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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 26, 2002**

**OR**

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-8747**

**AMC ENTERTAINMENT INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**43-1304369**

(I.R.S. Employer  
Identification No.)

**920 Main**

**Kansas City, Missouri**

(Address of principal executive offices)

**64105**

(Zip Code)

**(816) 221-4000**

(Registrant's telephone number, including area code)

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  x  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <u>Title of Each Class of Common Stock</u> | <u>Number of Shares<br/>Outstanding as of September 26, 2002</u> |
|--|--|
| Common Stock, 66 2/3 par value             | 32,594,278   |
| Class B Stock                              | 3,707,885  |

# AMC ENTERTAINMENT INC. AND SUBSIDIARIES

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## Item 1. Financial Statements.

### AMC ENTERTAINMENT INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)

|   | Thirteen Weeks Ended |                  | Twenty-six Weeks Ended |                   |
|---|----------------------|------------------|------------------------|-------------------|
|   | September 26,        | September 27,    | September 26,          | September 27,     |
|   | <u>2002</u>          | <u>2001</u>      | <u>2002</u>            | <u>2001</u>       |
|   | (Unaudited)          |                  | (Unaudited)            |                   |
| Revenues                                |                      |                  |                        |                   |
| Admissions                              | \$ 307,234           | \$ 254,932       | \$ 616,701             | \$ 458,116        |
| Concessions                             | 120,145              | 100,147          | 246,316                | 185,012           |
| Other theatre                           | 10,505               | 10,894           | 23,259                 | 24,084            |
| NCN and other                           | <u>13,214</u>        | <u>11,358</u>    | <u>26,448</u>          | <u>19,889</u>     |
| Total revenues                          | 451,098              | 377,331          | 912,724                | 687,101           |
| Expenses                                |                      |                  |                        |                   |
| Film exhibition costs                   | 169,338              | 141,936          | 344,058                | 252,117           |
| Concession costs                        | 14,471               | 13,393           | 31,529                 | 24,118            |
| Theatre operating expense               | 110,789              | 85,273           | 219,702                | 164,951           |
| Rent                                    | 74,162               | 58,887           | 148,112                | 117,733           |
| NCN and other                           | 11,861               | 11,717           | 24,352                 | 22,457            |
| General and administrative              | 10,161               | 8,898            | 42,451                 | 16,693            |
| Preopening expense                      | 451                  | 537              | 1,248                  | 1,806             |
| Theatre and other closure expense       | 1,459                | 12               | 1,230                  | 88                |
| Depreciation and amortization           | 31,985               | 24,272           | 61,417                 | 47,570            |
| Gain on disposition of assets           | <u>(1,236)</u>       | <u>(2,001)</u>   | <u>(1,422)</u>         | <u>(1,842)</u>    |
| Total costs and expenses                | 423,441              | 342,924          | 872,677                | 645,691           |
| Other expense                           | -                    | -                | -                      | 3,754             |
| Interest expense                        |                      |                  |                        |                   |
| Corporate borrowings                    | 16,668               | 11,051           | 33,358                 | 22,950            |
| Capital and financing lease obligations | 2,653                | 3,246            | 5,430                  | 6,760             |
| Investment income                       | <u>(783)</u>         | <u>(299)</u>     | <u>(1,785)</u>         | <u>(581)</u>      |
| Total other expense                     | <u>18,538</u>        | <u>13,998</u>    | <u>37,003</u>          | <u>32,883</u>     |
| Earnings before income taxes            | 9,119                | 20,409           | 3,044                  | 8,527             |
| Income tax provision                    | <u>11,900</u>        | <u>1,400</u>     | <u>6,700</u>           | <u>1,400</u>      |
| Net earnings (loss)                     | <u>\$ (2,781)</u>    | <u>\$ 19,009</u> | <u>\$ (3,656)</u>      | <u>\$ 7,127</u>   |
| Preferred dividends                     | <u>5,228</u>         | <u>10,399</u>    | <u>14,647</u>          | <u>12,797</u>     |
| Net earnings (loss) for common shares   | <u>\$ (8,009)</u>    | <u>\$ 8,610</u>  | <u>\$ (18,303)</u>     | <u>\$ (5,670)</u> |
| Net earnings (loss) per share:          |                      |                  |                        |                   |
| Basic                                   | <u>\$ (.22)</u>      | <u>\$ .22</u>    | <u>\$ (.50)</u>        | <u>\$ (.24)</u>   |
| Diluted                                 | <u>\$ (.22)</u>      | <u>\$ .22</u>    | <u>\$ (.50)</u>        | <u>\$ (.24)</u>   |
| Average shares outstanding:             |                      |                  |                        |                   |
| Basic                                   | <u>36,302</u>        | <u>23,469</u>    | <u>36,289</u>          | <u>23,469</u>     |
| Diluted                                 | <u>36,302</u>        | <u>23,863</u>    | <u>36,289</u>          | <u>23,469</u>     |

See Notes to Consolidated Financial Statements.

**AMC ENTERTAINMENT INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except share data)**

|  | September 26,<br><u>2002</u><br>(Unaudited) | March 28,<br><u>2002</u> |
|--|---|--------------------------|
| <b>ASSETS</b>  |   |                          |
| Current assets:  |   |                          |
| Cash and equivalents   | \$ 184,466                                  | \$ 219,432               |
| Receivables, net of allowance for doubtful accounts of \$2,065 as of September 26, 2002 and \$1,297 as of March 28, 2002   | 25,168                                      | 24,195                   |
| Other current assets   | <u>50,274</u>                               | <u>48,416</u>            |
| Total current assets   | 259,908                                     | 292,043                  |
| Property, net  | 916,610                                     | 776,113                  |
| Intangible assets, net   | 38,013                                      | 5,369                    |
| Goodwill   | 58,303                                      | 30,276                   |
| Deferred income taxes  | 150,215                                     | 127,115                  |
| Other long-term assets   | <u>50,213</u>                               | <u>48,254</u>            |
| Total assets   | <u>\$1,473,262</u>                          | <u>\$1,279,170</u>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |   |                          |
| Current liabilities:   |   |                          |
| Accounts payable   | \$ 115,393                                  | \$ 110,993               |
| Accrued expenses and other liabilities   | 142,205                                     | 136,196                  |
| Current maturities of capital and financing lease obligations  | <u>2,372</u>                                | <u>2,627</u>             |
| Total current liabilities  | 259,970                                     | 249,816                  |
| Corporate borrowings   | 668,490                                     | 596,540                  |
| Capital and financing lease obligations  | 52,872                                      | 54,429                   |
| Other long-term liabilities  | <u>186,374</u>                              | <u>120,029</u>           |
| Total liabilities  | 1,167,706                                   | 1,020,814                |
| Commitments and contingencies  |   |                          |
| Stockholders' equity:  |   |                          |
| Series A Convertible Preferred Stock, 66 2/3¢ par value; 270,897 shares issued and outstanding as of September 26, 2002 and 261,989 shares issued and outstanding as of March 28, 2002 (aggregate liquidation preference of \$275,463 as of September 26 and \$266,406 as of March 28, 2002) | 181   | 175                      |
| Common Stock, 66 2/3¢ par value; 32,614,778 shares issued as of September 26, 2002 and 30,038,046 shares issued as of March 28, 2002   | 21,743                                      | 20,025                   |
| Convertible Class B Stock, 66 2/3¢ par value; 3,707,885 shares issued and outstanding as of September 26, 2002 and 3,801,545 shares issued and outstanding as of March 28, 2002  | 2,473                                       | 2,535                    |
| Additional paid-in capital   | 463,469                                     | 430,902                  |
| Accumulated other comprehensive income   | (10,770)                                    | (16,967)                 |
| Accumulated deficit  | <u>(171,171)</u>                            | <u>(167,515)</u>         |
|  | 305,925                                     | 269,155                  |
| Less:  |   |                          |
| Employee notes for Common Stock purchases  | -   | 10,430                   |
| Common Stock in treasury, at cost, 20,500 shares as of September 26, 2002 and March 28, 2002   | <u>369</u>                                  | <u>369</u>               |
| Total stockholders' equity   | <u>305,556</u>                              | <u>258,356</u>           |
| Total liabilities and stockholders' equity   | <u>\$1,473,262</u>                          | <u>\$1,279,170</u>       |

See Notes to Consolidated Financial Statements.

**AMC ENTERTAINMENT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|   | Twenty-six Weeks Ended       |                              |
|---|------------------------------|------------------------------|
|   | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
|   | (Unaudited)                  |                              |
| <b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>  |                              |                              |
| <b>Cash flows from operating activities:</b>  |                              |                              |
| Net earnings (loss)   | \$ (3,656)                   | \$ 7,127                     |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:                    |                              |                              |
| Depreciation and amortization   | 61,417                       | 47,570                       |
| Special compensation related to forgiveness of loans to executive officers                                    | 10,538                       | -                            |
| Deferred income taxes   | 4,400                        | 1,400                        |
| Gain on disposition of long-term assets   | (1,422)                      | (1,842)                      |
| Change in assets and liabilities, net of effects from acquisition of GC Companies, Inc.:                      |                              |                              |
| Receivables   | (3,417)                      | (2,784)                      |
| Other current assets  | 7,516                        | (512)                        |
| Accounts payable  | (11,704)                     | (18,246)                     |
| Accrued expenses and other liabilities  | (19,750)                     | (11,770)                     |
| Liabilities for theatre closure   | (1,214)                      | (6,993)                      |
| Other, net  | <u>2,427</u>                 | <u>494</u>                   |
| Net cash provided by operating activities   | <u>45,135</u>                | <u>14,444</u>                |
| <b>Cash flows from investing activities:</b>  |                              |                              |
| Capital expenditures  | (44,959)                     | (37,636)                     |
| Proceeds from sale/leasebacks   | 21,771                       | 7,486                        |
| Construction project costs:   |                              |                              |
| Reimbursable by landlord  | (21,656)                     | (15,620)                     |
| Reimbursed by landlord  | 13,655                       | 8,725                        |
| Acquisition of GC Companies, Inc., net of cash acquired and proceeds from sale of venture capital investments | (46,253)                     | -                            |
| Additional costs related to Gulf States acquisition   | (701)                        | -                            |
| Purchase of leased furniture, fixtures and equipment  | (7,052)                      | (16,400)                     |
| Proceeds from disposition of long-term assets   | 3,338                        | 3,772                        |
| Other, net  | <u>(2,563)</u>               | <u>(995)</u>                 |
| Net cash used in investing activities   | <u>(84,420)</u>              | <u>(50,668)</u>              |
| <b>Cash flows from financing activities:</b>  |                              |                              |
| Net proceeds from preferred stock issuance  | -                            | 230,035                      |
| Net repayments under revolving Credit Facility  | -                            | (180,000)                    |
| Construction project costs reimbursed by landlord   | 1,404                        | 241                          |
| Principal payments under capital and financing lease obligations  | (1,369)                      | (1,398)                      |
| Change in cash overdrafts   | 5,226                        | (1,622)                      |
| Change in construction payables   | (3,030)                      | 714                          |
| Deferred financing costs and other  | <u>1,078</u>                 | <u>395</u>                   |
| Net cash provided by financing activities   | <u>3,309</u>                 | <u>48,365</u>                |
| Effect of exchange rate changes on cash and equivalents   | <u>1,010</u>                 | <u>(162)</u>                 |
| <b>Net increase (decrease) in cash and equivalents</b>  | <b>(34,966)</b>              | <b>11,979</b>                |
| <b>Cash and equivalents at beginning of period</b>  | <b><u>219,432</u></b>        | <b><u>34,075</u></b>         |
| <b>Cash and equivalents at end of period</b>  | <b>\$ <u>184,466</u></b>     | <b>\$ <u>46,054</u></b>      |

**AMC ENTERTAINMENT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands)**

Twenty-six Weeks Ended  
September 26,                      September 27,  
2002                                      2001  
(Unaudited)

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**Cash paid during the period for:**

|  |           |           |
|--|-----------|-----------|
| Interest (net of amounts capitalized of \$1,632 and \$1,480) | \$ 38,224 | \$ 31,683 |
| Income taxes paid (refunded)                                 | (11,395)  | 60        |

**Schedule of non-cash investing and financing activities:**

|                     |           |           |
|---------------------|-----------|-----------|
| Preferred dividends | \$ 14,647 | \$ 12,797 |
|---------------------|-----------|-----------|

See Note 2 - Acquisitions for information about the non-cash components of the acquisition of GC Companies, Inc.

