AFLAC INC
Form 10-Q
May 08, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

o **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: 001-07434

Aflac Incorporated

(Exact name of registrant as specified in its charter)

Georgia	**58-1167100**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1932 Wynnton Road, Columbus, Georgia	**31999**
(Address of principal executive offices)	(ZIP Code)

706.323.3431

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. þ Yes o No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

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

Class	May 5, 2009
Common Stock, $.10 Par Value	467,444,323 shares

Aflac Incorporated and Subsidiaries
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Items other than those listed above are omitted because they are not required or are not applicable.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Review by Independent Registered Public Accounting Firm

The March 31, 2009, and 2008, financial statements included in this filing have been reviewed by KPMG LLP, an independent registered public accounting firm, in accordance with established professional standards and procedures for such a review.

The report of KPMG LLP commenting upon its review is included on the following page.

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Report of Independent Registered Public Accounting Firm

The shareholders and board of directors of Aflac Incorporated:

We have reviewed the consolidated balance sheet of Aflac Incorporated and subsidiaries as of March 31, 2009, and the related consolidated statements of earnings, shareholders equity, cash flows and comprehensive income for the three-month periods ended March 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheet of Aflac Incorporated and subsidiaries as of December 31, 2008, and the related consolidated statements of earnings, shareholders equity, cash flows and comprehensive income for the year then ended (not presented herein); and in our report dated February 19, 2009, we expressed an unqualified opinion on those consolidated financial statements.

Atlanta, Georgia
May 8, 2009

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Aflac Incorporated and Subsidiaries
Consolidated Statements of Earnings

	Three Months Ended March 31,	
(In millions, except for share and per-share amounts - Unaudited)	**2009**	2008
Revenues:		
Premiums, principally supplemental health insurance	**$ 4,115**	$ 3,635
Net investment income	**688**	627
Realized investment gains (losses):		
Other-than-temporary impairment losses:		
Total other-than-temporary impairment losses	**(238)**	
Other-than-temporary impairment losses recognized in other comprehensive income	**4**	
Net impairment losses realized	**(234)**	
Sales and redemptions	**225**	(7)
Total realized investment gains (losses)	**(9)**	(7)
Other income	**24**	12
Total revenues	**4,818**	4,267
Benefits and expenses:		
Benefits and claims	**2,811**	2,538
Acquisition and operating expenses:		
Amortization of deferred policy acquisition costs	**250**	192
Insurance commissions	**389**	358
Insurance expenses	**457**	413
Interest expense	**8**	7
Other operating expenses	**32**	33
Total acquisition and operating expenses	**1,136**	1,003
Total benefits and expenses	**3,947**	3,541
Earnings before income taxes	**871**	726
Income taxes	**302**	252
Net earnings	**$ 569**	$ 474
Net earnings per share:		
Basic	**$ 1.22**	$ .99
Diluted	**1.22**	.98
Common shares used in computing earnings per share (In thousands):		
Basic	**466,097**	478,138
Diluted	**467,132**	484,417

Cash dividends per share	**$**	**.28**	$	.24

See the accompanying Notes to the Consolidated Financial Statements.

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Aflac Incorporated and Subsidiaries
Consolidated Balance Sheets

(In millions)	**March 31, 2009** (Unaudited)	December 31, 2008
Assets:		
Investments and cash:		
Securities available for sale, at fair value:		
Fixed maturities (amortized cost $33,970 in 2009 and $36,034 in 2008)	**$31,339**	$35,012
Perpetual securities (amortized cost $8,371 in 2009 and $9,074 in 2008)	**6,209**	8,047
Equity securities (cost $22 in 2009 and $24 in 2008)	**25**	27
Securities held to maturity, at amortized cost:		
Fixed maturities (fair value $20,666 in 2009 and $23,084 in 2008)	**22,876**	24,436
Other investments	**84**	87
Cash and cash equivalents	**1,196**	941
Total investments and cash	**61,729**	68,550
Receivables, primarily premiums	**667**	920
Accrued investment income	**599**	650
Deferred policy acquisition costs	**7,887**	8,237
Property and equipment, at cost less accumulated depreciation	**570**	597
Other	**363**	377
Total assets	**$71,815**	$79,331

See the accompanying Notes to the Consolidated Financial Statements.
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Aflac Incorporated and Subsidiaries
Consolidated Balance Sheets (continued)

(In millions, except for share and per-share amounts)	March 31, 2009 (Unaudited)	December 31, 2008
Liabilities and shareholders equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	**$55,995**	$59,310
Unpaid policy claims	**3,013**	3,118
Unearned premiums	**824**	874
Other policyholders funds	**2,832**	2,917
Total policy liabilities	**62,664**	66,219
Notes payable	**1,573**	1,721
Income taxes	**368**	1,201
Payables for return of cash collateral on loaned securities	**111**	1,733
Other	**1,900**	1,818
Commitments and contingent liabilities (Note 9)		
Total liabilities	**66,616**	72,692
Shareholders equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2009 and 2008; issued 660,426 shares in 2009 and 660,035 shares in 2008	**66**	66
Additional paid-in capital	**1,190**	1,184
Retained earnings	**11,875**	11,306
Accumulated other comprehensive income:		
Unrealized foreign currency translation gains	**495**	750
Unrealized gains (losses) on investment securities:		
Unrealized gains (losses) on securities not other-than-temporarily impaired	**(2,983)**	(1,211)
Unrealized gains (losses) on other-than-temporarily impaired securities	**(3)**	
Total unrealized gains (losses) on investment securities	**(2,986)**	(1,211)
Pension liability adjustment	**(117)**	(121)
Treasury stock, at average cost	**(5,324)**	(5,335)
Total shareholders equity	**5,199**	6,639
Total liabilities and shareholders equity	**$71,815**	$79,331
Shareholders equity per share	**$ 11.12**	$ 14.23

See the accompanying Notes to the Consolidated Financial Statements.

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Aflac Incorporated and Subsidiaries
Consolidated Statements of Shareholders Equity

(In millions, except for per-share amounts - Unaudited)	Three Months Ended March 31, 2009	2008
Common stock:		
Balance, beginning of period	**$ 66**	$ 66
Exercise of stock options		
Balance, end of period	**66**	66
Additional paid-in capital:		
Balance, beginning of period	**1,184**	1,054
Exercise of stock options, including income tax benefits		17
Share-based compensation	**6**	7
Gain on treasury stock reissued		12
Balance, end of period	**1,190**	1,090
Retained earnings:		
Balance, beginning of period	**11,306**	10,637
Net earnings	**569**	474
Dividends to shareholders		(114)
Balance, end of period	**11,875**	10,997
Accumulated other comprehensive income:		
Balance, beginning of period	**(582)**	934
Change in unrealized foreign currency translation gains (losses) during period, net of income taxes	**(255)**	334
Change in unrealized gains (losses) on investment securities during period, net of income taxes:		
Change in unrealized gains (losses) on securities not other-than-temporarily impaired, net of income taxes	**(1,772)**	(639)
Change in unrealized gains (losses) on other-than-temporarily impaired securities, net of income taxes	**(3)**	
Total change in unrealized (losses) on investment securities during period, net of income taxes	**(1,775)**	(639)
Pension liability adjustment during period, net of income taxes	**4**	(2)
Balance, end of period	**(2,608)**	627
Treasury stock:		
Balance, beginning of period	**(5,335)**	(3,896)
Purchases of treasury stock	**(2)**	(764)

Cost of shares issued	**13**	14
Balance, end of period	**(5,324)**	(4,646)
Total shareholders equity	**$ 5,199**	$ 8,134

See the accompanying Notes to the Consolidated Financial Statements.

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Aflac Incorporated and Subsidiaries
Consolidated Statements of Cash Flows

(In millions - Unaudited)	Three Months Ended March 31, 2009	2008
Cash flows from operating activities:		
Net earnings	**$ 569**	$ 474
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Change in receivables and advance premiums	**257**	134
Increase in deferred policy acquisition costs	**(68)**	(102)
Increase in policy liabilities	**734**	783
Change in income tax liabilities	**187**	(117)
Realized investment (gains) losses	**12**	7
Other, net	**(42)**	17
Net cash provided by operating activities	**1,649**	1,196
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Securities available for sale:		
Fixed maturities sold	**3,575**	192
Fixed maturities matured or called	**1,087**	232
Perpetual securities sold		99
Securities held to maturity:		
Fixed maturities matured or called	**103**	
Costs of investments acquired:		
Securities available for sale:		
Fixed maturities	**(3,615)**	(1,156)
Securities held to maturity:		
Fixed maturities	**(832)**	(550)
Cash received as collateral on loaned securities, net	**(1,582)**	97
Other, net	**(61)**	(16)
Net cash used by investing activities	**$(1,325)**	$(1,102)

See the accompanying Notes to the Consolidated Financial Statements.
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Aflac Incorporated and Subsidiaries
Consolidated Statements of Cash Flows (continued)

	Three Months Ended March 31,	
(In millions - Unaudited)	**2009**	2008
Cash flows from financing activities:		
Purchases of treasury stock	**$ (2)**	$ (764)
Change in investment-type contracts, net	**90**	60
Dividends paid to shareholders	**(131)**	(109)
Treasury stock reissued	**4**	9
Principal payments under debt obligations	**(1)**	(1)
Other, net	**(5)**	16
Net cash used by financing activities	**(45)**	(789)
Effect of exchange rate changes on cash and cash equivalents	**(24)**	40
Net change in cash and cash equivalents	**255**	(655)
Cash and cash equivalents, beginning of period	**941**	1,563
Cash and cash equivalents, end of period	**$ 1,196**	$ 908
Supplemental disclosures of cash flow information:		
Income taxes paid	**$ 190**	$ 295
Interest paid	**6**	5
Impairment losses included in realized investment gains (losses)	**234**	
Noncash financing activities:		
Treasury shares issued for:		
Associate stock bonus	**6**	10
Shareholder dividend reinvestment		5
Shared-based compensation grants	**3**	2

See the accompanying Notes to the Consolidated Financial Statements.

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Aflac Incorporated and Subsidiaries
Consolidated Statements of Comprehensive Income

(In millions - Unaudited)	Three Months Ended March 31, **2009**	2008
Net earnings	**$ 569**	$ 474
Other comprehensive income (loss) before income taxes:		
Foreign currency translation adjustments:		
Change in unrealized foreign currency translation gains (losses) during period	**(109)**	77
Unrealized gains (losses) on investment securities:		
Unrealized holding gains (losses) arising during the period	**(2,763)**	(957)
Reclassification adjustment for realized (gains) losses included in net earnings	**12**	7
Unrealized gains (losses) on derivatives:		
Unrealized holding gains (losses) arising during the period	**1**	(1)
Pension liability adjustment during period	**6**	(4)
Total other comprehensive income (loss) before income taxes	**(2,853)**	(878)
Income tax expense (benefit) related to items of other comprehensive income (loss)	**(827)**	(571)
Other comprehensive income (loss), net of income taxes	**(2,026)**	(307)
Total comprehensive income (loss)	**$ (1,457)**	$ 167

See the accompanying Notes to the Consolidated Financial Statements.

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Aflac Incorporated and Subsidiaries
Notes to the Consolidated Financial Statements
(Interim period data Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Aflac Incorporated (the Parent Company) and its subsidiaries (the Company) primarily sell supplemental health and life insurance in the United States and Japan. The Company s insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac), which operates in the United States (Aflac U.S.) and as a branch in Japan (Aflac Japan). Most of Aflac s policies are individually underwritten and marketed through independent agents. Our insurance operations in the United States and our branch in Japan service the two markets for our insurance business. Aflac Japan accounted for 74% and 72% of the Company s total revenues in the three-month periods ended March 31, 2009 and 2008, respectively, and comprised 86% and 87% of total assets at March 31, 2009, and December 31, 2008, respectively.

Basis of Presentation: We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). The preparation of financial statements in conformity with GAAP requires us to make estimates when recording transactions resulting from business operations based on currently available information. The most significant items on our balance sheet that involve a greater degree of accounting estimates and actuarial determinations subject to changes in the future are the valuation of investments, deferred policy acquisition costs, and liabilities for future policy benefits and unpaid policy claims. These accounting estimates and actuarial determinations are sensitive to market conditions, investment yields, mortality, morbidity, commission and other acquisition expenses, and terminations by policyholders. As additional information becomes available, or actual amounts are determinable, the recorded estimates will be revised and reflected in operating results. Although some variability is inherent in these estimates, we believe the amounts provided are adequate.

The consolidated financial statements include the accounts of Aflac Incorporated (the Parent Company), its majority-owned subsidiaries and those entities required to be consolidated under applicable accounting standards. All material intercompany accounts and transactions have been eliminated.

In the opinion of management, the accompanying unaudited consolidated financial statements of Aflac Incorporated and subsidiaries (the Company) contain all adjustments, consisting of normal recurring accruals, which are necessary to fairly present the consolidated balance sheets as of March 31, 2009, and December 31, 2008, and the consolidated statements of earnings, shareholders equity, cash flows and comprehensive income for the three-month periods ended March 31, 2009, and 2008. Results of operations for interim periods are not necessarily indicative of results for the entire year. As a result, these financial statements should be read in conjunction with the financial statements and notes thereto included in our annual report to shareholders for the year ended December 31, 2008.

Translation of Foreign Currencies: The functional currency of Aflac Japan s insurance operations is the Japanese yen. We translate our yen-denominated financial statement accounts into

U.S. dollars as follows. Assets and liabilities are translated at end-of-period exchange rates. Realized gains and losses on security transactions are translated at the exchange rate on the trade date of each transaction. Other revenues, expenses and cash flows are translated using average exchange rates for the year. The resulting currency translation adjustments are reported in accumulated other comprehensive income. We include in earnings the realized currency exchange gains and losses resulting from transactions. Realized currency exchange gains and losses were immaterial during the three-month periods ended March 31, 2009 and 2008.

Aflac Japan maintains an investment portfolio of dollar-denominated securities on behalf of Aflac U.S. The functional currency for these investments is the U.S. dollar. The related investment income and realized/unrealized investment gains and losses are also denominated in U.S. dollars.

