UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

F O R M 10-Q

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended September 27, 2001

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 333-1024							
UNITED ARTISTS THEATRE CIRCUIT, INC.							
(Exact name of registrant as specified in its charter)							
Maryland					13-1424080		
(State or other jurisdiction of					(I.R.S. Employer		
incorporation or organization)					Identification No.)		
9110 East Nichols Avenue, Suite 200							
Englewood, CO					80112		
(Address of principal executive offices)					(Zip Code)		
Registrant's telephone number, including area code:					(303) 792-3600		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No____.

The number of shares outstanding of $1.00 par value common stock at September 27, 2001 was 100 shares.

UNITED ARTISTS THEATRE CIRCUIT, INC.

Quarterly Report on Form 10-Q

September 27, 2001

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CAUTIONARY STATEMENT REGARDING

FORWARD LOOKING STATEMENTS

Certain of the matters discussed in this form 10-Q may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve uncertainties and other factors and the actual results and performance of United Artists Theatre Circuit, Inc. ("UATC") may be materially different from future results or performance expressed or implied by such statements. Cautionary statements regarding the risks associated with such forward-looking statements include, without limitation, those statements included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk."

In general, the risks and uncertainties associated with the performance of UATC relate to:

- *the dependence of UATC on films produced and distributed by the major and independent film studios and on its ability to obtain those motion pictures;*
- *the continuing impact of competitive stadium seating theatres, as well as the impact of newly-constructed competitive theatres, on the patronage*

of UATC's non-stadium seating theatres;
- *the dependence of UATC on key personnel;*
- *the sensitivity of UATC to adverse trends in the general economy, particularly as they might affect concession and advertising revenues;*
- *the high degree of competition in UATC's industry; and*
- *the volatility of UATC's quarterly results due to the seasonality of film release schedules.*

The foregoing cautionary statement expressly qualifies all written or oral forward-looking statements attributable to UATC.

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Amounts in Millions) (Unaudited)

	Reorganized	Predecessor
	Company	Company
Assets	September 27, 2001	December 28, 2000
Current assets:		
Cash and cash equivalents	$ 4.9	11.4
Receivables, net		
Notes	1.2	1.5
Other	6.7	6.7
	7.9	8.2
Prepaid expenses and concession inventory	15.4	12.6

Other assets	1.2	1.5
Total current assets	29.4	33.7
Investments and related receivables	3.0	3.0
Property and equipment, at cost:		
Land	10.3	12.6
Theatre buildings, equipment and other	225.9	503.3
	236.2	515.9
Less accumulated depreciation and amortization	(16.6)	(212.1)
	219.6	303.8
Intangible assets, net	129.5	39.3
Other assets, net	2.9	67.3
	$ 384.4	447.1
Liabilities and Stockholder's Equity (Deficit)		
Current liabilities:		
Accounts payable		
Film rentals	$ 10.4	15.7
Other	33.7	37.8

	44.1	53.5
Accrued and other liabilities		
Salaries and wages	4.1	5.3
Interest	1.5	2.9
Other	20.4	15.9
	26.0	24.1
Current portion of long-term debt (note 3)	3.0	1.9
Total current liabilities	73.1	79.5
Other liabilities	9.1	30.7
Debt (note 3)	258.3	4.2
Total liabilities not subject to compromise	340.5	114.4
Liabilities subject to compromise (note 1)	-	517.3
Total liabilities	340.5	631.7
Minority interests in equity of consolidated subsidiaries	4.9	4.9
Stockholder's equity (deficit):		

Preferred stock (authorized shares 5,000,000, no shares are issued and outstanding)	-	-
Common stock (authorized shares 1,000, issued and outstanding 100 shares)	-	-
Additional paid-in capital	97.9	289.9
Accumulated deficit	(1.4)	(478.3)
Related party receivables (note 4)	(57.5)	(1.1)
Total stockholder's equity (deficit)	39.0	(189.5)
	$ 384.4	447.1

Commitments and contingencies - (note 7)

See accompanying notes to condensed consolidated financial statements.

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Amounts in Millions)

(Unaudited)

	Reorganized		Predecessor		
	Company		Company		
	Thirteen Weeks Ended	Thirty Weeks Ended	Nine Weeks Ended	Thirteen Weeks Ended	Thirty-nine Weeks Ended

	September 27, 2001	September 27, 2001	March 1, 2001	September 28, 2000	September 28, 2000
Revenue:					
Admissions	$ 110.0	217.1	69.1	101.3	280.1
Concession sales	43.4	87.9	26.9	42.4	116.7
Other	5.2	11.5	3.1	5.7	16.3
	158.6	316.5	99.1	149.4	413.1
Costs and expenses:					
Film rental and advertising expenses	63.6	121.0	36.2	56.5	153.5
Direct concession costs	4.9	10.0	3.1	5.1	14.3
Occupancy expense (note 7)	20.3	44.6	12.5	20.3	63.0
Other operating expenses	41.6	90.4	26.2	42.9	125.9
Affiliate lease rentals (note 4)	0.1	0.3	0.1	0.1	0.4
General and administrative	4.8	11.1	3.2	5.6	16.3
Depreciation and amortization	10.1	23.7	6.4	10.5	32.6
Asset impairments, lease exit and restructure costs	0.3	0.4	1.1	30.1	55.9
Gain on disposition of assets	(0.2)	(0.3)	(4.6)	(6.6)	(14.6)
	145.5	301.2	84.2	164.5	447.3
Operating income (loss)	13.1	15.3	14.9	(15.1)	(34.2)

Other income (expense):					
Interest, net (note 3)	(5.2)	(13.3)	(5.9)	(11.2)	(32.5)
Minority interests in earnings of consolidated subsidiaries	(0.3)	(0.4)	(1.0)	(1.8)	(2.2)
Other, net	(1.3)	(2.9)	(0.1)	(1.8)	(1.2)
	(6.8)	(16.6)	(7.0)	(14.8)	(35.9)
Income (loss) before reorganization items, income					
taxes, and extraordinary item	6.3	(1.3)	7.9	(29.9)	(70.1)
Reorganization items (note 1)	-	-	33.3	(10.2)	(10.2)
Income (loss) before income taxes and extraordinary item	6.3	(1.3)	41.2	(40.1)	(80.3)
Income tax expense (note 5)	(0.1)	(0.1)	-	(0.1)	(0.6)
Income (loss) before extraordinary item	6.2	(1.4)	41.2	(40.2)	(80.9)
Extraordinary item, net of income taxes (note 1)	-	-	187.6	-	-

Net income (loss)	$ 6.2	(1.4)	228.8	(40.2)	(80.9)

See accompanying notes to condensed consolidated financial statements.