See Notes to Consolidated Financial Statements.

**AMC ENTERTAINMENT INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 26, 2002**  
**(Unaudited)**

**NOTE 1 - BASIS OF PRESENTATION**

AMC Entertainment Inc. ("AMCE") is a holding company which, through its direct and indirect subsidiaries, including American Multi-Cinema, Inc. ("AMC") and its wholly-owned subsidiary AMC-GCT, Inc. (formerly known as GC Companies, Inc., "AMC-GCT"), AMC Theatres of Canada (a division of AMC Entertainment International, Inc.), AMC Entertainment International, Inc., National Cinema Network, Inc. ("NCN") and AMC Realty, Inc. (collectively with AMCE, unless the context otherwise requires, the "Company"), is principally involved in the theatrical exhibition business throughout North America and in China (Hong Kong), Japan, France, Portugal, Spain, Sweden and the United Kingdom. The Company's North American theatrical exhibition business is conducted under the AMC Theatres brand through AMC, AMC-GCT and AMC Theatres of Canada. The Company's International theatrical exhibition business is conducted through AMC Entertainment International, Inc. The Company is also involved in the business of providing on-screen advertising and other services to AMC Theatres and other theatre circuits through a wholly-owned subsidiary, National Cinema Network, Inc., and in miscellaneous ventures through AMC Realty, Inc.

The accompanying unaudited consolidated financial statements have been prepared in response to the requirements of Form 10-Q and should be read in conjunction with the Company's annual report on Form 10-K for the year (52 weeks) ended March 28, 2002. In the opinion of management, these interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company's financial position and results of operations. Due to the seasonal nature of the Company's business, results for the twenty-six weeks ended September 26, 2002 are not necessarily indicative of the results to be expected for the fiscal year (53 weeks) ending April 3, 2003.

The March 28, 2002 consolidated balance sheet data was derived from the audited balance sheet, but does not include all disclosures required by generally accepted accounting principles.

Certain amounts have been reclassified from prior period consolidated financial statements to conform with the current period presentation.

**NOTE 2 - ACQUISITIONS**

On March 15, 2002, the Company acquired the operations and related assets of Gulf States Theatres ("GST") for a cash purchase price of approximately \$45,721,000. In connection with the acquisition, the Company leased five theatres with 68 screens in the New Orleans, Louisiana area. All five of the theatres feature stadium seating and have been built since 1997 and strengthen the Company's position in the New Orleans market. The following is a summary of the allocation of the purchase price to the assets acquired from GST, based on a preliminary independent third party valuation study:

(In thousands)

|                      |                  |
|----------------------|------------------|
| Property, net        | \$ 11,396        |
| Intangible assets    | 8,540            |
| Goodwill             | <u>25,785</u>    |
| Total purchase price | \$ <u>45,721</u> |

Amounts recorded for goodwill are not subject to amortization, are recorded at the Company's North American theatrical exhibition operating segment (the reporting unit) and are expected to be deductible for tax purposes. The Company has completed the first step of the transitional goodwill impairment test under

Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets* and has concluded that the fair value of its North American theatrical exhibition operating segment exceeds the carrying value of that segment. The Company will perform annual impairment tests for goodwill during its fourth fiscal quarter.

Amounts allocated to intangible assets relate to \$8,200,000 for a non-competition and consulting agreement and \$340,000 for an acquired trademark. The amortization periods for the non-competition and consulting agreement and trademark are seven years and 20 years, respectively. Amortization expense and accumulated amortization are as follows:

| (In thousands)   | Thirteen Weeks Ended         |                              | Twenty-six Weeks Ended       |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
| Amortization expense of non-competition and consulting agreement | \$ 585                       | \$ -                         | \$ 585                       | \$ -                         |
| Amortization expense of trademark                                | <u>9</u>                     | <u>-</u>                     | <u>9</u>                     | <u>-</u>                     |
| Total  | <u>\$ 594</u>                | <u>\$ -</u>                  | <u>\$ 594</u>                | <u>\$ -</u>                  |

  

| (In thousands)   | As of<br>September 26,<br><u>2002</u> | As of<br>March 28,<br><u>2002</u> |
|--|---------------------------------------|-----------------------------------|
|  |                                       |                                   |
| Accumulated amortization of non-competition and consulting agreement | \$ 585                                | \$ -                              |
| Accumulated amortization of trademark                                | <u>9</u>                              | <u>-</u>                          |
| Total  | <u>\$ 594</u>                         | <u>\$ -</u>                       |

Estimated amortization expense for the current and each of the next five fiscal years is \$1,171,000 under the non-competition and consulting agreement and \$17,000 for the trademark.

On March 29, 2002, the Company acquired GC Companies, Inc. pursuant to a plan of reorganization sponsored by the Company for an estimated purchase price of \$168,669,000 (net of \$6,500,000 from the sale of GC Companies' portfolio of venture capital investments on the effective date), which includes cash payments of \$70,231,000, the issuance of \$72,880,000 aggregate principal amount of 9 1/2% Senior Subordinated Notes due 2011 with a fair value of \$71,787,000 and the issuance of 2,430,429 shares of common stock, with an aggregate fair value of \$33,151,000 based on a fair value of \$13.64 per share (the closing price per share on the effective date of the plan). As of September 26, 2002, \$6,753,000 of the cash portion of the purchase price was unpaid. Acquisition of the GC theatre circuit expands the Company's national footprint of industry-leading theatres, especially in key markets in the Northeast and upper Midwest. The acquisition includes 66 theatres with 621 screens in the United States, 3 managed theatres with 20 screens in the United States and a 50% interest in a joint venture that operates 17 theatres with 160 screens in Argentina, Chile, Brazil and Uruguay.

AMC-GCT became the Company's consolidated subsidiary in the acquisition. The following is a summary of the allocation of the purchase price to the assets and liabilities of AMC-GCT based on management estimates of fair value, which could change depending on the results of an independent third party valuation study that is currently being performed and the final settlement of liabilities assumed from GC Companies, Inc.:

|                      |           |
|----------------------|-----------|
| (In thousands)       |           |
| Cash and equivalents | \$ 10,725 |



|                             |                   |
|-----------------------------|-------------------|
| Current assets              | 11,503            |
| Property, net               | 142,402           |
| Intangible assets           | 27,699            |
| Goodwill                    | 32,518            |
| Deferred income taxes       | 27,500            |
| Other long-term assets      | 7,738             |
| Current liabilities         | (34,228)          |
| Other long-term liabilities | <u>(57,188)</u>   |
| Total purchase price        | \$ <u>168,669</u> |

Amounts recorded for goodwill are not subject to amortization, are recorded at the Company's North American theatrical exhibition operating segment (the reporting unit) and are not expected to be deductible for tax purposes. The Company will perform annual impairment tests for goodwill during its fourth fiscal quarter.

Amounts allocated to intangible assets relate to \$24,045,000 of favorable leases assumed by AMC-GCT and gift certificate and discount ticket customer lists of \$3,654,000. The weighted average amortization period for favorable leases and customer lists is approximately 10 years and 2 years, respectively. Amortization expense and accumulated amortization are as follows:

| (In thousands)                           | Thirteen Weeks Ended         |                              | Twenty-six Weeks Ended       |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
| Amortization expense of favorable leases | \$ 663                       | \$ -                         | \$ 1,250                     | \$ -                         |
| Amortization expense of customer lists   | <u>469</u>                   | <u>-</u>                     | <u>728</u>                   | <u>-</u>                     |
| Total                                    | \$ <u>1,132</u>              | \$ <u>-</u>                  | \$ <u>1,978</u>              | \$ <u>-</u>                  |

| (In thousands)                               | As of<br>September 26,<br><u>2002</u> | As of<br>March 28,<br><u>2002</u> |
|--|---------------------------------------|-----------------------------------|
|  |                                       |                                   |
| Accumulated amortization of favorable leases | \$ 1,250                              | \$ -                              |
| Accumulated amortization of customer lists   | <u>728</u>                            | <u>-</u>                          |
| Total  | \$ <u>1,978</u>                       | \$ <u>-</u>                       |

Estimated amortization expense for the current and next five fiscal years is as follows:

| <u>(In thousands)</u> | Favorable<br><u>Leases</u> | Customer<br><u>Lists</u> | <u>Total</u> |
|-----------------------|----------------------------|--------------------------|--------------|
| 2003                  | \$ 2,689                   | \$ 1,827                 | \$ 4,516     |
| 2004                  | 2,474                      | 1,827                    | 4,301        |
| 2005                  | 2,467                      | -                        | 2,467        |
| 2006                  | 2,467                      | -                        | 2,467        |
| 2007                  | 2,366                      | -                        | 2,366        |
| 2008                  | 2,329                      | -                        | 2,329        |

The pro forma financial information presented below sets forth the Company's historical statements of operations and balance sheet for the periods indicated and give effect to the acquisitions of GC Companies, Inc. and Gulf States Theatres as adjusted for the related preliminary purchase price allocations. The Company believes that the final allocation of purchase price will not differ materially from the preliminary allocation. Such information is presented for comparative purposes only and does not purport to represent what the Company's results of operations would actually have been had these transactions occurred on the date indicated or to project its results of operations for any future period or date.

|   | Thirteen Weeks<br>Ended<br>September 26, 2002 | Pro Forma<br>Thirteen Weeks<br>Ended<br>September 27, 2001 | Twenty-six Weeks<br>Ended<br>September 26, 2002 | Pro Forma<br>Twenty-six Weeks<br>Ended<br>September 27, 2001 |
|---|---|--|---|--|
| (In thousands, except per share data)             |   |  |   |  |
| Revenues  |   |  |   |  |
| Admissions  | \$ 307,234                                    | \$ 317,548   | \$ 616,701                                      | \$ 574,198   |
| Concessions                                       | 120,145                                       | 126,728  | 246,316   | 234,943  |
| Other theatre                                     | 10,505  | 14,175   | 23,259  | 30,270   |
| NCN and other                                     | <u>13,214</u>                                 | <u>11,358</u>  | <u>26,448</u>                                   | <u>19,889</u>  |
| Total Revenues                                    | 451,098                                       | 469,809  | 912,724   | 859,300  |
| Expenses  |   |  |   |  |
| Film exhibition costs                             | 169,338                                       | 174,767  | 344,058   | 312,753  |
| Concession costs                                  | 14,471  | 17,609   | 31,529  | 32,428   |
| Theatre operating expense                         | 110,789                                       | 112,472  | 219,702   | 217,327  |
| Rent  | 74,162  | 71,940   | 148,112   | 143,625  |
| NCN and other                                     | 11,861  | 11,717   | 24,352  | 22,457   |
| General and administrative                        | 10,161  | 9,298  | 42,451  | 17,528   |
| Preopening expense                                | 451   | 537  | 1,248   | 1,806  |
| Theatre and other closure<br>expense              | 1,459   | 12   | 1,230   | 88   |
| Reorganization items                              | -   | 408  | -   | 2,136  |
| Depreciation and amortization                     | 31,985  | 30,319   | 61,417  | 59,664   |
| Gain on disposition of assets                     | <u>(1,236)</u>                                | <u>(2,001)</u>   | <u>(1,422)</u>                                  | <u>(1,842)</u>   |
| Total costs and expenses                          | 423,441                                       | 427,078  | 872,677   | 807,970  |
| Other expense                                     | -   | -  | -   | 3,754  |
| Interest expense                                  |   |  |   |  |
| Corporate borrowings                              | 16,668  | 12,782   | 33,358  | 26,412   |
| Capital and financing lease<br>obligations        | 2,653   | 3,246  | 5,430   | 6,760  |
| Investment income                                 | <u>(783)</u>                                  | <u>(299)</u>   | <u>(1,785)</u>                                  | <u>(581)</u>   |
| Total other expense                               | <u>18,538</u>                                 | <u>15,729</u>  | <u>37,003</u>                                   | <u>36,345</u>  |
| Earnings before income taxes                      | 9,119   | 27,002   | 3,044   | 14,985   |
| Income tax provision                              | <u>11,900</u>                                 | <u>4,000</u>   | <u>6,700</u>                                    | <u>3,900</u>   |
| Net earnings (loss)                               | \$ <u>(2,781)</u>                             | \$ <u>23,002</u>   | \$ <u>(3,656)</u>                               | \$ <u>11,085</u>   |
| Preferred dividends                               | <u>5,228</u>                                  | <u>10,399</u>  | <u>14,647</u>                                   | <u>12,797</u>  |
| Net earnings (loss) for shares of<br>common stock | \$ <u>(8,009)</u>                             | \$ <u>12,603</u>   | \$ <u>(18,303)</u>                              | \$ <u>(1,712)</u>  |
| Net earnings (loss) per share of<br>common stock: |   |  |   |  |
| Basic   | \$ <u>(.22)</u>                               | \$ <u>0.28</u>   | \$ <u>(.50)</u>                                 | \$ <u>(.07)</u>  |
| Diluted   | \$ <u>(.22)</u>                               | \$ <u>0.27</u>   | \$ <u>(.50)</u>                                 | \$ <u>(.07)</u>  |
| Average shares outstanding:                       |   |  |   |  |
| Basic   | <u>36,302</u>                                 | <u>25,884</u>  | <u>36,289</u>                                   | <u>25,884</u>  |
| Diluted   | <u>36,302</u>                                 | <u>26,278</u>  | <u>36,289</u>                                   | <u>25,884</u>  |