We have designated the yen-denominated Uridashi and Samurai notes issued by the Parent Company and the cross-currency swaps as a hedge of our investment in Aflac Japan (see the section in this note titled, Derivatives). Outstanding principal and related accrued interest on these items are translated into U.S. dollars at end-of-period exchange rates. Currency translation adjustments are recorded through other comprehensive income and are included in accumulated other comprehensive income.

Insurance Revenue and Expense Recognition: The supplemental health and life insurance policies we issue are classified as long-duration contracts. The contract provisions generally cannot be changed or canceled during the contract period; however, we may adjust premiums for supplemental health policies issued in the United States within prescribed guidelines and with the approval of state insurance regulatory authorities.

Insurance premiums for health and life policies are recognized ratably as earned income over the premium payment periods of the policies. When revenues are reported, the related amounts of benefits and expenses are charged against such revenues, so that profits are recognized in proportion to premium revenues during the period the policies are expected to remain in force. This association is accomplished by means of annual additions to the liability for future policy benefits and the deferral and subsequent amortization of policy acquisition costs.

The calculation of deferred policy acquisition costs and the liability for future policy benefits requires the use of estimates based on sound actuarial valuation techniques. For new policy issues, we review our actuarial assumptions and deferrable acquisition costs each year and revise them when necessary to more closely reflect recent experience and studies of actual acquisition costs. For policies in force, we evaluate deferred policy acquisition costs by major product groupings to determine that they are recoverable from future revenues. Any resulting adjustment is charged against net earnings.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, money market instruments and other debt instruments with a maturity of 90 days or less when purchased.

Investments: Our debt securities consist of fixed-maturity securities, which are classified as either held to maturity or available for sale. Securities classified as held to maturity are securities that we have the ability and intent to hold to maturity or redemption and are carried at amortized cost. All other fixed-maturity debt securities, our perpetual securities and our equity securities are classified as available for sale and are carried at fair value. If the fair value is higher than the amortized cost for debt and perpetual securities, or the purchase cost for equity securities, the excess is an unrealized gain, and if lower than cost, the difference is an unrealized loss.

The net unrealized gains and losses on securities available for sale, plus the unamortized unrealized gains and losses on debt securities transferred to the held-to-maturity portfolio, less related deferred income taxes, are recorded through other comprehensive income and included in accumulated other comprehensive income.

Amortized cost of debt and perpetual securities is based on our purchase price adjusted for accrual of discount, or amortization of premium. The amortized cost of debt and perpetual securities we purchase at a discount will equal the face or par value at maturity. Debt and perpetual securities that we purchase at a premium will have an amortized cost equal to face or par value at maturity or the call date, if applicable. Interest is reported as income when earned and is adjusted for amortization of any premium or discount.

Our investments in qualifying special purpose entities (QSPEs) are accounted for as fixed-maturity or perpetual securities. All of our investments in QSPEs are held in our available-for-sale portfolio.

For the collateralized mortgage obligations (CMOs) held in our fixed-maturity securities portfolio, we recognize income using a constant effective yield, which is based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in CMO securities is adjusted to the amount that would have existed had the new effective yield been applied at the time of acquisition. This adjustment is reflected in net investment income.

We use the specific identification method to determine the gain or loss from securities transactions and report the realized gain or loss in the consolidated statements of earnings.

Our credit analysts/research personnel routinely monitor and evaluate the difference between the amortized cost and fair value of our investments. Additionally, credit analysis and/or credit rating issues related to specific investments may trigger more intensive monitoring to determine if a decline in fair value is other than temporary. For investments with a fair value below amortized cost, the process includes evaluating, among other factors, the length of time and the extent to which amortized cost exceeds fair value, the financial condition, operations, credit and liquidity posture, and future prospects of the issuer as well as our intent or need to dispose of the security prior to a recovery of its fair value. This process is not exact and requires consideration of risks such as credit risk, which to a certain extent can be controlled, and interest rate risk, which cannot be controlled. Therefore, if an investment s amortized cost exceeds its fair value solely due to changes in interest rates, impairment may not be appropriate.

If, after monitoring and analyses, management believes that fair value will not recover prior to the disposal of the security, we recognize an other-than-temporary impairment of the security. Once a security is considered to be other-than-temporarily impaired, the impairment loss is separated into two separate components, that portion of the impairment related to credit and that portion of the impairment related to factors other than credit. We automatically recognize a charge to earnings for the credit related portion of other-than-temporary impairments. Other-than-temporary impairments related to factors other than credit are charged to earnings in the event we determine that is unlikely that the fair value of the security will recover prior to its disposal, otherwise, non-credit related other-than-temporary impairments are charged to other comprehensive income.

We lend fixed-maturity securities to financial institutions in short-term security lending transactions. These securities continue to be carried as investment assets on our balance sheet during the terms of the loans and are not reported as sales. We receive cash or other securities as collateral for such loans. For loans involving unrestricted cash collateral, the collateral is reported as an asset with a

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corresponding liability for the return of the collateral. For loans collateralized by securities, the collateral is not reported as an asset or liability.

For further information regarding our investments, see Note 3.

Deferred Policy Acquisition Costs: The costs of acquiring new business are deferred and amortized with interest over the premium payment periods in proportion to the ratio of annual premium income to total anticipated premium income. Anticipated premium income is estimated by using the same mortality, persistency and interest assumptions used in computing liabilities for future policy benefits. In this manner, the related acquisition expenses are matched with revenues. Deferred costs include the excess of current-year commissions over ultimate renewal-year commissions and certain direct and allocated policy issue, underwriting and marketing expenses. All of these costs vary with and are primarily related to the production of new business.

Policy Liabilities: Future policy benefits represent claims that are expected to occur in the future and are computed by a net level premium method using estimated future investment yields, persistency and recognized morbidity and mortality tables modified to reflect our experience, including a provision for adverse deviation. These assumptions are generally established at the time a policy is issued.

Unpaid policy claims are estimates computed on an undiscounted basis using statistical analyses of historical claims experience adjusted for current trends and changed conditions. The ultimate liability may vary significantly from such estimates. We regularly adjust these estimates as new claims experience emerges and reflect the changes in operating results in the year such adjustments are made.

Income Taxes: Income tax provisions are generally based on pretax earnings reported for financial statement purposes, which differ from those amounts used in preparing our income tax returns. Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which we expect the temporary differences to reverse.

Derivatives: We have limited activity with derivative financial instruments. We do not use them for trading purposes, nor do we engage in leveraged derivative transactions. At March 31, 2009, our only outstanding derivative contracts were interest-rate swaps related to our 20 billion yen variable interest rate Uridashi notes and cross-currency swaps related to our $450 million senior notes (see Notes 4 and 5).

We document all relationships between hedging instruments and hedged items, as well as our risk-management objectives for undertaking various hedge transactions. This process includes linking derivatives and nonderivatives that are designated as hedges to specific assets or liabilities on the balance sheet. We also assess, both at inception and on an ongoing basis, whether the derivatives and nonderivatives used in hedging activities are highly effective in offsetting changes in fair values or cash flows of the hedged items. The assessment of hedge effectiveness determines the accounting treatment of noncash changes in fair value.

We have designated our cross-currency swaps as a hedge of the foreign currency exposure of our investment in Aflac Japan. We include the fair value of the cross-currency swaps in either other assets or other liabilities on the balance sheet. We report the changes in fair value of the foreign currency portion of our cross-currency swaps in other comprehensive income. Changes in the fair value of the interest rate component are reflected in other income in the consolidated statements of earnings.

We have designated our interest-rate swaps as a hedge of the variability of the interest cash flows associated with the variable interest rate Uridashi notes. We include the fair value of the interest rate swaps in either other assets or other liabilities on the balance sheet. We report the changes in fair value of the interest rate swaps in other comprehensive income as long as they are deemed effective. Should any portion of the swap be deemed ineffective, that value would be reported in other income in the consolidated statements of earnings.

Policyholder Protection Corporation and State Guaranty Association Assessments: In Japan, the government has required the insurance industry to contribute to a policyholder protection corporation. We recognize a charge for our estimated share of the industry s obligation once it is determinable. We review the estimated liability for policyholder protection corporation contributions on an annual basis and report any adjustments in Aflac Japan s expenses.

In the United States, each state has a guaranty association that supports insolvent insurers operating in those states. To date, our state guaranty association assessments have not been material.

Treasury Stock: Treasury stock is reflected as a reduction of shareholders equity at cost. We use the weighted-average purchase cost to determine the cost of treasury stock that is reissued. We include any gains and losses in additional paid-in capital when treasury stock is reissued.

Earnings Per Share: We compute basic earnings per share (EPS) by dividing net earnings by the weighted-average number of unrestricted shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the weighted-average number of shares outstanding for the period plus the shares representing the dilutive effect of share-based awards.

New Accounting Pronouncements: In April 2009, the FASB issued FASB Staff Position (FSP) FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). This FSP on fair-value measurements provides guidance on how to determine the fair value of assets and liabilities under Statement 157 in the current economic environment and reemphasizes that the objective of a fair-value measurement remains an exit price. This FSP provides factors to consider when determining whether there has been a significant decrease in the volume and level of activity in the market for an asset or liability as well as provides factors for companies to consider in identifying transactions that are not orderly. The FSP also discusses the necessity of adjustments to transaction or quoted prices to estimate fair value in accordance with FAS 157 when it is determined that there has been a significant decrease in the volume and level of activity or that the transaction is not orderly. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted the provisions of FSP FAS 157-4 as of March 31, 2009. The adoption of this standard did not have a material impact on our financial position or results of operations.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. This FSP modifies the requirements for recognizing other-than-temporarily impaired debt securities and significantly changes the existing impairment model for such securities. In accordance with this FSP, the intention to sell a security and the expectation regarding the recovery of the entire amortized cost basis of a security governs the recognition of other-than-temporary impairment losses. This FSP also modifies the presentation of other-than-temporary impairment losses in financial statements and increases the frequency of and expands already required disclosures about other-than-temporary impairment for debt and equity securities. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted the provisions of FSP FAS 115-2 and FAS 124-2 as of March 31, 2009. The adoption of this standard did not have a material impact on our financial position or results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, which requires publicly traded companies to disclose the fair value of financial instruments within the scope of SFAS 107, Disclosures about Fair Value of Financial Instruments in interim financial statements. This FSP also requires companies to disclose the method or methods and significant assumptions used to estimate the fair value of financial instruments and to discuss changes, if any, to those methods or assumptions during the period. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted the provisions of FSP FAS 107-1 and APB 28-1 as of March 31, 2009. The adoption of this standard did not have an impact on our financial position or results of operations.

In December 2008, the FASB issued FSP FAS 132(R)-1, Employer s Disclosures about Postretirement Benefit Plan Assets. This FSP amends SFAS No. 132(R), Employers Disclosures about Pensions and Other Postretirement Benefits An Amendment of FASB Statements No. 87, 88, and 106 to require more detailed disclosures about plan assets of a defined benefit pension or other postretirement plan, including investment strategies; major categories of plan assets; concentrations of risk within plan assets; inputs and valuation techniques used to measure the fair value of plan assets; and the effect of fair-value measurements using significant unobservable inputs on changes in plan assets for the period. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009, with earlier application permitted. We do not expect the adoption of this standard to have an effect on our financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This statement amends and expands the disclosure requirements of Statement 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. To meet those objectives, this statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We adopted the provisions of SFAS 161 as of January 1, 2009. The adoption of this standard did not have an effect on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). The purpose of SFAS 160 is to improve relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008, with earlier adoption prohibited.

We adopted the provisions of SFAS 160 as of January 1, 2009. The adoption of this standard did not have an effect on our financial position or results of operations.

Securities and Exchange Commission (SEC) Guidance: On October 14, 2008, the SEC issued a letter to the FASB addressing questions raised by various interested parties regarding declines in the fair value of perpetual preferred securities, or so-called hybrid securities, which have both debt and equity characteristics, and the assessment of those declines under existing accounting guidelines for other-than-temporary impairments. In its letter, the SEC recognized that hybrid securities are often structured in equity form but generally possess significant debt-like characteristics. The SEC also recognized that existing accounting guidance does not specifically address the impact, if any, of the debt-like characteristics of these hybrid securities on the assessment of other-than-temporary impairments.

After consultation with and concurrence of the FASB staff, the SEC concluded that it will not object to the use of an other-than-temporary impairment model that considers the debt-like characteristics of hybrid securities (including the anticipated recovery period), provided there has been no evidence of a deterioration in credit of the issuer (for example, a decline in the cash flows from holding the investment or a downgrade of the rating of the security below investment grade), in filings after the date of its letter until the matter can be addressed further by the FASB.

We maintain investments in subordinated financial instruments, or so-called hybrid securities. Within this class of investments, we own perpetual securities. These perpetual securities are subordinated to other debt obligations of the issuer, but rank higher than the issuers equity securities. Perpetual securities have characteristics of both debt and equity investments, along with unique features that create economic maturity dates of the securities. Although these securities have no contractual maturity date, they have stated interest coupons that were fixed at their issuance and subsequently change to a floating short-term rate of interest of 125 to more than 300 basis points above an appropriate market index, generally by the 25^{th} year after issuance. We believe this interest step-up penalty has the effect of creating an economic maturity date of the perpetual securities. Since first purchasing these securities in 1993, and until the third quarter of 2008, we accounted for and reported perpetual securities as debt securities and classified them as both available-for-sale and held-to-maturity securities.

