., Cinemark Media, Inc, Regal Cinemas, Inc. and Cinemark USA, Inc. (Confidential treatment granted as to certain portions, which portions were omitted and filed separately with the Commission.)
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
100	(3)	XBRL Hardship Exemption

* Filed herewith.

** Furnished herewith.

- (1) Incorporated by reference to Exhibit 4.2 from the Registrant's Registration Statement on Form S-8 (File No. 333-140652) filed on February 13, 2007.
- (2) Incorporated by reference to Exhibit 10.6 to NCM, Inc.'s Current Report on Form 8-K (File No. 001-33296) filed on February 16, 2007.
- (3) In accordance with a continuing hardship exemption obtained under rule 202 of regulations S-T, the interactive data file is not required to be submitted.

SIGNATURES

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

NATIONAL CINEMEDIA, INC.

(Registrant)

Date: May 6, 2011

/s/ Kurt C. Hall

Kurt C. Hall

President and Chief Executive Officer

(Principal Executive Officer)

Date: May 6, 2011

/s/ Gary W. Ferrera

Gary W. Ferrera

Executive Vice President and Chief Financial Officer

(Principal Accounting and Financial Officer)

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NATIONAL CINEMEDIA, INC.**

National CineMedia, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the "Corporation"), hereby certifies that:

A. The name of the Corporation is National CineMedia, Inc. The Corporation was originally incorporated under the name National CineMedia, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on October 5, 2006.

B. This Amended and Restated Certificate of Incorporation (this "Certificate"), which amends and restates the Corporation's original Certificate of Incorporation, has been duly adopted in accordance with the provisions of Sections 241 and 245 of the General Corporation Law of the State of Delaware (the "DGCL").

C. The Corporation has not received any payment for any of its stock.

D. The text of the original Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

**ARTICLE I
NAME**

The name of the Corporation is National CineMedia, Inc.

**ARTICLE II
REGISTERED ADDRESS, AGENT**

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at that address is Corporation Trust Company.

ARTICLE III
PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the DGCL.

ARTICLE IV
CAPITAL, VOTING, CONVERSION

Section 4.1 Authorized Shares . The total number of shares of capital stock that the Corporation shall have authority to issue is 130,000,000, which shall be divided into the following classes:

- (a) 120,000,000 shares shall be of a class designated Common Stock, par value \$0.01 per share (“Common Stock”); and
- (b) 10,000,000 shares shall be of a class designated Preferred Stock, par value \$0.01 per share (“Preferred Stock”).

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares then outstanding and the number then reserved for issuance upon the exercise, conversion or exchange of Rights (including, without limitation, Membership Units)) by an amendment to this Certificate approved by the affirmative vote of the holders of a majority of the outstanding Common Stock (and any other class or series of stock entitled to vote with the Common Stock).

Section 4.2 Voting Power of Common Stock . Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of the Corporation on which holders of Common Stock are entitled to vote. Except as may otherwise be required by the DGCL, by the provisions of this Certificate or any Preferred Stock Designation, the holders of outstanding shares of Common Stock, and the holders of outstanding shares of each series of Preferred Stock entitled to vote thereon, if any, shall vote as one class with respect to all matters to be voted on by the stockholders of the Corporation, and no separate vote or consent of the holders of shares of Common Stock or the holders of shares of any series of Preferred Stock, if any, shall be required for the approval of any such matter.

Notwithstanding the foregoing and provided that the subject matter being voted thereon does not adversely affect the rights, powers or preferences of the Common Stock, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote exclusively thereon pursuant to this Certificate (including any Preferred Stock Designation).

Section 4.3 Exchange Rights .

(a) The LLC shall be entitled to exchange Membership Units, at any time and from time to time, on a one-for-one basis, into the same number of fully paid and non-assessable shares of Common Stock as may be required for the LLC to meet an obligation under the LLC Agreement to redeem Membership Units, subject to the Corporation's right to elect a Cash Settlement. The LLC's right to exchange Membership Units, and the Corporation's obligations under this Section 4.3, shall be subject to the delivery of written notice (the "Redemption Notice") by a Member to the LLC and the Corporation of such Member's intent to cause the LLC to redeem all or a portion of the Membership Units held by such Member. The date specified in the Redemption Notice as the date that the LLC shall redeem the Membership Units shall also be the date (the "Exchange Date") on which the exchange of Membership Units for shares of Common Stock shall occur. The number of Membership Units that the LLC shall issue and deliver to the Corporation for exchange on the Exchange Date pursuant to this Section 4.3 (the "Exchanged Units") shall be equal to the number of Membership Units specified in the Redemption Notice to be redeemed by the LLC.