### NOTE 3 - EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding. The dilutive effect of Series A Convertible Preferred Stock is considered in the computation of basic earnings (loss) per common share in accordance with EITF Topic No. D-95 *Effect of Participating Convertible Securities on the Computation of Basic Earnings Per Share*. Diluted earnings (loss) per share includes the effects of outstanding stock options, stock awards and Series A Convertible Preferred Stock, if dilutive.

The Company has two classes of common stock outstanding which do not provide for different dividend rates or other preferences, other than voting rights, between the two classes of common stock.

The following table sets forth the computation of basic and diluted earnings (loss) per common share (in thousands, except per share data):

|  | Thirteen Weeks Ended         |                              | Twenty-six Weeks Ended       |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
| Numerator:   |                              |                              |                              |                              |
| Earnings (loss) for common shares  | \$ (8,009)                   | \$ 8,610                     | \$ (18,303)                  | \$ (5,670)                   |
| Dividends on Series A Preferred  | <u>-</u>                     | <u>10,399</u>                | <u>-</u>                     | <u>-</u>                     |
| Earnings (loss) for common shares and assumed conversion of Series A Preferred | <u>\$ (8,009)</u>            | <u>\$ 19,009</u>             | <u>\$ (18,303)</u>           | <u>\$ (5,670)</u>            |
| Denominator:   |                              |                              |                              |                              |
| Average common shares outstanding  | 36,302                       | 23,469                       | 36,289                       | 23,469                       |
| Series A Preferred   | <u>-</u>                     | <u>35,422</u>                | <u>-</u>                     | <u>-</u>                     |
| Shares for basic earnings per common share                                     | 36,302                       | 58,891                       | 36,289                       | 23,469                       |
| Stock options  | -                            | 262                          | -                            | -                            |
| Stock awards   | <u>-</u>                     | <u>132</u>                   | <u>-</u>                     | <u>-</u>                     |
| Shares for diluted earnings per common share                                   | <u>36,302</u>                | <u>59,285</u>                | <u>36,289</u>                | <u>23,469</u>                |
| Earnings (loss) per common share   | \$ (.22)                     | \$ .32                       | \$ (.50)                     | \$ (.24)                     |
| Further dilution from applying the "two-class" method                          | <u>-</u>                     | <u>(.10)</u>                 | <u>-</u>                     | <u>-</u>                     |
| Basic earnings (loss) per common share   | <u>\$ (.22)</u>              | <u>\$ .22</u>                | <u>\$ (.50)</u>              | <u>\$ (.24)</u>              |
| Diluted earnings (loss) per common share                                       | <u>\$ (.22)</u>              | <u>\$ .22</u>                | <u>\$ (.50)</u>              | <u>\$ (.24)</u>              |

During the thirteen weeks ended September 26, 2002, 37,887,692 shares of Common Stock and \$5,228,000 of dividends from the assumed conversion of Series A Preferred were excluded from the computation of diluted loss per Common Share because they were anti-dilutive. During the thirteen weeks ended September 26, 2002, incremental shares from stock options and stock awards of 386,845 were excluded from the computation of diluted earnings per share because they were anti-dilutive.

During the twenty-six weeks ended September 26, 2002 and September 27, 2001, 37,573,636 and 31,350,957, respectively, shares of Common Stock and \$14,647,000 and \$12,797,000, respectively, of dividends from the assumed conversion of Series A Preferred were excluded from the computation of diluted loss per common share because they were anti-dilutive. During the twenty-six weeks ended September 26, 2002 and September 27, 2001, shares from stock awards and options to purchase 513,165 and 314,963 shares of Common Stock, respectively, were excluded from diluted loss per common share because they were anti-dilutive.

### NOTE 4 - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) are as follows (in thousands):

|   | Thirteen Weeks Ended |                  | Twenty-six Weeks Ended |                 |
|---|----------------------|------------------|------------------------|-----------------|
|   | September 26,        | September 27,    | September 26,          | September 27,   |
|   | <u>2002</u>          | <u>2001</u>      | <u>2002</u>            | <u>2001</u>     |
| Net earnings (loss)                     | \$ (2,781)           | \$ 19,009        | \$ (3,656)             | \$ 7,127        |
| Foreign currency translation adjustment | <u>875</u>           | <u>4,049</u>     | <u>6,197</u>           | <u>2,341</u>    |
| Total comprehensive income (loss)       | <u>\$ (1,906)</u>    | <u>\$ 23,058</u> | <u>\$ 2,541</u>        | <u>\$ 9,468</u> |

## NOTE 5 - STOCKHOLDERS' EQUITY

Based on the recommendation of the Compensation Committee, on May 13, 2002 the Company's Board of Directors approved the forgiveness of \$10,537,643 of principal and accrued interest on loans to two executive officers together with the payment of \$8,712,710 of Federal, State and payroll related taxes on behalf of the executive officers in connection with the loan forgiveness and recorded these amounts as general and administrative expense. Such loan forgiveness was effective as of June 6, 2002 pursuant to agreements between the Company and each of the executive officers in which the officers agreed not to sell shares of Common Stock purchased in fiscal 1999 with proceeds of the loans for 18 months.

During fiscal 2003, holders of the Company's Class B Stock converted 93,660 shares of Class B Stock into 93,660 shares of Common Stock. On March 29, 2002, the Company issued 2,430,429 shares of Common Stock in connection with the acquisition of GC Companies, Inc. During fiscal 2003, the Company issued 52,643 shares of Common Stock for employee stock option exercises and stock awards.

During the thirteen weeks ended September 26, 2002, the Company recorded dividends of 4,566 shares of Series A Preferred valued at \$5,228,000. During the twenty-six weeks ended September 26, 2002, the Company recorded dividends of 9,057 shares of Series A Preferred valued at \$14,647,000.

## NOTE 6 - THEATRE AND OTHER CLOSURE AND DISPOSITION OF ASSETS

A rollforward of reserves for theatre and other closure and the discontinuing operation of fast food restaurants is as follows (in thousands):

|   | Twenty-six Weeks Ended<br><u>September 26, 2002</u> | Twenty-six Weeks Ended<br><u>September 27, 2001</u> |
|---|---|---|
| Beginning Balance                                       | \$ 24,140   | \$ 32,092   |
| Theatre and other closure expense                       | 1,230   | 88  |
| Interest expense  | 1,823   | 2,495   |
| Gain on disposition of assets                           | -   | (1,682)   |
| Transfer of deferred rent and capital lease obligations | 575   | 5,331   |
| General and administrative expense                      | 51  | 75  |
| Payments  | <u>(4,315)</u>                                      | <u>(13,403)</u>                                     |
| Ending Balance  | \$ <u>23,504</u>                                    | \$ <u>24,996</u>                                    |

## NOTE 7 - INCOME TAXES

The difference between the effective tax rate on earnings before income taxes and the U.S. federal income tax statutory rate is as follows:

|  | Twenty-six Weeks Ended<br><u>September 26,</u><br><u>2002</u> | Twenty-six Weeks Ended<br><u>September 27,</u><br><u>2001</u> |
|--|---|---|
| Federal statutory rate                         | 35.0%   | 35.0%   |
| Executive compensation                         | 182.1   | -   |
| Preferred stock issuance costs                 | -   | (11.3)  |
| Valuation allowance                            | 22.5  | (7.6)   |
| State income taxes, net of federal tax benefit | 32.2  | .3  |
| Deductible portion of GC purchase price        | (63.0)  | -   |
| Other, net                                     | <u>11.3</u>   | <u>-</u>  |
| Effective tax rate                             | <u>220.1%</u>   | <u>16.4%</u>  |

The Company determines income tax expense for interim periods by applying Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes* and APB Opinion No. 28, *Interim Financial Reporting*, which prescribes the use of the full year's estimated effective tax rate in financial statements for interim periods. As a consequence, permanent differences which are not deductible for federal income tax purposes serve to increase the effective federal income tax rate of 35% expense. At the end of the second quarter, the Company estimated its effective tax rate would be 220.1% for the year ending April 3, 2003 because of the foregoing permanent difference items.

## NOTE 8 - OPERATING SEGMENTS

Information about the Company's operations by operating segment is as follows (in thousands):

|   | Thirteen Weeks Ended         |                              | Twenty-six Weeks Ended       |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
| <b>Revenues</b>   |                              |                              |                              |                              |
| North American theatrical exhibition  | \$ 409,880                   | \$ 336,085                   | \$ 835,731                   | \$ 619,399                   |
| International theatrical exhibition   | 28,004                       | 29,888                       | 50,545                       | 47,813                       |
| NCN and other   | <u>13,214</u>                | <u>11,358</u>                | <u>26,448</u>                | <u>19,889</u>                |
| Total revenues  | <u>\$ 451,098</u>            | <u>\$ 377,331</u>            | <u>\$ 912,724</u>            | <u>\$ 687,101</u>            |
| <b>Adjusted EBITDA <sup>(1)</sup></b>   |                              |                              |                              |                              |
| North American theatrical exhibition  | \$ 70,211                    | \$ 63,812                    | \$ 147,085                   | \$ 108,096                   |
| International theatrical exhibition   | (1,087)                      | 2,672                        | (4,210)                      | 197                          |
| NCN and other   | <u>1,353</u>                 | <u>(359)</u>                 | <u>2,096</u>                 | <u>(2,568)</u>               |
| Total segment Adjusted EBITDA   | 70,477                       | 66,125                       | 144,971                      | 105,725                      |
| General and administrative<br>(net of stock-based and special compensation expense) | <u>9,658</u>                 | <u>8,784</u>                 | <u>22,189</u>                | <u>16,481</u>                |
| Total Adjusted EBITDA   | <u>\$ 60,819</u>             | <u>\$ 57,341</u>             | <u>\$ 122,782</u>            | <u>\$ 89,244</u>             |

A reconciliation of loss before income taxes to Adjusted EBITDA is as follows (in thousands):

|  | Thirteen Weeks Ended         |                              | Twenty-six Weeks Ended       |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
| Earnings before income taxes                 | \$ 9,119                     | \$ 20,409                    | \$ 3,044                     | \$ 8,527                     |
| Plus:  |                              |                              |                              |                              |
| Interest expense                             | 19,321                       | 14,297                       | 38,788                       | 29,710                       |
| Depreciation and amortization                | 31,985                       | 24,272                       | 61,417                       | 47,570                       |
| Stock-based and special compensation expense | 503                          | 114                          | 20,262                       | 212                          |
| Preopening expense                           | 451                          | 537                          | 1,248                        | 1,806                        |
| Theatre and other closure expense            | 1,459                        | 12                           | 1,230                        | 88                           |
| Gain on disposition of assets                | (1,236)                      | (2,001)                      | (1,422)                      | (1,842)                      |
| Investment income                            | (783)                        | (299)                        | (1,785)                      | (581)                        |
| Other expense                                | <u>-</u>                     | <u>-</u>                     | <u>-</u>                     | <u>3,754</u>                 |
| Adjusted EBITDA                              | <u>\$ 60,819</u>             | <u>\$ 57,341</u>             | <u>\$ 122,782</u>            | <u>\$ 89,244</u>             |

