



2007 Annual Meeting

June 7, 2007

Forward-Looking Statements

This presentation includes certain forward-looking statements and projections. Any such statements and projections reflect various estimates and assumptions concerning anticipated results and involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, the risk factors that are discussed from time to time in the Company's SEC reports, including, but not limited to, the Company's annual report on Form 10-K for the fiscal year ended December 31, 2006 and subsequently filed quarterly reports on Form 10-Q. Accordingly, actual results may vary from the projected results and such variations may be material. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections.

Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures, such as Adjusted EBITDA and Bank EBITDA. Our computation of these measures is not necessarily identical to similarly captioned measures presented by other companies in our industry. You are encouraged to review the reconciliations of these measures included on our website at www.moviegallery.com. You should consider our presentations of these measures in light of their relationship to operating income and net income in our statements of operations. You should also consider our presentation of these measures in light of their relationship to cash flows from operations, cash flows from investing activities and cash flows from financing activities as shown in our statements of cash flows.

Company Overview and Executive Summary

Joe Malugen

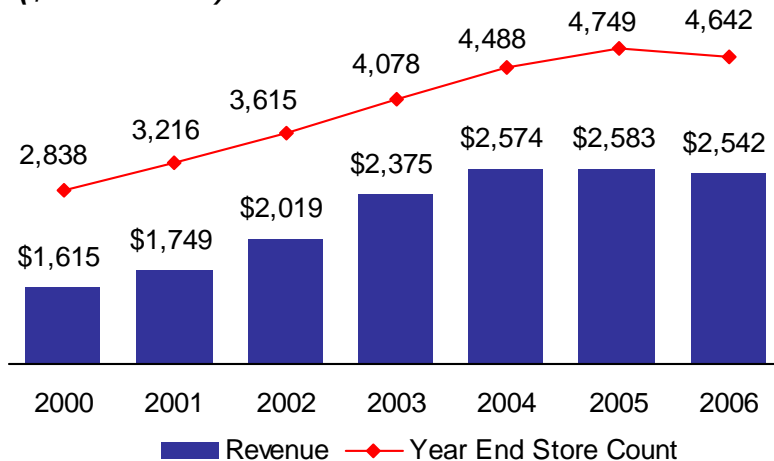
Chairman of the Board - Chief Executive Officer

Company Overview

- Movie Gallery is the second largest North American video rental company
- The Company owns and operates 4,642 retail stores located throughout North America, which rent and sell DVDs, video cassettes and video games
- 2006 revenues and Bank EBITDA of \$2,542 million and \$244 million, respectively

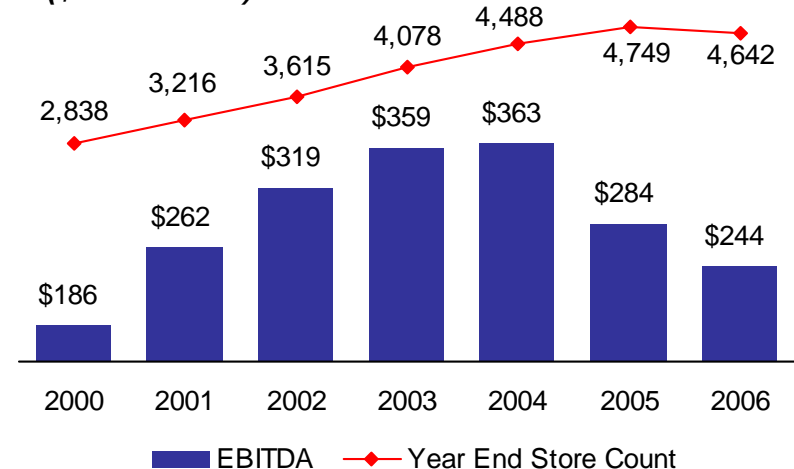
Revenue¹ and Year End Store Count

(\$ in millions)



EBITDA^{1,2} and Year End Store Count

(\$ in millions)



¹ 2000 to 2005 historical results are pro forma for Movie Gallery's acquisition of Hollywood Video.