In light of the recent unprecedented volatility in the debt and equity markets, we concluded in the third quarter of 2008 that all of our investments in perpetual securities should be classified as available-for-sale securities. We also concluded that our perpetual securities should be evaluated for other-than-temporary impairments using an equity security impairment model as opposed to our previous policy of using a debt security impairment model. We recognized realized investment losses

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of $294 million ($191 million after tax) in the third quarter of 2008 as a result of applying our equity impairment model to this class of securities through June 30, 2008. Included in the $191 million other-than-temporary impairment charge is $40 million, $53 million, $50 million, and $38 million, net of tax, that relate to the years ended December 31, 2007, 2006, 2005 and 2004, respectively; and, $10 million, net of tax, that relates to the quarter ended June 30, 2008. There were no impairment charges related to the perpetual securities in the first quarter of 2008. The impact of classifying all of our perpetual securities as available-for-sale securities and assessing them for other-than-temporary impairments under our equity impairment model was determined to be immaterial to our results of operations and financial position for any previously reported period. In response to the SEC letter mentioned above regarding the appropriate impairment model for hybrid securities, we have applied our debt security impairment model to our perpetual securities in periods subsequent to June 30, 2008, with the exception of certain securities that have shown evidence of a deterioration in credit of the issuer and are therefore being evaluated under our equity impairment model. We will continue with this approach pending further guidance from the SEC or the FASB.

Recent accounting guidance not discussed above is not applicable to our business.

For additional information on new accounting pronouncements and their impact, if any, on our financial position or results of operations, see Note 1 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008.

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2. BUSINESS SEGMENT INFORMATION

The Company consists of two reportable insurance business segments: Aflac Japan and Aflac U.S., both of which sell individual supplemental health and life insurance.

Operating business segments that are not individually reportable are included in the Other business segments category. We do not allocate corporate overhead expenses to business segments. We evaluate and manage our business segments using a financial performance measure called pretax operating earnings. Our definition of operating earnings excludes the following items from net earnings on an after-tax basis: realized investment gains/losses, the impact from SFAS 133, and nonrecurring items. We then exclude income taxes related to operations to arrive at pretax operating earnings. Information regarding operations by segment for the three months ended March 31 follows:

(In millions)	**2009**	2008
Revenues:		
Aflac Japan:		
Earned premiums	**$ 3,012**	$ 2,585
Net investment income	**560**	496
Other income	**7**	(1)
Total Aflac Japan	**3,579**	3,080
Aflac U.S.:		
Earned premiums	**1,103**	1,050
Net investment income	**125**	123
Other income	**2**	3
Total Aflac U.S.	**1,230**	1,176
Other business segments	**11**	10
Total business segment revenues	**4,820**	4,266
Realized investment gains (losses)	**(9)**	(7)
Corporate	**35**	29
Intercompany eliminations	**(28)**	(21)
Total revenues	**$ 4,818**	$ 4,267

(In millions)	**2009**	2008
Pretax earnings:		
Aflac Japan	**$ 681**	$ 554
Aflac U.S.	**204**	191
Other business segments		(3)
Total business segments	**885**	742
Interest expense, noninsurance operations	**(7)**	(7)
Corporate and eliminations	**(9)**	(7)
Pretax operating earnings	**869**	728

Realized investment gains (losses)	**(9)**	(7)
Impact from SFAS 133	**(5)**	5
Gain on extinguishment of debt	**16**	
Total earnings before income taxes	**$ 871**	$ 726
Income taxes applicable to pretax operating earnings	**$ 302**	$ 253
Effect of foreign currency translation on operating earnings	**41**	25

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Assets were as follows:

(In millions)	**March 31, 2009**	December 31, 2008
Assets:		
Aflac Japan	**$ 61,814**	$ 69,141
Aflac U.S.	**9,632**	9,679
Other business segments	**165**	166
Total business segment	**71,611**	78,986
Corporate	**6,990**	8,716
Intercompany eliminations	**(6,786)**	(8,371)
Total assets	**$ 71,815**	$ 79,331

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3. INVESTMENTS

The amortized cost for our investments in debt and perpetual securities, the cost for equity securities and the fair values of these investments are shown in the following tables.

	March 31, 2009			
(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale, carried at fair value:				
Fixed maturities:				
Yen-denominated:				
Japan government and agencies	$ 9,918	$ 486	$ 47	$10,357
Mortgage- and asset-backed securities	449	2	3	448
Public utilities	2,142	132	57	2,217
Collateralized debt obligations	264	28		292
Sovereign and supranational	785	25	154	656
Banks/financial institutions	4,493	55	892	3,656
Other corporate	5,999	82	872	5,209
Total yen-denominated	24,050	810	2,025	22,835
Dollar-denominated:				
U.S. government and agencies	247	5	1	251
Municipalities	151	2	17	136
Mortgage- and asset-backed securities	726	10	175	561
Collateralized debt obligations	29	2	4	27
Public utilities	1,402	21	163	1,260
Sovereign and supranational	316	28	17	327
Banks/financial institutions	2,685	29	746	1,968
Other corporate	4,364	137	527	3,974
Total dollar-denominated	9,920	234	1,650	8,504
Total fixed maturities	33,970	1,044	3,675	31,339
Perpetual securities:				
Yen-denominated:				
Banks/financial institutions	7,784	57	2,086	5,755
Other corporate	273	1	22	252
Dollar-denominated:				
Banks/financial institutions	314	5	117	202
Total perpetual securities	8,371	63	2,225	6,209
Equity securities	22	5	2	25

Total securities available for sale	**$42,363**	**$1,112**	**$5,902**	**$37,573**

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	March 31, 2009			
(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held to maturity, carried at amortized cost:				
Fixed maturities:				
Yen-denominated:				
Japan government and agencies	$ 205	$ 4	$	$ 209
Municipalities	81	1	5	77
Mortgage- and asset-backed securities	89		1	88
Collateralized debt obligations	255		95	160
Public utilities	3,812	53	220	3,645
Sovereign and supranational	3,857	47	298	3,606
Banks/financial institutions	11,143	50	1,515	9,678
Other corporate	3,234	64	147	3,151
Total yen-denominated	22,676	219	2,281	20,614
Dollar-denominated:				
Collateralized debt obligations	200		148	52
Total dollar-denominated	200		148	52
Total securities held to maturity	$22,876	$219	$2,429	$20,666

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(In millions)	December 31, 2008 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale, carried at fair value:				
Fixed maturities:				
Yen-denominated:				
Japan government and agencies	$11,153	$ 988	$ 16	$12,125
Mortgage- and asset-backed securities	491	8		499
Public utilities	2,282	188	17	2,453
Collateralized debt obligations	253	6		259
Sovereign and supranational	943	37	126	854
Banks/financial institutions	4,667	81	686	4,062
Other corporate	6,183	155	576	5,762
Total yen-denominated	25,972	1,463	1,421	26,014
Dollar-denominated:				
U.S. government and agencies	266	6	1	271
Municipalities	119	1	14	106
Mortgage- and asset-backed securities	738	7	189	556
Collateralized debt obligations	53		37	16
Public utilities	1,337	34	165	1,206
Sovereign and supranational	366	44	9	401
Banks/financial institutions	2,910	107	529	2,488
Other corporate	4,273	182	501	3,954
Total dollar-denominated	10,062	381	1,445	8,998
Total fixed maturities	36,034	1,844	2,866	35,012
Perpetual securities:				
Yen-denominated:				
Banks/financial institutions	8,400	187	1,091	7,496
Other corporate	294	13		307
Dollar-denominated:				
Banks/financial institutions	380		136	244
Total perpetual securities	9,074	200	1,227	8,047
Equity securities	24	5	2	27
Total securities available for sale	$45,132	$2,049	$4,095	$43,086

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	December 31, 2008			
(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held to maturity, carried at amortized cost:				
Fixed maturities:				
Yen-denominated:				
Japan government and agencies	$ 220	$ 17	$	$ 237
Mortgage- and asset-backed securities	75	1	1	75
Collateralized debt obligations	403		295	108
Public utilities	3,951	168	66	4,053
Sovereign and supranational	3,582	93	132	3,543
Banks/financial institutions	12,291	147	1,195	11,243
Other corporate	3,714	145	84	3,775
Total yen-denominated	24,236	571	1,773	23,034
Dollar-denominated:				
Collateralized debt obligations	200		150	50
Total dollar-denominated	200		150	50
Total securities held to maturity	$24,436	$571	$1,923	$23,084

The methods of determining the fair values of our investments in debt securities, perpetual securities and equity securities are described in Note 4.

During the first quarter of 2009, we reclassified six investments from the held-to-maturity portfolio to the available-for-sale portfolio as a result of a significant decline in the issuers credit worthiness. At the time of transfer, the securities had an aggregate amortized cost of $497 million and an aggregate unrealized loss of $200 million.

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The distributions of debt and perpetual securities we own, by credit rating, were as follows:

Composition by Credit Rating

	March 31, 2009		December 31, 2008	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
AAA	**5.1%**	**5.4%**	5.7%	5.8%
AA	**34.5**	**37.4**	39.8	42.2
A	**37.1**	**36.1**	34.1	33.2
BBB	**18.3**	**17.7**	18.6	17.6
BB or lower	**5.0**	**3.4**	1.8	1.2
Total	**100.0%**	**100.0%**	100.0%	100.0%

Although our investment portfolio continues to be of high credit quality, various downgrades occurred during the first three months of 2009, causing a shift in composition by credit rating. The percentage of AA rated securities decreased as a result of downgrades of banks and financial institutions investments. The percentage of A and BB or lower rated securities increased due to downgrades of higher rated securities.

The following table shows the subordination distribution of our debt and perpetual securities.

Subordination Distribution of Debt and Perpetual Securities

	March 31, 2009		December 31, 2008	
(In millions)	**Amortized Cost**	**Percentage of Total**	Amortized Cost	Percentage of Total
Senior notes	**$48,120**	**73.8%**	$51,091	73.5%
Subordinated securities:				
Fixed maturities (stated maturity date):				
Lower Tier II	**7,252**	**11.2**	7,777	11.2
Upper Tier II	**275**	**.4**	340	.5
Tier I*	**723**	**1.1**	750	1.1
Surplus Notes	**339**	**.5**	374	.5
Trust Preferred Non-banks	**86**	**.1**	86	.1
Other subordinated Non-banks	**51**	**.1**	52	.1
Total fixed maturities	**8,726**	**13.4**	9,379	13.5
Perpetual securities (economic maturity date):				
Upper Tier II	**6,054**	**9.3**	6,532	9.4
Tier I	**2,317**	**3.5**	2,542	3.6
Total perpetual securities	**8,371**	**12.8**	9,074	13.0
Total debt and perpetual securities	**$65,217**	**100.0%**	$69,544	100.0%

* *Includes Trust Preferred securities*

As of March 31, 2009, the majority, or 73.8%, of our total investments in debt and perpetual securities was senior debt, while our investments in subordinated financial instruments comprised the remaining 26.2%. Our subordinated securities primarily consist of Lower Tier II, Upper Tier II, and Tier I securities. The Lower Tier II securities are debt instruments with fixed maturities. Our Upper

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Tier II and Tier I investments consist of fixed maturity debt instruments and perpetual securities. Perpetual securities have contractually scheduled cash flows but have an economic maturity as opposed to a stated or fixed maturity date. Perpetual securities comprised 95.7% and 76.2% of our total Upper Tier II and Tier I investments, respectively, as of March 31, 2009.

Privately issued securities were as follows:

Privately Issued Securities

(Amortized cost, in millions)	**March 31, 2009**	December 31, 2008
Privately issued securities as a percentage of total debt and perpetual securities	**72.4%**	72.0%
Privately issued securities held by Aflac Japan	**$44,719**	$47,516
Privately issued securities held by Aflac Japan as a percentage of total debt and perpetual securities	**68.6%**	68.3%
Privately issued reverse-dual currency securities*	**$13,602**	$14,678
Reverse-dual currency securities* as a percentage of total privately issued securities	**28.8%**	29.3%

* *Principal payments in yen and interest payments in dollars*

Our investment discipline begins with a top-down approach for each investment opportunity we consider. Consistent with that approach, we first approve each country in which we invest. In our approach to sovereign analysis, we consider the political, legal and financial context of the sovereign entity in which an issuer is domiciled and operates. Next we approve the issuer s industry sector, including such factors as the stability of results and the importance of the sector to the overall economy. Specific credit names within approved countries and industry sectors are evaluated for their market position and specific strengths and potential weaknesses. Structures in which we invest are chosen for specific portfolio management purposes, including asset/liability management, portfolio diversification and net investment income.

Our largest investment industry sector concentration is banks and financial institutions. Within the countries we approve for investment opportunities, we primarily invest in financial institutions that are strategically crucial to each approved country s economy. The banks and financial institutions sector is a highly regulated industry and plays a strategic role in the global economy. We achieve some degree of diversification in the banks and financial institutions sector through a geographically diverse universe of credit exposures. Within this sector, the more significant concentration of our credit risk by geographic region or country of issuer at March 31, 2009, based on amortized cost, was: Europe (48%); United States (20%); United Kingdom (9%); and Japan (9%).

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Our total investments in the banks and financial institutions sector, including those classified as perpetual securities, were as follows:

	March 31, 2009		December 31, 2008	
	Total Investments in Banks and Financial Institutions Sector (in millions)	**Percentage of Total Investment Portfolio**	Total Investments in Banks and Financial Institutions Sector (in millions)	Percentage of Total Investment Portfolio
x				
Debt Securities:				
Amortized cost	**$18,321**	**28%**	$19,868	28%
Fair value	**15,301**	**26**	17,793	27
Perpetual Securities:				
Upper Tier II:				
Amortized cost	**$ 5,781**	**9%**	$ 6,238	9%
Fair value	**4,638**	**8**	5,960	9
Tier I:				
Amortized cost	**2,318**	**4**	2,542	4
Fair value	**1,321**	**2**	1,780	3
Total:				
Amortized cost	**$26,420**	**41%**	$28,648	41%
Fair value	**21,260**	**36**	25,533	39

At March 31, 2009, we owned below-investment-grade debt and perpetual securities in the amount of $3.3 billion at amortized cost ($2.0 billion at fair value), or 5.0% of total debt and perpetual securities, compared with $1.3 billion at amortized cost ($786 million at fair value), or 1.8% of total debt and perpetual securities at December 31, 2008. Each of the below-investment-grade securities was investment grade at the time of purchase and was subsequently downgraded by credit rating agencies. These securities are held in the available-for-sale portfolio.