Information about the Company's land, buildings and improvements, leasehold improvements and furniture fixtures and equipment by operating segment is as follows (in thousands):

|                                      | September 26,<br><u>2002</u> | September 27,<br><u>2001</u> |
|--------------------------------------|------------------------------|------------------------------|
| <b>Property</b>                      |                              |                              |
| North American theatrical exhibition | \$ 1,259,356                 | \$ 1,099,038                 |
| International theatrical exhibition  | 105,927                      | 90,336                       |
| NCN and other                        | <u>14,965</u>                | <u>14,016</u>                |
| Total segment property               | 1,380,248                    | 1,203,390                    |
| Construction in progress             | 76,594                       | 48,827                       |
| Corporate                            | <u>47,218</u>                | <u>32,577</u>                |
|                                      | 1,504,060                    | 1,284,794                    |
| Less accumulated depreciation        | <u>587,450</u>               | <u>507,584</u>               |
| Property, net                        | <u>\$ 916,610</u>            | <u>\$ 777,210</u>            |

<sup>(1)</sup> Represents net earnings (loss) plus interest expense, income taxes, depreciation and amortization and adjusted for stock-based and special compensation expense of \$503,000 and \$20,262,000 included in general and administrative expense during the thirteen and twenty-six weeks ended September 26, 2002, respectively, related primarily to forgiveness of loans to executive officers and \$114,000 and \$212,000 during the thirteen and twenty-six weeks ended September 27, 2001, respectively, related to stock-based compensation, preopening expense, theatre and other closure expense, reorganization items, gain on disposition of assets and investment income, and excludes other expense of \$3,754,000 (in fiscal 2002) incurred in connection with the issuance of Preferred Stock. The Company has included Adjusted EBITDA because it believes that Adjusted EBITDA provides investors with additional information for estimating its value and evaluating its ability to service debt. The Company believes that Adjusted EBITDA is a financial measure commonly used in its industry and should not be construed as an alternative to its net earnings (loss) (as determined in accordance with GAAP). Adjusted EBITDA as determined by the Company may not be comparable to EBITDA as reported by other companies. In addition, Adjusted EBITDA is not intended to represent cash flow (as determined in accordance with GAAP) and does not represent the measure of cash available for discretionary uses.

## NOTE 9 - CONTINGENCIES

The Company, in the normal course of business, is party to various legal actions. Except as described below, management believes that the potential exposure, if any, from such matters would not have a material adverse effect on the financial condition, cash flows or results of operations of the Company.

The Company is the defendant in two coordinated cases now pending in California, *Weaver v. AMC Entertainment Inc.*, (filed March 2000 in Superior Court of California, San Francisco County), and *Geller v. AMC Entertainment Inc.* (filed May 2000 in Superior Court of California, San Bernardino County). The litigation is based upon California Civil Code Section 1749.5, which provides that "on or after July 1, 1997, it is unlawful for any person or entity to sell a gift certificate to a purchaser containing an expiration date." *Weaver* is a purported class action on behalf of all persons in California who, on or after January 1, 1997, purchased or received an AMC Gift of Entertainment ("GOE") containing an expiration date. *Geller* is brought by a plaintiff who allegedly received an AMC discount ticket in California containing an expiration date and who purports to represent all California purchasers of these "gift certificates" purchased from any AMC theatre, store, location, web-site or other venue owned or controlled by AMC since January 1, 1997. Both complaints allege unfair competition and seek injunctive relief. *Geller* seeks restitution of all expired "gift certificates" purchased in California since January 1, 1997 and not redeemed. *Weaver* seeks disgorgement of all revenues and profits obtained since January 1997 from sales of "gift certificates" containing an expiration date, as well as actual and



punitive damages. The Company has denied any liability, answering that GOEs and discount tickets are not a "gift certificate" under the statute and that, in any event, no damages have occurred. On May 11, 2001, following a special trial on the issue, the court ruled that the GOEs and discount tickets are "gift certificates." The Company intends to appeal this ruling and to continue defending the cases vigorously.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Forward Looking Statements**

This section includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this section and located elsewhere in this Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) our ability to enter into various financing programs; (ii) the cost and availability of films and the performance of films licensed by us; (iii) competition; (iv) construction delays; (v) the ability to open or close theatres and screens as currently planned; (vi) domestic and international political, social and economic conditions; (vii) demographic changes; (viii) increases in the demand for real estate; (ix) changes in real estate, zoning and tax laws; (x) unforeseen changes in operating requirements; (xi) our ability to identify suitable acquisition candidates and successfully integrate acquisitions into our operations and (xii) results of significant litigation. Readers are urged to consider these factors carefully in evaluating the forward-looking statements.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this Form 10-Q, and we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

### **General**

We acquired Gulf States Theatres on March 15, 2002 and GC Companies, Inc. on March 29, 2002 (collectively the "Acquisitions"), which significantly increased our size. In the Gulf States Theatres acquisition, we acquired 5 theatres with 68 screens in the New Orleans area and in the GC Companies acquisition, we acquired 66 theatres with 621 screens in the United States. Accordingly, results of operations for the thirteen and twenty-six weeks ended September 26, 2002, which include a full thirteen and twenty-six weeks, respectively, of operations of the businesses we acquired, are not comparable to our results for the thirteen and twenty-six weeks ended September 27, 2001 (see Note 2 - Acquisitions).

### **Operating Results**

Set forth in the table below is a summary of revenues, costs and expenses attributable to the Company's North American and International theatrical exhibition operations and NCN and other businesses.

|                                      | Thirteen Weeks Ended<br>September 26, 2002      September 27, 2001<br>(Dollars in thousands) |                   |               | Twenty-six Weeks Ended<br>September 26, 2002      September 27, 2001<br>(Dollars in thousands) |                   |               |
|--------------------------------------|--|-------------------|---------------|--|-------------------|---------------|
|                                      |  |                   | %<br>Change   |  |                   | %<br>Change   |
| <b>Revenues</b>                      |  |                   |               |  |                   |               |
| North American theatrical exhibition |  |                   |               |  |                   |               |
| Admissions                           | \$ 285,369   | \$ 231,018        | 23.5%         | \$ 577,000   | \$ 419,821        | 37.4%         |
| Concessions                          | 114,431  | 94,725            | 20.8          | 236,418  | 176,558           | 33.9          |
| Other theatre                        | <u>10,080</u>  | <u>10,342</u>     | <u>(2.5)</u>  | <u>22,313</u>  | <u>23,020</u>     | <u>(3.1)</u>  |
|                                      | 409,880  | 336,085           | 22.0          | 835,731  | 619,399           | 34.9          |
| International theatrical exhibition  |  |                   |               |  |                   |               |
| Admissions                           | 21,865   | 23,914            | (8.6)         | 39,701   | 38,295            | 3.7           |
| Concessions                          | 5,714  | 5,422             | 5.4           | 9,898  | 8,454             | 17.1          |
| Other theatre                        | <u>425</u>   | <u>552</u>        | <u>(23.0)</u> | <u>946</u>   | <u>1,064</u>      | <u>(11.1)</u> |
|                                      | 28,004   | 29,888            | (6.3)         | 50,545   | 47,813            | 5.7           |
| NCN and other                        | <u>13,214</u>  | <u>11,358</u>     | <u>16.3</u>   | <u>26,448</u>  | <u>19,889</u>     | <u>33.0</u>   |
| Total revenues                       | <u>\$ 451,098</u>  | <u>\$ 377,331</u> | <u>19.5%</u>  | <u>\$ 912,724</u>  | <u>\$ 687,101</u> | <u>32.8%</u>  |
| <b>Cost of Operations</b>            |  |                   |               |  |                   |               |
| North American theatrical exhibition |  |                   |               |  |                   |               |
| Film exhibition costs                | \$ 157,747   | \$ 128,935        | 22.3%         | 323,215  | \$ 231,891        | 39.4%         |
| Concession costs                     | 12,842   | 11,827            | 8.6           | 28,612   | 21,593            | 32.5          |
| Theatre operating expense            | 103,342  | 79,155            | 30.6          | 205,494  | 153,429           | 33.9          |
| Rent                                 | 65,738   | 52,356            | 25.6          | 131,325  | 104,390           | 25.8          |
| Preopening expense                   | 274  | 486               | (43.6)        | 967  | 1,747             | (44.6)        |
| Theatre and other closure expense    | <u>1,459</u>   | <u>12</u>         | <u>*</u>      | <u>1,230</u>   | <u>88</u>         | <u>*</u>      |
|                                      | 341,402  | 272,771           | 25.2          | 690,843  | 513,138           | 34.6          |
| International theatrical exhibition  |  |                   |               |  |                   |               |
| Film exhibition costs                | 11,591   | 13,001            | (10.8)        | 20,843   | 20,226            | 3.1           |
| Concession costs                     | 1,629  | 1,566             | 4.0           | 2,917  | 2,525             | 15.5          |
| Theatre operating expense            | 7,447  | 6,118             | 21.7          | 14,208   | 11,522            | 23.3          |
| Rent                                 | 8,424  | 6,531             | 29.0          | 16,787   | 13,343            | 25.8          |
| Preopening expense                   | <u>177</u>   | <u>51</u>         | <u>*</u>      | <u>281</u>   | <u>59</u>         | <u>*</u>      |
|                                      | 29,268   | 27,267            | 7.3           | 55,036   | 47,675            | 15.4          |
| NCN and other                        | 11,861   | 11,717            | 1.2           | 24,352   | 22,457            | 8.4           |
| General and administrative           | 10,161   | 8,898             | 14.2          | 42,451   | 16,693            | *             |
| Depreciation and amortization        | 31,985   | 24,272            | 31.8          | 61,417   | 47,570            | 29.1          |
| Gain on disposition of assets        | <u>(1,236)</u>   | <u>(2,001)</u>    | <u>(38.2)</u> | <u>(1,422)</u>   | <u>(1,842)</u>    | <u>(22.8)</u> |
| Total costs and expenses             | <u>\$ 423,441</u>  | <u>\$ 342,924</u> | <u>23.5%</u>  | <u>\$ 872,677</u>  | <u>\$ 645,691</u> | <u>35.2%</u>  |

\*Percentage change in excess of 100%.

### **Thirteen Weeks Ended September 26, 2002 and September 27, 2001**

**Revenues.** Total revenues increased 19.5%, or \$73,767,000, during the thirteen weeks ended September 26, 2002 compared to the thirteen weeks ended September 27, 2001. Of this increase, approximately \$93,000,000 resulted from the Acquisitions and the opening of 6 new theatres with 104 screens since September 27, 2001.

North American theatrical exhibition revenues increased 22.0%. Admissions revenues increased 23.5% due to a 16.7% increase in attendance and a 5.9% increase in average ticket price. Attendance increased due to the addition of 75 theatres with 759 screens since September 27, 2001, including the Acquisitions, offset by a 7.8% decrease in attendance at comparable theatres (theatres opened before the second quarter of fiscal 2002) due to a decrease in the popularity of film product and increased competition in certain markets. The increase in average ticket prices was primarily due to our practice of periodically reviewing ticket prices and making selective adjustments based upon such factors as general inflationary trends and conditions in local markets. Concessions revenues increased 20.8% due to the increase in attendance and a 3.5% increase in average concessions per patron.

International theatrical exhibition revenues decreased 6.3%. Admissions revenues decreased 8.6% due to a 6.0% decrease in attendance and a 2.7% decrease in average ticket price. The decrease in attendance was due to a decrease in the performance of film product at our theatres partially offset by the addition of 2 new theatres with 34 screens since September 27, 2001. Attendance at comparable theatres decreased 14.1%, primarily at our theatres in Japan. Concession revenues increased 5.4% due to a 12.1% increase in concessions per patron offset by the decrease in total attendance. International revenues were positively impacted by a weaker U.S. dollar, although this did not contribute materially to consolidated net loss.