² 2005 EBITDA excludes a \$9.5 million one-time non-cash charge not previously deducted from EBITDA. 2000-2003 EBITDA values are not Bank EBITDA certified as they were prior to the Hollywood Video transaction, but are calculated on the same basis as Bank EBITDA.

Business Segment Detail



(\$ in millions)

2006 Revenues	\$867.9	\$1,345.7	\$324.8
2006 Store Count	2,580	2,045	650 ¹
Geographic Focus	Eastern U.S.-focused; rural and secondary markets	Western U.S.- focused; urban and suburban markets	Western U.S.- focused; urban and suburban markets
Average Store Size	4,200 square feet	6,600 square feet	850 square feet
Selection Size	~ 15,000 videos	~ 25,000 videos	~ 9,000 games

¹ GC stores include both stand-alone and co-located stores.

Home Video Industry Outlook

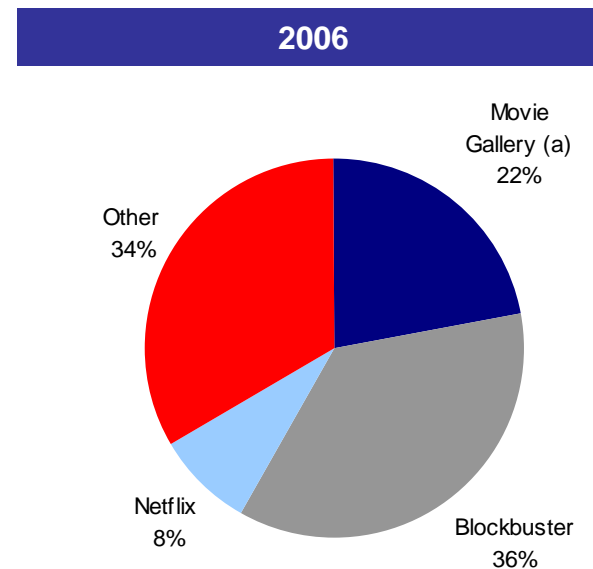
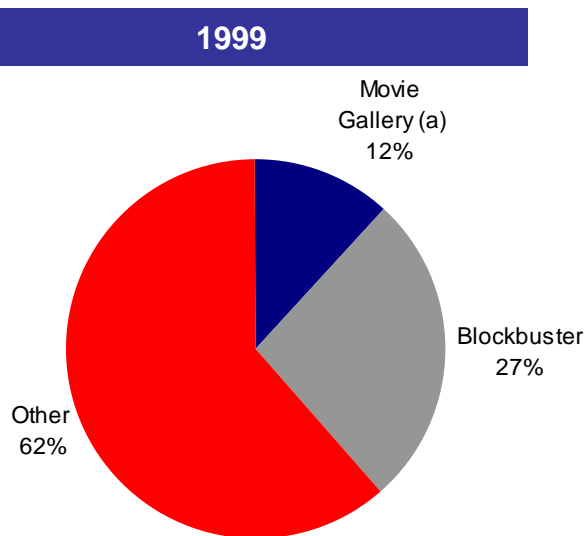
Challenges Facing The Video Rental Sector

- A number of industry-wide factors have combined to impact the rental market
 - Weak box office and declining attendance
 - Irrational behavior by competitors / price war
 - Cannibalization of rental by low-priced sell-thru
 - DVD is nearing the end of its life cycle
 - Delay of HD implementation
 - Growth of on-line segment (Netflix and Blockbuster Total Access)
 - Alternative consumer entertainment options
 - VOD
 - TIVO / DVR
 - Digital / satellite cable
 - Broadband
 - Internet
 - Broadcast

Home Video Industry Outlook

Home Video Will Remain A Significant Business

- Consolidation of independents has driven growing market share for industry leaders