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Consolidated Statement of Stockholder's Equity (Deficit)

(Amounts in Millions)

(Unaudited)

			Additional			Total
	Preferred	Common	paid-in	Accumulated	Related party	stockholder's
	stock	Stock	capital	deficit	receivables	equity (deficit)
Balance at December 28, 2000	$ -	-	289.9	(478.3)	(1.1)	(189.5)
Net income	-	-	-	228.8	-	228.8

Adjustment to Predecessor equity accounts						
in connection with fresh-start reporting	-	-	(289.9)	249.5	(61.6)	(102.0)
Issuance of new equity in reorganized company	$ -	-	97.9	-	-	97.9
Balance at March 2, 2001	-	-	97.9	-	(62.7)	35.2
Net loss	-	-	-	(1.4)	-	(1.4)
Change in related party receivables	$ -	-	-	-	5.2	5.2
Balance at September 27, 2001	$ -	-	97.9	(1.4)	(57.5)	39.0

See accompanying notes to condensed consolidated financial statements.

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Amounts in Millions)

(Unaudited)

	Reorganized	Predecessor	
	Company	Company	
	Thirty Weeks Ended	Nine Weeks Ended	Thirty-nine Weeks Ended
	September 27, 2001	March 1, 2001	September 28, 2000

Net income (loss)	$ (1.4)	228.8	(80.9)
Discontinued operations	-	-	(0.2)
Effect of leases with escalating minimum annual rentals	2.3	0.6	3.6
Depreciation and amortization	23.7	6.4	32.6
Provision for impairment and lease exit costs	0.4	1.1	49.9
Reorganization items	-	(33.3)	9.1
Gain on disposition of assets	(0.3)	(4.6)	(14.6)
Minority interests in earnings of consolidated subsidiaries	0.4	1.1	2.2
Extraordinary gain on extinguishment of debt	-	(187.6)	-
Change in assets and liabilities:			
Receivables	(2.4)	2.2	1.4
Prepaid expenses and concession inventory	0.9	(3.8)	(0.2)
Other assets	(0.7)	(0.1)	(0.2)
Accounts payable	(11.8)	(10.6)	(13.6)
Accrued and other liabilities	(6.2)	(2.4)	(4.5)
Net cash provided by (used in) operating activities	4.9	(2.2)	(15.4)
Cash flow from investing activities:			
Capital expenditures	(5.7)	(0.1)	(18.0)
Proceeds from disposition of assets, net	0.7	4.5	15.7
Early lease termination payments	-	-	(0.5)

Other, net	(0.1)	(1.2)	(1.5)
Net cash provided by (used in) investing activities	(5.1)	3.2	(4.3)
Cash flow from financing activities:			
Dividend to Parent	-	-	(1.3)
Debt borrowings	53.5	22.5	15.0
Debt repayments	(60.0)	(16.8)	(1.7)
Increase (decrease) in cash overdraft	0.8	(3.1)	(2.8)
Decrease (increase) in related party receivables	5.2	(1.0)	1.4
Other, net	(1.4)	-	(0.5)
Net cash provided by (used in) financing activities	(1.9)	1.6	10.1
Net cash used in reorganization items	-	(7.0)	-
Net decrease in cash and cash equivalents	(2.1)	(4.4)	(9.6)
Cash and cash equivalents:			
Beginning of period	7.0	11.4	16.0
End of period	$ 4.9	7.0	6.4

Supplemental cash flow information:			
Cash paid for interest	$ 10.4	7.9	35.4
Cash paid for income taxes	$ -	-	-

See accompanying notes to condensed consolidated financial statements.

UNITED ARTISTS THEATRE CIRCUIT, INC.

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Notes to Condensed Consolidated Financial Statements

September 27, 2001

(Unaudited)

(1) Chapter 11 Reorganization and General Information

On September 5, 2000 (the "Petition Date") United Artists Theatre Circuit, Inc. (as it existed before March 2, 2001, the "Predecessor Company") and certain of its subsidiaries, as well as its parent company, United Artists Theatre Company (the "Parent") and certain of the Parent's subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Chapter 11 Cases"), as well as a joint plan of reorganization. On January 22, 2001 the joint plan of reorganization, as it had been amended from time to time, (the "Plan"), was approved by the Court, and the Debtors declared the Plan to be effective on March 2, 2001 (the "Effective Date"). In conjunction with the reorganization, the Parent's bank credit facility as it existed before the Petition Date (the "Pre-Petition Credit Facility") was restructured into a Restructured Term Credit Facility of approximately $252.1 million, and an additional $35.0 million Revolving Credit Facility was secured.

On March 2, 2001, United Artists Theatre Circuit, Inc. (as it exists on and after March 2, 2001, the "Reorganized Company", "UATC" or the "Company") adopted fresh-start reporting in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). The Company's post-reorganization balance sheet and the statement of operations, which reflect the application of fresh-start reporting, have not been prepared on a consistent basis with the Predecessor

Company's financial statements and are not comparable in all respects to the financial statements prior to the reorganization. For accounting purposes, the inception date of the Reorganized Company was deemed to be March 2, 2001.

Under fresh start reporting, the reorganization value of the Parent, which represents the fair value of all of the Parent's assets (net of liabilities), was determined through negotiations between the Parent's management and its pre-petition creditors and such reorganization value is allocated to the Parent's assets based on their relative fair values. Liabilities, other than deferred income taxes, are also stated at their fair values. Deferred taxes are determined in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 109. Application of SOP 90-7 creates a new reporting entity having no retained earnings or accumulated deficit. The estimated reorganization value of the Parent as of March 2, 2001 was approximately $380 million, of which approximately $320 million was attributable to UATC.

As a consequence of the Plan on March 2, 2001, the reorganized Parent's capital structure consisted of approximately $252.1 million of debt under the Restructured Bank Credit Facility, $57.0 million of preferred stock and $39.1 million in common equity. The Anschutz Corporation ("TAC"), affiliates of which were pre-petition senior lenders, converted 100% of its senior debt into a combination of convertible preferred stock, common stock and warrants ($10.00 exercise price) to purchase common stock of the Parent. In aggregate, the securities received by TAC represent approximately 54% of the fully diluted common equity of the Parent. Other senior lenders under the Pre-Petition Credit Facility received common stock in the Parent representing approximately 29% of the fully diluted common stock and subordinated lenders received common stock warrants with an exercise price of $10.00 per share representing approximately 7% of the fully diluted common stock, with the remaining fully diluted common stock (10%) reserved for management stock options.

(1) Chapter 11 Reorganization and General Information, continued

The filing of the Chapter 11 Cases by the Debtors (i) automatically stayed actions by creditors and other parties in interest to recover any claim that arose prior to the commencement of the Chapter 11 Cases, and (ii) served to accelerate, for purposes of allowance, all pre-bankruptcy filing liabilities of the Predecessor Company, whether or not those liabilities were liquidated or contingent on the Petition Date. In accordance with SOP 90-7 the following table sets forth the liabilities of the Predecessor Company subject to compromise prior to the effective date (amounts in millions):

Trade accounts payable and other	$ 30.8
Debt	442.1

Lease exit costs	39.6
Total liabilities subject to compromise	$512.5

Additional liabilities subject to compromise may arise subsequent to the Petition Date resulting from rejection of executory contracts, including leases, and from the determination by the bankruptcy court (or through agreement by the parties in interest) of allowed claims for contingencies and other disputed amounts.