Revenues from NCN and other increased 16.3% due to an increase in advertising revenues at NCN. We believe the increase is related to conditions in the general economy that lead to increased spending by advertisers and a sales effort focused on national accounts.

**Costs and expenses.** Total costs and expenses increased 23.5%, or \$80,517,000, during the thirteen weeks ended September 26, 2002 compared to the thirteen weeks ended September 27, 2001. Of this increase, approximately \$82,000,000 resulted from the Acquisitions and the opening of 6 new theatres with 104 screens since September 27, 2001.

North American theatrical exhibition costs and expenses increased 25.2%. Film exhibition costs increased 22.3% due to the increase in admissions revenues which was partially offset by a decrease in the percentage of admissions paid to film distributors. As a percentage of admissions revenues, film exhibition costs were 55.3% in the current period as compared with 55.8% in the prior period. Concession costs increased 8.6% due to the increase in concessions revenues. As a percentage of concessions revenues, concession costs were 11.2% in the current period compared with 12.5% in the prior period. As a percentage of revenues, theatre operating expense was 25.2% in the current period as compared to 23.6% in the prior period. Rent expense increased 25.6% due to the Acquisitions and the opening of new theatres and screens since September 27, 2001. During the thirteen weeks ended September 26, 2002, we recognized \$1,459,000 of theatre and other closure expense related primarily to the closure of one theatre with eight screens. We have identified screens that will close at a rate of 85 to 125 screens per year due to expiration of leases or early lease terminations during fiscal 2003 to 2005 with estimated annual closure costs of \$1,300,000 to \$4,500,000.

International theatrical exhibition costs and expenses increased 7.3%. Film exhibition costs decreased 10.8% due to lower admission revenues. Concession costs increased 4.0% due to the increase in concessions revenues. Theatre operating expense increased 21.7% and rent expense increased 29.0% due to the addition of new theatres since September 27, 2001. International theatrical exhibition costs and expenses were negatively

impacted by a weaker U.S. dollar, although this did not contribute materially to consolidated net loss. To date we have not incurred costs related to the closure of any of our international theatres. However, we continually monitor the performance of these theatres and factors such as an inability to obtain film product or changing consumer preferences for filmed entertainment in international markets could negatively impact operating results and result in future closures prior to expiration of underlying lease agreements. We are currently negotiating with two landlords regarding a restructuring of lease terms, including a reduction in the number of screens operated. On September 17, 2002, we reached a tentative agreement with the landlord at our theatre in France. The terms of the agreement include a payment to the landlord of approximately \$8,000,000 and a reduction in future minimum rentals of approximately \$1,200,000 annually over the remaining term of the lease (17 years). On October 23, 2002, as part of the terms of the agreement, we ceased operating six of the existing 20 screens at the theatre which is expected to further reduce our operating costs. We expect to record a charge for theatre closure of approximately \$2,000,000 to \$4,000,000 during the third quarter of fiscal 2003.

Costs and expenses from NCN and other increased 1.2% due to the increase in advertising revenues at NCN.

**General and Administrative.** General and administrative expenses increased \$1,263,000 due primarily to increases in stock-based compensation expense and GC Companies integration costs.

**Depreciation and Amortization.** Depreciation and amortization increased 31.8%, or \$7,713,000. The increase was primarily caused by an increase in depreciation of \$4,630,000 related to the Acquisitions and theatres that we have opened since September 27, 2001.

**Gain on Disposition of Assets.** Gain on disposition of assets decreased from a gain of \$2,001,000 in the prior period to a gain of \$1,236,000 during the current period. The current period results reflect the sale of certain real estate held for investment. The prior period results include the sale of certain real estate held for investment and a \$1,682,000 gain on the favorable settlement of a capital lease obligation.

**Interest Expense.** Interest expense increased 35.1% due to an increase in average outstanding borrowings and interest rates. We issued \$175,000,000 of 9 7/8% Senior Subordinated Notes due 2012 on January 11, 2002 and \$72,880,000 of 9 1/2% Senior Subordinated Notes due 2011 on March 29, 2002.

**Income Tax Provision.** The provision for income taxes is \$11,900,000 in the current year and \$1,400,000 in the prior period. The effective tax rate was 130.5% for the current period compared to 6.9% for the previous period. The increase in effective rate was primarily due to \$19,250,000 of non-deductible special compensation expense related to forgiveness of loans to executive officers. We adjust our expected annual tax rate on a quarterly basis based on current projections of non-deductible expenses and pre-tax earnings or losses for our domestic and foreign subsidiaries.

**Net Earnings (Loss) for Shares of Common Stock.** Net earnings (loss) for shares of common stock decreased during the thirteen weeks ended September 26, 2002 to a loss of (\$8,009,000) from earnings of \$8,610,000 in the prior period. Basic loss per share of common stock was \$(.22) compared to earnings of \$.22 in the prior period. Preferred Stock dividends of 4,566 shares of Preferred Stock valued at \$5,228,000 were recorded during the current period. Preferred Stock dividends of 6,408 shares of Preferred Stock valued at \$10,399,000 were recorded during the prior period.

#### **Twenty-six Weeks Ended September 26, 2002 and September 27, 2001**

**Revenues.** Total revenues increased 32.8%, or \$225,623,000, during the twenty-six weeks ended September 26, 2002 compared to the twenty-six weeks ended September 27, 2001. Of this increase,

approximately \$195,000,000 resulted from the Acquisitions and the opening of 6 new theatres with 104 screens since September 27, 2001.

North American theatrical exhibition revenues increased 34.9%. Admissions revenues increased 37.4% due to a 29.6% increase in attendance and a 6.0% increase in average ticket price. Attendance increased due to the addition of 75 theatres with 759 screens since September 27, 2001 including the Acquisitions. Attendance at comparable theatres (theatres opened before fiscal 2002) increased 2.2%. The increase in average ticket prices was primarily due to our practice of periodically reviewing ticket prices and making selective adjustments based upon such factors as general inflationary trends and conditions in local markets. Concessions revenues increased 33.9% due to the increase in attendance and a 3.3% increase in average concessions per patron.

International theatrical exhibition revenues increased 5.7%. Admissions revenues increased 3.7% due to a 4.1% increase in attendance offset by a 0.5% decrease in average ticket price. The increase in attendance was due to the addition of 2 new theatres with 34 screens since September 27, 2001. Attendance at comparable theatres decreased 4.3%, primarily at our theatres in Japan. Concession revenues increased 17.1% due to the increase in total attendance and a 12.4% increase in concessions per patron. International revenues were positively impacted by a weaker U.S. dollar, although this did not contribute materially to consolidated net loss.

Revenues from NCN and other increased 33.0% due to an increase in advertising revenues at NCN. We believe the increase is related to conditions in the general economy that lead to increased spending by advertisers and a sales effort focused on national accounts.

**Costs and expenses.** Total costs and expenses increased 35.2%, or \$226,986,000, during the twenty-six weeks ended September 26, 2002 compared to the twenty-six weeks ended September 27, 2001. Of this increase, approximately \$172,000,000 resulted from the Acquisitions and the opening of 6 new theatres with 104 screens since September 27, 2001.

North American theatrical exhibition costs and expenses increased 34.6%. Film exhibition costs increased 39.4% due to the increase in admissions revenues and an increase in the percentage of admissions paid to film distributors. As a percentage of admissions revenues, film exhibition costs were 56.0% in the current period as compared with 55.2% in the prior period. The increase in film exhibition costs as a percentage of admissions revenues was impacted primarily by *Star Wars Episode II: Attack of the Clones* and *Spider-man*, films whose audience appeal led to higher than normal film rental terms. Concession costs increased 32.5% due to the increase in concessions revenues. As a percentage of concessions revenues, concession costs were 12.1% in the current period compared with 12.2% in the prior period. As a percentage of revenues, theatre operating expense was 24.6% in the current period as compared to 24.8% in the prior period. Rent expense increased 25.8% due to the Acquisitions and the opening of new theatres and screens since September 27, 2001. During the twenty-six weeks ended September 26, 2002, we recognized \$1,230,000 of theatre and other closure expense related primarily to the closure of one theatre with eight screens.

International theatrical exhibition costs and expenses increased 15.4%. Film exhibition costs increased 3.1% due to higher admission revenues. Concession costs increased 15.5% due to the increase in concessions revenues. Theatre operating expense increased 23.3% and rent expense increased 25.8% due to the addition of new theatres since September 27, 2001. International theatrical exhibition costs and expenses were negatively impacted by a weaker U.S. dollar, although this did not contribute materially to consolidated net loss.

Costs and expenses from NCN and other increased 8.4% due to the increase in advertising revenues at NCN.

**General and Administrative.** General and administrative expenses increased \$25,758,000 due primarily to \$19,250,000 of special compensation expense related to forgiveness of loans to executive officers, increases in stock-based compensation expense and GC Companies integration costs.

**Depreciation and Amortization.** Depreciation and amortization increased 29.1%, or \$13,847,000. The increase was primarily caused by an increase in depreciation of \$9,817,000 related to the Acquisitions and theatres that we have opened since September 27, 2001.

**Gain on Disposition of Assets.** Gain on disposition of assets decreased from a gain of \$1,842,000 in the prior period to a gain of \$1,422,000 during the current period. The current period results reflect the sales of certain real estate held for investment. The prior period results include the sale of certain real estate held for investment and a \$1,682,000 gain on the favorable settlement of a capital lease obligation.

**Other Expense.** During the prior period, we recognized \$3,754,000 of transaction expenses incurred in connection with the issuance of Preferred Stock.

**Interest Expense.** Interest expense increased 30.6% due to an increase in average outstanding borrowings and interest rates. We issued \$175,000,000 of 9 7/8% Senior Subordinated Notes due 2012 on January 11, 2002 and \$72,880,000 of 9 1/2% Senior Subordinated Notes due 2011 on March 29, 2002.

**Income Tax Provision.** The provision for income taxes is \$6,700,000 in the current year and \$1,400,000 in the prior period. The effective tax rate was 220.1% for the current period compared to 16.4% for the previous period. The increase in effective rate was primarily due to \$19,250,000 of non-deductible special compensation expense related to forgiveness of loans to executive officers. We adjust our expected annual tax rate on a quarterly basis based on current projections of non-deductible expenses and pre-tax earnings or losses for our domestic and foreign subsidiaries

**Net Loss for Shares of Common Stock.** Net loss for shares of common stock increased during the twenty-six weeks ended September 26, 2002 to a loss of (\$18,303,000) from a loss of (\$5,670,000) in the prior period. Basic loss per share of common stock was (\$.50) compared to a loss of (\$.24) in the prior period. Preferred Stock dividends of 9,057 shares of Preferred Stock valued at \$14,647,000 were recorded during the current period. Preferred Stock dividends of 7,650 shares of Preferred Stock valued at \$12,797,000 were recorded during the prior period.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our revenues are primarily collected in cash, principally through box office admissions and theatre concessions sales. We have an operating "float" which partially finances our operations and which generally permits us to maintain a smaller amount of working capital capacity. This float exists because admissions revenues are received in cash, while exhibition costs (primarily film rentals) are ordinarily paid to distributors from 20 to 45 days following receipt of box office admissions revenues. We are only occasionally required to make advance or early payments or non-refundable guaranties of film rentals. Film distributors generally release the films which they anticipate will be the most successful during the summer and holiday seasons. Consequently, we typically generate higher revenues during such periods.

Cash flows from operating activities, as reflected in the Consolidated Statements of Cash Flows, were \$45,135,000 and \$14,444,000 during the twenty-six weeks ended September 26, 2002 and September 27, 2001, respectively. The increase in operating cash flows during fiscal year 2002 is primarily due to increases in Adjusted EBITDA (as defined in Note 8 to the Consolidated Financial Statements) and income tax refunds offset by increases in interest paid. We had net working capital as of September 26, 2002 and March 28, 2002 of (\$62,000) and \$42,227,000, respectively. The decrease in working capital is due to a decrease in cash and

equivalents, increases in accounts payable and accrued expenses and other liabilities offset by an increase in receivables and other current assets. The decrease in working capital is not expected to negatively impact our ability to fund operations, acquisitions or planned capital expenditures for at least the next twelve months. We borrow against our credit facility to meet obligations as they come due and had approximately \$413,000,000 available on our credit facility to meet these obligations as of September 26, 2002 and March 28, 2002.