- Niche retail shopping experience remains relevant to our customers
- Value proposition – movie rentals remain one of the least expensive forms of entertainment
- Large segment of population prefers renting to purchasing

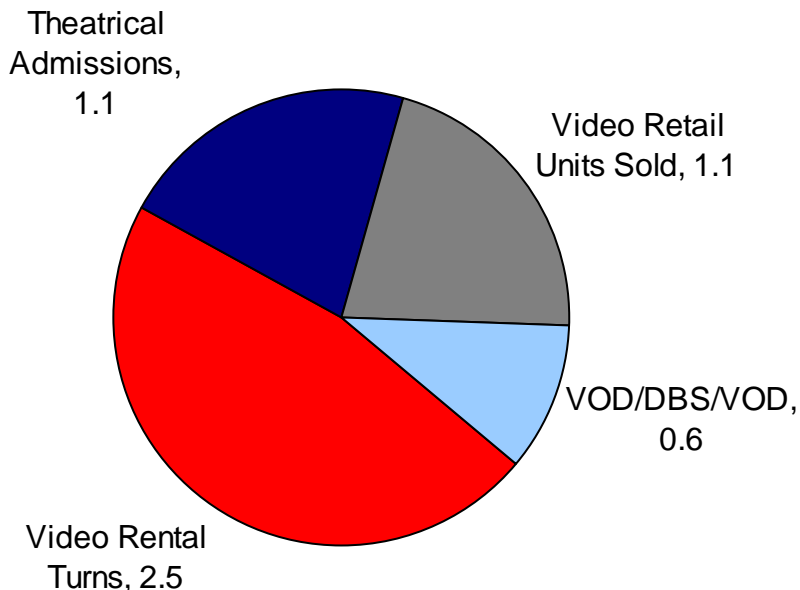
Home Video Industry Outlook

Rental Channel Remains Most Significant

- Although other channels are growing, rental remains the most popular form of movie transactions by a wide margin

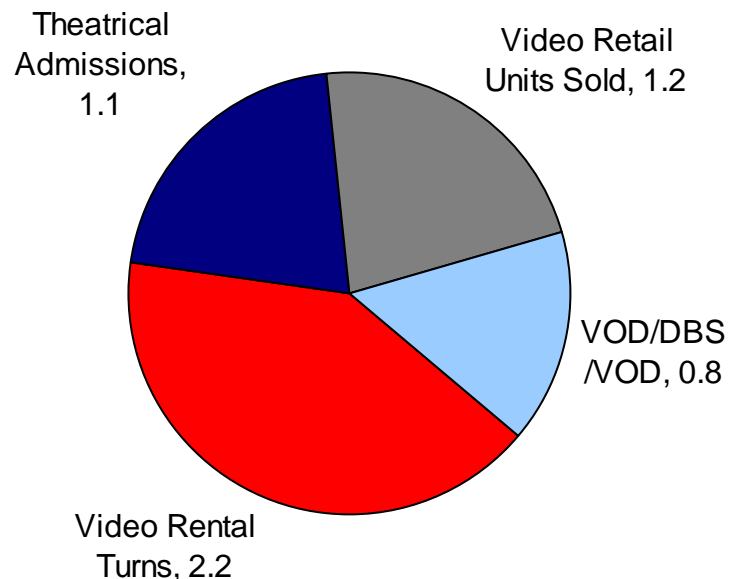
2005 Total Movie Transactions

(Amounts in Billions)



2006 Total Movie Transactions

(Amounts in Billions)