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Debt and perpetual securities classified as below investment grade were as follows:

Below-Investment-Grade Securities

	March 31, 2009			December 31, 2008		
(In millions)	**Par Value**	**Amortized Cost**	**Fair Value**	Par Value	Amortized Cost	Fair Value
Lloyds Banking Group PLC (includes HBOS and Bank of Scotland)**	**$ 842**	**$ 817**	**$ 461**	$ *	$ *	$ *
UPM-Kymmene	**316**	**316**	**176**	*	*	*
The Royal Bank of Scotland**	**312**	**237**	**155**	*	*	*
Ford Motor Credit Company	**305**	**305**	**176**	329	329	143
CSAV	**244**	**244**	**136**	264	264	157
Hella KG Hueck & Co.	**224**	**223**	**138**	*	*	*
Dresdner Funding Bank AG (part of Commerzbank)	**206**	**208**	**91**	*	*	*
BAWAG**	**142**	**123**	**58**	154	133	88
IKB Deutsche Industriebank	**132**	**132**	**62**	143	143	47
Ford Motor Company	**111**	**43**	**43**	111	57	31
Beryl Finance Limited 2008-7****	**102**	**102**	**106**	110	110	116
Kommunalkredit Austria AG	**102**	**102**	**71**	*	*	*
Finance for Danish Industry	**102**	**102**	**51**	*	*	*
Beryl Finance Limited 2007-14****	**76**	**49**	**53**	82	53	53
Morgan Stanley Aces 2006-31****	**61**	**11**	**11**			
Beryl Finance Limited 2006-15****	**51**	**40**	**42**	55	43	43
Beryl Finance Limited 2007-5****	**51**	**41**	**43**	55	44	44
Morgan Stanley Aces 2007-21****	**51**	**3**	**7**	55	3	3
Morgan Stanley Aces 2007-29****	**51**	**12**	**12**	*	*	*
Rinker Materials Corp	**43**	**42**	**30**	43	42	23
Security Benefit Life	**33**	**2**	**2**	*	*	*
Morgan Stanley Aces 2007-19****	**30**	**4**	**6**	30	4	4
Sprint Capital	**23**	**24**	**16**	22	24	16
Academica Charter Schools Finance LLC	**22**	**24**	**16**	22	24	17

Terra CDO LTD 2007-3****	**20**	**5**	**5**	*	*	*
BankAmerica	**18**	**18**	**8**	*	*	*
MBIA	**16**	**17**	**6**	*	*	*
Allied Capital Corp	**15**	**13**	**3**	*	*	*
American General Capital II	**15**	**19**	**5**	*	*	*
Tiers Georgia****	**11**			11	1	1
Morgan Stanley Aces 2006-23****	**10**	**2**	**2**	*	*	*
LMT 2006-3***	**4**	**3**	**1**	*	*	*
Arlo VII Limited 2007****	**1**			*	*	*
Total	**$3,742**	**$3,283**	**$1,992**	$1,486	$1,274	$786

* *Investment grade at respective reporting date*

** *Perpetual security*

*** *Collateralized mortgage obligation*

**** *Collateralized debt obligation*

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Information regarding realized gains and losses from investments for the three-month periods ended March 31 is as follows:

(In millions)	2009	2008
Realized investment gains (losses) on securities:		
Debt securities:		
Available for sale:		
Gross gains from sales	$ 223	$
Gross losses from sales	(1)	(9)
Net gains (losses) from redemptions	1	2
Impairment losses	(169)	
Total debt securities	54	(7)
Perpetual securities:		
Available for sale:		
Impairment losses	(65)	
Total perpetual securities	(65)	
Other long-term assets	2	
Total realized investment gains (losses)	$ (9)	$ (7)
Changes in unrealized gains (losses):		
Debt securities:		
Available for sale	$(1,608)	$(699)
Transferred to held to maturity	(9)	34
Perpetual securities:		
Available for sale	(1,135)	(285)
Equity securities		
Change in unrealized gains (losses)	$(2,752)	$(950)

During the first quarter of 2009, realized pretax investment gains of $225 million ($146 million after tax) were generated through bond swaps to take advantage of tax loss carryforwards from previously incurred investment losses. We realized total pretax investment losses of $234 million ($152 million after tax) as a result of the recognition of other-than-temporary impairment losses. These other-than-temporary impairment losses consisted of $65 million ($42 million after tax) recognized on certain of our perpetual security investments whose issuers credit ratings fell to below investment grade during the quarter; $114 million ($74 million after tax) recognized on certain of our collateralized debt obligation (CDO) investments; $49 million ($32 million after tax) recognized on corporate bonds of two issuers, Ford Motor Company and Security Benefit Life; and $6 million ($4 million after tax) recognized on certain collateralized mortgage obligations (CMOs).

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During the first quarter of 2008, we realized pretax investment losses of $7 million (after-tax, $4 million, or $.01 per diluted share) primarily as a result of securities sold or redeemed in the normal course of business.

The fair value of our debt and perpetual security investments fluctuates based on changes in credit spreads in the global financial markets. Credit spreads are most impacted by market rates of interest, the general and specific credit environment and market liquidity globally. We believe that fluctuations in the fair value of our investment securities related to changes in credit spreads have little bearing on whether our investment is ultimately recoverable. Therefore, we consider such declines in fair value to be temporary even in situations where the specific decline of an investment s fair value below its cost exceeds a year or more.

However, in the course of our credit review process, we may determine that it is unlikely that we will recover our investment in an issuer due to factors specific to an individual issuer, as opposed to general changes in global credit spreads. In this event, we consider such a decline in the investment s fair value, to the extent below the investment s cost or amortized cost, to be an other-than-temporary impairment of the investment and write the investment down to its recoverable value. The determination of whether an impairment is other than temporary is subjective and involves the consideration of various factors and circumstances. These factors include more significantly:

- the severity of the decline in fair value
- the length of time the fair value is below cost
- issuer financial condition, including profitability and cash flows
- credit status of the issuer
- the issuer s specific and general competitive environment
- published reports
- general economic environment
- regulatory and legislative environment
- other factors as may become available from time to time

Another factor we consider in determining whether an impairment is other than temporary is an evaluation of our intent, need or both to sell the security prior to its anticipated recovery in value. We perform ongoing analyses of our liquidity needs, which includes cash flow testing of our policy liabilities, debt maturities, projected dividend payments and other cash flow and liquidity needs. Our cash flow testing includes extensive duration matching of our investment portfolio and policy liabilities. Based on our analyses, we have concluded that we have sufficient excess cash flows to meet our liquidity needs without liquidating any of our investments prior to their maturity. In addition, provided that our credit review process results in a conclusion that we will collect all of our cash flows and recover our investment in an issuer, we generally do not sell investments prior to their maturity.

The majority of our investments are evaluated for other-than-temporary impairment using our debt impairment model. Our debt impairment model focuses on the ultimate collection of the cash flows from our investment. However, a limited number of our investments are evaluated for other-than-temporary impairment under our equity impairment model. Our equity impairment model considers the same factors as our debt model but puts a primary focus on the severity of a security s decline in fair value coupled with the length of time the security s value has been impaired.

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As more fully discussed in the SEC Guidance section of Note 1, we apply the debt security impairment model to our perpetual securities provided there has been no evidence of deterioration in credit of the issuer, such as a downgrade of the rating of a perpetual security to below investment grade. During the first quarter of 2009, the perpetual securities of two issuers we own were downgraded to below investment grade. As a result of these downgrades, we are required to evaluate these securities for other-than-temporary impairment using the equity security impairment model rather than the debt security impairment model. Use of the equity security model limits the forecasted recovery period that can be used in the impairment evaluation and, accordingly, affects both the recognition and measurement of other-than-temporary impairment losses. As a result of market conditions and the extent of changes in ratings on our perpetual securities during the first quarter of 2009, we recognized $65 million ($42 million after tax) of other-than-temporary impairment losses for perpetual securities being evaluated under our equity impairment model.

During our review of certain CMOs, we determined that a portion of the other-than-temporary impairment of the securities was credit related, however the majority of the reduction in fair value below amortized cost was due to non-credit factors which we believe we will recover. As a result, we recognized an impairment charge of $6 million ($4 million after tax) in earnings for credit-related declines in value, and we recorded an unrealized loss of $4 million ($3 million after tax) in accumulated other comprehensive income for the portion of the other-than-temporary impairment of these securities resulting from non-credit factors.

The other-than-temporary impairment losses recognized in the first quarter of 2009 on which a portion was transferred to other comprehensive income related only to the other-than-temporary impairment of certain of our investments in collateralized mortgage obligations. The other-than-temporary impairment charges related to credit and all other factors other than credit were determined using statistical modeling techniques. The model projects expected cash flows from the underlying mortgage pools assuming various economic recession scenarios including, more significantly, geographical and regional home data, housing price appreciation, prepayment speeds, and economic recession statistics. These other-than-temporary impairment charges recognized as a charge to income and as a charge to accumulated other than comprehensive income were immaterial as of and for the quarter ended March 31, 2009. The following table summarizes credit-related impairment losses on securities for which other-than-temporary losses were recognized and only the amount related to credit loss was recognized in earnings during the three-month period ended March 31, 2009.

(In millions)	2009
Balance of credit loss impairments, beginning of period	$
Credit losses for which an other-than-temporary impairment was not previously recognized	6
Balance of credit loss impairments, end of period	$6

The following tables show the gross unrealized losses and fair values of our investments with unrealized losses that we consider to be temporary, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

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	March 31, 2009					
	Total		Less than 12 months		12 months or longer	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. government and agencies:						
Dollar-denominated	$ 69	$ 1	$ 68	$ 1	$ 1	$
Japan government and agencies:						
Yen-denominated	3,735	47	3,447	30	288	17
Municipalities:						
Dollar-denominated	86	17	47	2	39	15
Yen-denominated	25	5	25	5		
Mortgage- and asset-backed securities:						
Dollar-denominated	358	175	164	81	194	94
Yen-denominated	352	4	328	3	24	1
Collateralized debt obligations:						
Dollar-denominated	65	152	65	152		
Yen-denominated	159	95	138	65	21	30
Public utilities:						
Dollar-denominated	905	163	547	71	358	92
Yen-denominated	3,530	277	1,581	70	1,949	207
Sovereign and supranational:						
Dollar-denominated	97	17	70	8	27	9
Yen-denominated	3,123	452	2,003	76	1,120	376
Banks/financial institutions:						
Dollar-denominated	1,508	746	852	226	656	520
Yen-denominated	10,720	2,407	3,440	240	7,280	2,167
Other corporate:						
Dollar-denominated	2,471	527	1,134	143	1,337	384
Yen-denominated	5,967	1,019	2,505	164	3,462	855
Perpetual securities:						
Dollar-denominated	170	117	51	44	119	73
Yen-denominated	5,440	2,108	2,753	349	2,687	1,759
Total debt and perpetual securities	38,780	8,329	19,218	1,730	19,562	6,599
Equity securities	7	2	4	1	3	1
Total temporarily impaired securities	$38,787	$8,331	$19,222	$1,731	$19,565	$6,600

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	December 31, 2008					
	Total		Less than 12 months		12 months or longer	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. government and agencies:						
Dollar-denominated	$ 77	$ 1	$ 76	$ 1	$ 1	$
Japan government and agencies:						
Yen-denominated	803	16	309	5	494	11
Municipalities:						
Dollar-denominated	69	14	28	1	41	13
Mortgage- and asset-backed securities:						
Dollar-denominated	406	189	284	138	122	51
Yen-denominated	26	1			26	1
Collateralized debt obligations:						
Dollar-denominated	60	188	56	162	4	26
Yen-denominated	101	295	75	145	26	150
Public utilities:						
Dollar-denominated	812	165	566	106	246	59
Yen-denominated	2,376	83	184	2	2,192	81
Sovereign and supranational:						
Dollar-denominated	106	9	101	9	5	
Yen-denominated	1,780	257	571	71	1,209	186
Banks/financial institutions:						
Dollar-denominated	1,528	529	830	212	698	317
Yen-denominated	10,458	1,881	2,128	152	8,330	1,729
Other corporate:						
Dollar-denominated	2,166	501	1,178	241	988	260
Yen-denominated	4,342	660	420	29	3,922	631
Perpetual securities:						
Dollar-denominated	235	136	70	46	165	90
Yen-denominated	4,284	1,091	830	89	3,454	1,002
Total debt and perpetual securities	29,629	6,016	7,706	1,409	21,923	4,607
Equity securities	8	2	5	1	3	1
Total temporarily impaired securities	$29,637	$6,018	$7,711	$1,410	$21,926	$4,608

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As of March 31, 2009, 90% of our investments in the banks and financial institutions sector in an unrealized loss position was investment grade, compared with 96% at December 31, 2008. We have determined that the majority of the unrealized losses on the investments in this sector were caused by widening credit spreads globally and, to a lesser extent, changes in foreign exchange rates. Unrealized gains or losses related to prevailing interest rate environments are impacted by the remaining time to maturity of an investment. Assuming no credit-related factors develop, as investments near maturity, the unrealized gains or losses can be expected to diminish. Because we do not intend to sell and we do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Included in the unrealized losses on the banks and financial institutions sector as of March 31, 2009, was an unrealized loss of $217 million on Aflac s investment of $337 million in SLM Corporation (SLM). Included in our investment in SLM is Aflac Japan s yen-denominated investment in SLM totaling $307 million (30.1 billion yen). Our investment in SLM is senior unsecured obligations. SLM, more commonly known as Sallie Mae, is the largest originator, servicer, and collector of student loans in the United States, a majority of which are guaranteed by the U.S. government.

We believe that the unrealized loss on our SLM investment was related to the funding pressures related to the company s constrained ability to raise debt in both the secured and unsecured markets. The U.S. Department of Education has provided some funding relief to student lenders by agreeing to purchase existing and newly originated FFELP (Federal Family Education Loan Program) student loans, which has benefited SLM by allowing them to make profitable loans. While SLM has focused on building its private loan portfolio, the company has maintained a high quality book of loans, and a vast majority of SLM s loans carry an explicit government guarantee. Considering this environment and its government backing, SLM has demonstrated an adequate liquidity profile.