We continue to expand our North American and international theatre circuits. During fiscal 2003, we opened one theatre with 18 screens and acquired 69 theatres with 641 screens (including three managed theatres with 20 screens) and closed 9 theatres with 58 screens (including one managed theatre with five screens) resulting in a circuit total of 242 theatres and 3,500 screens as of September 26, 2002.

We fund the costs of constructing new theatres using existing cash balances, internally generated cash flow or borrowed funds. We generally lease our theatres pursuant to long-term non-cancelable operating leases which may require the developer, who owns the property, to reimburse us for a portion of the construction costs. However, we may decide to own the real estate assets of new theatres and, following construction, sell and leaseback the real estate assets pursuant to long-term non-cancelable operating leases.

We lease certain of our theatre properties from Entertainment Properties Trust. Mr. Peter C. Brown, Chairman of the Board, Chief Executive Officer and President, serves as Chairman of the Board of Trustees of Entertainment Properties Trust. Because of the various agreements that we have with Entertainment Properties Trust, situations may arise where we have differing interests from Entertainment Properties Trust. These agreements are described in Note 9 - Leases in the Notes to Consolidated Financial Statements included in Part I, Item 8 of our Annual Report on Form 10-K for the fiscal year ended March 28, 2002. During fiscal 2003, Entertainment Properties Trust acquired the land and buildings underlying three of our existing theatre properties from unrelated third-party landlords and assumed the existing leases with us that provide for aggregate annual rentals of \$7.7 million. In August of fiscal 2003, we sold the real estate assets associated with one of our theatres to Entertainment Properties Trust for an aggregate purchase price of \$22,000,000. In October of fiscal 2003, we sold the real estate assets associated with another of our theatres to Entertainment Properties Trust for an aggregate purchase price of \$22,000,000. We leased the real estate assets associated with these theatres from Entertainment Properties Trust pursuant to non-cancelable operating leases of 20 years at an initial lease rate of 11% with options to extend up to an additional 15 years.

Historically, we have either paid for or leased the equipment used in a theatre. We may purchase leased equipment from lessors, if prevailing market conditions are favorable. During fiscal 2003, we purchased certain leased furniture, fixtures and equipment for a total of \$7,052,000.

As of September 26, 2002, we had construction in progress of \$76,594,000. We had four theatres in the U.S. with a total of 71 screens, one theatre in Spain with 20 screens and one theatre in the United Kingdom with 12 screens under construction as of September 26, 2002. During the twenty-six weeks ended September 26, 2002 and September 27, 2001, we had net capital expenditures (capital expenditures and net construction project costs less proceeds from sale and leaseback transactions) of \$29,785,000 and \$36,804,000, respectively. We expect that our net capital expenditures in fiscal 2003 will be approximately \$58,000,000. Additionally, we are contingently committed to acquire one theatre, during the third quarter of fiscal 2003, for a cash purchase price of approximately \$20 million along with the assumption of lease commitments up to 20 years aggregating \$3.2 million annually for 6.5 years and \$2.2 million annually for the remaining 13.5 years.

On September 17, 2002, we reached a tentative lease restructuring agreement with the landlord at our theatre in France. The terms of the agreement include a payment to the landlord of approximately \$8,000,000, a

reduction in future minimum rentals of approximately \$1,200,000 annually over the remaining term of the lease (17 years) and the closure of six of 20 screens.

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in our Annual Report on Form 10-K for the fiscal year ended March 28, 2002 for certain information about our credit facility and our notes due 2009, notes due 2011 and notes due 2012 and our Preferred Stock.

The total commitment under our credit facility is \$425.0 million, but the credit facility contains covenants that limit our ability to incur debt (whether under the credit facility or from other sources). The lender's commitments under the credit facility will be reduced by \$25.0 million on each of December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003 and by \$50.0 million on December 31, 2003. As of September 26, 2002, we had no outstanding borrowings under the credit facility and borrowing capacity under the credit facility of approximately \$413.0 million. As of September 26, 2002, we were in compliance with all financial covenants relating to the credit facility, the notes due 2009, the notes due 2011 and the notes due 2012.

Under the indenture relating to the notes due 2009, the most restrictive of the indentures, we could borrow approximately \$330 million as of September 26, 2002 in addition to permitted indebtedness (assuming an interest rate of 10% per annum on the additional borrowings). If we cannot satisfy the coverage ratios of the indentures, generally we can incur, in addition to amounts borrowed under the credit facility, no more than \$75 million of new "permitted indebtedness" under the terms of the indenture relating to the notes due 2009, the most restrictive of the indentures. Our investment agreement with the Apollo Purchasers generally requires that we obtain their consent before we issue stock, pay cash dividends or incur indebtedness (other than ordinary course borrowings under our credit facility and certain other permitted debt as long as they continue to hold a majority of the shares of Preferred Stock that they purchased). In addition, the certificate of designations for our Preferred Stock prohibits us from incurring any debt that would restrict our ability to pay dividends on the Preferred Stock in the manner required under the certificate of designations without the consent of the holder or holders of a majority of the shares of outstanding Preferred Stock (currently the Apollo Purchasers).

The indentures relating to the notes contain provisions subordinating our obligations under the notes to our obligations under the credit facility and other senior indebtedness. These include a provision that applies if there is a payment default under the credit facility or other senior indebtedness and one that applies if there is a non-payment default that permits acceleration of indebtedness under the credit facility. If there is a payment default under the credit facility or other senior indebtedness, generally no payment may be made on the notes until such payment default has been cured or waived or such senior indebtedness had been discharged or paid in full. If there is a non-payment default under the credit facility that would permit the lenders to accelerate the maturity date of the credit facility, no payment may be made on the notes for a period (the "Payment Blockage Period") commencing upon the receipt by the indenture trustees for the notes of notice of such default and ending up to 179 days thereafter. Not more than one Payment Blockage Period may be commenced during any period of 365 consecutive days. Our failure to make payment on any series of notes when due or within any applicable grace period, whether or not occurring under a Payment Blockage Period, will be an event of default with respect to such notes.

On March 29, 2002, we acquired GC Companies pursuant to a stock purchase agreement and a plan of reorganization that was confirmed by the bankruptcy court on March 18, 2002. Our estimated purchase price of \$168.7 million (net of \$6.5 million from the sale of GC Companies' portfolio of venture capital investments on the effective date) includes anticipated cash payments of \$70.2 million, the issuance of \$72.9 million aggregate principal amount of 9 1/2% Senior Subordinated Notes due 2011 with a fair value of \$71.8 million and the issuance of 2.4 million shares of common stock with an aggregate fair value of \$33.2 million based on a fair value of \$13.64 per share (the closing price per share on the effective date of the plan). We used (or will use) available



cash from our recent sales of senior subordinated notes and common stock for the cash payments under the plan of reorganization.

The purchase price for GC Companies is based on current estimates of the amount of "deduction claims" under the plan. The exact purchase price will not be determinable until all disputed claim amounts are resolved. Through September 26, 2002, we have issued \$72.9 million aggregate principal amount of our senior subordinated notes due 2011 and 2.4 million shares of our common stock and paid \$63.5 million in cash to creditors of GC Companies. Under the plan, an increase in the amount of deduction claims, which are paid in cash, will reduce the amount of common stock we issue to unsecured creditors, and vice versa. Although the purchase price should not change materially as a result of the resolution of disputed claims, the ultimate amount of cash and common stock components may vary from our current estimates. Our estimate of the purchase price includes certain contingent obligations to Harcourt General, Inc., under the plan of reorganization, which include the obligations (i) to pay on a discounted basis half of any rent reductions we might realize from renegotiating specified leases within six months after the plan of reorganization is confirmed, (ii) to assume Harcourt's obligations as guarantor of, or to indemnify Harcourt with respect to, further obligations under certain leases assumed by reorganized GC Companies or its reorganized subsidiaries, and (iii) to issue to Harcourt shares of our common stock with a value of up to \$750,000 if leases with respect to certain theatres are bought out or replaced within six months after plan confirmation. Under the plan of reorganization, reorganized GC Companies and its reorganized subsidiaries retained liability for certain trade payables and other current liabilities not discharged in the bankruptcy, reorganized GC Companies continues to have certain obligations to retirees and certain of GC Companies' executory contracts and unexpired leases were assumed by reorganized GC Companies or one of its reorganized subsidiaries. On the effective date of the plan, all of the operating domestic theatre subsidiaries of GC Companies were merged into GC Companies, Inc. and it was renamed AMC-GCT, Inc.

We believe that cash generated from operations, existing cash and equivalents, expected reimbursements from developers and the available commitment amount under our credit facility will be sufficient to fund operations and planned capital expenditures and acquisitions for at least the next twelve months and enable us to maintain compliance with covenants related to the credit facility and the notes. However, the performance of films licensed by us and unforeseen changes in operating requirements could affect the ability to continue our business strategy as well as comply with certain financial covenants.

## **NEW ACCOUNTING PRONOUNCEMENTS**

In July 2001, the Financial Accounting Standards Board ("FASB") issued two new standards: Statement of Financial Accounting Standards No. 141 ("SFAS No. 141") *Business Combinations* and SFAS No. 142 *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that all business combinations be accounted for using one method (the purchase method) and prescribes criteria for the initial recognition and measurement of goodwill and other intangible assets. SFAS No. 141 is effective for all business combinations completed after June 30, 2001.

SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. The provisions of SFAS No. 142 state that goodwill and indefinite-lived intangible assets will no longer be amortized and that goodwill and indefinite-lived intangible assets will be tested for impairment at least annually. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 became effective for us in fiscal 2003. However, goodwill and intangible assets acquired after June 30, 2001, were subject immediately to the non-amortization and amortization provisions. Adoption of SFAS No. 141 and SFAS No. 142 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 143 *Accounting for Asset Retirement Obligations*. SFAS No. 143 addresses the recognition and remeasurement of obligations associated with the retirement of a tangible long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 will

become effective for us in fiscal 2004. Adoption of SFAS No. 143 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In October 2001, the FASB issued SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 applies to all long-lived assets (excluding goodwill) and discontinued operations and develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 became effective for us in fiscal 2003. Adoption of SFAS No. 144 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146 *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and requires that the liabilities associated with these costs be recorded at their fair value in the period in which the liability is incurred. SFAS No. 146 will be effective for us for disposal activities initiated after December 31, 2002. Adoption of SFAS No. 146 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to various market risks including interest rate risk and foreign currency exchange rate risk. We do not hold any significant derivative financial instruments.

**Market risk on variable-rate financial instruments.** We maintain a \$425,000,000 credit facility, which permits borrowings at interest rates based on either the bank's base rate or LIBOR. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. Because we had no borrowings on our credit facility on September 26, 2002, a 100 basis point increase in market interest rates would have no effect on annual interest expense or earnings before income taxes.

**Market risk on fixed-rate financial instruments.** Included in long-term debt are \$200,000,000 of 9 1/2% Senior Subordinated Notes due 2009, \$297,880,000 of 9 1/2% Senior Subordinated Notes due 2011 and \$175,000,000 of 9 7/8% Senior Subordinated Notes due 2012. Increases in market interest rates would generally cause a decrease in the fair value of the notes due 2009, the notes due 2011 and the notes due 2012 and a decrease in market interest rates would generally cause an increase in fair value of the notes due 2009, the notes due 2011 and the notes due 2012.

**Foreign currency exchange rates.** We currently operate theatres in Canada, China (Hong Kong), Japan, France, Portugal, Spain, Sweden and the United Kingdom. As a result of these operations, we have assets, liabilities, revenues and expenses denominated in foreign currencies. The strengthening of the U.S. dollar against the respective currencies causes a decrease in the carrying values of assets, liabilities, revenues and expenses denominated in such foreign currencies and the weakening of the U.S. dollar against the respective currencies causes an increase in the carrying values of these items. The increases and decreases in assets, liabilities, revenues and expenses are included in accumulated other comprehensive income. Changes in foreign currency exchange rates also impact the comparability of earnings in these countries on a year-to-year basis. As the U.S. dollar strengthens, comparative translated earnings decrease, and as the U.S. dollar weakens comparative translated earnings from foreign operations increase. Although we do not currently hedge against foreign currency exchange rate risk, we do not intend to repatriate funds from the operations of our international theatres but instead intend to use them to fund current and future operations. A 10% fluctuation in the value of the U.S. dollar against all foreign currencies of countries where we currently operate theatres would either increase or decrease loss before income taxes and accumulated other comprehensive loss by approximately \$1,347,000 and \$12,588,000, respectively.

