

MITTLEMAN BROTHERS
INVESTMENT MANAGEMENT

March 8, 2016

Roland C. Smith, Chairman of the Board
S. David Passman, III, Chief Executive Officer
Carmike Cinemas Inc.
1301 First Avenue
Columbus, GA 31901-2109

Dear Roland and David,

As you know, Mittleman Brothers LLC, an SEC-registered investment advisory firm, is the largest shareholder of Carmike Cinemas, Inc. ("Carmike"), controlling 1,755,345 shares (7.1%) as of March 4, 2016. We began acquiring this position in late 2007, and have held a significant stake in the company ever since; nearly eight and one-half years.

Today we changed our form 13G filing (initially filed August 2011) to a 13D because we intend to vote against, and to encourage other shareholders to vote against the merger agreement announced on March 3, 2016 whereby Carmike would be sold to AMC Entertainment Holdings, Inc. ("AMC") for \$30.00 per share in cash, a price we strongly believe to be unacceptably low.

We have long praised your stewardship of Carmike, since you both took control in early 2009. What was once a chronically underperforming and run-down theater chain has been transformed into a consistently outperforming circuit with industry-leading statistics in both attendance and concessions. All Carmike shareholders should be immensely grateful, as we are, for what you and the rest of the Carmike team have accomplished with this business during your seven years at the helm. From year-end 2008 to year-end 2015, a seven year period in which industry-wide box office receipts in North America rose from \$9.63B to \$11.12B (2.1% CAGR), Carmike's sales increased from \$473M to \$804M (7.9% CAGR), EBITDA rose from \$73M to \$135M (9.2% CAGR), and the stock price went from \$3.65 to \$22.94 (30% CAGR). In contrast, Regal Entertainment Group ("REG"), the largest theater chain in the U.S., grew sales from \$2.77B to \$3.13B (1.8% CAGR), EBITDA from \$450M to \$608M (4.4% CAGR), and stock price from \$8.28 to \$18.87 (18.8% CAGR including dividends).

Yet despite Carmike's vast outperformance of industry giant REG over these past seven years, the valuation at which Carmike has agreed to sell itself to AMC is vastly inferior to REG's current market trading valuation. REG at last trade on March 4, 2016 of \$20.38 had an enterprise value ("EV") of \$5.55B, which is 9.1x the \$608M in EBITDA that REG produced in 2015, without any control premium, which controlling shareholder Philip Anschutz would presumably require if he were to sell REG. At the \$30 take-over price from AMC, Carmike's EV is \$1.04B (adjusted for their 18% stake in Screenvision which I value at \$50M), which is only 7.7x the \$135M in EBITDA produced by Carmike in 2015. At the 9.1x EBITDA multiple where REG is already trading in the open market today, Carmike would be \$38 per share. There is no way that in a change-of-control, cash-out takeover, the stock should be surrendered for any less than that. Carmike's stock was \$35 in March of 2015, and \$36 in June of 2014. But given Carmike's superior performance, I believe \$40 (9.5x EBITDA) is fair value for a complete cash-out change-of-control sale.

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After gloating about the great bargain price at which he obtained Carmike for his shareholders, AMC's CEO, Adam Aron, on the March 4th conference call discussing the deal, indicated that he did not want to use AMC's stock to purchase Carmike because AMC's stock price in the low \$20s was just too cheap to issue. That is interesting because AMC's stock (\$27 on 3/4/2016) at 8.1x EBITDA now is trading in the open market at just over the same valuation (7.7x) that Carmike's board agreed to sell complete control of our company, apparently unfamiliar with the concept of a control premium which is customarily paid to the selling party, especially when a deal is done for cash. If this had been a stock swap, then an initially lower valuation might have been tolerable, given that the upside potential in the combined entity would be shared by both parties. But here, AMC is unwilling to share in the immense benefits this deal will bring to their shareholders, and Carmike failed to extract a fair price in relinquishing that upside potential. If AMC is unwilling to issue its shares at 8x EBITDA, why would Carmike sell our shares to AMC at 8x EBITDA? AMC's EBITDA margin was 18.2% in 2015, vs. 16.8% for Carmike, but surely that 1.4% margin advantage cannot alone explain why AMC's CEO and board rightly cling to their shares at 8x EBITDA, while Carmike's CEO and board are content to give up ours at that same valuation.