The above summary of liabilities subject to compromise excludes certain obligations existing on the Petition Date with respect to which the Predecessor Company received approval from the court to continue to service in the normal course of business. These obligations primarily include the pre-petition film licensing agreements and other amounts owing to the motion picture studios, employee compensation and other essential trade creditors.

A settlement agreement was reached with the committee representing the unsecured creditors in the Chapter 11 Cases. As a result of this agreement and its approval through confirmation of the Plan, a pool of $5.0 million in cash and up to $5.0 million in payment-in-kind notes will be available for distribution on a pro rata basis to the Predecessor Company's unsecured creditors. The payment-in-kind notes earn "in-kind" interest at 8% with one third of the principal payable during March 2005, one third payable during March 2006 and the remaining one third, along with all accrued interest, payable during March 2007.

The discharge of obligations subject to compromise for less than the recorded amounts resulted in an extraordinary gain on discharge of debt of $187.6 million.

In accordance with SOP 90-7, all costs and expenses incurred in connection with the Predecessor Company's reorganization since the Petition Date have been reflected as reorganization items in the accompanying consolidated statement of operations.

Reorganization items (expenses) recorded by the Predecessor Company during the nine weeks ended March 1, 2001 consisted of the following:

Adjustments of assets and liabilities to fair value	$ 40.2
Professional fees	(6.4)
Asset impairments	(0.4)
Other	(0.1)
	$ 33.3

UNITED ARTISTS THEATRE CIRCUIT, INC.

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Notes to Condensed Consolidated Financial Statements, continued

(1) Chapter 11 Reorganization and General Information, continued

In addition to owning all of the outstanding capital stock of UATC, the Parent also owns all of the outstanding capital stock of United Artists Realty Company ("UAR"). UAR and its subsidiary United Artists Properties I Corp. ("Prop I") are the owners of certain operating theatre properties leased to and operated by UATC.

In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made in the accompanying interim condensed consolidated financial statements that are necessary to present fairly the financial position of UATC and the Predecessor Company and the results of their operations. Interim results are not necessarily indicative of the results for the entire year because of fluctuations of revenue and related expenses resulting from the seasonality of attendance and the availability of popular motion pictures. These financial statements should be read in conjunction with the audited December 28, 2000 consolidated financial statements and notes thereto included in the Predecessor Company's Annual Report on Form 10-K.

Certain prior period amounts have been reclassified for comparability with the 2001 presentation.

(2) Fresh-Start Reporting

In connection with the emergence from bankruptcy, the Company adopted fresh-start reporting in accordance with the requirements of SOP 90-7. The application of SOP 90-7 resulted in the creation of a new reporting entity.

Under fresh-start reporting, the reorganization value of the entity has been allocated to the Company's assets and liabilities on a basis substantially consistent with purchase accounting. The fresh-start reporting adjustments, primarily related to the adjustment of the Company's assets and liabilities to fair market values, will have a significant effect on the Company's future statements of operations. The more significant of these adjustments relate to reduced depreciation expense on property and equipment, increased amortization expense on intangible assets, and decreased interest expense.

UNITED ARTISTS THEATRE CIRCUIT, INC.

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Notes to Condensed Consolidated Financial Statements, continued

(Unaudited)

The effects of the Reorganization and fresh-start reporting on the Company's balance sheet as of March 2, 2001 are as follows (in millions):

Assets	Predecessor Company March 2, 2001	(a) Discharge of Debt	(b) Settlement with Stockholders	(c) Fresh-Start Adjustments	Reorganized Company March 2, 2001
Current assets:					
Cash and cash equivalents	$ 7.5	-	-	(0.5)	7.0
Receivables, net					
Notes	1.5	-	-	-	1.5
Other	4.5	-	-	-	4.5
	6.0	-	-	-	6.0
Prepaid expenses and concession inventory	16.5	-	-	(0.6)	15.9
Other assets	1.5	-	-	-	1.5
Total current assets	31.5	-	-	(1.1)	30.4
Investments and related receivables	3.0	-	-	(0.1)	2.9
Property and equipment, at cost:					

Land	12.2	-	-	(1.9)	10.3
Theatre buildings, equipment and other	499.3	-	-	(280.7)	218.6
	511.5	-	-	(282.6)	228.9
Less accumulated depreciation and amortization	(214.6)	-	-	214.6	-
	296.9	-	-	(68.0)	228.9
Intangible assets, net	38.6	-	-	97.8	136.4
Other assets, net	68.4	-	-	(67.9)	0.5
	$ 438.4	-	-	(39.3)	399.1
Liabilities and Stockholder's Equity (Deficit)					
Current liabilities:					
Accounts payable					
Film rentals	$ 19.4	-	-	-	19.4
Other	20.8	10.4	-	4.0	35.2
	40.2	10.4	-	4.0	54.6
Accrued and other liabilities					
Salaries and wages	5.5	-	-	(1.5)	4.0
Interest	0.1	-	-	-	0.1
Other	25.4	2.9	-	-	28.3
	31.0	2.9	-	(1.5)	32.4
Current portion of long-term debt	7.0	1.9	-	-	8.9

Total current liabilities	78.2	15.2	-	2.5	95.9
Other liabilities	27.3	-	-	(20.4)	6.9
Debt	4.1	252.2	-	-	256.3
Total liabilities not subject to compromise	109.6	267.4	-	(17.9)	359.1
Liabilities subject to compromise	512.5	(512.5)	-	-	-
Total liabilities	622.1	(245.1)	-	(17.9)	359.1
Minority interests in equity of consolidated subsidiaries	4.8	-	-	-	4.8
Stockholder's equity (deficit):					
Preferred stock	-	-	-	-	-
Common stock	-	-	-	-	-
Additional paid-in capital	289.9	57.5	(249.5)	-	97.9
Accumulated deficit	(477.3)	187.6	289.7	-	-
Related party receivables	(1.1)	-	-	(61.6)	(62.7)
Total stockholder's equity (deficit)	(188.5)	245.1	40.2	(61.6)	35.2
	$ 438.4	-	40.2	(79.5)	399.1

(2) Fresh-Start Reporting, continued

a. To record the debt discharge and the issuance of new debt under the Restructured Term Credit Facility of $252.1 million, and to record the settlement with the Predecessor Company's creditors, up to $10.0 million of which may be available for distribution on a pro rata basis to the Predecessor Company's unsecured creditors.
b. To record the elimination of the Predecessor Company's old equity and related accounts.
c. To record the adjustments that reflect the assets and liabilities at their fair values and to adjust the accumulated deficit to zero.