#### **Item 4. Controls and Procedures.**

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this Form 10-Q Quarterly Report (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us would be made known to them by others within the Company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.

(b) Changes in internal controls.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation, nor any significant deficiencies or material weaknesses in such internal controls requiring corrective actions. As a result, no corrective actions were taken.

### **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

Reference is made to Item 3. Legal Proceedings in our Annual Report on Form 10-K for the fiscal year ended March 28, 2002 for information on certain litigation to which we are a party.

We are a party to various other legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on us.

We are plaintiff in *American Multi-Cinema, Inc. v. Midwest Drywall Company, Inc., Haskell Constructors, Ltd. et.al.*, Case No. 00CV84908, in the Circuit Court of Platte County, Missouri. In this suit, we seek to recover damages from the construction manager, the architect, certain fireproofing applicators and other parties to correct the defective installation of certain fireproofing materials at 17 theatres. We presently estimate our damages will aggregate approximately \$28 million, of which we had expended approximately \$19 million through the end of the second quarter of this fiscal year. The remainder of the estimated damages are for projected costs of repairs yet to be performed. We also are seeking additional damages for lost profits, interest and legal and other expenses incurred. Similar claims respecting four of the same group of theatres are pending against other subcontractors in additional cases in other states.

The Midwest Drywall complaint was originally brought in state court in December 2000 but was removed to federal court in April 2001. The matter was remanded to state court in September 2002 as a result of the addition of non-diverse parties. Certain parties to this litigation have filed counterclaims against the Company, including Ammon Painting Company, Inc. which asserts claims to recover monies for services provided in an amount not specified in the pleadings but which it has expressed in discovery to aggregate approximately \$900,000. Our claim against Ammon is for approximately \$5.8 million.

We have conducted inspections in other theatres and are in the midst of a testing program to determine whether similar problems exist in other theatres, in which case the amount of damages that we seek in such

litigation may increase. Based on presently available information, we do not believe such matters will have a material adverse effect on our results of operations, financial condition or liquidity.

On May 23, 2002, an individual filed a purported class action on behalf of his son and all deaf and severely hearing impaired individuals against AMC, four other exhibitors and nine movie production companies. *Rob Todd v. AMC Entertainment International, Inc. et al.*, United States District Court for the Southern District of Texas, Case No. H-02-1944. The suit claims that the production company defendants have violated the Americans with Disabilities Act (ADA) by failing to produce a sufficient number of films with closed captioning and that the exhibition defendants have violated the ADA by failing to show a sufficient number of closed captioned movies. The suit seeks declaratory and injunctive relief that would require producers to produce more films with closed captioning or a substitute system to permit deaf and severely hearing impaired individuals to attend movies. A similar class action suit, *Kevin Ball, et al. v. AMC Entertainment Inc. and Loews Cineplex Entertainment Corp.*, Case No.1:00CV00867, United States District Court for the District of Columbia, involves only theatres in the District of Columbia area. The Ball suit seeks to have AMC install a specified substitute system which we estimate would cost approximately \$10,000 per screen. The Todd suit has not identified a specific substitute. Based on the legislative history of the ADA and the regulations promulgated thereunder, which provide that exhibitors are not required to show closed caption films, we believe it unlikely that we will be required to show closed caption films or install a substitute system.

Between July 31 and September 10, 2002, five shareholder derivative lawsuits were filed on the Company's behalf against all of the members of our board of directors. Two of the lawsuits, captioned *Krajewski et al. v. Laurence M. Berg, et al.*, (Case No.02-CV-221038) (the "Krajewski Action") and *Lamb v. Laurence M. Berg, et al.*, (Case No. 02-CV-222236) (the "Lamb Action"), were filed on July 31 and August 14, 2002, respectively, in the Circuit Court of Jackson County, Kansas City, Missouri (collectively, the "Missouri Actions"). Three of the lawsuits, captioned *David Shaev Keogh Plan v. Laurence M. Berg, et al.*, (Case No. 02-CV-19880), *Brown v. Laurence M. Berg, et al.*, (Case No.19883-NC) and *South Broadway Capital v. Peter C. Brown, et al.*, (Case No. 19891), were filed on September 4 and September 10, 2002, respectively, in the Chancery Court of the State of Delaware (collectively, the "Delaware Actions").

Each of the five lawsuits was purportedly brought in the name of and for the benefit of the Company, which is named as a nominal defendant, and names as defendants Laurence M. Berg, Leon D. Black, Peter C. Brown, Charles J. Egan, Jr., W. Thomas Grant II, Charles S. Paul, Marc J. Rowan and Paul E. Vardeman, all of the members of our board of directors. The complaints generally allege that the individual defendants violated their fiduciary duties of loyalty and good faith and wasted corporate assets by causing the Company to improperly forgive loans to the Company's Chief Executive Officer, Peter C. Brown, and Executive Vice President, Philip M. Singleton, without adequate consideration. The fifth complaint, *South Broadway Capital v. Peter C. Brown, et al.* also alleges that defendants Messrs. Black, Rowan and Berg, as affiliates of Apollo Advisors, L.P., abused their ability to control and influence the Company in connection with the loan forgiveness. The plaintiffs seek unspecified damages on the Company's behalf together with their costs, fees and expenses. The defendants believe there is no merit to the allegations of wrongdoing, and intend to vigorously defend against all the litigation.

On October 2, 2002, the Chancery Court entered an order consolidating the Delaware actions as *In Re: AMC Entertainment Shareholders Litigation* (Case No. 19880-C).

#### **Item 4. Submission of Matters To a Vote of Security Holders.**

(a) We held our Annual Meeting of Stockholders on September 19, 2002.

(b) At the meeting, the following matters were voted upon by the stockholders:

- (i) The election of Directors for the upcoming year.
- (ii) A proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for the fiscal year ending April 3, 2003.

The Board of Directors of the Company is composed of eight (8) members. Three (3) of the directors are elected by the holders of Common Stock and Class B Stock, voting as a single class, with each share of Common Stock having one vote per share and each share of Class B Stock having ten votes per share. Two (2) of the directors are elected by the holders of Common Stock, voting as a class, with each share of Common Stock having one vote per share. Three (3) of the directors are elected by the holders of Series A Preferred Stock who are Apollo Purchasers, voting as a single class, with each share having one vote per share.

The following were the nominees of management voted upon and elected by the holders of our Class B Stock, Common Stock and eligible Preferred Stock as of the record date:

| <u>Common Stock<br/>&amp; Class B Stock</u>               | <u>Common Stock</u>                     | <u>Series A<br/>Preferred Stock</u>                |
|---|---|--|
| Peter C. Brown<br>Charles J. Egan, Jr.<br>Charles S. Paul | Paul E. Vardeman<br>W. Thomas Grant, II | Leon D. Black<br>Marc J. Rowan<br>Laurence M. Berg |

In the election of directors by the holders of Common Stock and Class B Stock, voting as a single class, the total votes were as follows: there were 61,231,143 (37,078,850 Class B Stock and 24,152,293 Common Stock) votes "for" Peter C. Brown and 3,964,216 votes "withheld", there were 63,478,978 (37,078,850 Class B Stock and 26,400,128 Common Stock) votes "for" Charles J. Egan, Jr. and 1,716,381 votes "withheld", and there were 63,495,243 (37,078,850 Class B Stock and 26,416,393 Common Stock) votes "for" Charles S. Paul and 1,700,116 votes "withheld".

In the election of directors by the holders of Common Stock, there were 26,671,723 votes "for" Paul E. Vardeman and 1,444,786 votes "withheld" and 26,404,718 votes "for" W. Thomas Grant, II and 1,711,791 votes "withheld".

All of the shares of Series A Preferred Stock held by the Apollo Purchasers were voted for the Series A Preferred Stock nominees shown above.

The total votes cast concerning the ratification of the appointment of PricewaterhouseCoopers LLP were as follows: 65,910,514, (26,589,846 Common Stock, 37,078,850 Class B Stock and 2,241,818 shares of Common Stock on an "as converted" basis) voted "for", 1,493,045 voted "against" and 33,618 "abstentions".

#### **Item 5. Other Information.**

On October 28, 2002, the Trustees of the 1992 Durwood, Inc. Voting Trust (the "Voting Trust"), who have voting power over all of the Company's outstanding Class B Stock, filed an amendment to their Schedule 13D (the "October 28 Amendment") reporting the conversion of 656,288 shares of Class B Stock into Common Stock and the sale of such shares of Common Stock in private sales to a group of funds (the "Sandler Funds") managed by Sandler Capital Management, existing shareholders of the Company. The shares sold are no longer subject to the Voting Trust.

Of the shares sold, 332,000 had been beneficially owned by the Pamela Yax Durwood Marital Trust and the balance by the Stanley H. Durwood Revocable Trust (the "Revocable Trust"). The purpose of the sale by the Revocable Trust was to generate funds to pay estate taxes of Mr. Stanley H. Durwood.

As a result of the sale, the Voting Trust was the record owner of 3,051,597 shares of Class B Stock, all of which were beneficially owned by the Revocable Trust. The Class B Stock has ten votes per share and votes with the Common Stock, which has one vote per share, in the election of three of our eight directors. After giving effect to the sale, the Class B Stock will have 47.9% of the combined voting power of presently outstanding shares in such elections. Except as required by law or the Company's charter, the Class B Stock votes as a class on all other matters with the holders of Common Stock and holders of our Series A Preferred Stock, the Sandler Funds, who are entitled to vote their shares of Series A Preferred Stock on an as-converted basis. After giving effect to the sale, the Class B Stock will have 46.2% of the combined voting power of presently outstanding shares on such matters.

The October 28 Amendment also reported that following the payment of Mr. Durwood's estate taxes, the Revocable Trust would have no further substantial obligations and, as previously reported, the remaining shares beneficially owned by the Revocable Trust would then be distributed to the Stanley H. Durwood Foundation (the "Foundation"). Also, the Schedule 13D reported that because the active administration of Mr. Durwood's estate would be completed upon the distribution of shares to the Foundation, Mr. Raymond F. Beagle, Jr. intended to resign as trustee of the Voting Trust and the Foundation following such distribution.

On November 7, 2002, the Trustees of the Voting Trust filed another amendment (the "November 7 Amendment") to their Schedule 13D reporting that Mr. Stanley H. Durwood's estate taxes have been paid from the Revocable Trust and that, as required by the provisions of the Revocable Trust, Voting Trust certificates evidencing the beneficial interest in 3,051,597 shares of Class B Stock held by the Voting Trust have been transferred from the Revocable Trust to the Foundation. Notwithstanding this transfer of Voting Trust certificates, the Voting Trust remains the record owner of the underlying shares of Class B Stock; voting power of such shares continues to be held by the trustee(s) of the Voting Trust and the trustee(s) of the Voting Trust must consent to any transfer of shares represented by Voting Trust certificates held by a beneficiary, to any release of shares from the Voting Trust and to any termination of the Voting Trust. The November 7 Amendment also reported Mr. Beagle's resignation as trustee of the Voting Trust and the Foundation and amendments to the agreements governing the Voting Trust and the Foundation to allow each entity to have a single trustee. Mr. Charles J. Egan, Jr. a director of the Company, now serves as sole trustee of both the Voting Trust and the Foundation. The Greater Kansas City Community Foundation (the "Community Foundation") is the sole beneficiary of the Foundation.

According to the November 7 Amendment, the Foundation is a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code of 1986 and is controlled by and operated exclusively for the benefit of the beneficiary, the Community Foundation. The Foundation's governing instrument directs the trustees thereunder to distribute all net income of the Foundation and so much of principal as they deem appropriate to establish, support and fund such programs operated, funded or sponsored by the Community Foundation as the Foundation trustees deem appropriate. However, the Foundation's governing instrument does not mandate distribution of principal over or during any specified period of time. The terms of the Foundation's governing instrument empower the trustees of the Foundation to hold shares of stock and Voting Trust certificates and do not require diversification of investments.