We have considered the factors impacting the fair value of SLM as of March 31, 2009, and based on our credit analysis, we believe that SLM s ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in SLM to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Another component of the unrealized losses in the banks and financial institutions sector as of March 31, 2009, was an unrealized loss totaling $193 million related to Aflac s $522 million investment in UniCredit S.p.A. s German subsidiary Bayerische Hypo-und Vereinsbank AG (HVB). Aflac s HVB investments include both yen- and dollar-denominated Tier I and Tier II hybrid instruments that are subordinated fixed maturity securities. The yen-denominated portion of these subordinated fixed maturity securities totaled $458 million (45.0 billion yen) with an unrealized loss of $153 million while the dollar-denominated portion of these securities totaled $64 million with an unrealized loss of $40 million at March 31, 2009. UniCredit, the parent company of HVB, is a financial services holding company based in Italy where it maintains a strong franchise with a significant presence in Germany, Austria, Poland and Central Eastern Europe. HVB is a key part of UniCredit with well-positioned retail and corporate banking franchises in the South and North of Germany. HVB also houses the Markets and Investment Banking Division of UniCredit.

We believe that the fair value of our investment in HVB was negatively impacted by the downturn in the economic environment in the European economies, particularly Germany, HVB s key market. The downturn was most pronounced in HVB s Markets & Investment Banking division, which sustained pre-tax losses in 2008 of 2 billion euros due to the negative impact of trading losses, the increase in loan write-downs and provisions, and the negative net income from investments driven by impairments and a loss on investment properties. Also negatively impacting HVB s fair value is its parent company s marginal capital levels in 2008. In contrast however, despite the losses noted above, HVB reported much stronger capital levels than its parent company at the end of 2008.

As a class of securities, hybrid securities, and particularly perpetual securities, suffered price erosion over the last several months due to the financial crisis and perceived higher payment deferral and extension risk. We have considered the risks common to perpetual securities, including payment deferral and extension risk as well as loss absorption risk, in light of HVB s strong competitive position within the UniCredit franchise, HVB s well-positioned retail and corporate banking franchises in the South and North of Germany, and HVB s high capital ratios. HVB specifically stated in its 2008 earnings release that HVB will make payments on its participating certificates and hybrid capital instruments.

In conjunction with HVB s statement on making payments and based on our credit analysis, we believe that HVB s ability to service its obligation to Aflac is currently not impaired. Accordingly, we believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in HVB to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Also included in the unrealized losses in the banks and financial institutions sector as of March 31, 2009, was an unrealized loss of $146 million on our investment of $555 million in fixed maturity securities issued by Bank of America Corporation (BAC) and its subsidiaries, including Merrill Lynch & Co., Inc. Included in our total investment in BAC was $281 million in senior instruments, $257 million of instruments considered to be Lower Tier II instruments, and $18 million in Tier I Trust Preferred Securities.

BAC is one of the world s largest financial institutions serving a full range of customers from individuals to large corporations in over 150 countries. Through the acquisition of FleetBoston in 2004, MBNA in 2006 and Countrywide in 2008, BAC has built a preeminent retail franchise in the U.S., which is a significant contributor to earnings. Upon the merger with Merrill Lynch as of January 1, 2009, BAC has become the largest bank in the U.S. in terms of total assets with the amount of $2.5 trillion. Its 55 million consumer and small business relationships reach approximately 82% of the U.S. population.

We believe that the unrealized loss in our BAC investment was principally related to widening credit spreads globally in light of concerns surrounding the impact of the downturn in the global economies and BAC s role as a consolidator within this environment and as a recipient of government support. While the downturn in the US economy and subsequent turn in economies around the world have negatively impacted all banks, BAC reported positive earnings when it reported net income of $4.2 billion for the first quarter of 2009 on April 20, 2009. However, BAC recognized that it will face extremely difficult challenges primarily from deteriorating credit quality driven by the weak economy and growing unemployment. We also believe the value of some of our investments in BAC have been negatively impacted by the overall view of subordinated securities issued by banks and financial institutions due to the global financial crisis, which includes a perceived higher risk of deferral and extension for more deeply subordinated issuance. Although the downturn has negatively impacted

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BAC s operations, BAC has reported strong profitability in the first quarter of 2009 against a backdrop of declining asset quality, and BAC has remained current on all of its debt service obligations.

We have considered risks common to subordinated securities, which may include payment deferral extension risk, along with BAC s leading position within the US, its diverse revenue sources, and its ability to generate profits. Based upon a review of these factors, we believe that BAC s ability to service its obligation to Aflac is currently not impaired. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell our investment in BAC before a recovery of fair value, we do not consider this investment to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

An additional amount included in the unrealized losses in the banks and financial institutions sector as of March 31, 2009, was an unrealized loss of $144 million on Aflac Japan s investment of $305 million (30.0 billion yen) in bonds issued by Banco Espirito Santo, S.A. (BES). BES is a leading commercial bank in Portugal. BES provides commercial and investment banking services, and has leading market positions in Portugal in trade finance and pension plan asset management and has expanded its operations abroad to Brazil, Angola and Spain.

We believe that the increase in the unrealized loss on BES was principally related to the current economic pressures on Portuguese banks profitability, liquidity and capital amid the weakened credit environment and within the context of the global economic downturn. Although BES maintains adequate regulatory capital levels, they are vulnerable within the competitive Portuguese market and against the backdrop of a weakened economy with challenging earnings prospects. BES recently announced that it had increased its capital by 1.2 billion euros via a fully subscribed rights offering. Earnings have been challenged most recently due to a heavier component related to trading and investing in the debt and equity markets. At the same time, BES has maintained a good level of reserves to absorb the anticipated losses that accompany such an economic downturn. BES issued a three-year 1.5 billion euro fixed rate note guaranteed by the Portuguese Republic on January 8, 2009. This new guaranteed debt has relieved some of the funding pressure at BES.

We have considered the factors impacting the fair value of BES as of March 31, 2009, and based on our credit analysis, we believe that BES ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer or its parent to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in BES to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Also included in the unrealized losses in the banks and financial institutions sector as of March 31, 2009, was an unrealized loss totaling $117 million related to our $208 million investment in the Tier I fixed maturity securities issued by Dresdner Bank AG. Dresdner Bank AG (Dresdner), established in 1872, was one of the largest commercial banks with one of the most extensive branch networks in Germany at the end of 2008. Dresdner has focused on serving the financial needs of individual and corporate clients via its two corporate divisions: Private and Corporate Clients, which includes personal, private, business, and corporate banking as well as private wealth management; and Investment Banking division, which includes capital markets and global banking.

Commerzbank AG, a leading commercial bank in Germany, acquired Dresdner in January 2009. The combined bank will be a leading bank for private and corporate customers, including small and medium enterprises in Germany and large and multinational corporations, with the greatest branch network in Germany.

We believe that the fair value of our investment in Dresdner was negatively impacted by the financial market crisis and the systematic stress that it has caused globally. At Dresdner, the crisis resulted most noticeably in asset impairment losses of 6.2 billion euros in 2008. At the same time, the minimum regulatory capital requirements were no longer met by Dresdner due to these negative results. However, Commerzbank has reiterated the importance of Dresdner to its franchise, and this has been reinforced by its continued financial support of Dresdner. During the first quarter of 2009, Commerzbank made a 4 billion euro capital injection to Dresdner, elevating its capital above regulatory minimums.

As a class of securities, the prices of hybrid securities, and particularly perpetual securities, have remained under pressure due to the financial crisis and perceived higher payment deferral and extension risk. We have considered risks common to perpetual securities, including deferral, extension and loss absorption. Based on our credit analysis, we believe that Dresdner s ability to service its obligation to us is currently not impaired. Accordingly, we believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Since it is expected that our investment would not be settled at a price less than the amortized cost of the investment and because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in Dresdner to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

The following table shows the composition of our investments in an unrealized loss position in the banks and financial institutions sectors by fixed maturity securities and perpetual securities. The table reflects those securities in that sector that are in an unrealized loss position as a percentage of our total investment portfolio in an unrealized loss position and their respective unrealized losses as a percentage of total unrealized losses.

	March 31, 2009		December 31, 2008	
	Percentage of Total Investments in an Unrealized Loss Position	**Percentage of Total Unrealized Losses**	Percentage of Total Investments in an Unrealized Loss Position	Percentage of Total Unrealized Losses
Fixed maturities	**31%**	**38%**	41%	40%
Perpetual securities:				
Upper Tier II	**11**	**14**	9	8
Tier I	**3**	**12**	6	12
Total perpetual securities	**14**	**26**	15	20
Total	**45%**	**64%**	56%	60%

The valuation and pricing pressures from certain structured investment securities throughout 2008 and in the first three months of 2009, more notably the banks and financial institutions sector s exposure to the well publicized structured investment vehicles (SIVs), coupled with their exposure to the continued weakness in the housing sector, in the UK, Europe and the United States, has led to significant write-downs of asset values and capital pressure at banks and financial institutions globally. National governments in these regions have provided support in various forms, ranging from guarantees on new and existing debt to significant injections of capital. As the market continues to deteriorate, more of these banks and financial institutions may need various forms of government support before the current economic downturn begins to ease. While it does not appear to be a preferred solution, some troubled banks and financial institutions may be nationalized. Very few nationalizations have occurred to date, and in each instance, the governments are standing behind the classes of investments that we own.

All of the investments in the government and agencies sector in an unrealized loss position were investment grade at March 31, 2009 and December 31, 2008. The unrealized losses on our investments in this sector, which include U.S. Treasury obligations, direct obligations of U.S. government agencies, Japan government bonds, and direct obligations of Japan government agencies were caused by changes in interest rates and/or foreign exchange rates. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Unrealized gains and losses related to prevailing interest rate environments are impacted by the remaining time to maturity of an investment. As the investments near maturity the unrealized gains or losses can be expected to diminish. Because the unrealized losses in this sector are considered to be interest rate driven and because we do not intend to sell and do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

As of March 31, 2009 and December 31, 2008, 100% of our fixed maturity investments in an unrealized loss position in the public utilities and sovereign and supranational sectors were investment grade. At March 31, 2009, 63% of securities in the municipalities sector and 99% of securities in the mortgage- and asset-backed securities sector in an unrealized loss position were investment grade, compared with 53% and 100%, respectively, at the end of 2008. We have determined that the majority of the unrealized losses on the investments in these sectors were caused by widening credit spreads globally. However, we have determined that the ability of the issuers to service our investments has not been compromised. Unrealized gains or losses related to prevailing interest rate environments are impacted by the remaining time to maturity of an investment. Assuming no credit related factors develop, as investments near maturity the unrealized gains or losses can be expected to diminish. Because the unrealized losses in these sectors are considered to be principally the result of widening credit spreads and because we do not intend to sell and do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

As of March 31, 2009 and December 31, 2008, 100% of our CDO investments in an unrealized loss position were investment grade. We have determined that the unrealized losses in our CDO portfolio were primarily the result of widening credit spreads globally. The widening credit spreads in the CDO sector has been fueled by continued deterioration of the credit worthiness of the credit default swap (CDS) reference credit entities underlying the CDO contracts and an overall contraction of market liquidity (demand) for CDO investments in all capital markets. As more fully described in our discussion regarding our investment in variable interest entities below, we only have the senior tranches of the CDO structures that we own. The subordinated tranches of our CDOs absorb the majority of the risk of loss, if any, arising from the CDS contracts underlying our CDOs. As a part of our credit analysis process, we obtain CDS default and default recovery probability statistics from published market sources. We use these default and default recovery statistics to project the number of defaults our CDOs can withstand before our CDO investment would be impaired. In addition to our review of default and default recovery statistics, we also assess the credit quality of the collateral underlying our CDOs.

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Based on these reviews, we determined that the declines in value of certain of our CDO investments below their carrying value were considered to be other than temporary and wrote down our investment in these CDOs to their estimated fair value through a charge to earnings in the first quarter of 2009.

Our credit analyses of the CDO issues we own indicate that the remaining number of defaults that can be sustained in our CDOs, other than those disclosed in the preceding paragraph, is sufficient to withstand any further near-term credit deterioration without impairing the value of our investments. In addition, the credit quality of the collateral underlying these CDOs remains investment grade. Because we do not intend to sell and we do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these CDO investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Included in the unrealized losses in the CDO sector as of March 31, 2009, was an unrealized loss of $148 million on Aflac s investment of $200 million in notes issued by Morgan Stanley ACES SPC Series 2008-6 (ACES 2008-6). The ACES 2008-6 note is a floating rate debt instrument whose coupon is tied to the three-month US dollar LIBOR plus a spread. We believe the decline in the value of ACES 2008-6 was principally due to widening credit spreads globally, which were notably impacted or worsened by the lack of market liquidity and demand in the market environment for CDO securities as a whole. We also believe that the biggest risk to our investment in ACES 2008-6 is the potential for additional defaults on the underlying CDS reference entity portfolio as a result of weakening global economic conditions. We analyzed the number of defaults and declines in recovery values ACES 2008-6 could withstand until its maturity without experiencing a loss of principal. We have also considered all other available factors related to our investment in ACES 2008-6 including, but not limited to, the rating of our tranche, our review of the underlying collateral, the number of below-investment-grade reference entities in the portfolio, the current level of CDS spreads for entities in the reference portfolio and the probability of default implied by those market levels as well as various other qualitative analyses. Additionally, the collateral underlying ACES 2008-6 are Bank of America Credit Card Trust 2007-A5 credit card ABS, rated Aaa, AAA, and AAA by Moody s, S&P, and Fitch, respectively, as of March 31, 2009.