(b) Upon receipt of the Redemption Notice, the Corporation, in its sole discretion, may elect to deliver shares of Common Stock equal to the number of Exchanged Units (the "Share Settlement"), or may, in lieu of exchanging Common Stock for Exchanged Units, make a cash payment to the LLC in an amount equal to the number of Exchanged Units multiplied by the applicable Exchange Price (the "Cash Settlement"). Within three (3) Business Days of receipt of the Redemption Notice, the Corporation shall deliver written notice to the LLC (with a copy to the holder of Membership Units exercising its right to cause the LLC to redeem all or a portion of its Membership Units) of its intended settlement method (the "Settlement Notice"). If a Settlement Notice is not delivered within such three (3) day period, the Corporation shall be deemed to have elected a Share Settlement. If the Corporation elects to satisfy its exchange obligation through a Cash Settlement, then the holder of Membership Units exercising its right to cause the LLC to redeem all or a portion of its Membership Units may retract its Redemption Notice by delivering written notice of retraction (the "Retraction Notice") to the LLC (with a copy to the Corporation) within two (2) Business Days of delivery of the Settlement Notice. If the Corporation elects to satisfy its exchange obligation through a Cash Settlement, the Corporation will sell to a third party a number of shares of Common Stock equal to the number of Exchanged Units and shall assure that the number of outstanding shares of Common Stock will equal on a one-for-one basis the number of Membership Units owned by the Corporation. Any Redemption Notice, Settlement Notice or Retraction Notice delivered by or to the Corporation may be delivered by hand or sent by facsimile,

electronic mail or nationally recognized overnight delivery service and shall be deemed given when received if delivered on a Business Day during normal business hours of the recipient or, if not so delivered, on the next Business Day following receipt or delivery.

(c) Unless a timely Retraction Notice has been delivered to the Corporation, on the Exchange Date the following shall occur:

(1) the LLC shall (A) issue and deliver to the Corporation a certificate representing the number of Exchanged Units to be exchanged, and (B) deliver to the Corporation all transfer tax stamps or funds therefor, if required pursuant to Section 4.3(g);

(2) the Corporation shall deliver to the LLC (or such other party that the LLC may designate in accordance with Section 4.3(d)) one of the following:

(i) in a Share Settlement for the Exchanged Units, the Corporation shall issue to the LLC or in such other name or names the LLC may direct a number of shares of Common Stock equal to the number of Exchanged Units; or

(ii) in a Cash Settlement for the Exchanged Units, the Corporation shall pay to the LLC or such other Person as the LLC may direct, by wire transfer of immediately available funds, an amount equal to the number of Exchanged Units multiplied by the then applicable Exchange Price.

(d) Unless a timely Retraction Notice has been delivered to the Corporation, on the Exchange Date, provided the LLC has delivered one or more certificates representing Exchanged Units in the manner provided in Section 4.3(c) and paid in cash any amount required by Section 4.3(g), the Corporation will deliver or cause to be delivered at the office of the Corporation's transfer agent, a certificate or certificates representing the number of full shares of Common Stock issuable upon such exchange in a Share Settlement, issued in the name of the LLC or in such other name or names the LLC may direct. If the Corporation has elected a Cash Settlement in accordance with Section 4.3(b), the Corporation will deliver the Cash Settlement amount to the LLC. Such exchange shall be deemed to have been effected immediately prior to the close of business on the Exchange Date. The person or persons in whose name or names the certificate or certificates representing the shares of Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Common Stock immediately prior to the close of business on the Exchange Date.

(e) In the event of a reclassification or other similar transaction as a result of which the shares of Common Stock are converted into another security, then the LLC shall be entitled to receive upon exchange of Membership Units the amount of such

security that such holder would have received if such exchange had occurred immediately prior to the record date of such reclassification or other similar transaction. No adjustments in respect of dividends shall be made upon the exchange of any Membership Unit; *provided, however*, that if a Membership Unit shall be exchanged subsequent to the record date for the payment of a dividend or other distribution on Membership Units but prior to such payment, then the registered holder of such Membership Unit at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such Membership Unit notwithstanding the exchange thereof or the default in settlement of the exchange or payment of the dividend or distribution due.

(f) The Corporation will at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon exchange of Membership Units by the LLC in accordance with this Section 4.3, such number of shares of Common Stock that shall be issuable upon the exchange of all outstanding Membership Units exchangeable hereunder; *provided* that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the exchange of the outstanding Membership Units by delivery of shares of Common Stock that are held in the treasury of the Corporation. If any shares of Common Stock require registration with or approval of any governmental authority under any federal or state law before such shares of Common Stock may be issued upon exchange, the Corporation will cause such shares to be duly registered or approved, as the case may be. All shares of Common Stock that are issued upon exchange of the Membership Units will, upon issue, be validly issued, fully paid and non-assessable and be listed upon each national securities exchange, other securities exchange or automated or electronic quotation system upon which the outstanding Common Stock is listed at the time of delivery.

(g) The issuance of certificates representing shares of Common Stock upon exchange of Membership Units in a Share Settlement shall be made without charge to the LLC for any stamp or other similar tax in respect of such issuance; *provided, however*, that if any such certificate is to be issued in a name other than that of the LLC, then the person or persons requesting the issuance thereof shall pay to the LLC for remittance to the Corporation the amount of any tax that may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Corporation that such tax has been paid or is not payable.

Section 4.4 Stock Splits, Ratios, Adjusting Outstanding Shares of Common Stock or Membership Units .

(a) The Corporation shall undertake all actions, including, without limitation, a reclassification, dividend, division or recapitalization, with respect to the shares of Common Stock or the Membership Units (in the case of the LLC, the Corporation authorizing such in its capacity as manager of the LLC), to maintain at all times a one-to-one ratio between the number of Membership Units owned by the Corporation and the number of outstanding shares of Common Stock, disregarding, for purposes of

maintaining the one-to-one ratio, shares of Common Stock issued pursuant to the Equity Incentive Plan that have not vested thereunder, treasury stock, Preferred Stock or other securities of the Corporation that are not convertible into or exercisable or exchangeable for Common Stock.