The implementation of the Plan also resulted in, among other things, the satisfaction or disposition of various types of claims against the Predecessor Company, the assumption and rejection of certain leases and agreements, and the establishment of a new board of directors following the Effective Date, along with the assumption of existing employment agreements with certain members of management.

(3) Debt

As a result of the Plan being declared effective on March 2, 2001, substantially all of the debt existing prior to that date was replaced by the Restructured Term Credit Facility and a new $35.0 million Revolving Credit Facility.

Debt is summarized as follows (amounts in millions):

		September 27, 2001		December 28, 2000
Restructured Term Credit Facility (a)		250.3		-
Revolving Credit Facility (b)		2.0		-
Other (c)		9.0		7.8
Pre-Petition Credit Facility		-		439.7

Debtor in Possession Facility		-		-
		261.3		447.5
Less current portion		(3.0)		(1.9)
Less amounts subject to compromise		-		(441.4)
Long term debt		258.3		4.2

UNITED ARTISTS THEATRE CIRCUIT, INC.

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Notes to Condensed Consolidated Financial Statements, continued

(3) Debt, continued

(a) The Restructured Term Credit Facility (the "Term Facility") represents a 72.5% reinstatement of the amounts owed to all lenders, other than TAC and its affiliates, under the Pre-Petition Credit Facility. Borrowers under the Term Facility include UATC, its Parent, and certain of the Parent's subsidiaries. The Term Facility provides for interest to be accrued at varying rates, with interest payable monthly. The interest rate at September 27, 2001 was 7.6%. Principal payments under the Term Facility are $0.6 million quarterly from June 30, 2001 through December 31, 2003 and $6.3 million payable each quarter during 2004, with the remaining principal balance due on February 2, 2005. Additional principal repayments may also be required as a result of asset sales or the issuance of certain debt or equity securities.

The Term Facility is secured by, among other things, the capital stock of certain subsidiaries of UATC, mortgages on certain of UATC's, UAR's and Prop I's properties, and a security interest in substantially all assets of UATC, the Parent and their subsidiaries. All such security interests held by the lenders under the Term Facility are subordinate to the security interests held by the lenders under the $35.0 million Revolving Credit Facility as described in (b).

The Term Facility contains certain provisions that require the Parent to maintain certain financial ratios and places limitations on, among other things, capital expenditures and additional indebtedness.

(b) The $35.0 million Revolving Credit Facility (the "Revolver") is a $35.0 million revolving credit facility (with a sublimit of $10.0 million related to the issuance of letters of credit, of which there were $0.8 million outstanding at September 27, 2001) repayable in full on August 2, 2004. The commitment may be reduced as the result of issuance of certain debt or equity securities. Borrowers under the Revolver include UATC, its Parent, and certain of the Parent's subsidiaries. The Revolver provides for interest to be accrued at varying rates, with interest payable monthly. The interest rate at September 27, 2001 was 8.0%.

The Revolver is secured by the same collateral as is the Term Facility.

The Revolver contains certain provisions that require the Parent to maintain certain financial ratios and places limitations on, among other things, capital expenditures and additional indebtedness. Such provisions are substantially the same as those within the Term Facility as described in (a) above.

(c) Included in other debt is $2.7 million of equipment lease obligations that have been classified as capital leases for financial reporting purposes.

UNITED ARTISTS THEATRE CIRCUIT, INC.

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Notes to Condensed Consolidated Financial Statements, continued

(3) Debt, continued

Interest, net includes amortization of deferred loan costs of $0.1 million, $0.3 million, $0.5 million, $0.4 million and $1.3 million for the thirteen weeks ended September 27, 2001, the thirty weeks ended September 27, 2001, the nine weeks ended March 1, 2001 and the thirteen and thirty-nine weeks ended September 28, 2000, respectively. Additionally, interest, net includes interest income of $0.1 million, $0.3 million, $1.0 million, $1.6 million and $4.7 million for the thirteen weeks ended September 27, 2001, the thirty weeks ended September 27, 2001, the nine weeks ended March 1, 2001 and the thirteen and thirty-nine weeks ended September 28, 2000, respectively.

(4) Related Party Transactions

UATC leases certain of its theatres from UAR and Prop I in accordance with two master leases (the "Master Leases"). The Master Leases provide for basic monthly or quarterly rentals and may require additional rentals, based on the revenue of the underlying theatre. In order to fund the cost of additions and/or renovations to the theatres leased by UATC from UAR or Prop I, UATC has periodically made advances to UAR. Through March 1, 2001, interest on the advances (the "Receivable") accrued at the prime rate and amounted to $0.9 million, $1.5 million and $4.5 million for the nine weeks ended March 1, 2001 and the thirteen and thirty-nine weeks ended September 28, 2000, respectively. As part of the application of fresh-start reporting the Receivable was reclassified from other assets to stockholder's equity (deficit) and interest no longer accrues on this amount. The Receivable will be reduced upon any sale of properties by UAR and Prop I, with UATC receiving the net proceeds of the sale less the amount required to be paid under the Term Facility. During the thirty weeks ended September 27, 2001, the related party receivable was reduced by $5.2 million.

(5) Income Taxes

UATC and each of its 80% or more owned subsidiaries are included in the Parent's consolidated federal income tax return. Pursuant to a tax sharing agreement with the Parent, UATC and each of its 80% or more owned consolidated subsidiaries are allocated a portion of the Parent's current federal income tax expense (benefit). Such allocations are determined as if UATC and each of its 80% or more owned consolidated subsidiaries were separate tax paying entities within the consolidated group. For the thirty weeks ended September 27, 2001, the nine weeks ended March 1, 2001 and the thirty-nine weeks ended September 28, 2000, UATC and each of its 80% or more owned consolidated subsidiaries were allocated no current federal income tax expense (benefit) pursuant to such tax sharing agreement as a result of the group's overall net loss position.

At December 28, 2000, the Parent had a net operating loss carryforward for federal income tax purposes of approximately $287.7 million. The net operating loss will be reduced due to the extinguishment of debt in conjunction with the bankruptcy. Additionally, any available net operating loss will be limited due to the change in ownership of the Parent.

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

(6) Segment Information

UATC's operations are classified into three business segments: Theatre Operations, In-Theatre Advertising and the Satellite Theatre Network™ ("STN"). In-Theatre Advertising sells various advertising within its theatres and on UATC's web page. STN rents theatre auditoriums for seminars, corporate training, business meetings and other educational or communication uses, product and consumer research and other entertainment uses. Theatre auditoriums are rented individually or on a networked (via satellite) basis.