Based on the evaluation of these factors, the outlook for projected future defaults and recoveries on the underlying CDS reference entities coupled with our review of the underlying collateral of ACES 2008-6, we concluded that this CDO continues to demonstrate a strong capability to service its debt for the foreseeable future. The contractual terms of this investment do not permit the issuing trust to settle the security at a price less than the amortized cost of the investment unless actual defaults, less actual recovery rates, exceed the remaining subordination in ACES 2008-6 which we believe is unlikely.

We have considered the factors impacting the fair value of ACES 2008-6 as of March 31, 2009, and based on our credit analysis, we believe that ACES 2008-6 ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer to settle the security at a price less than the amortized cost of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in ACES 2008-6 to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

As of March 31, 2009, 69% of the securities in the other corporate sector in an unrealized loss position was investment grade, compared with 70% at the end of 2008. For any credit-related declines in market value, we perform a more focused review of the related issuer s credit ratings, financial statements and other available financial data, timeliness of payment, competitive environment and any other significant data related to the issuer. From those reviews, we evaluate the issuers continued ability to service our investments.

Included in the unrealized losses in the other corporate sector as of March 31, 2009, was an unrealized loss of $147 million on Aflac Japan s $356 million (35.0 billion yen) investment issued by Sultanate of Oman (Oman). This investment is a debt security issued by Oman, a sovereign nation bordering the Arabian Sea, Gulf of Oman and Persian Gulf with significant natural resources in petroleum and natural gas, copper, asbestos, as well as some marble, limestone, chromium and gypsum. Oman is noted for its strong public finances, including modest indebtedness and substantial financial assets and foreign exchange reserves.

We believe that the decline in the fair value of Oman was caused principally by two factors. First, Oman has increased social and infrastructure expenditures as part of its overall economic diversification program. Second, Oman is exposed to somewhat elevated regional political risks, such as the ongoing conflicts in the Middle East and continued political tensions. Despite its economic pressures, Oman has maintained sound financial assets, substantial oil and natural gas reserves, strong and growing gross domestic production per capita, domestic political stability and strong international relations.

We have considered the factors impacting the fair value of Oman as of March 31, 2009, and based on our credit analysis, we believe that Oman s ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer or its parent to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in Oman to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Another amount included in the unrealized losses in the other corporate sector was an unrealized loss of $140 million on Aflac Japan s investment of $316 million (31.0 billion yen) in UPM-Kymmene Corporation (UPM), one of the world s largest forest product companies. The decline in value in UPM was principally due to the currently poor fundamental profile of the forest products sector as a whole. UPM and its peers have been negatively impacted by both weakening demand due to poor economic conditions and the significant excess capacity present in the sector. While UPM has been a leader among its peers in capacity reductions, the sector needs significantly more reductions in capacity so as to improve producer pricing power. Despite the negative outlook for the forest product sector, UPM possesses an above average competitive profile compared with its forest product peers. Through its successful efforts to control costs, improve its position in energy self-sufficiency, and diversify its products, UPM has maintained solid operating ratios, earnings profitability and liquidity. During the first quarter of 2009, we downgraded our investment in UPM to below investment grade, reflecting its continued stressed operating environment.

We have considered the factors impacting the fair value of UPM as of March 31, 2009, including our recent downgrade of the security to below investment grade, and based on our credit analysis, we believe that UPM s ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer or its parent to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Therefore, it is expected that our investment would not be settled at a price less than the amortized cost of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in UPM to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Also included in the unrealized losses in the other corporate sector as of March 31, 2009, was an unrealized loss of $129 million on Aflac Japan s $305 million (30.0 billion yen) investment issued by Ford Motor Credit Corporation (FMCC). This investment is a debt security issued by FMCC, a wholly owned financing subsidiary of Ford Motor Company. Ford has reiterated its commitment to continue to own 100% of FMCC, and both Moody s and Standard & Poor s rating services have indicated that they expect this commitment to continue. Financial subsidy payments from Ford and lease program residual value support payments inextricably link FMCC s financing business to the parent. Our investment in FMCC matures in January 2013.

We believe that the unrealized loss on FMCC was related to sharply lower reported earnings by FMCC in 2008, compared with 2007. We believe FMCC s decline in profitability is largely attributable to decreased volume, a tighter financing margin, and increased credit charge-off costs; offsetting these negatives were improved lease residual contributions, and market value adjustments to derivatives primarily linked to embedded options in lease financing. We also believe that the unrealized losses in FMCC were impacted by the widening of credit spreads globally as a result of the contraction in global capital market liquidity over the past several quarters. As of March 31, 2009, FMCC had a credit rating of CCC+ by S&P, Caa1 by Moody s, and B- by Fitch Ratings. Under current NRSRO guidelines, obligors in these credit rating categories are subject to high credit risk and are current with their financial commitments; however, they are dependent upon favorable business, financial and economic conditions to meet future financial commitments. However, despite its credit rating and the difficult market conditions, FMCC completed $5 billion of term funding through April 2009, including $3 billion of eligible funding through the Term Asset-Backed Securities Loan Facility (TALF). FMCC cost of funding actually declined to 5.0% in the first quarter of 2009, compared with 5.6% in the first quarter of 2008. FMCC also increased available liquidity primarily as the result of a continued reduction in its managed receivables balance and cash cost reductions in the quarter ended March 31, 2009, related to personnel reductions and restructuring plans. Taken collectively, we believe these credit facilities and other liquidity enhancement measures provide FMCC with adequate stand-alone liquidity and a stable credit outlook over the relatively near term contractual maturity of its obligation to us.

We have considered the factors impacting the fair value of FMCC as of March 31, 2009, and based on our credit analysis, we believe that FMCC s ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer or its parent to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in FMCC to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

An additional amount included in the unrealized losses in the other corporate sector as of March 31, 2009, was an unrealized loss of $108 million on Aflac Japan s investment of $244 million (24.0 billion yen) in Tollo Shipping Company S.A.. This investment is a loan to Tollo Shipping Company S.A., guaranteed by the borrower s parent, Compania Sudamericana de Vapores S.A. (CSAV). As of December 31, 2008, CSAV was the largest shipping company in Latin America, and the 16th largest shipping company in the world. CSAV provides liner and specialized cargo services to clients worldwide with an emphasis on container shipping to and from its key markets of Chile and Brazil. Strong ties with Chile s top exporters and a well-developed logistics service are CSAV s main competitive advantages compared with other shippers with greater capacity.

We believe that the decline in fair value of the security was primarily caused by two factors: depressed revenue due to competitive pricing pressures in the container shipping industry and weaker operating margins due to higher legacy fixed costs, including costs associated with ship charters. However, CSAV continues to maintain sound liquidity, with adequate cash and cash equivalents reserves, a benign debt maturity profile, and a substantial undrawn credit facility. In addition, CSAV is now in the process of raising additional share capital over the next 12 to 24 months, which will further strengthen its financial profile.

We have considered the factors impacting the fair value of CSAV as of March 31, 2009, and based on our credit analysis, we believe that CSAV s ability to service its obligation to Aflac is currently not impaired. Furthermore, the contractual terms of this investment do not permit the issuer or its parent to settle the security at a price less than the amortized cost of the investment. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in CSAV to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

We have determined that the majority of the unrealized losses on the investments in the other corporate sector were caused by widening credit spreads globally. Also impacting the unrealized losses in this sector is the decline in credit worthiness of certain issuers in the other corporate sector. However, consistent with our above discussions of certain specific issuers within this sector, we have determined that the ability of these issuers to service our investments has not been impaired by these factors. Because we do not intend to sell and we do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009. Based on our credit related reviews of the issuers in the other corporate sector, we have determined that there is little risk that we will not recover our investment in these issuers. Because we have the ability and intent to hold these investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at March 31, 2009.

At March 31, 2009, 77% of the company s total perpetual securities in an unrealized loss position were investment grade, compared with 96% at December 31, 2008. The majority of our investments in Upper Tier II and Tier I perpetual securities were in highly-rated global financial institutions. Upper Tier II securities have more debt-like characteristics than Tier I securities and are senior to Tier I securities, preferred stock, and common equity of the issuer. Conversely, Tier I securities have more equity-like characteristics, but are senior to the common equity of the issuer. They may also be senior to certain preferred shares, depending on the individual security, the issuer s capital structure and the regulatory jurisdiction of the issuer. Details of our holdings of perpetual securities as of March 31, 2009, were as follows:

Perpetual Securities

(In millions)	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Upper Tier II:				
	AA	$1,994	$1,802	$ (192)
	A	2,663	2,167	(496)
	BBB	369	337	(32)
	BB	1,027	582	(445)
Total Upper Tier II		6,053	4,888	(1,165)
Tier I:				
	AA	826	453	(373)
	A	1,185	687	(498)
	BBB	158	90	(68)
	BB	149	91	(58)
Total Tier I		2,318	1,321	(997)
Total		$8,371	$6,209	$(2,162)

With the exception of the Icelandic bank securities that we impaired in the fourth quarter of 2008, all of the perpetual securities we own were current on interest and principal payments at March 31, 2009. Based on amortized cost as of March 31, 2009, the geographic breakdown by issuer was as follows: Europe (64%); the United Kingdom (20%); and Japan (12%). For any credit-related declines in market value, we perform a more focused review of the related issuer s credit ratings, financial statements and other available financial data, timeliness of payment, competitive environment and any other significant data related to the issuer. From those reviews, we evaluate the issuer s continued ability to service our investment.

Included in the unrealized losses in the perpetual security category as of March 31, 2009, was an unrealized loss of $356 million on Aflac Japan s investment of $817 million (80.3 billion yen) in perpetual securities issued by Lloyds Banking Group PLC (Lloyds) and its subsidiaries, which now include HBOS and Bank of Scotland (BOS). Included in our total investment in Lloyds was $810 million (79.5 billion yen) of Upper Tier II perpetual securities and $7 million in Tier I perpetual securities.

Lloyds Banking Group PLC was formed in January 2009 following the merger between Lloyds TSB Group PLC and HBOS PLC. Lloyds is the largest retail bank in the UK, with the largest branch network, and enjoys a number of leading market positions. Lloyds serves over 30 million people in retail banking, mortgage lending, pension services, asset management, insurance services, corporate banking and treasury services.

We believe that the unrealized loss in Lloyds was related to concerns surrounding the impact of the downturn in the UK economy, and the specific effects of capital support provided by HM Treasury in the concern that the capital support provided by HM Treasury will not extend to all levels of Lloyds capital. HM Treasury is the United Kingdom s (UK) department responsible for developing and executing the UK s public finance and economic policy. After years of profitable growth, the UK banking sector, like other banking markets, has faced a challenging market environment in the face of a general economic slowdown. As a result, the Lloyds group raised 17 billion pounds of capital via the UK government s HM Treasury, which allowed for the timely acquisition of HBOS and resulted in HM Treasury becoming a 43.4% shareholder of the enlarged Group. In addition to these capital injections by HM Treasury, the UK government further announced its Asset Protection Scheme (APS) which allows participating banks to insure problem assets in return for accepting a first loss and

payment of a fee. The goal of the APS is to restore confidence in the UK banking system and enable lending capacity to help stimulate a recovery of the economy. During the first quarter of 2009, Lloyds announced that the group joined APS with an effective date retroactive to January 1, 2009. The UK government has stated its intention of limiting its holding to 75% or less of Lloyds.

During the first quarter of 2009, Lloyds indicated that it would likely report a net loss of approximately 7 billion pounds for 2008 compared with proforma net income of the combined group of approximately 7 billion pounds for the previous year. The 2008 net loss was fueled largely by the significant deterioration of corporate credit conditions, particularly in the second half of 2008, which led to substantial impairment losses and loan provisions across the Lloyds Banking Group.

While the UK economy has negatively impacted all UK banks, Lloyds operations and asset quality have remained relatively strong. Levels of impairment in the core retail bank remain modest, reflecting strong underwriting at origination and strong on-going risk management. At December 31, 2008, Lloyds ratio of non-performing loans to total assets remained relatively low compared to other competitor banks and, at the same time, Lloyds reported capital adequacy margins well in excess of regulatory requirements.

However, in light of the negative outlook for Lloyds, these investments were downgraded to below investment grade during the first quarter of 2009 and, in line with our current impairment policy, we began evaluating our investment in the Lloyds perpetual securities for other-than-temporary impairments using our equity impairment model at that time. Our equity impairment model, which focuses on severity and duration of impairment, reflected that a portion of our Lloyds investment was other-than-temporarily impaired. In response to this evaluation, we recognized an other-than-temporary impairment charge related to these perpetual securities totaling $65 million ($42 million after tax) for the three-month period ended March 31, 2009. The remaining unrealized losses on our Lloyds perpetual securities may result in additional other-than-temporary impairment charges in future quarters in the event the fair value of our Lloyds investments does not recover.

We have considered risks common to perpetual securities, including deferral, extension and the recent downgrades, along with the leading position Lloyds commands within the UK, its diverse revenue sources and profit generation, strong asset quality, and adequate capitalization. Based upon a review of these factors, we currently believe that Lloyds ability to service its obligation to us is ultimately not impaired. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment.

Because we do not intend to sell and we do not believe it is likely that we will be required to sell our investment in Lloyds before a recovery of fair value, we do not consider the remaining unrealized losses on these investments to be other-than-temporarily impairments as of and for the period ended March 31, 2009.

Also included in the unrealized losses in the perpetual security category as of March 31, 2009, was an unrealized loss of $148 million on Aflac Japan s investment of $377 million (37.0 billion yen) in three Upper Tier II perpetual securities issued by Irish Life & Permanent (IL&P).

IL&P Group benefits from a diversified business profile, with the Group s strong market position in life assurance balancing the Group s banking operations. IL&P manages about one third of the pension assets in Ireland, and stands as the largest life insurer in Ireland. On the banking side, IL&P has been and remains the leading residential mortgage lender in Ireland. IL&P continues to demonstrate a relatively low lending and business risk profile. The bulk of the bank s lending is secured, with 88% consisting of residential mortgages. As a further insulation from market volatility, 92% of the life business is unit-linked, where market risk is borne by the policyholder or investor.