(b) The Corporation shall not undertake or authorize (i) any subdivision (by any Membership Unit split, Membership Unit distribution, reclassification, recapitalization or similar event) or combination (by reverse Membership Unit split, reclassification, recapitalization or similar event) of the Membership Units that is not accompanied by an identical subdivision or combination of the Common Stock to maintain at all times a one-to-one ratio between the number of Membership Units owned by the Corporation and the number of outstanding shares of Common Stock; or (ii) any subdivision (by any stock split, stock dividend, reclassification, recapitalization or similar event) or combination (by reverse stock split, reclassification, recapitalization or similar event) of the Common Stock that is not accompanied by an identical subdivision or combination of the Membership Units to maintain at all times a one-to-one ratio between the number of Membership Units owned by the Corporation and the number of outstanding shares of Common Stock, unless, in either case, such action is necessary to maintain at all times a one-to-one ratio between the number of Membership Units owned by the Corporation and the number of outstanding shares of Common Stock.

(c) The Corporation shall not issue, transfer or deliver from treasury stock or repurchase shares of Common Stock unless in connection with any such issuance, transfer or repurchase the Corporation takes or authorizes all requisite action such that, after giving effect to all such issuances, transfers or repurchases, the number of outstanding shares of Common Stock will equal on a one-for-one basis the number of Membership Units owned by the Corporation. The Corporation shall not issue, transfer or deliver from treasury stock or repurchase shares of Preferred Stock unless in connection with any such issuance, transfer, delivery or repurchase the Corporation takes all requisite action such that, after giving effect to all such issuances, transfers or repurchases, the Corporation holds mirror equity interests of the LLC which (in the good faith determination by the Board) are in the aggregate substantially equivalent to the outstanding Preferred Stock.

Section 4.5 Dividends and Distributions . Subject to the preferences of Preferred Stock, if any, outstanding at any time, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in property or shares of stock of the Corporation as may be declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor.

Section 4.6 Mergers, Consolidation, Etc . The Corporation shall not consolidate, merge, combine or consummate any other transaction (in each case other than incident to an exchange or a conversion of Common Stock and/or other securities for Common Stock pursuant to the terms of this Certificate) in which shares of Common Stock are exchanged for or converted into other stock or securities, or the right to receive cash and/or any other property, unless in connection with any such consolidation, merger, combination or other transaction the Membership Units or the shares of Common Stock shall be entitled to be exchanged (subject to proration upon equitable terms in the event of a merger or consolidation upon prorated terms) for or converted into the same kind and amount of stock or securities, cash and/or any other property, as the case may be, into which or for which each Membership Unit or share of Common Stock is exchanged or converted and in each case to maintain at all times a one-to-one ratio between the number of Membership Units or other stock, securities, or rights to receive cash and/or any other property owned by the Corporation and the number of outstanding shares of Common Stock or other stock, securities, or rights to receive cash and/or any other property issued by the Corporation.

Section 4.7 Preferred Stock . The Board is authorized, subject to any limitations prescribed by applicable law, to provide from time to time for the issuance of shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the DGCL (a "Preferred Stock Designation"), to establish the rights, powers and preferences of each such series of Preferred Stock, including the following:

- (a) the number of shares of that series, which may subsequently be increased or decreased (but not below the number of shares of that series then outstanding) by resolution of the Board, and the distinctive serial designation thereof;
- (b) the voting powers, full or limited, if any, of the shares of that series and the number of votes per share;
- (c) the rights in respect of dividends on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates and the relative rights or priority, if any, of payment of dividends on shares of that series and any limitations, restrictions or conditions on the payment of dividends;
- (d) the relative amounts, and the relative rights or priority, if any, of payment in respect of shares of that series, which the holders of the shares of that series shall be entitled to receive upon any liquidation, dissolution or winding up of the Corporation;
- (e) the terms and conditions (including the price or prices, which may vary under different conditions and at different redemption or purchase dates), if any, upon which all or any part of the shares of that series may be redeemed or purchased by the Corporation, and any limitations, restrictions or conditions on such redemption or purchase;

(f) the terms, if any, of any purchase, retirement or sinking fund to be provided for the shares of that series;

(g) the terms, if any, upon which the shares of that series shall be convertible into or exchangeable for shares of any other class, classes or series, or other securities, whether or not issued by the Corporation;

(h) the restrictions, limitations and conditions, if any, upon issuance of indebtedness of the Corporation so long as any shares of that series are outstanding; and

(i) any other preferences and relative, participating, optional or other rights and limitations not inconsistent with law, this Article IV or any resolution of the Board in accordance with this Article IV.

All shares of any one series of the Preferred Stock shall be alike in all respects. Except to the extent otherwise expressly provided in the Preferred Stock Designation for a series of Preferred Stock, the holders of shares of such series shall have no voting rights except as may be required by the laws of the DGCL. Further, unless otherwise expressly provided in the Preferred Stock Designation for a series of Preferred Stock, no consent or vote of the holders of shares of Preferred Stock or any series thereof shall be required for any amendment to this Certificate that would increase the number of authorized shares of Preferred Stock or the number of authorized shares of any series thereof or decrease the number of authorized shares of Preferred Stock or the number of authorized shares of any series thereof (but not below the number of authorized shares of Preferred Stock of such series, as the case may be, then outstanding). Except as may be provided by the Board in a Preferred Stock Designation or by applicable law, shares of any series of Preferred Stock that have been redeemed (whether through the operation of a sinking fund or otherwise) or purchased by the Corporation, or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or series shall have the status of authorized and unissued shares of Preferred Stock and may be reissued as a part of the series of which they were originally a part or may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board or as part of any other series of Preferred Stock.