The following table presents certain information relating to the Theatre Operations, In-Theatre Advertising and STN segments for the thirteen weeks ended September 27, 2001, the thirty weeks ended September 27, 2001, the nine weeks ended March 1, 2001, the thirteen weeks ended September 28, 2000, and the thirty-nine weeks ended September 28, 2000 (amounts in millions):

			Theatre Operations	In-Theatre Advertising	STN	Total
As of and for the thirteen weeks ended September 27, 2001						
	Revenue		$155.5	2.7	0.4	158.6
	Operating income		10.3	2.6	0.2	13.1
	Depreciation and amortization		10.0	-	0.1	10.1

	Assets		383.2	0.3	0.9	384.4
	Capital expenditures		2.6	-	-	2.6
As of and for the thirty weeks ended September 27, 2001						
	Revenue		$309.4	5.5	1.6	316.5
	Operating income		9.5	5.2	0.6	15.3
	Depreciation and amortization		23.5	-	0.2	23.7
	Assets		383.2	0.3	0.9	384.4
	Capital expenditures		5.7	-	-	5.7
As of and for the nine weeks ended March 1, 2001						
	Revenue		$ 96.9	1.2	1.0	99.1
	Operating income		13.4	1.2	0.3	14.9
	Depreciation and amortization		6.4	-	-	6.4
	Assets		431.8	1.2	5.4	438.4
	Capital expenditures		0.1	-	-	0.1
As of and for the thirteen weeks ended September 28, 2000						
	Revenue		$145.9	2.6	0.9	149.4

	Operating income (loss)		(17.5)	2.2	0.2	(15.1)
	Depreciation and amortization		10.4	-	0.1	10.5
	Assets		453.6	1.5	3.9	459.0
	Capital expenditures		2.9	-	-	2.9
As of and for the thirty-nine weeks ended September 28, 2000						
	Revenue		$403.1	7.1	2.9	413.1
	Operating income (loss)		(41.4)	6.4	0.8	(34.2)
	Depreciation and amortization		32.5	-	0.1	32.6
	Assets		453.6	1.5	3.9	459.0
	Capital expenditures		18.0	-	-	18.0

UNITED ARTISTS THEATRE CIRCUIT, INC.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

(7) Commitments and Contingencies

UATC is involved in various pending and threatened legal proceedings involving allegations concerning contract breaches, torts, employment matters, environmental issues, anti-trust violations, local tax disputes, and miscellaneous other matters. In addition, there are various claims against UATC relating to certain of the leases held by UATC. Although it is not possible to predict the outcome of these proceedings, management believes that UATC has good and meritorious defenses to all such actions and claims and the result of any such actions are not likely to have a material adverse effect on UATC's financial position, liquidity and results of operations. All claims arising against UATC prior to the Petition Date will be paid, settled or otherwise disposed of pursuant to the Plan of Reorganization.

UATC and UAR are parties to several sale and leaseback transactions whereby the land and buildings underlying 37 theatres were sold to and leased back from unaffiliated third parties with primary lease terms averaging 21 years, and generally two 5 year renewal options. During late 2000 and early 2001, UATC amended the largest of these sale and leaseback transactions to allow UATC to terminate the master lease with respect to obsolete properties, allow the Owner Trustee to sell up to $40.0 million of those properties and pay down the underlying debt at 85% of par, and reduce the amount of rent paid by UATC on the master lease on a pro rata basis to the amount of debt repaid.

The American With Disabilities Act of 1990 ("ADA") and certain state statutes, among other things, require that places of public accommodation, including theatres (both existing and newly constructed) be accessible to and that assistive listening devices be available for use by certain patrons with disabilities. With respect to access to theatres, the ADA may require that certain modifications be made to existing theatres to make such theatres accessible to certain theatre patrons and employees who are disabled. The ADA requires that theatres be constructed in such a manner that persons with disabilities have full use of the theatre and its facilities and reasonable access to work stations. The ADA provides for a private right of action and reimbursement of plaintiff's attorney's fees and expenses under certain circumstances. UATC has established a program to review and evaluate UATC's theatres and to make any changes that may be required by the ADA.

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

On September 5, 2000 (the "Petition Date") United Artists Theatre Circuit, Inc. (as it existed before March 2, 2001, the "Predecessor Company") and certain of its subsidiaries, as well as its parent company, United Artists Theatre Company (the "Parent") and certain of the Parent's subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Chapter 11 Cases"), as well as a joint plan of reorganization. On January 22, 2001 the joint plan of reorganization, as it had been amended from time to time, (the "Plan"), was approved by the Court, and the Debtors declared the plan to be effective on March 2, 2001 (the "Effective Date"). In conjunction with the reorganization, the Parent's bank credit facility as it existed before the Petition Date (the "Pre-Petition Credit Facility") was restructured into a Term Facility of approximately $252.1 million, and an additional $35.0 million Revolver was secured.

On March 2, 2001, United Artists Theatre Circuit, Inc. (as it exists on and after March 2, 2001, the "Reorganized Company", "UATC" or the "Company") adopted fresh-start reporting in accordance with AICPA Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). The Company's post-reorganization balance sheet and the statement of operations, which reflect the application of fresh-start reporting, have not been prepared on a consistent basis with the pre-reorganization financial statements and are not comparable in all respects to the financial statements prior to the reorganization. For accounting purposes, the inception date of the Reorganized Company was deemed to be March 2, 2001.

Due to the occurrence of the Effective Date on March 2, 2001 and the application of fresh-start reporting, UATC's 2001 statements of operations include information reflecting the thirteen and thirty weeks ended September 27, 2001, the nine weeks ended March 1, 2001, and the thirteen and thirty-nine weeks ended September 28, 2000. Operating results and financial position for periods subsequent to March 1, 2001 are herein referred to as "Reorganized Company" and for all periods ending on or prior to March 1, 2001 as "Predecessor Company".

In order to provide a meaningful basis of comparing the thirteen and thirty-nine weeks ended September 27, 2001 and September 28, 2000 for purposes of the following tables and discussion, the operating results of the Reorganized Company for the thirteen and thirty weeks ended September 27, 2001 have been combined with the operating results of Predecessor Company for the nine weeks ended March 1, 2001 (collectively referred to as "Combined Company") and are compared to the thirteen and thirty-nine weeks ended September 28, 2000. Depreciation, amortization and certain other line items included in the operating results of Combined Company are not comparable between periods as the nine weeks ended March 1, 2001 and the thirteen and thirty-nine weeks ended September 28, 2000 of Predecessor Company do not include the effects of fresh-start reporting adjustments. The combining of reorganized and predecessor periods is not acceptable under accounting principles generally accepted in the United States.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with UATC's Condensed Consolidated Financial Statements and related notes thereto.