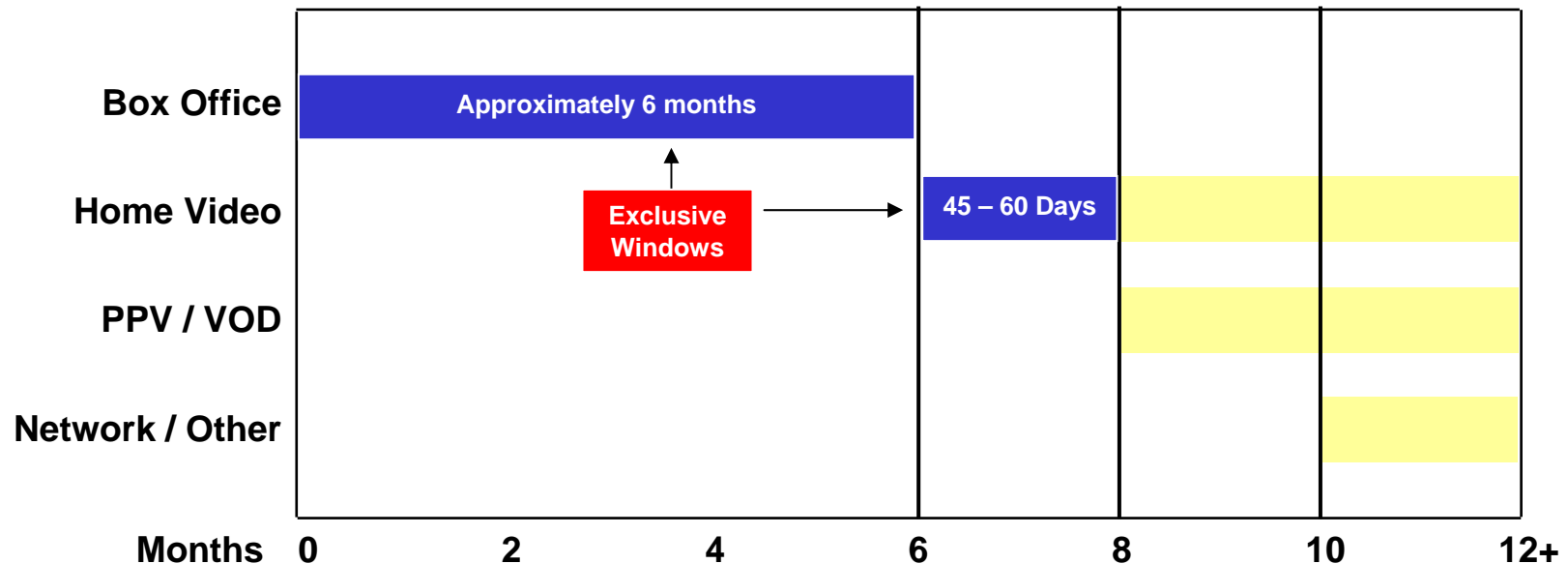


- On average box office receipts do not cover production and marketing costs

Home Video Retailers' Exclusive Window

Home Video is One of Only Two Exclusive Windows

- Studios implement exclusive distribution windows for the box office and home video sale/rental markets
 - These windows are strongly protected by the studios
- The 45 to 60 day exclusive window for home video retailers is a key aspect of the studios' sequential release date strategy
 - Protects Movie Gallery from competition from alternative delivery methods (PPV¹, VOD, etc.)



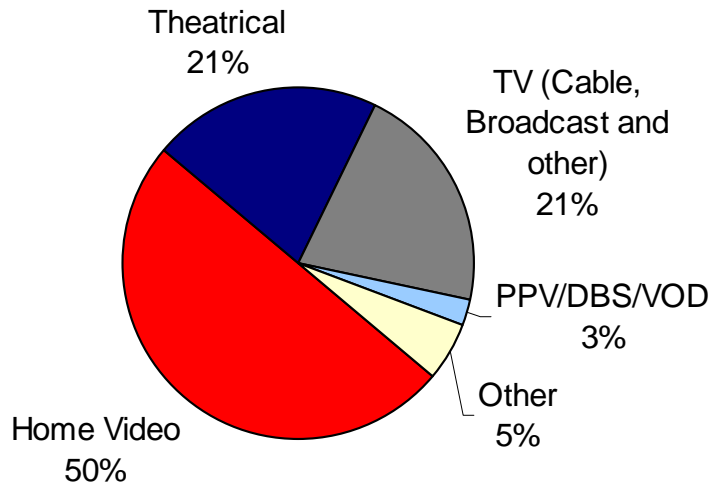
Note: Airlines and hotels have a small window between box office and home video.