Section 4.8 Liquidation, Dissolution or Winding Up . In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and liabilities of the Corporation and subject to the prior payment in full of the preferential amounts to which any series of Preferred Stock is entitled, the holders of shares of Common Stock of all classes shall share equally, on a share for share basis, in the assets of the Corporation remaining for distribution to its holders of Common Stock. Neither the consolidation or merger of the Corporation with or into any other person or persons nor the sale, transfer or lease of all or substantially all of the assets of the Corporation shall itself be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4.8.

Section 4.9 Notice . The Corporation shall give written notice thereof to all holders of Membership Units (based on the ledger of ownership of the LLC) at least 20 days prior to (i) the date on which the Corporation sets a record date for determining rights in connection with a (x) merger, tender offer, reorganization, recapitalization, reclassification or other change in the capital structure of the Corporation or (y) any dividend or distribution (including in liquidation) and (ii) if no such record date is set, the date of such foregoing event.

ARTICLE V
BOARD OF DIRECTORS

Section 5.1 Classification and Election of Directors .

(a) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors (the "Board"). The number of directors, other than those who may be elected by the holders of one or more series of Preferred Stock voting separately by class or series, shall be fixed by the Bylaws, but shall not be more than ten. The directors of the Corporation will be elected by the plurality of the votes cast by the holders of shares of Common Stock.

(b) The directors of the Corporation shall be divided as evenly as possible into three classes, designated "Class I", "Class II" and "Class III." If the number of directors is not evenly divisible by three, the remaining positions shall be allocated first to Class III and then to Class II. The initial terms of the Class I directors shall expire at the annual meeting of stockholders in 2008; the initial terms of the Class II directors shall expire at the annual meeting of stockholders in 2009; and the initial terms of the Class III directors shall expire at the annual meeting of stockholders in 2010. At each annual meeting of stockholders of the Corporation, the successors of that class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders of the Corporation held in the third year following the year of their election.

Section 5.2 Approval Rights of Certain Matters . So long as any Founding Member owns five percent or more of the then issued and outstanding Membership Units, including Membership Units acquired from another Founding Member or an Affiliate of another Founding Member (which, for purposes of this Section 5.2, shall be calculated to include (a) all shares of Common Stock beneficially owned by such Founding Member as of the date of determination as a result of the redemption of any Membership Units in accordance with Article 9 of the LLC Agreement, (b) any shares of Common Stock issued in connection with any dividend or distribution on the Common Stock so received as a result of the redemption of any Membership Units, and (c) any shares of Common

Stock acquired from another Founding Member provided that such other Founding Member acquired such shares of Common Stock in a transaction described in clause (a) or (b) above, but excluding (x) any shares of Common Stock otherwise acquired by the Founding Members and (y) any Membership Units issued to the Corporation in connection with redemption of Membership Units by a Founding Member (unless the Founding Member has disposed of any of the shares of Common Stock received in connection with such redemption of Membership Units (other than to another Founding Member in a transaction described in clause (c) above), in which case a number of Membership Units issued to the Corporation in connection with such redemption equal to the number of shares of Common Stock disposed of by such Founding Member shall be included in determining such Founding Member's ownership interest)), approval of 90 percent of the directors then in office, provided that if the Board has fewer than ten directors then the approval of 80 percent of the directors then in office, will be required prior to (x) the Corporation's taking of any of the following actions, or (y) the Corporation, in its capacity as manager of the LLC, authorizing the LLC to take any of the following actions, as the case may be:

(a) the assignment, transfer, sale or pledge of all or a portion of the Membership Interests beneficially owned by the Corporation;

(b) the acquisition, disposition, leasing or licensing of assets by the Corporation or the LLC or entering into a contract to do the foregoing, in a single transaction or in two or more transactions (related or unrelated) in any consecutive twelve-month period with an aggregate value (as determined in good faith by the Board) exceeding 20 percent of the fair market value of the business of the LLC operating as a going concern (as determined in good faith by the Board);

(c) the merger, reorganization, recapitalization, reclassification, consolidation, dissolution, liquidation or similar transaction of the Corporation or the LLC;

(d) the incurrence by the Corporation or the LLC of any funded indebtedness (including the refinancing of any funded indebtedness) or the repayment before due of any funded indebtedness (other than a working capital revolving line of credit) with a fixed term, in either case, in a single transaction or in two or more transactions (related or unrelated) in an aggregate amount in excess of \$15.0 million per year;

(e)(1) the issuance, grant or sale of shares of Common Stock or Rights with respect to Common Stock, except in connection with (x) the issuance of Rights to Common Stock in connection with the Equity Incentive Plan (or such other equity incentive compensation plan as may be approved by the Board in the future) or (y) any exchange of Membership Units in accordance with Section 4.3, or (2) the issuance, grant or sale of any Preferred Stock or Rights with respect to Preferred Stock;