UATC operates three business segments: Theatre Operations, In-Theatre Advertising and Satellite Theatre Network ™ . A discussion of the results of operations for each of UATC's three segments follows:

Theatre Operations Segment

Thirteen and Thirty-Nine Weeks Ended September 27, 2001 and September 28, 2000

The following table summarizes certain operating data of Reorganized, Combined and Predecessor Company's Theatre Operations segment for the thirteen and thirty-nine weeks ended September 27, 2001 and September 28, 2000 (dollars in millions, except weighted averages and ratios):

	Reorganized Company	Predecessor Company		Combined Company	Predecessor Company	
	Thirteen Weeks Ended		% Increase	Thirty-Nine Weeks Ended		% Increase
	September 27, 2001	September 28, 2000	(Decrease)	September 27, 2001	September 28, 2000	(Decrease)
Revenue (1):						
Admissions	$110.0	101.3	8.6 %	$286.2	280.1	2.2 %
Concession sales	43.4	42.4	2.4	114.8	116.7	(1.6)
Other	2.1	2.2	(4.5)	5.3	6.3	(15.9)

Operating expenses (1):						
Film rental and advertising expenses	63.6	56.5	12.6	157.2	153.5	2.4
Concession costs	4.9	5.1	(3.9)	13.1	14.3	(8.4)
Occupancy expense	20.3	20.3	0.0	57.1	63.0	(9.4)
Other operating expenses:						
Personnel expense	21.6	21.8	(0.9)	60.7	64.8	(6.3)
Miscellaneous operating expenses	19.6	20.3	(3.4)	53.9	58.7	(8.2)
Weighted average operating theatres (2)	205	233	(12.0)	209	240	(12.9)
Weighted average operating screens (2)	1,560	1,723	(9.5)	1,579	1,762	(10.4)
Weighted average screens per average theatre	7.6	7.4	2.9	7.6	7.3	2.9
Admissions per weighted average						
operating theatre	$536,616	434,568	23.5	$1,369,421	1,167,255	17.3
Admissions per weighted average						
operating screen	$70,517	58,766	20.0	$181,260	158,990	14.0
Concession sales per weighted average						
operating theatre	$211,757	181,885	16.4	$549,021	486,173	12.9

(1) Includes revenue and expenses of all theatres operated by UATC that are more than 50% owned.

(2) Weighted average operating theatres and screens represent the number of theatres and screens operated weighted by the number of days operated during the period.

Revenue from Operating Theatres

Admissions: The following table summarizes certain statistics pertinent to an analysis of admissions revenue:

	Thirteen Weeks Ended September 27, 2001 Compared to Thirteen Weeks Ended September 28, 2000	Thirty-nine Weeks Ended September 27, 2001 Compared to Thirty-nine Weeks Ended September 28, 2000
Percentage change in:		
Admissions:	8.6%	2.2%
Caused by:		
Attendance increases (declines)	3.0	(2.3)
Price increases	5.5	4.6
Weighted average theatres	(12.0)	(12.9)
Weighted average screens	(9.5)	(10.4)
Admissions revenue per:		
Weighted average theatre	23.5	17.3

Weighted average screen	20.0	14.0

The increases in admissions revenue shown above during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000 are primarily the result of increases in same-theatre attendance and average ticket prices during the thirty-nine week period ended September 27, 2001. The attendance increase during the thirteen week period ended September 27, 2001 as compared to the related period during 2000 was the result of a strong slate of films during late summer 2001, partially offset by decreases in weighted average operating theatres and screens. The attendance decline during the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000 was caused by (1) decreases in weighted average operating theatres and screens as shown above, and (2) a continuing adverse impact on attendance at certain of UATC's older theatres due to the opening of new stadium seating theatres by UATC's competitors in certain markets. The decreases in weighted average operating theatres and screens are the results of sales and lease rejections and closures of under-performing theatres as part of UATC's reorganization through the Chapter 11 cases. The increase in average ticket prices is primarily due to the closure of under-performing theatres which generally had lower average ticket prices as well as selective price increases and the mix of films released during the period. The increase in industry admissions revenue during 2001 and the closure of under-performing theatres during 2000 resulted in an increase in admissions revenue per weighted average theatre and screen during the thirteen and thirty-nine weeks ended September 27, 2001, as compared to the thirteen and thirty-nine weeks ended September 28, 2000.

Concession sales: Concessions sales revenue increased 2.4% and decreased 1.6%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared with the prior comparable periods. The increase during the thirteen weeks ended September 27, 2001 compared to the thirteen weeks ended September 28, 2000 is the result of increased attendance during the late summer months as well as an 0.8% increase in concession sales per patron. The decrease during the thirty-nine weeks ended September 27, 2001 compared to the prior year period is the result of the decreased attendance discussed above, partially offset by an increase in the average concession sales per patron of 1.3%. Concession sales per weighted average operating theatre increased 16.4% and 12.9%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000. The increase in concession sales per operating theatre relates primarily to continued emphasis on sales staff training, concession stand renovations in certain high-volume theatres, and the closure or sale of older, smaller theatres with less efficient concession operations. The slower growth of concession sales per patron was related to the weakening economy as well as by a less concession-friendly film mix during the 2001 periods as compared to the 2000 periods.

Other: Other theatre operations segment revenue is derived primarily from electronic video games located in theatre lobbies, theatre screening and commercial rentals, and other miscellaneous sources. Due primarily to the reduction in theatres operated, other revenue decreased 4.5% and 15.9%, respectively, for the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000.

Operating Expenses from Operating Theatres

Film rental and advertising expenses: Film rental and advertising expenses increased 12.6% and 2.4%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000, primarily as a result of the increase in admissions revenue discussed above. Film rental and advertising expenses as a percentage of admissions revenue were 57.8% and 55.8% for the thirteen weeks ended September 27, 2001 and September 28, 2000, respectively, and 54.9% and 54.8% for the thirty-nine weeks ended September 27, 2001 and September 28, 2000, respectively. These increases in film rental and advertising expenses as a percentage of admissions revenue relate to the fact that the 2001 summer films produced a larger percentage of their total gross during the first few weeks of the film's run, thus increasing their aggregate film cost percentage. The film cost percentage on a given film is generally the highest during the film's first week, with the percentage decreasing on a sliding scale thereafter. When an increasing percentage of the film's gross is achieved early in the film's run, the overall film cost percentage increases. The growth in the number of industry screens during the past few years as well as increases in the number of prints distributed on a given film both appear to have contributed to this acceleration of ticket sales. The higher film costs in 2001 were partially offset by lower advertising costs, as the result of reductions in the size and number of directory advertisements in some major markets, and reduced co-op advertising costs in 2001 compared to 2000.

Concession costs: Concession costs include direct concession product costs and concession promotional expenses. Concession costs as a percentage of concession sales revenue decreased to 11.3% and 11.4%, respectively, for the thirteen and thirty-nine weeks ended September 27, 2001 from 12.0% and 12.3%, respectively, for the thirteen and thirty-nine weeks ended September 28, 2000. These decreases were due to purchasing cost reductions and additional rebates from certain concession vendors, as well as reduced concession promotional costs.