¹ Pay per View or "PPV" refers to paying to watch programming at a scheduled time via a cable or satellite service.

Studio Dependence on Home Video

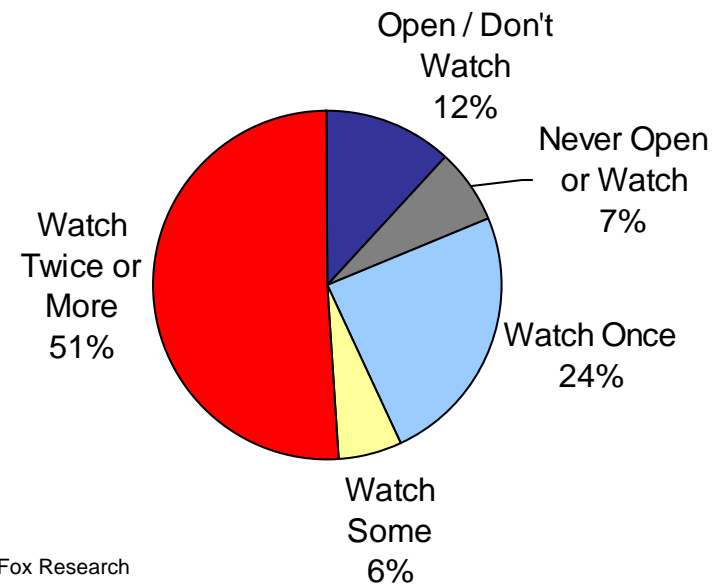
- Despite competition from alternative distribution methods and formats, home video still represents the largest share of studio revenue
 - Studios depend on the Company's purchase of "non-hit" movies
- Movie rentals remain one of the least expensive forms of entertainment
- A large segment of the population prefers renting to purchasing
- Many consumers buy DVDs to own or give as gifts, a large percentage of which are never watched