(f) the authorization, issuance, grant or sale of additional Membership Interests or Rights with respect to Membership Interests (except as provided in the LLC Agreement, Unit Adjustment Agreement or pursuant to the Equity Incentive Plan or such other equity incentive compensation plan as may be approved by the Board in the future);

(g) any amendment, modification, restatement or repeal of any provision of this Certificate or the Bylaws or the LLC Agreement;

(h) the entering into, modification or termination of any contract of the type specified in Item 601(b)(10)(i) of Regulation S-K;

(i) except as specifically set forth in the LLC Agreement, the declaration, setting aside or payment of any redemption of or dividends on Membership Interests, payable in cash, property or otherwise;

(j) the material amendment (as such term is described in IM-4350-5 to Rule 4350 of the Marketplace Rules of the NASDAQ Stock Market, Inc.) to the Equity Incentive Plan or the entering into or consummation of any new equity incentive compensation plan;

(k) any change in the current business purpose of the Corporation to serve solely as the manager of the LLC or any change in the current business purpose of the LLC to provide the services as set forth in the ESAs; and

(l) the approval of any actions relating to the LLC that could reasonably be expected to have a material adverse tax effect on the Founding Members.

Notwithstanding anything in this Section 5.2 to the contrary, a Founding Member shall permanently cease to be a Founding Member for purposes of this Certificate (i) if at any time such Founding Member owns less than five percent of the then issued and outstanding Membership Units as determined pursuant to this Section 5.2, or (ii) upon the occurrence of a direct or indirect Change of Control of such Founding Member, or any direct or indirect holder of equity in such Founding Member (other than a Change of Control (A) of such Founding Member's ESA Party or its stockholders, or (B) in which, following the Change of Control, the Founding Member's ESA Party or its stockholders owns 50 percent or more of the general voting power of the transferee).

Section 5.3 Modification or Amendment of ESAs . Any (i) modification or amendment of an ESA which could reasonably be expected (in the good faith determination of the Board) to result in payments to or from the LLC in excess of \$50,000 or (ii) entry into or amendment of any contract or transaction which could reasonably be expected (in the good faith determination of the Board) to result in payments to or from the LLC or the Corporation in excess of \$50,000 between (a) the LLC or the Corporation and (b) any Founding Member, will require the approval of a majority of the directors then in office and a majority of the Independent Directors then in office.

Section 5.4 Term of Office . A director shall hold office until his or her successor shall be qualified and elected, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal from office. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director, except as may be provided for in a Preferred Stock Designation with respect to any additional director elected by the holders of the applicable series of Preferred Stock.

Section 5.5 Removal . Subject to the rights of the holders of any series of Preferred Stock and the terms of the Director Designation Agreement, any or all of the directors of the Corporation may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the outstanding Common Stock.

Section 5.6 Notice of Nominations . Advance notice of nominations for the election of directors, other than nominations by the Board or a committee thereof, shall be given to the Corporation in the manner provided in the Bylaws.

Section 5.7 Newly Created Directorships and Vacancies . Subject to the rights of holders of any series of Preferred Stock, any newly created directorship resulting from an increase in the number of directors or any other vacancy with respect to the office of a director, however caused, shall be filled only by a majority of the directors then in office (even if less than a quorum) or by a sole remaining director, in each case in accordance with the Director Designation Agreement. Subject to the terms and conditions of the Director Designation Agreement, any director elected by one or more directors to fill a newly created directorship or other vacancy shall hold office for the remainder of the full term of the class of directors to which the new directorship was added or in which the vacancy occurred and until his or her successor shall have been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

ARTICLE VI **NO LIABILITY**

To the fullest extent permitted by the DGCL, as now existing or hereafter amended, a director of the Corporation shall not be liable to the Corporation or any of its stockholders for monetary damages for breach of his or her fiduciary duty as a director.

Any amendment or repeal of this Article VI shall be prospective only and shall not adversely affect any limitation, right or protection of a director of the Corporation existing under this Article VI immediately before the amendment or repeal.

ARTICLE VII **INDEMNIFICATION**

Section 7.1 Right to Indemnification . The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a Person for whom he or she is the legal representative, is or was or has agreed to serve as a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Person. The Corporation shall be required to indemnify or make advances to a Person in connection with a Proceeding (or part thereof) initiated by such Person only if the Proceeding (or part thereof) was authorized by the Board.

Section 7.2 Prepayment of Expenses . The Corporation shall, to the fullest extent not prohibited by law, pay the expenses (including attorneys' fees) incurred by a Person identified in Section 7.1 in defending any Proceeding in advance of its final disposition, *provided, however* , that the payment of expenses incurred by a Person identified in Section 7.1 in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by such Person to repay all amounts advanced if it should be ultimately determined that such Person is not entitled to be indemnified under this Article VII or otherwise.

Section 7.3 Claims . If a claim for indemnification or payment of expenses under this Article VII is not paid in full within 60 days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 7.4 Non-Exclusivity of Rights . The rights conferred on any Person by this Article VII shall not be exclusive of any other rights that such Person may have or hereafter acquire under any statute, provision of this Certificate, the Bylaws, agreement, vote of stockholders or resolution of disinterested directors or otherwise.