As stated in the November 7, Amendment, as the beneficiary of the Foundation, the Community Foundation has the sole and exclusive power to appoint a majority of the Foundation trustees. The trustees

appointed by the Community Foundation may appoint additional or successor trustees not required as part of the majority of the trustees appointed by the Community Foundation. The Community Foundation has appointed Mr. Egan to serve as trustee until his resignation, disability or removal for cause, as defined in the Foundation's governing instrument. It may remove him as Foundation trustee only for mental or physical incapacity or for gross negligence or intentional disregard of fiduciary duty as a trustee of the Foundation. As amended, the Foundation's governing instrument provides for a minimum of one trustee, which number may be increased by the Community Foundation with the consent of the trustee(s) then serving.

Under the Voting Trust agreement, Mr. Egan may appoint and remove additional trustees of the Voting Trust and may designate his successor as trustee under the Voting Trust. Should he die or resign without naming a successor, the Foundation would be entitled to designate a successor voting trustee under the Voting Trust.



## Item 6. Exhibits and Reports on Form 8-K.

### EXHIBIT INDEX

| <u>EXHIBIT NUMBER</u> | <u>DESCRIPTION</u> |
|-----------------------|--------------------|
|-----------------------|--------------------|

|        |  |
|--------|--|
| 3.1(a) | Restated and Amended Certificate of Incorporation of AMC Entertainment Inc. (as amended on December 2, 1997 and September 18, 2001) (Incorporated by Reference from Exhibit 3.1 to the Company's Form 8-K (File No. 1-8747) filed February 15, 2002).  |
| 3.1(b) | Certificate of Designations of Series A Convertible Preferred Stock and Series B Exchangeable Preferred Stock of AMC Entertainment Inc. (Restated for filing purposes in accordance with Rule 102(c) of Regulation S-T) (Incorporated by reference from Exhibit 3.1(b) to the Company's Form 10-Q (File No. 1-8747) for the quarter ended June 27, 2002)   |
| 3.2    | Bylaws of AMC Entertainment Inc. (Incorporated by reference from Exhibit 3.2 to the Company's Form 10-Q (File No. 1-8747) for the quarter ended June 27, 2002)   |
| 4.1(a) | Restated and Amended Credit Agreement dated as of April 10, 1997, among AMC Entertainment Inc., as the Borrower, The Bank of Nova Scotia, as Administrative Agent, and Bank of America National Trust and Savings Association, as Documentation Agent, and Various Financial Institutions, as Lenders, together with the following exhibits thereto: significant subsidiary guarantee, form of notes, form of pledge agreement and form of subsidiary pledge agreement (Incorporated by reference from Exhibit 4.3 to the Company's Registration Statement on Form S-4 (File No. 333-25755) filed April 24, 1997). |
| 4.1(b) | Second Amendment, dated January 16, 1998, to Amended and Restated Credit Agreement dated as of April 10, 1997 (Incorporated by Reference from Exhibit 4.2 to the Company's Form 10-Q (File No. 1-8747) for the quarter ended January 1, 1998).   |
| 4.1(c) | Third Amendment, dated March 15, 1999, to Amended and Restated Credit Agreement dated as of April 10, 1997 (Incorporated by reference from Exhibit 4 to the Company's Form 8-K (File No. 1-8747) dated March 25, 1999).  |
| 4.1(d) | Fourth Amendment, dated March 29, 2000, to Amended and Restated Credit Agreement dated as of April 10, 1997. (Incorporated by reference from Exhibit 4.1(d) to the Company's Form 10-K (File No. 1-8747) for the year ended March 30, 2000).   |
| 4.1(e) | Fifth Amendment, dated April 10, 2001, to Amended and Restated Credit Agreement dated as of April 10, 1997. (Incorporated by reference from Exhibit 4.1(e) to the Company's Form 8-K (File No. 1-8747) dated May 7, 2001).   |
| 4.2(a) | Indenture dated March 19, 1997, respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2009 (Incorporated by reference from Exhibit 4.1 to the Company's Form 8-K (File No. 1-8747) dated March 19, 1997).   |
| 4.2(b) | First Supplemental Indenture respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2009 (Incorporated by reference from Exhibit 4.4(b) to Amendment No. 2. to the Company's Registration Statement on Form S-4 (File No. 333-29155) filed August 4, 1997).  |
| 4.2(c) | Agreement of Resignation, Appointment and Acceptance, dated August 30, 2000, among the Company, The Bank of New York and HSBC Bank USA respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2009. (Incorporated by reference from Exhibit 4.2(c) to the Company's Form 10-Q (File No. 1- 8747) for the quarter ended September 28, 2000).  |
| 4.3(a) | Indenture, dated January 27, 1999, respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2011. (Incorporated by reference from Exhibit 4.3 to the Company's Form 10-Q (File No. 1-8747) for the quarter ended December 31, 1998).   |
| 4.3(b) | First Supplemental Indenture dated March 29, 2002 respecting AMC Entertainment Inc.'s 9 1/2 % senior subordinated notes due 2011. (Incorporated by reference from Exhibit 4 to Form 8-K (File No. 1-8747) dated April 10, 2002).   |
| 4.3(c) | Agreement of Resignation, Appointment and Acceptance, dated August 30, 2000, among the Company, The Bank of New York and HSBC Bank USA respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2011. (Incorporated by reference from Exhibit 4.3(a) to the Company's Form 10-Q (File No. 1- 8747) for the quarter ended   |

September 28, 2000).

- 4.4 Registration Rights Agreement, dated January 27, 1999, respecting AMC Entertainment Inc.'s 9 1/2% senior subordinated notes due 2011 (Incorporated by reference from Exhibit 4.4 to the Company's Form 10-Q (File No. 1-8747) for the quarter ended December 31, 1998).
- 4.5 Indenture, dated January 16, 2002, respecting AMC Entertainment Inc.'s 9 7/8% Senior Subordinated Notes due 2012 (incorporated by reference from Exhibit 4.5 to Amendment No. 1 to the Company's Registration Statement on Form S-3 (File No. 333-75208) filed on January 25, 2002).
- 4.6 Registration Rights Agreement, dated January 16, 2002, respecting AMC Entertainment Inc.'s 9 7/8% Senior Subordinated Notes (incorporated by reference from Exhibit 4.6 to Amendment No. 1 to the Company's Registration Statement on Form S-3 (File No. 333-75208) filed on January 25, 2002).
- 4.7 In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the Commission upon request.
- 4.8 Investment Agreement entered into April 19, 2001 by and among AMC Entertainment Inc. and Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Apollo Investment Fund V, L.P., Apollo Overseas Partners V, L.P., Apollo Management IV, L.P. and Apollo Management V, L.P. (Incorporated by reference from Exhibit 4.7 to the Company's Form 8-K (File No. 1-8747) filed on April 20, 2001).
- 4.9 Standstill Agreement by and among AMC Entertainment Inc., and Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Apollo Investment Fund V, L.P., Apollo Overseas Partners V, L.P., Apollo Management IV, L.P. and Apollo Management V, L.P., dated as of April 19, 2001. (Incorporated by reference from Exhibit 4.8 to the Company's Form 8-K (File No. 1-8747) filed on April 20, 2001).
- 4.10 Registration Rights Agreement dated April 19, 2001 by and among AMC Entertainment Inc. and Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Apollo Investment Fund V, L.P., Apollo Overseas Partners V, L.P. (Incorporated by reference from Exhibit 4.9 to the Company's Form 8-K (File No. 1-8747) filed on April 20, 2001).
- 4.11 Securities Purchase Agreement dated June 29, 2001 by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Apollo Investment Fund V, L.P., Apollo Overseas Partners V, L.P., Apollo Management IV, L.P., Apollo Management V, L.P., AMC Entertainment Inc., Sandler Capital Partners V, L.P., Sandler Capital Partners V FTE, L.P. and Sandler Capital Partners V Germany, L.P. (Incorporated by reference from Exhibit 4.6 to the Company's Form 10-Q (File No. 1-8747) for the quarter ended June 28, 2001).
- 4.12 AMC Entertainment Inc. 1983 Stock Option Plan (incorporated by reference from Exhibit 10.1 to AMCE's Form S-1 (File No. 2-84675) filed June 22, 1983).
- 4.13 AMC Entertainment Inc. 1984 Employee Stock Purchase Plan (incorporated by reference from Exhibit 28.1 to AMCE's Form S-8 (File No. 2-97523) filed July 3, 1984).
- 4.14 AMC Entertainment Inc. 1984 Employee Stock Option Plan (incorporated by reference from Exhibit 28.1 to AMCE's Form S-8 and Form S-3 (File No. 2-97522) filed July 3, 1984).
- 4.15 AMC Entertainment Inc. 1994 Stock Option and Incentive Plan, as amended (incorporated by reference from Exhibit 10.5 to AMCE's Form 10-Q (File No. 1- 8747) for the quarter ended December 31, 1998).
- 4.16 Form of Non-Qualified (NON-ISO) Stock Option Agreement (incorporated by reference from Exhibit 10.2 to AMCE's Form 10-Q (File No. 0-12429) for the quarter ended December 26, 1996).
- 4.17 AMC Entertainment Inc. 1999 Stock Option and Incentive Plan, as amended (incorporated by reference from Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File no. 333-92615) filed December 13, 1999).
- 4.18 AMC Entertainment Inc. 1999 Stock Option Plan for Outside Directors (incorporated by reference from Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-92617) filed December 13, 1999).
- 4.19 American Multi-Cinema Inc. Savings Plan, a defined contribution 401(k) plan, restated January 1, 1989, as amended (incorporated by reference from Exhibit 10.6 to AMCE's Form S-1 (File No. 33-48586) filed June 12, 1992, as amended).
- 4.20 Defined Benefit Retirement Income Plan for Certain Employees of American Multi-Cinema, Inc. dated January 1, 1989, as amended (incorporated by reference from Exhibit 10.7 to AMCE's Form S-1 (File No. 33-48586) filed

June 12, 1992, as amended).

- 4.21 AMC Supplemental Executive Retirement Plan dated January 1, 1994 (incorporated by reference from Exhibit 10.7(b) to AMCE's Form 10-K (File No. 0-12429) for the fiscal year ended March 30, 1995).
- \*9.1 First Amendment to Durwood Voting Trust (Amended and Restated 1992 Durwood, Inc. Voting Trust Agreement dated August 12, 1997) dated October 29, 2002).
- \*10.27 Retainer Agreement dated October 1, 2002 between the Company and Raymond F. Beagle, Jr.
- \*99 Certification of periodic report (Chief Executive Officer).
- \*99.1 Certification of periodic report (Chief Financial Officer).

\* Filed herewith

(b) Reports on Form 8-K

On July 11, 2002, we filed a Form 8-K reporting under Item 9. the date of our first quarter earnings conference call and webcast for fiscal 2003.

On July 22, 2002, we filed a Form 8-K reporting under Item 9. a press release announcing first quarter operating results for fiscal 2003.

On August 13, 2002, we filed a Form 8-K reporting under Items 7. and 9. statements under oath of our Principal Executive Officer and Principal Financial Officer.

On October 15, 2002, we filed a Form 8-K reporting under Item 9. the date of our second quarter earnings conference call and webcast for fiscal 2003.

On October 22, 2002, we filed a Form 8-K reporting under Item 9. a press release announcing second quarter operating results for fiscal 2003.

## **SIGNATURES**

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

### **AMC ENTERTAINMENT INC.**

Date: November 8, 2002

/s/ Peter C. Brown

Peter C. Brown  
Chairman of the Board,  
Chief Executive Officer and President

Date: November 8, 2002

/s/ Craig R. Ramsey

Executive Vice President  
Chief Financial Officer and  
Secretary

## CERTIFICATIONS

I, Peter C. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMC Entertainment Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 8, 2002

/s/ Peter C. Brown

Peter C. Brown  
Chairman of the Board,  
Chief Executive Officer and President

## CERTIFICATIONS

I, Craig R. Ramsey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMC Entertainment Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 8, 2002

/s/ Craig R. Ramsey

Executive Vice President  
Chief Financial Officer and  
Secretary