Occupancy expense: The typical theatre lease arrangement provides for a base rental as well as contingent rentals that are a function of the underlying theatre's revenue over an agreed upon breakpoint. Occupancy expense remained the same and decreased 9.4%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000. The decrease in occupancy costs during the thirty-nine weeks ended September 27, 2001 compared to the thirty-nine weeks ended September 28, 2000 is related to the sale, closure or rejection of under-performing theatres and a portion of the positive impact from certain completed lease renegotiations completed as part of the Company's reorganization, partially offset by higher base rentals on a new theatre opened in April 2000 and three stadium seating theatre leases that were renegotiated and assumed in July 2001 after another operator terminated those leases. Occupancy expense for the thirteen weeks ended September 27, 2001 and September 28, 2000 includes $1.0 million and $1.2 million, respectively, and for the thirty-nine weeks ended September 27, 2001 and September 28, 2000 includes $3.0 million and $3.6 million, respectively, of non-cash charges relating to the effect of escalating leases which have been "straight-lined" for accounting purposes over the term of the leases.

Personnel expense: Personnel expense includes the salary and wages of the theatre manager and all theatre staff, commissions on concession sales, payroll taxes and employee benefits. Personnel expense decreased 0.9% and 6.3%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000. These decreases in personnel expense are primarily due to a reduction in the number of operating theatres during the year, partially offset by increased attendance and related theatre staffing costs during the most recent quarter as compared to the comparable period during 2000, and a 3.3% increase in the average hourly wage during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000. The increase in average hourly wage related primarily to the low unemployment rate and the resulting wage competition among retailers, and an increase in California's minimum wage. Despite the increase in the average hourly wage, personnel expense as a percentage of admissions and concessions revenue decreased to 14.1% and 15.1%, respectively, for the thirteen and thirty-nine weeks ended September 27, 2001 from 15.2% and 16.3%, respectively for the thirteen and thirty-nine weeks ended September 28, 2000.

Miscellaneous operating expenses: Miscellaneous operating expenses consist of utilities, repairs and maintenance, insurance, real estate and other taxes, supplies and other miscellaneous operating expenses. Miscellaneous operating expenses decreased 3.4% and 8.2%, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000, primarily as a result of the sale or closure of under-performing theatres, partially offset by increases in utility costs and insurance costs in 2001 compared to 2000.

In-Theatre Advertising Segment

Thirteen and Thirty-Nine Weeks Ended September 27, 2001 and September 28, 2000

The following table summarizes operating revenue and expenses of Reorganized, Combined and Predecessor Company's In-Theatre Advertising segment for the thirteen and thirty-nine weeks ended September 27, 2001 and September 28, 2000 (dollars in millions):

	Reorganized Company	Predecessor Company		Combined Company	Predecessor Company	
	Thirteen Weeks Ended		% Increase	Thirty-Nine Weeks Ended		% Increase
	Sept. 27, 2001	Sept. 28, 2000	(Decrease)	Sept. 27, 2001	Sept. 28, 2000	(Decrease)
Revenue	$2.7	2.6	3.8%	$6.7	7.1	(5.6)%
Operating expenses	0.1	0.2	(50.0)	0.3	0.4	(25.0)

Advertising revenue: Advertising revenue includes rolling stock commercials, intermission slides, intermission music, lobby monitor advertising and entertainment, coupon distribution and customer sampling. Revenues are primarily contingent upon the success of the sales efforts, as well as upon the location of theatres and attendance at the theatres. In-Theatre Advertising revenue increased 3.8% during the thirteen weeks ended September 27, 2001 as compared to the thirteen weeks ended September 28, 2000 due to an increase in advertising accounts during the 2001 period compared to 2000 and the positive effect of several new advertising agreements that were signed during the third quarter of 2001. In-Theatre Advertising revenue decreased 5.6% during the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000 primarily due to the general downturn in the advertising market, relating to a softer economy and the decline in dot.com and technology markets, and the reduction in weighted average screens.

Satellite Theatre Network™ Segment

Thirteen and Thirty-Nine Weeks Ended September 27, 2001 and September 28, 2000

The following table summarizes operating revenue and expenses of Reorganized, Combined and Predecessor Company's Satellite Theatre Network™ segment for the thirteen and thirty-nine weeks ended September 27, 2001 and September 28, 2000 (dollars in millions):

	Reorganized Company	Predecessor Company		Combined Company	Predecessor Company	
	Thirteen Weeks Ended		% Increase	Thirty-Nine Weeks Ended		% Increase
	Sept. 27, 2001	Sept. 28, 2000	(Decrease)	Sept. 27, 2001	Sept. 28, 2000	(Decrease)
Revenue	$0.4	0.9	(55.6)%	$2.6	2.9	(10.3)%
Operating expenses	0.2	0.6	(66.7)	1.7	2.1	(19.0)

STN revenue: The Satellite Theatre Network™ ("STN") rents theatre auditoriums for seminars, corporate training, business meetings, educational or communication uses, product and customer research and other entertainment uses. Theatre auditoriums are rented individually or on a networked basis. Revenues decreased 55.6% during the thirteen weeks ended September 27, 2001 as compared to the thirteen weeks ended September 28, 2000 and decreased 10.3% during the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000. These decreases in revenue were due to customers' reluctance to book events while UATC's financial position was uncertain during the Chapter 11 reorganization, and the amount of lead time it takes to finalize sales and hold events.

STN expenses: Expenses associated with the STN decreased 66.7% for the thirteen weeks ended September 27, 2001 as compared to the thirteen weeks ended September 28, 2000, and 19.0% for the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000, due primarily to the revenue variations discussed above as well as an increased focus on expense control and improved operating margins related to individual events.

The revenue and operating expenses discussed above are incurred exclusively within the theatres. The other expense discussions below reflect the combined expenses of corporate, divisional and district operations, which relate to the three business segments discussed above.

General and Administrative Expense

General and administrative expense consists primarily of costs associated with functions at UATC corporate headquarters and two film booking and regional operating offices and nine district theatre operation offices (generally located in theatres). Staff at the corporate headquarters includes theatre administrative and operating personnel, In-Theatre Advertising and Satellite Theatre Network™ sales and marketing staff, and other support functions. General and administrative expenses decreased $0.7 million, or 13.2%, for the thirteen weeks ended September 27, 2001 as compared to the thirteen weeks ended September 28, 2000, and $2.0 million, or 12.3%, for the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000. These decreases were primarily the result of the elimination of four district offices, a reduction in the number of corporate personnel commensurate with the decrease in theatres operated, and other expense efficiency measures.