We believe that the unrealized loss for IL&P was principally related to concerns surrounding the impact of the downturn in the Irish economy. While the sluggish economy and increased unemployment in Ireland has negatively impacted all Irish banks, IL&P s operations and asset quality have remained relatively strong. At December 31, 2008, IL&P s ratio of non-performing loans to total assets remained relatively low compared to other Irish banks, and at the same time, IL&P reported capital adequacy margins well in excess of bank regulatory requirements, as well as well in excess of solvency requirements at the life company. IL&P net profits for the 2008 fiscal year were lower than in 2007, as the company prudently increased credit provisions to accommodate anticipated credit deterioration from the weak economy. We also believe the value of our investment in IL&P has been negatively impacted by the overall view of perpetual securities issued by banks and financial institutions due to the global financial crisis and perceived higher extension and redemption risk for perpetual securities. Although the Irish economy has negatively impacted its operations, IL&P has remained profitable, increased its liquidity position, protected itself against dramatic asset quality deterioration, strengthened its capitalization and has remained current on all of its debt service obligations.

We have considered risks common to perpetual securities, including deferral and extension, along with IL&P s leading position within the Irish economy, its diverse revenue sources and profit generation, adequate asset quality, and strong capitalization. Based upon a review of these factors, we believe that IL&P s ability to service its obligation to us is currently not impaired. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in IL&P to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

An additional amount included in the unrealized losses in the perpetual security category as of March 31, 2009, was an unrealized loss of $146 million on Aflac Japan s investment of $458 million (45.0 billion yen) in Upper Tier II perpetual securities issued by Dexia Bank Belgium (DBB) and its subsidiaries.

DBB is one of the main operating bank subsidiaries consolidated within the Dexia Group (Dexia). Belgian-based DBB primarily focuses on providing medium-term and long-term financing to local public authorities and other public sector organizations worldwide. In addition, DBB offers a wide range of banking and insurance services to private individuals, the self-employed and small and medium-sized companies mainly in Belgium.

We believe that the unrealized loss in DBB was principally related to concerns surrounding the parent, Dexia, and the cause-and-effect of governmental support that Dexia has received. During 2008, the governments of Belgium, France and Luxembourg and other existing shareholders committed capital injections to Dexia of six billion euros combined with financial support in the form of guarantees on short-to-medium term wholesale funding of Dexia. In addition, the Belgian and French states have agreed to a guarantee arrangement with Dexia on losses within a financial products portfolio that is retained by Dexia after the sale of FSA Holdings (FSA). With this above support in place, Dexia was able to report a strong Tier 1 ratio of 10.6%, as of December 31, 2008, and DBB reported a stronger Tier 1 ratio of 12.9%. At the same time, the sale of FSA and the associated guarantee should largely eliminate the risk associated with that unit, which contributed to Dexia s operating losses in 2008.

Despite impairments during 2008 in its financial products portfolio managed by FSA Management, asset quality at Dexia remained strong.

We also believe the value of our investment in DBB has been negatively impacted by the overall view of perpetual securities issued by banks and financial institutions due to the global financial crisis and perceived higher extension and redemption risk for perpetual securities. Although the current downturn has negatively impacted Dexia and in turn DBB, the various measures of support have allowed DBB to refocus on its core operations; to maintain strong solvency; and to remain current on all of its debt service obligations.

We have considered risks common to perpetual securities, including deferral, extension and loss absorption, along with DBB s systemic importance in Belgium, its steady revenue sources and profit generation, strong asset quality, and adequate capitalization. Based upon a review of these factors, we believe that DBB s ability to service its obligation to Aflac is currently not impaired. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell our investment in DBB before a recovery of fair value, we do not consider this investment to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

Another component of the unrealized losses in the perpetual security category as of March 31, 2009, was an unrealized loss of $143 million on Aflac Japan s investment of $364 million (35.7 billion yen) in perpetual securities issued by Nordea Bank AB (Nordea) and its subsidiaries. Included in our total investment in Nordea was $262 million (25.7 billion yen) of instruments considered to be Tier I instruments and $102 million (10.0 billion yen) in an Upper Tier II instrument.

Nordea is the largest financial services group in the Nordic region with leading market positions in retail banking, merchant banking and wealth management. Nordea is the parent of the Nordea Group. Nordea enjoys strong market positions not only in its native Sweden but also in its other key Nordic markets of Denmark, Finland and Norway.

We believe that the unrealized loss in Nordea was principally related to concerns surrounding the impact of the downturn in the Nordic economies. While the Nordic economies have negatively impacted all Nordic banks, Nordea still reported solid profitability for 2008. Although problem loans increased in 2008, they did so from a comparatively low base compared to its peers and remained below 1% of total loans. Nordea also reported a relatively strong capital position well in excess of regulatory minimums. Additionally, Nordea announced that it had further improved its capital base by raising total net proceeds of 2.5 billion euros through an equity offering in April of 2009.

We also believe the value of our investment in Nordea has been negatively impacted by the overall view of perpetual securities issued by banks and financial institutions due to the global financial crisis and perceived higher extension and redemption risk for perpetual securities. Although the global economic downturn has negatively impacted its operations, Nordea has remained profitable and reported strong liquidity, asset quality and capitalization, and Nordea has remained current on all of its debt service obligations.

We have considered risks common to perpetual securities, including deferral, extension and loss absorption, along with Nordea s leading position within the Nordic region, its diverse revenue sources and profit generation, strong asset quality, and adequate capitalization. Based upon a review of these factors, we believe that Nordea s ability to service its obligation to Aflac is currently not impaired. Accordingly, we currently believe it is probable that we will collect all amounts due according to the contractual terms of the investment. Because we do not intend to sell and we do not believe it is likely that we will be required to sell this investment before a recovery of fair value, we do not consider our investment in Nordea to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

We have determined that the majority of our unrealized losses in the perpetual security category was principally due to widening credit spreads globally, largely as the result of the contraction of liquidity in the capital markets. Credit spreads for this category were also impacted by the uncertain outlook for the accounting classification of subordinated securities in certain regulatory environments. Based on our reviews, we concluded that the ability of the issuers to service our investment has not been compromised by these factors. Unrealized gains or losses related to prevailing interest rate environments are impacted by the remaining time to maturity of an investment. Assuming no credit related factors develop, as the investments near economic maturity, the unrealized gains or losses can be expected to diminish. Because we do not intend to sell and we do not believe it is likely that we will be required to sell these investments before a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired as of and for the period ended March 31, 2009.

The net effect on shareholders equity of unrealized gains and losses from investment securities were as follows:

(In millions)	**March 31, 2009**	December 31, 2008
Unrealized gains (losses) on securities available for sale	**$(4,789)**	$ (2,046)
Unamortized unrealized gains on securities transferred to held to maturity	**170**	179
Deferred income taxes	**1,635**	659
Other	**(2)**	(3)
Shareholders equity, net unrealized gains (losses) on investment securities	**$(2,986)**	$ (1,211)

The unrealized gains declined and the unrealized losses increased on securities available for sale during the three-month period ended March 31, 2009. We believe the declines in unrealized gains and the increases in unrealized losses primarily resulted from widening of credit spreads globally and increases in interest rates globally.

The contractual maturities of our investments in fixed maturities at March 31, 2009, were as follows:

	Aflac Japan		Aflac U.S.	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
Due in one year or less	$ 733	$ 746	$ 1	$ 1
Due after one year through five years	4,882	5,224	247	260
Due after five years through 10 years	2,445	2,448	659	659
Due after 10 years	18,609	16,702	5,101	4,155
Mortgage- and asset-backed securities	813	743	359	265
Total fixed maturities available for sale	$27,492	$25,903	$6,367	$5,340
Held to maturity:				
Due after one year through five years	$ 1,245	$ 1,312	$	$
Due after five years through 10 years	2,440	2,486	200	52
Due after 10 years	18,862	16,728		
Mortgage- and asset-backed securities	89	88		
Total fixed maturities held to maturity	$22,676	$20,614	$ 200	$ 52

The Parent Company has a portfolio of investment-grade available-for-sale fixed-maturity securities totaling $111 million at amortized cost and $97 million at fair value, which is not included in the table above.

Expected maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

As previously described, our perpetual securities are subordinated to other debt obligations of the issuer, but rank higher than equity securities. Although these securities have no contractual maturity, the interest coupons that were fixed at issuance subsequently change to a floating short-term interest rate of 125 to more than 300 basis points above an appropriate market index, generally by the 25th year after issuance, thereby creating an economic maturity date. The economic maturities of our investments in perpetual securities, which were all reported as available for sale at March 31, 2009, were as follows:

	Aflac Japan		Aflac U.S.	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 270	$ 261	$ 15	$ 5
Due after one year through five years	943	975		
Due after five years through 10 years	1,704	1,509	5	2
Due after 10 years through 15 years	273	251		
Due after 15 years	4,927	3,042	234	164
Total perpetual securities available for sale	$8,117	$6,038	$254	$171

As part of our investment activities, we own investments in qualifying special purpose entities (QSPEs) and variable interest entities (VIEs). The following table details our investments in these vehicles.

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Investments in Qualified Special Purpose Entities and Variable Interest Entities

	March 31, 2009		December 31, 2008	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
QSPEs:				
Total QSPEs	**$4,131***	**$3,767**	$4,458*	$4,372
VIEs:				
Consolidated:				
Total VIEs consolidated	**$1,715**	**$1,060**	$1,842	$1,392
Not consolidated:				
CDOs	**747**	**529**	908	433
Other	**479**	**440**	517	499
Total VIEs not consolidated	**1,226**	**969**	1,425	932
Total VIEs	**$2,941****	**$2,029**	$3,267**	$2,324

* *Total QSPEs represent 6.3% of total debt and perpetual securities in 2009 and 6.4% in 2008.*

** *Total VIEs represent 4.5% of total debt and perpetual securities in 2009 and 4.7% in 2008.*

We have no equity interests in any of the QSPEs in which we invest, nor do we have control over these entities. Therefore, our loss exposure is limited to the cost of our investment.

We evaluate our involvement with VIEs at inception to determine our beneficial interests in the VIE and, accordingly, our beneficiary status. As a condition to our involvement or investment in a VIE, we enter into certain protective rights and covenants that preclude changes in the structure of the VIE that would alter the creditworthiness of our investment or our beneficial interest in the VIE. We would reevaluate our beneficiary status should a reconsideration event occur. However, due to the static nature of these VIEs and our protective rights entered into as a condition of investing in the VIEs, there are few, if any, scenarios that would constitute a reconsideration event in our VIEs. To date, we have not had any reconsideration events in any of our VIEs. If we determine that we own less than 50% of the variable interest created by a VIE, we are not considered to be a primary beneficiary of the VIE and therefore are not required to consolidate the VIE.

We are substantively the only investor in the consolidated VIEs listed in the table above. As the sole investor in these VIEs, we absorb or participate in greater than 50%, if not all, of the variability created by these VIEs and are therefore considered to be the primary beneficiary of the VIEs that we consolidate. The activities of these VIEs are limited to holding debt securities and utilizing the cash flows from the debt securities to service our investments therein. The terms of the debt securities held by these VIEs mirror the terms of the notes held by Aflac. Our loss exposure to these VIEs is limited to the cost of our investment. The consolidation of these investments does not impact our financial position or results of operations. We began investing in the VIEs we consolidate in 1994 and have continued to invest in them periodically from time to time.

We also have interests in VIEs that we are not required to consolidate as reflected in the above table. Included in the VIEs that we do not consolidate are CDOs issued through VIEs originated by third party companies. These VIEs combine highly rated underlying assets as collateral for the CDOs with credit default swaps (CDS) to produce an investment security that consists of multiple asset tranches with varying levels of subordination within the VIE.

The underlying collateral assets and funding of these VIEs are generally static in nature and we do not control the activities of these VIEs. These VIEs are limited to holding the underlying collateral and CDS contracts on specific corporate entities and utilizing the cash flows from the collateral and CDS contracts to service our investment therein. The underlying collateral and the reference corporate entities covered by the CDS contracts are all investment grade at the time of issuance. These VIEs do not rely on outside or ongoing sources of funding to support their activities beyond the underlying collateral and CDS contracts.

We currently own only senior CDO tranches within these VIEs. At inception of our investment in these VIEs, we identify the variable interests created by the VIE and, using statistical analysis techniques, evaluate our participation in the variable interests created by them.

Consistent with our other debt securities, we are exposed to credit losses within these CDOs that could result in principal losses to our investments. We have mitigated our risk of credit loss through the structure of the VIE, which contractually requires the subordinated tranches within these VIEs to absorb the majority of the expected losses from the underlying credit default swaps. Based on our statistical analysis models, each of the VIEs can sustain a reasonable number of defaults in the underlying CDS pools with no loss to our CDO investments.

While we may own a significant portion of the securities issued by these VIEs, we have determined that we do not participate in the majority of the variable interests created by the VIE. We also confirm with the arranging investment banks that the variable interests in which we do not retain an interest are issued to third parties unrelated to the arranging investment bank. Since we participate in less than 50% of the variable interests created by these VIEs, we are not the primary beneficiary and are therefore not required to consolidate these VIEs. We began investing in VIEs that are CDOs in 2006 and have continued to invest in them from time to time.

Included in the CDOs described above are variable interest rate CDOs purchased with the proceeds from $200 million of variable interest rate funding agreements issued to third party investors during the second quarter of 2008. We earn a spread between the coupon received on the CDOs and the interest credited on the funding agreements. Our obligation under these funding agreements is included in other policyholder funds.

The remaining VIEs that we are not required to consolidate are investments that are limited to loans in the form of debt obligations from the VIEs that are irrevocably and unconditionally guaranteed by their corporate parents. These VIEs are the primary financing vehicle used by their corporate sponsors to raise financing in the international capital markets. The variable interests created by these VIEs are principally or solely a result of the debt instruments issued by them. We invest in less than 50% of the security interests issued by these VIEs and therefore participate in less than 50% of the variable interests created by them. As such, we are not the primary beneficiary of these VIEs and are therefore not required to consolidate them. We began investing in these VIEs in 1994 and have continued to invest in them from time to time.