But 8x EBITDA does not adequately describe the extent of the bargain that AMC will receive by paying only \$30 per share for Carmike. Because of cost savings estimated by AMC to be \$35M, the post-synergies adjusted multiple drops to 6.5x EBITDA. But wait, there's more.. By increasing its screen count by over 50% via this acquisition, AMC is estimated to gain \$258M* in additional founder shares in National CineMedia, LLC (effectively equivalent to publically traded shares of National CineMedia, Inc. (NCMI)), which would further reduce the adjusted cost of the Carmike acquisition to a mere 5x EBITDA. And lastly, AMC has significant NOLs to shield Carmike's net income from taxes for years to come, enhancing even further the free cash flow accretion to AMC. So Carmike's scarcity value as the fourth largest theater company, and one of the best performing chains in the U.S., is thus squandered, while AMC goes from the second largest in the U.S. to the largest in the world, with all the economic benefits that such scale produces, in an immediately and massively accretive deal costing them only 5x EBITDA.

Carmike's theaters are concentrated in the Southeastern and Southwestern parts of the U.S., demographically favorable regions with above average population growth. And while most of the money made in the movie theater business is made by the concessions sales (what AMC calls F&B, food and beverage), Carmike has the highest gross margin on their concession sales in the industry (89%) and the highest per capita concession sales at \$5.33 per patron per visit in Q4 2015. AMC, a much larger company serving generally wealthier metro-area populations, had an 86% gross margin in concessions and a \$4.75 per patron spend in Q4 2015. Again, Carmike displays superior performance worthy of a premium valuation, not a discounted one.

If AMC paid \$40 per share to Carmike, ignoring the \$50M in value I previously ascribed to Carmike's Screenvision stake, the EV/EBITDA multiple Carmike would receive would be 9.9x. But adjusted for the \$35M in annual synergies AMC would extract, the cost to them falls to 7.8x EBITDA, less than the cost to buy back their own stock in the open market today at \$27. Then subtract the \$258M in additional NCMI share value that AMC would receive, and the cost drops to only 6.3x. That's all it would cost AMC to buy Carmike at \$40 and become the largest movie theater company in the world. Giving it to them at \$30, or 5x EBITDA, is an unwarranted gift.

** (estimated by The Benchmark Company, LLC, analyst Mike Hickey, report dated March 4, 2016)*

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Warren Buffett mentioned in 2011 admiring a certain company in which he had invested for the way that they treated their stock with "reverence." Ever since Carmike issued 5.2M shares at \$18 per share in what proved to be a needless and highly dilutive secondary offering led by Macquarie in July 2013 at 6.7x EBITDA, I have feared that such a reverence for the share price might be lacking at Carmike. Sadly my fears are confirmed by this definitive merger agreement, with no apparent auction process, and no go-shop provision, at a valuation that fails to match even the low end of the trading values (much less the private market values) of the relevant comps. I kept silent about my concerns over the 2013 secondary at the time, hoping that there must have been some large accretive acquisition to be done at less than the 6.7x EBITDA for which the CKEC shares were sold, but no such deal materialized which would require such excess cash. Now you've committed to sell the entire company for 7.7x EBITDA, a below market valuation with no discernible control premium, and that we just cannot abide.

A few hours after I read the press release announcing this hideous deal last Thursday night, once I had regained consciousness, I began reviewing recent private market transactions in major movie theater companies (EV \$1B+) in the developed world to see if any transactions had occurred at such a low valuation (8x EBITDA or less). I was not surprised to find that none had. The most recent transaction in a \$1B+ enterprise value movie theater company was the London-based Vue Entertainment Ltd., bought out on 9/30/13 for \$1.46B, or 8.5x \$171M in EBITDA, by two Canadian private equity firms, OMERS Private Equity and Alberta Investment Management Corp. What's impressive there is the 8.5x multiple was paid by a private equity group, not a strategic buyer with synergies to lower the ultimate cost. The only other \$1B+ deal in the past five years was the Chinese company Dalian Wanda's \$2.75B buyout of AMC announced in May 2012, which was a 9.1x EBITDA multiple on \$303M adj. EBITDA in 2011.

If Carmike is to be sold to AMC, we would accept no less than \$35 per share in AMC stock, or \$40 per share in cash. We would prefer \$35 in AMC stock primarily because AMC is also undervalued at 8.1x EBITDA now, and we believe it has a very bright future, especially when combined with Carmike.

We will reach out to other large Carmike shareholders beginning today and over the next few weeks to encourage them to vote against this merger based on its current terms. We expect most will be in substantial agreement with our view regarding the extent of the undervaluation of Carmike's shares represented by the \$30 per share cash value offered by AMC.

At this time we do not plan on pursuing a proxy solicitation or seeking to exercise our dissenters' right of appraisal in Delaware, but we reserve our rights to all legal remedies if no better offer arises, and will explore other means of protecting our long-held investment in Carmike Cinemas.

Sincerely,



Chris Mittleman
Managing Partner
Mittleman Brothers LLC