Depreciation and Amortization

Depreciation and amortization expense includes the depreciation of theatre buildings and equipment and the amortization of theatre lease costs. Depreciation and amortization decreased $0.4 million and $2.5 million, respectively, during the thirteen and thirty-nine weeks ended September 27, 2001 as compared to the thirteen and thirty-nine weeks ended September 28, 2000. This decrease is primarily due to the closures of under-performing theatres during 2000 and the effect of the revaluation of assets resulting from the application of fresh-start accounting.

Operating Income (Loss)

During the thirteen and thirty-nine weeks ended September 27, 2001 UATC had operating income of $13.1 million and $30.2 million, respectively, compared to operating losses of $15.1 million and $34.2 million, respectively, for the thirteen and thirty-nine weeks ended September 28, 2000. These positive changes in operating income relate primarily to the reduction of asset impairment, lease exit, and restructure costs as a result of the completion of the Company's restructuring, improved operating results due to various theatre operating and corporate expense control measures, the closure of under-performing operating theatres, and a favorable film release schedule during the first quarter and late summer months of 2001.

Interest, Net

Interest, net decreased $6.0 million for the thirteen weeks ended September 27, 2001 as compared to the thirteen weeks ended September 28, 2000, and $13.3 million for the thirty-nine weeks ended September 27, 2001 as compared to the thirty-nine weeks ended September 28, 2000. These decreases were due primarily to a lower average debt balance resulting from the completion of the Chapter 11 reorganization, along with lower market interest rates during 2001 as compared to 2000.

Net Income (Loss)

As set forth in the following period over period comparison, exclusive of reorganization items and the extraordinary item resulting from extinguishment of debt, during the thirty-nine weeks ended September 27, 2001 net income increased to $6.5 million, versus the $70.7 million loss during the thirty-nine weeks ended September 28, 2000. This increase relates primarily to the increased operating income and reduced interest expense discussed above.

	Combined Company Thirty-nine weeks ended September 27, 2001	Predecessor Company Thirty-nine weeks ended September 28, 2000
Net income (loss)	$ 227.4	(80.9)
Less:		
Extraordinary item	187.6	-
Reorganization items	33.3	(10.2)
Adjusted net income (loss)	$ 6.5	(70.7)

Liquidity and Capital Resources

For the thirty-nine weeks ended September 27, 2001 net cash provided by operating activities of $2.7 million, along with asset sale proceeds of $5.2 million, and cash provided by financing activities of $2.8 million, was utilized to reduce outstanding debt and cash overdrafts by $3.1 million, to fund capital expenditures of $5.8 million, to pay reorganization-related costs of $7.0 million, and for other expenditures totaling $1.3 million. This resulted in a $6.5 million reduction of cash balances during the thirty-nine weeks ended September 27, 2001.

Substantially all of UATC's admissions and concession sales revenue is collected in cash. UATC benefits from the fact that film expenses (except for films that require advances) are usually paid 15 to 45 days after the admissions revenue is collected.

The Plan resulted in the reduction of Pre-Petition Senior debt of UATC from approximately $439.7 million to approximately $252.1 million under the Restructured Term Credit Facility. The Restructured Term Credit Facility is subject to various covenants and limitations, including limitations on capital expenditures and on additional indebtedness, as well as various financial covenants. Upon the Plan being declared effective, the outstanding balance of a $25.0 million debtor-in-possession credit facility that had been obtained on September 5, 2000 was repaid in full through an initial draw of $12.5 million on the $35.0 million Revolving Credit Facility. The Revolving Credit Facility, which matures in August 2004, allows for issuance of letters of credit up to $10.0 million, and includes substantially the same covenants and limitations as the Restructured Term Credit Facility. As of October 25, 2001 there was $4.8 million of borrowings outstanding under the Revolving Credit Facility.

At September 27, 2001, UATC had completed the renovation of a 10 screen theatre with stadium seating in the Philadelphia market and other renovations to several small market theatres. UATC is currently completing the construction of one theatre assumed from another theatre operator and has begun a project for the addition of five screens and renovation (with stadium seating) of the existing nine screens at a second theatre, both in the

New York City market. Through September 27, 2001, approximately $1.3 million had been invested in these redevelopment projects. When completed, these projects are expected to cost approximately $11.9 million, $6.0 million of which has been made available by the landlord on one project. In addition, predevelopment work, including construction plans and governmental approvals, are being completed related to 12 theatres (111 screens) in several of the Company's key markets. These redevelopment efforts include the replacement of existing theatres with a new theatre and the renovation with stadium seating and/or expansion of existing theatres. UATC expects these redevelopment efforts will cost approximately $28.8 million over the next 12 to 18 months. In addition, certain other theatres in several strategic markets are currently being reviewed for possible stadium seating renovations and/or screen additions. Because UATC's future capital spending plans relate primarily to the renovation and/or expansion of existing key locations, the timing of such commitments and expenditures is flexible. Therefore, they can be matched to net cash provided by operating activities and asset sales. This strategy to renovate existing locations with state of the art amenities such as stadium seating is intended to allow UATC to defend and expand its current market positions by capitalizing on the value of its existing well located theatres and thus limiting the amount of capital invested per screen. UATC believes this strategy provides for a better investment return and more favorable risk/return profile.

Other

Revenues are generally seasonal, coinciding with the timing of releases of motion pictures by the major studios. Generally, the most successful motion pictures have been released during the summer from Memorial Day to Labor Day and the holiday season from Thanksgiving through year-end. The unexpected emergence of a hit film during other periods can alter this traditional trend. The timing of such film releases can have a significant effect on the results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or for the same period in the following year.

Historically, the principal impact of inflation and changing prices has been with respect to the construction of new theatres, the purchase of theatre equipment and the utility and labor costs incurred in connection with continuing theatre operations. Film rental fees, which are the largest operating expense, are customarily paid as a percentage of admissions revenue and hence while the film rental fees may increase on an absolute basis the percentages are not directly affected by inflation. Inflation and changing prices have not had a significant impact on total revenues and results of operations.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, and establishes that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

The Company is required to adopt provisions of SFAS No. 141 immediately and SFAS No. 142 effective July 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS No. 142. The Company does not expect the impact of adopting SFAS Nos. 141 and 142 to be significant.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

UATC is subject to market risk associated with changes in interest rates on its debt obligations. As of September 27, 2001, the Company had $258.3 million of long-term debt of which $247.8 million was floating rate debt. The average interest rate at September 27, 2001 was 7.6%. A change of 1% to the interest rate at September 27, 2001 would result in a change of approximately $2.5 million in the annual interest expense of UATC.

Part II Other Information

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

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.

			UNITED ARTISTS THEATRE CIRCUIT, INC.		
			(Registrant)		
			/S/ Kurt C. Hall		
			BY:	Kurt C. Hall	
				President and Chief Executive Officer	
			/S/ David J. Giesler		
			BY:	David J. Giesler	
				Chief Financial Officer	

Date: November 7, 2001			