2006 Studio Domestic Revenue



Source: Kagan Data Services and Company Estimates

Frequency of Movie Library Consumption

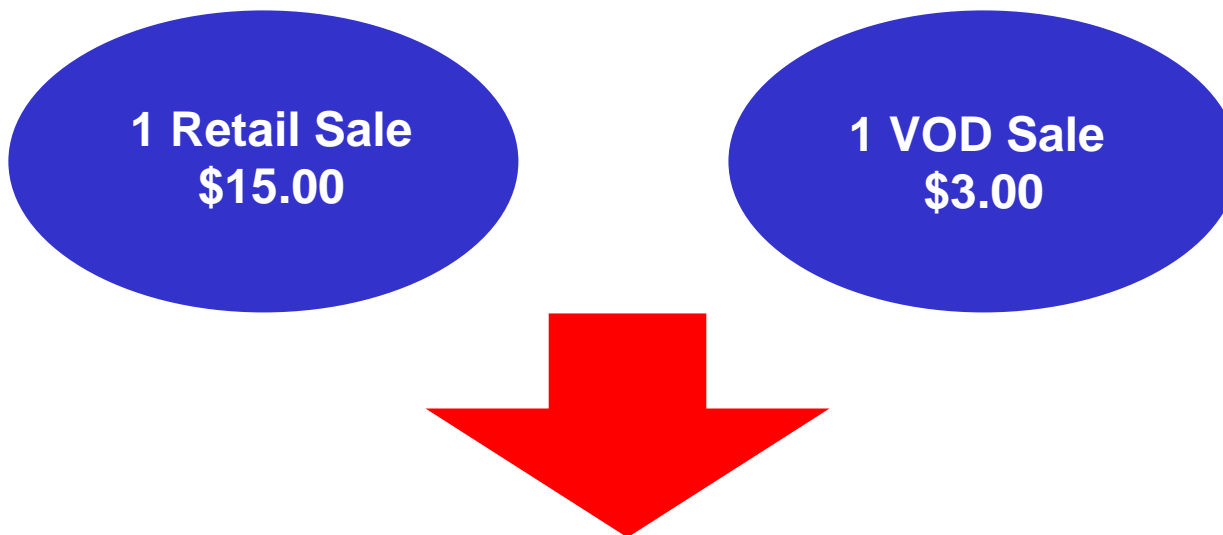


Source: Fox Research

Studio Dependence on Home Video (cont'd)

- DVD sales generate higher margins for the studios than both rentals and PPV / VOD
- Studios are strongly incentivized to maintain the retail / rental exclusive window to avoid costly PPV / VOD cannibalization of movie retail sales

Studio Profitability

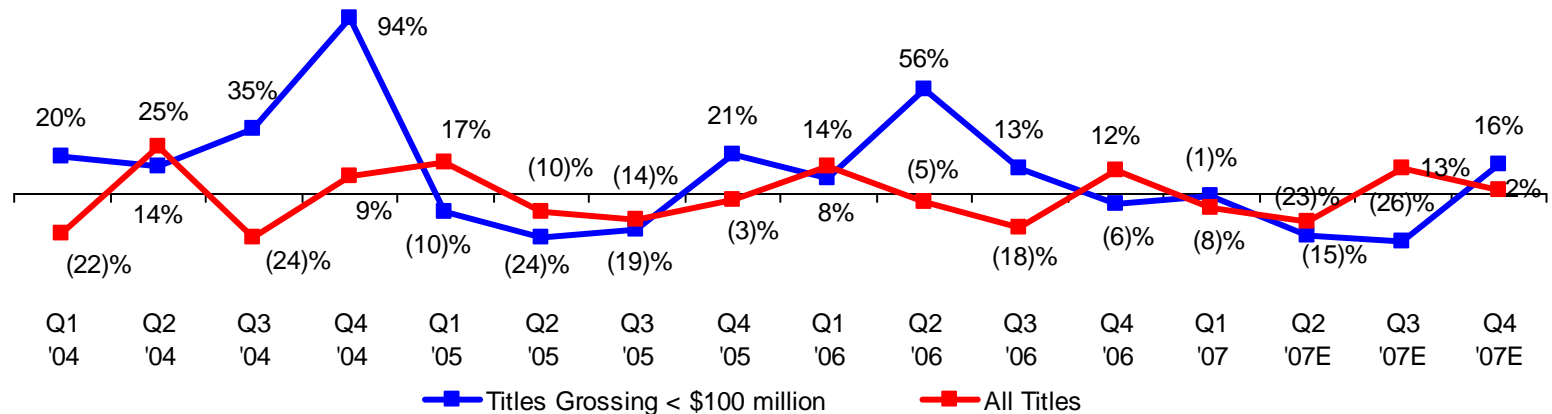


It takes 5 VOD transactions to achieve the revenue of one retail sale

Box Office Trends

- Historically, success at the box office has translated into significant demand for DVD titles when released 4 to 6 months later on home video
 - Movies that gross less than \$100 million at the box office are an important driver of Movie Gallery's revenues
 - Overall box office comp revenue is an important driver of rental customer traffic
- A weak Hollywood box office line-up in 2005 and early 2006 led to tepid demand for home video through 2005 and 2006
 - Many experts characterized 2005 as one of the worst box office slumps in more than two decades
 - Movies that generated less than \$100 million at the box office experienced negative comparable quarter revenues ("comps") for the first three quarters of 2005
- 2006 experienced the beginnings of a recovery as comparable box office revenues for the year trended above zero. 2007 shows promise for this recovery to continue