Section 7.5 Other Indemnification . The Corporation's obligation, if any, to indemnify or advance expenses to any Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

Section 7.6 Indemnification of Other Persons . This Article VII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to Persons other than those Persons identified in Section 7.1 when and as authorized by a majority of the entire Board (without regard to vacancies) or by the action of a committee of the Board or designated officers of the Corporation established by or designated in resolutions approved by a majority of the entire Board (without regard to vacancies); *provided, however* , that the payment of expenses incurred by such a Person in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by such Person to repay all amounts advanced if it should be ultimately determined that such Person is not entitled to be indemnified under this Article VII or otherwise.

ARTICLE VIII **ACTION BY CONSENT**

Except as provided in any Preferred Stock Designation with respect to one or more series of Preferred Stock, after the Corporation first has a class of securities registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, or its equivalent, any action required or permitted to be taken by the stockholders of the Corporation must be taken at a duly called annual or special meeting of the stockholders and may not be taken by consent in writing or otherwise.

ARTICLE IX **STOCKHOLDER MEETINGS**

Except as otherwise required by law or provided in the Bylaws, and subject to the rights of the holders of any class or series of shares issued by the Corporation having a preference over the Common Stock as to dividends or upon liquidation to elect directors in certain circumstances, special meetings of the stockholders of the Corporation may be called only by the Board pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office.

ARTICLE X
ELECTIONS

Election of directors need not be by written ballot unless so provided in the Bylaws.

ARTICLE XI
BYLAWS

Subject to Section 5.2 hereof and to the provisions of the Bylaws, the Board shall have the power to adopt, alter, amend or repeal the Bylaws by vote of not less than a majority of the directors then in office. The holders of shares of Common Stock shall also have the power to adopt, alter, amend or repeal the Bylaws, but only if such action receives the affirmative vote of the holders of at least 66-2/3 percent of the outstanding Common Stock.

ARTICLE XII
AMENDMENT OF CERTIFICATE

Notwithstanding anything to the contrary in this Certificate and in addition to the vote required by the Board as set forth in Section 5.2 hereof, the affirmative vote of the holders of at least a majority of the outstanding Common Stock shall be required to amend this Certificate (in any such case including, without limitation, by merger, consolidation, binding share exchange or otherwise).

ARTICLE XIII
EXISTENCE

The term of the existence of the Corporation shall be perpetual.

ARTICLE XIV
CORPORATE OPPORTUNITIES

The Corporation renounces any interest or expectancy in, or in being offered the opportunity to participate in, business opportunities that are presented to the Corporation, the LLC or to one or more of the officers, directors or stockholders (both direct and indirect) of the Corporation and members of the LLC that relate to the provision of services to motion picture theaters, use of theaters for any purpose, sale of advertising and promotional services in and around theaters and any other business related to the motion picture theater business, except services as provided in any ESAs and except as may be offered to an officer of the Corporation in his capacity as an officer of the Corporation, even if the business opportunity is one that the Corporation might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so, and no such person shall be liable to the Corporation or any stockholder of the Corporation (or any Affiliate thereof) for breach of any fiduciary or other duty by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation.

ARTICLE XV
NON-ASSESSABLE

The capital stock of the Corporation shall not be assessable. It shall be issued as fully paid, and the private property of the stockholders shall not be liable for the debts, obligations or liabilities of this Corporation. This Certificate shall not be subject to amendment in this respect.

ARTICLE XVI
SECTION 203

The Corporation hereby elects not to be governed by Section 203 of the DGCL, and the restrictions contained in Section 203 shall not apply to the Corporation.

ARTICLE XVII
DEFINITIONS

For purposes of this Certificate the following terms shall have the meaning set forth below.

“Affiliate” means with respect to any Person, any Person that directly or indirectly, through one or more intermediaries Controls, is Controlled by or is under common Control with such Person. Notwithstanding the foregoing, (i) no Founding Member shall be deemed an Affiliate of the Corporation, (ii) the Corporation shall not be deemed an Affiliate of any Founding Member, (iii) no stockholder of REG, or any of such stockholder’s Affiliates (other than REG and its Subsidiaries) shall be deemed an Affiliate of any Founding Member or the Corporation, (iv) no stockholder of Marquee Holdings, or any of such stockholder’s Affiliates (other than Marquee Holdings and its Subsidiaries) shall be deemed an Affiliate of any Founding Member or the Corporation, (v) no stockholder of Cinemark, or any of such stockholder’s Affiliates (other than Cinemark and its Subsidiaries) shall be deemed an Affiliate of any Founding Member or the Corporation, (vi) no stockholder of the Corporation shall be deemed an Affiliate of the Corporation, and (vii) the Corporation shall not be deemed an Affiliate of any stockholder of the Corporation.

“AMC” means American Multi-Cinema, Inc., a Missouri corporation, including any Affiliate or Permitted Transferee thereof, so long as any Permitted Transferee continues to qualify as a Permitted Transferee.

“Board” has the meaning set forth in Section 5.1(a).

“Business Day” means a day other than a Saturday, Sunday, federal holiday or other day on which commercial banks in New York, New York are authorized or required by law to close.

“Bylaws” means the bylaws of the Corporation, as they may be amended, supplemented or otherwise modified from time to time.

“Cash Settlement” has the meaning set forth in Section 4.3(b).