Box Office Comparable Revenues

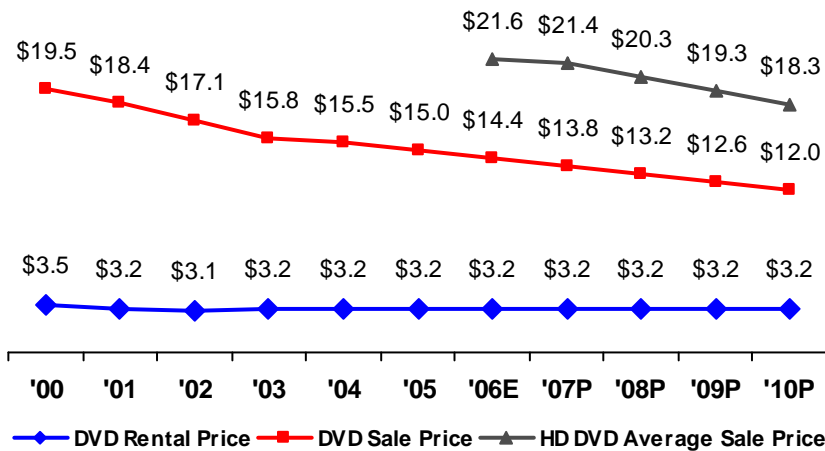


Source: Company

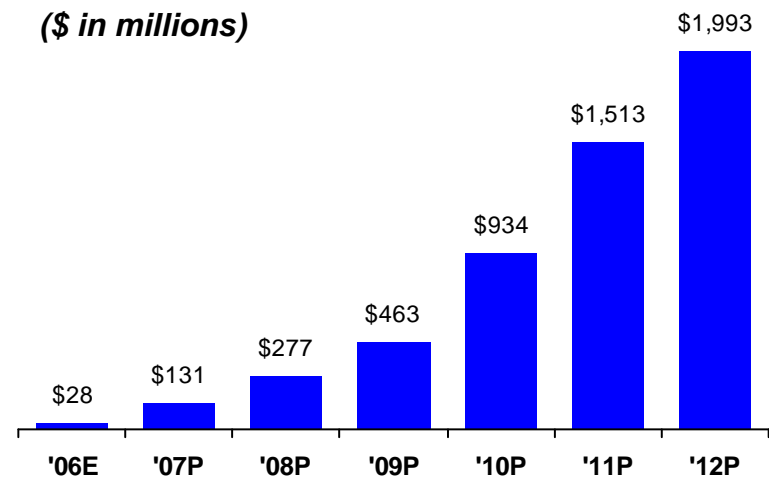
Transition to HD DVD

- Low-priced video sell-through has taken share from video rental
 - Studios have flooded the market with new DVDs – both TV releases and heavily discounted catalog titles – in an effort to mine their libraries
 - DVDs have become an impulse purchase sold by mass merchants, electronics stores and even grocery stores
- However, the introduction and adoption of high definition DVD (“HD DVD”) will reinvigorate the industry
- The introduction of HD DVD sales at the \$25 to \$30 price point (for new releases) and the \$20 to \$25 retail price point (for catalog and B titles) is expected to re-establish the rental value proposition