“Certificate” has the meaning set forth in the introductory paragraph.

“Change of Control” with respect to any Person that is not an individual, means (i) any merger or consolidation with or into any other entity or any other similar transaction, whether in a single transaction or series of related transactions, where (A) the members or stockholders of such Person immediately prior to such transaction in the aggregate cease to own at least 50 percent of the general voting power of the entity surviving or resulting from such transaction (or its stockholders or the Ultimate Parent thereof) or (B) any Person or Group becomes the beneficial owner of more than 50 percent of the general voting power of the entity surviving or resulting from such transaction (or its stockholders or the Ultimate Parent thereof), (ii) any transaction or series of related transactions in which in excess of 50 percent of such Person’s general voting power is Transferred to any other Person or Group or (iii) the sale or Transfer by such Person of all or substantially all of its assets.

“Cinemark” means Cinemark Holdings, Inc. or its successor or any Person that wholly-owns Cinemark Holdings, Inc., directly or indirectly, in the future.

“Cinemark Media” mean Cinemark Media, Inc., a Delaware corporation, including any Affiliate or Permitted Transferee thereof, so long as any Permitted Transferee continues to qualify as a Permitted Transferee.

“Cinemark USA” means Cinemark USA, Inc., a Texas corporation.

“Common Stock” has the meaning set forth in Section 4.1(a).

“Control” (including the terms “Controlled by” and “under common Control with”), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise.

“Corporation” has the meaning set forth in Article I.

“DGCL” has the meaning set forth in introductory paragraph B.

“Director Designation Agreement” means the Director Designation Agreement by and among the Founding Members and the Corporation, as it may be amended, supplemented or otherwise modified from time to time.

“Equity Incentive Plan” means the National CineMedia Inc. 2007 Equity Incentive Plan, as it may be amended, supplemented, or otherwise modified from time to time.

“ESA” means any of the Exhibitor Services Agreements entered into, by and between the LLC and each ESA Party, as each may be amended, supplemented or otherwise modified from time to time.

“ESA Party” means (i) AMC in the case of AMC, (ii) Cinemark USA in the case of Cinemark Media, and (iii) Regal Cinemas in the case of Regal.

“Exchange Date” has the meaning set forth in Section 4.3(a).

“Exchange Price” means the arithmetic average of the volume weighted average prices for a share of the Common Stock on the principal United States securities exchange or automated or electronic quotation system on which the Common Stock trades, as reported by Bloomberg, L.P., or its successor, for each of the three consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Exchange Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Common Stock. If the Common Stock no longer trades on a securities exchange or automated or electronic quotation system, then a majority of the Independent Directors of the Corporation shall determine the Exchange Price in good faith.

“Exchanged Units” has the meaning set forth in Section 4.3(a).

“Founding Members” means AMC, Cinemark Media and Regal.

“Group” has the meaning set forth in Section 13(d)(3) and Rule 13d-5 of the Securities Exchange Act of 1934, as amended.

“Independent Director” means any director of the Corporation that if the Common Stock is traded on the NASDAQ Stock Market, satisfies the definition of an “independent director” set forth in the applicable rules in the Marketplace Rules of the NASDAQ Stock Market, Inc., as such rules may be amended from time to time, or, if the Common Stock is then traded on a different exchange, such term shall mean any director of the Corporation that satisfies the definition of independent director according to the rules of such exchange.

“LLC” means National CineMedia, LLC, a Delaware limited liability company, or its successor.

“LLC Agreement” means the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC as it may be amended, supplemented, or otherwise modified from time to time.

“Marquee Holdings” means Marquee Holdings Inc. or its successor or any Person that wholly-owns Marquee Holdings Inc., directly or indirectly, in the future.

“Member” means each member of the LLC.

“Membership Interest” means a membership interest in LLC.

“Membership Unit” means an outstanding common membership unit of the LLC.

“Permitted Transferee” means in the case of any Founding Member and any Permitted Transferee of any Founding Member (i) an Affiliate of such Founding Member or Permitted Transferee, or (ii) a non-Affiliate of such Founding Member or Permitted Transferee that is owned more than 50 percent directly or indirectly through one or more entities that are the same entities that own 50 percent or more of the general voting power of the Ultimate Parent of such Founding Member.

“Person” means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture or other entity or organization of any nature whatsoever.

“Preferred Stock” has the meaning set forth in Section 4.1(b).

“Preferred Stock Designation” has the meaning set forth in Section 4.7.

“Proceeding” has the meaning set forth in Section 7.1.

“Redemption Notice” has the meaning set forth in Section 4.3(a).

“REG” means Regal Entertainment Group or its successor or any Person that wholly-owns Regal Entertainment Group, directly or indirectly, in the future.

“Regal” mean Regal CineMedia Holdings, LLC, a Delaware limited liability company, including any Affiliate or Permitted Transferee thereof, so long as any Permitted Transferee continues to qualify as a Permitted Transferee.

“Regal Cinemas” means Regal Cinemas, Inc., a Tennessee corporation.

“Retraction Notice” has the meaning set forth in Section 4.3(b).

“Rights” means, when used with respect to a specified Person, securities of such Person (which may include equity securities) that (contingently or otherwise) are exercisable, convertible or exchangeable for or into equity securities of such Person (with or without consideration) or that carry any right to subscribe for or acquire equity securities or securities exercisable, convertible or exchangeable for or into equity securities of such Person.

“Settlement Notice” has the meaning set forth in Section 4.3(b).

“Share Settlement” has the meaning set forth in Section 4.3(b).

“Subsidiary” means, with respect to any Person, (i) a corporation a majority of whose capital stock with the general voting power under ordinary circumstances to vote in the election of directors of such corporation (irrespective of whether or not, at the time, any other class or classes of securities shall have, or might have, voting power by reason of the happening of any contingency) is at the time beneficially owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation), including a joint venture, a general or limited partnership or a limited liability company, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, beneficially own at least a majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Persons performing such functions) or act as the general partner or managing member of such other Person.

“Trading Day” means a day on which the principal United States securities exchange on which such security is listed or admitted to trading, or any automated or electronic quotation system if such security is only listed or admitted to trading on such automated or electronic quotation system, as applicable, is open for the transaction of business (unless such trading shall have been suspended for the entire day).

“Transfer” (including the term “Transferred”) means, with respect to any Person, directly or indirectly, to sell, transfer, give, exchange, bequest, assign, pledge, encumber, hypothecate or otherwise dispose of, either voluntarily or involuntarily (including (i) except as provided in clause (a) below, the direct or indirect Change of Control of any Founding Member or Permitted Transferee (or any direct or indirect holder of equity in a Founding Member or Permitted Transferee), and (ii) upon the foreclosure under any pledge or hypothecation permitted by clause (b) below that results in a change of title), any capital stock or other equity interest of such Person or other assets beneficially owned by such Person. Notwithstanding the foregoing: (a) the Change of Control of an ESA Party or its stockholders shall not be deemed to be a Transfer hereunder, and (b) a bona fide pledge of Membership Interests or Common Stock by the Corporation or any Founding Member or their Affiliates shall not be deemed to be a Transfer hereunder.

“Ultimate Parent” means (i) Marquee Holdings in the case of AMC, (ii) Cinemark in the case of Cinemark Media, and (iii) REG in the case of Regal.

“Unit Adjustment Agreement” means the Common Unit Adjustment Agreement as it may be amended, supplemented, or otherwise modified from time to time, by and among the Founding Members, Regal Cinemas, Inc., Cinemark USA, Inc., the Company and the LLC.

IN WITNESS WHEREOF, National CineMedia, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed and attested as of the 7th day of February, 2007.

By: /s/ Ralph E. Hardy
Name: Ralph E. Hardy
Title: Vice President and Secretary

**CERTIFICATE OF AMENDMENT
OF
THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
NATIONAL CINEMEDIA, INC.**

National CineMedia, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the "Corporation"), having its registered office at the Corporation Trust Company, 1209 Orange Street, in the City of Wilmington, in the County of New Castle, hereby certifies to the Secretary of State of the State of Delaware that:

FIRST: Section 4.1 of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended in its entirety to read as follows:

"Section 4.1 Authorized Shares. The total number of shares of capital stock that the Corporation shall have authority to issue is 185,000,000, which shall be divided into the following classes:

- (a) 175,000,000 shares shall be of a class designated Common Stock, par value \$0.01 per share ("Common Stock"); and
- (b) 10,000,000 shares shall be of a class designated Preferred Stock, par value \$0.01 per share ("Preferred Stock").

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares then outstanding and the number then reserved for issuance upon the exercise, conversion or exchange of Rights (including, without limitation, Membership Units)) by an amendment to this Certificate approved by the affirmative vote of the holders of a majority of the outstanding Common Stock (and any other class or series of stock entitled to vote with the Common Stock)."

SECOND: The Board of Directors of the Corporation by unanimous written consent adopted a resolution which sets forth the foregoing amendment to the Amended and Restated Certificate of Incorporation, in accordance with Section 242 of the General Corporation Law of the State of Delaware, declaring that the amendment to the Amended and Restated Certificate of Incorporation as proposed was advisable and directing that it be considered at the next annual meeting of the stockholders of the Corporation.

THIRD: The amendment has been consented to and authorized and approved by a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote thereon as a class, and has been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: This Certificate of Amendment of the Amended and Restated Certificate of Incorporation shall be effective on filing.

IN WITNESS WHEREOF, National CineMedia, Inc. has caused this Certificate of Amendment to be signed on this 26th day of April 2011 in its name and on its behalf by Ralph E. Hardy, its Secretary, pursuant to Section 103 of the General Corporation Law of the State of Delaware.

NATIONAL CINEMEDIA, INC.

By: /s/ Ralph E. Hardy

Name: Ralph E. Hardy

Title: Secretary

CERTIFICATIONS

I, Kurt C. Hall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Kurt C. Hall

Kurt C. Hall
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

CERTIFICATIONS

I, Gary W. Ferrera, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Gary W. Ferrera

Gary W. Ferrera
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ending March 31, 2011 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Kurt C. Hall, the President, Chief Executive Officer and Chairman of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 6, 2011

/s/ Kurt C. Hall

Kurt C. Hall
President, Chief Executive Officer and Chairman (Principal
Executive Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ending March 31, 2011 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Gary W. Ferrera, the Executive Vice President and Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 6, 2011

/s/ Gary W. Ferrera

Gary W. Ferrera
Executive Vice President and Chief Financial Officer (Principal
Financial Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.