Average Rental vs. Average Sale Price Point



Projected HD DVD Rental Revenues



Source: Kagan Data Services and Company estimates

Size

- Market for software is \$6.5 billion
- Software market grew by 6.0% in 2006

Hardware Evolution

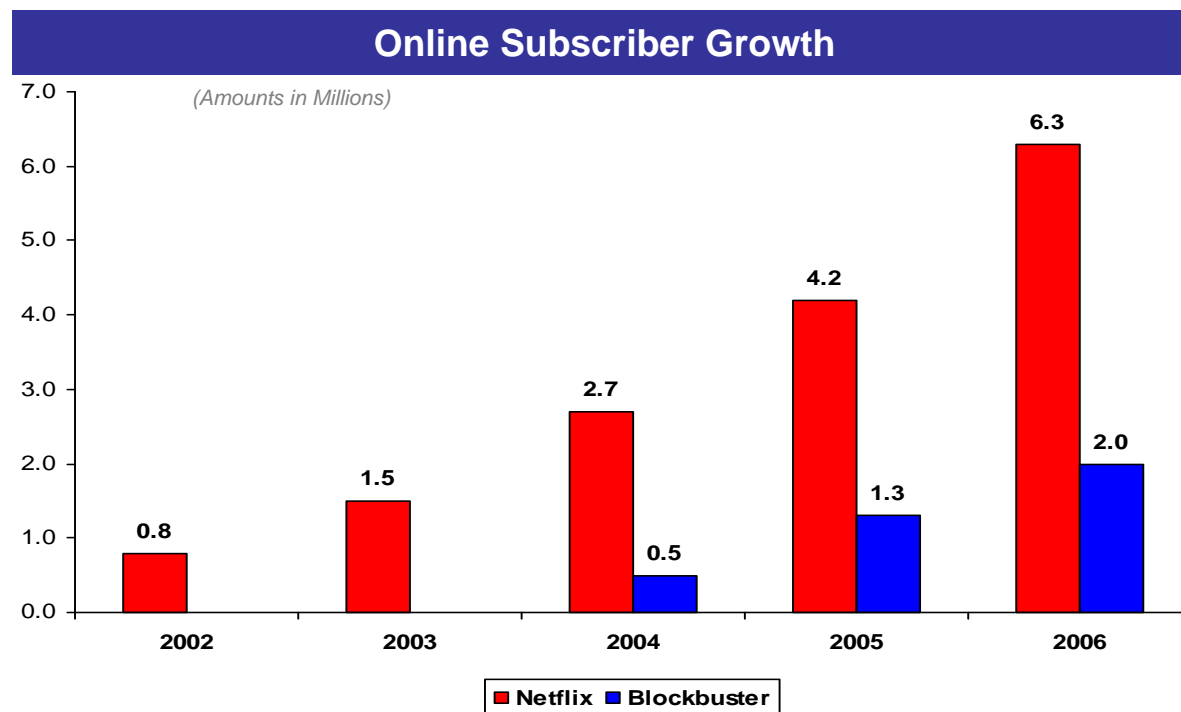
- Hardware manufacturers recently released next generation platforms, which are expected to drive software sales and rentals for several years to come
 - Microsoft introduced XBOX 360 in Q4 2005. PlayStation 3 (“PS3”) and Nintendo Wii were introduced in Q4 2006
- Trade-ins of video games for both old and new platforms are expected to lead to expansion in the used game market
 - High margin strategy unique to games specialty retailers – difficult strategy for big box retailers to implement

Compatibility

- PlayStation 3 and XBOX 360 each have the capability to play one of the high definition home video formats
 - PS3 has built in Blu-ray capabilities
 - XBOX 360 offers an HD DVD add-on for \$199
- The adoption of these new video game platforms is expected to facilitate the growth of the HD video rental market

Growth In On-Line Segment

- Growth of the online subscriber base has reached sufficient scale that it is likely now impacting our business
- Netflix had 6.3 million subscribers at the end of 2006. Average revenue per subscriber was approximately \$13.17 / month
- Blockbuster utilizes the subscription model along with its stores and had 2.0 million subscribers at the end of 2006. Average revenue per subscriber was approximately \$12.83 / month



Conclusion - Movie Gallery Remains a Solid Business

- We remain a market leader with nationwide scale in a significant industry
- Valuable partner to studios
- Well positioned with national footprint
- Management operating improvement initiatives are being aggressively pursued
- Focused on liquidity improvement

Questions & Answers