Our involvement with all of the VIEs in which we have an interest is passive in nature, and we are not the arranger of these entities. Except as relates to our review and evaluation of the structure of these VIEs in the normal course of our investment decision making process, we have not been involved in establishing these entities. We have not been nor are we required to purchase the securities issued in the future by any of these VIEs.

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Our ownership interest in the VIEs is limited to holding the obligations issued by them. All of the VIEs in which we invest are static with respect to funding and have no ongoing forms of funding after the initial funding date. We have no direct or contingent obligations to fund the limited activities of these VIEs, nor do we have any direct or indirect financial guarantees related to the limited activities of these VIEs. We have not provided any assistance or any other type of financing support to any of the VIEs we invest in, nor do we have any intention to do so in the future. The weighted-average lives of our notes are very similar to the underlying collateral held by these VIEs where applicable.

We do not anticipate any impact on debt covenants, capital ratios, credit ratings or dividends should we be required to consolidate all of the VIEs we own in the future. In the event that we incur losses on the debt securities issued by these VIEs, the impact on debt covenants, capital ratios, credit ratings or dividends would be no different than the impact from losses on any of the other debt securities we own.

Our risk of loss related to our interests in any of our interests in these VIEs is limited to our investment in the debt securities issued by them.

We lend fixed-maturity securities to financial institutions in short-term security lending transactions. These short-term security lending arrangements increase investment income with minimal risk. Our security lending policy requires that the fair value of the securities and/or cash received as collateral be 102% or more of the fair value of the loaned securities. The following table presents our security loans outstanding and the corresponding collateral held:

(In millions)	**March 31, 2009**	December 31, 2008
Security loans outstanding, fair value	**$ 107**	$ 1,679
Cash collateral on loaned securities	**111**	1,733

All of the cash collateral received from borrowers for securities loaned is callable at the discretion of the borrowers. All security lending agreements are callable by us at any time.

For general information regarding our investment accounting policies, see Note 1.

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4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The carrying values and estimated fair values of the Company s financial instruments were as follows:

(In millions)	March 31, 2009 Carrying Value	March 31, 2009 Fair Value	December 31, 2008 Carrying Value	December 31, 2008 Fair Value
Assets:				
Fixed-maturity securities	**$54,215**	**$52,005**	$59,448	$58,096
Perpetual securities	**6,209**	**6,209**	8,047	8,047
Equity securities	**25**	**25**	27	27
Liabilities:				
Notes payable (excluding capitalized leases)	**1,566**	**1,314**	1,713	1,561
Cross-currency and interest rate swaps	**107**	**107**	158	158
Obligation to Japanese policyholder protection corporation	**135**	**135**	161	161

We determine the fair values of our debt, perpetual and privately issued equity securities using three basic pricing approaches or techniques: quoted market prices readily available from public exchange markets, a discounted cash flow (DCF) pricing model, and price quotes we obtain from outside brokers.

Our DCF pricing model utilizes various market inputs we obtain from both active and inactive markets. The estimated fair values developed by the DCF pricing models are most sensitive to prevailing credit spreads, the level of interest rates (yields) and interest rate volatility. Credit spreads are derived based on pricing data obtained from investment brokers and take into account the current yield curve, time to maturity and subordination levels for similar securities or classes of securities. We validate the reliability of the DCF pricing models periodically by using the models to price investments for which there are quoted market prices from active and inactive markets or, in the alternative, are quoted by our custodian for the same or similar securities.

The pricing data and market quotes we obtain from outside sources are reviewed internally for reasonableness. If a fair value appears unreasonable, the inputs are re-examined and the value is confirmed or revised.

During 2008, we noted a continued reduction in the availability of pricing data from market sources. This decline is due largely to the contraction of liquidity in the global markets and a reduction in the overall number of sources to provide pricing data. As a result, we have noted that available pricing data has become more volatile. The reduction in available pricing sources coupled with the increase in price volatility has increased the degree of management judgment required in the final determination of fair values. We continually assess the reasonableness of the pricing data we receive by comparing it to historical results. In addition to historical comparisons, we evaluate the reasonableness of the pricing data in light of current market trends and events. The final pricing data used to determine fair values is based on management s judgment.

The fair values of our available-for-sale fixed maturity and perpetual securities valued by our DCF pricing model totaled $13.8 billion at March 31, 2009. The estimated effect of potential changes in

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interest rates, credit spreads and interest rate volatility on these fair values as of such date is as follows:

Interest Rates		Credit Spreads		Interest Rate Volatility	
Factor change	Change in fair value (in millions)	Factor change	Change in fair value (in millions)	Factor change	Change in fair value (in millions)
+50 basis points	$ (703)	+50 bps	$ (691)	+50 bps	$ (17)
-50 basis points	749	-50 bps	746	-50 bps	14

The fair values of our held-to-maturity fixed maturity securities valued by our DCF pricing model totaled $19.8 billion at March 31, 2009. The estimated effect of potential changes in interest rates, credit spreads and interest rate volatility on these fair values as of such date is as follows:

Interest Rates		Credit Spreads		Interest Rate Volatility	
Factor change	Change in fair value (in millions)	Factor change	Change in fair value (in millions)	Factor change	Change in fair value (in millions)
+50 basis points	$(1,370)	+50 bps	$(1,247)	+50 bps	$ (272)
-50 basis points	1,360	-50 bps	1,274	-50 bps	189

The two tables above illustrate the differences on the fair values of our investment portfolio among each of the inputs for interest rates, credit spreads and interest volatility. These differences are driven principally by the securities in our portfolio that have call features. These call features cause the fair values of the affected securities to react differently depending on the inputs used to price these securities.

The fair values of notes payable with fixed interest rates were obtained from an independent financial information service. The fair values of our cross-currency and interest-rate swaps are the expected amounts that we would receive or pay to terminate the swaps, taking into account current interest rates, foreign currency rates and the current creditworthiness of the swap counterparties. The fair value of the obligation to the Japanese policyholder protection corporation is our estimated share of the industry s obligation calculated on a pro rata basis by projecting our percentage of the industry s premiums and reserves and applying that percentage to the total industry obligation payable in future years.

The carrying amounts for cash and cash equivalents, receivables, accrued investment income, accounts payable, cash collateral and payables for security transactions approximated their fair values due to the short-term nature of these instruments. Consequently, such instruments are not included in the above table. The preceding table also excludes liabilities for future policy benefits and unpaid policy claims as these liabilities are not financial instruments as defined by GAAP.

As of March 31, 2009, we had outstanding cross-currency swap agreements related to the $450 million senior notes (see Note 5). We had designated the foreign currency component of these cross-currency swaps as a hedge of the foreign currency exposure of our investment in Aflac Japan. The notional amounts and terms of the swaps match the principal amount and terms of the senior notes. We entered into cross-currency swaps to minimize the impact of foreign currency translation on shareholders equity and to reduce interest expense by converting the dollar-denominated principal and interest on the senior notes we issued into yen-denominated obligations. By entering into these

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cross-currency swaps, we converted our $450 million liability into a 55.6 billion yen liability, and we reduced our interest rate from 6.5% in dollars to 1.67% in yen. See Note 1 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008 for information on the accounting policy for cross-currency swaps.

We have interest rate swap agreements related to the 20 billion yen variable interest rate Uridashi notes (see Note 5). By entering into these contracts, we have been able to lock in the interest rate at 1.52% in yen. We have designated these interest-rate swaps as a hedge of the variability in our interest cash flows associated with the variable interest rate Uridashi notes. The notional amounts and terms of the swaps match the principal amount and terms of the variable interest rate Uridashi notes. The swaps had no value at inception. Changes in the fair value of the swap contracts are recorded in other comprehensive income.

The components of the fair value of the cross-currency and interest rate swap agreements were reflected as an asset or (liability) in the balance sheet as follows:

(In millions)	**March 31, 2009**	December 31, 2008
Interest rate component	**$ (3)**	$ 2
Foreign currency component	**(113)**	(164)
Accrued interest component	**9**	4
Total fair value of cross-currency and interest rate swaps	**$(107)**	$ (158)

The following is a reconciliation of the foreign currency component of the cross-currency swaps included in accumulated other comprehensive income for the three-month periods ended March 31.

(In millions)	**2009**	2008
Balance, beginning of period	**$(164)**	$ (47)
Increase (decrease) in fair value of cross-currency swaps	**51**	(51)
Interest rate component not qualifying for hedge accounting reclassified to net earnings		(10)
Balance, end of period	**$(113)**	$(108)

The change in fair value of the interest rate swaps, included in accumulated other comprehensive income, was immaterial during the three-month periods ended March 31, 2009 and 2008.

We are exposed to credit risk in the event of nonperformance by counterparties to our cross-currency and interest-rate swaps. The counterparties to our swap agreements are U.S. and Japanese financial institutions with the following credit ratings.

(In millions)	**March 31, 2009**		December 31, 2008	
Counterparty Credit Rating	**Fair Value of Swaps**	**Notional Amount of Swaps**	Fair Value of Swaps	Notional Amount of Swaps
AA	**$ (71)**	**$ 300**	$(104)	$ 300
A	**(36)**	**353**	(54)	370

Total	**$(107)**	**$ 653**	$(158)	$ 670

In April 2009, our cross-currency swap agreements expired in conjunction with the maturity of the corresponding senior notes (see Note 5). We paid off the $106 million liability balance for these swaps to the applicable swap counterparties.

We have also designated our yen-denominated Samurai and Uridashi notes (see Note 5) as nonderivative hedges of the foreign currency exposure of our investment in Aflac Japan.

SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuations techniques are observable or unobservable. These two types of inputs create three valuation hierarchy levels. The following tables present the fair-value hierarchy levels of the Company s assets and liabilities under SFAS 157 that are measured at fair value on a recurring basis.

	March 31, 2009			
(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities:				
Government and agencies	$8,617	$ 1,991	$	$10,608
Municipalities		136		136
Mortgage- and asset-backed securities		975	34	1,009
Public utilities		3,015	462	3,477
Collateralized debt obligations	107	138	74	319
Sovereign and supranational		774	209	983
Banks/financial institutions		4,785	839	5,624
Other corporate	43	8,104	1,036	9,183
Total fixed maturities	8,767	19,918	2,654	31,339
Perpetual securities:				
Banks/financial institutions		5,321	636	5,957
Other corporate		252		252
Total perpetual securities		5,573	636	6,209
Equity securities:	15		10	25
Total assets	$8,782	$25,491	$3,300	$37,573
Liabilities:				
Cross-currency and interest rate swaps		107		107
Total liabilities	$	$ 107	$	$ 107

(In millions)	December 31, 2008 Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities:				
Government and agencies	$10,182	$ 2,214	$	$12,396
Municipalities		106		106
Mortgage- and asset-backed securities		1,020	35	1,055
Public utilities		3,157	502	3,659
Collateralized debt obligations	116	140	19	275
Sovereign and supranational		994	260	1,254
Banks/financial institutions		5,674	876	6,550
Other corporate		8,819	898	9,717
Total fixed maturities	10,298	22,124	2,590	35,012
Perpetual securities:				
Banks/financial institutions		7,328	412	7,740
Other corporate		307		307
Total perpetual securities		7,635	412	8,047
Equity securities	18	5	4	27
Total assets	$10,316	$29,764	$3,006	$43,086
Liabilities:				
Cross-currency and interest rate swaps		158		158
Total liabilities	$	$ 158	$	$ 158

The fair value of our fixed maturities and equity securities categorized as Level 1 is based on quoted market prices for identical securities traded in active markets that are readily and regularly available to us.

The fair value of our fixed maturities and perpetual securities categorized as Level 2 is determined using each of the three valuation techniques described above, depending on the source and availability of market inputs.

Approximately 39% of our investments classified as Level 2 are valued by obtaining quoted market prices from our investment custodian. The custodian obtains price quotes from various pricing services who estimate their fair values based on observable market transactions for similar investments in active markets, market transactions for the same investments in inactive markets or other observable market data where available.

The fair value of approximately 54% of our Level 2 fixed maturities and perpetual securities is determined using our DCF pricing model. The significant valuation inputs to the DCF model are obtained from, or corroborated by, observable market sources from both active and inactive markets.

For the remaining Level 2 fixed maturities and perpetual securities that are not quoted by our custodian and cannot be priced under the DCF pricing model, we obtain specific broker quotes from up to three outside securities brokers and use the average of the quotes to estimate the fair value of the securities.

Historically, we have not adjusted the quotes or prices we obtain from the brokers and pricing services we use.

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The fair value of our cross-currency and interest rate swap contracts is based on the amount we would expect to receive or pay to terminate the swaps. The prices used to determine the value of the swaps are obtained from the respective swap counterparties and take into account current interest and foreign currency rates, duration, counterparty credit risk and our own credit rating.

The fair value of our fixed maturities classified as Level 3 consists of securities for which there are limited or no observable valuation inputs. We estimate the fair value of our Level 3 fixed maturities by obtaining broker quotes from a limited number of brokers. These brokers base their quotes on a combination of their knowledge of the current pricing environment and market flows. The equity securities classified in Level 3 are related to investments in Japanese businesses, each of which are insignificant and in the aggregate are immaterial. Because fair values for these investments are not readily available, we carry them at their original cost. We review each of these investments periodically and, in the event we determine that any are other-than-temporarily impaired, we write them down to their estimated fair value at that time.

The following tables present the changes in our securities available for sale classified as Level 3.

	Three Months Ended March 31, 2009						
(In millions)	Balance, beginning of period	Realized gains or losses included in earnings	Unrealized gains or losses included in other comprehensive income	Purchases and settlements	Transfers into and/or out of Level 3	Balance, end of period	Unrealized gains (losses) still held*
Fixed maturities:							
Mortgage- and asset-backed securities	$ 35	$	$ (1)	$	$	$ 34	$
Banks/financial institutions	876		(125)		88	839	
Collateralized debt obligations	19	(114)	147		22	74	(114)
Other corporate	898		(62)		200	1,036	
Public utilities	502		(40)			462	
Municipalities							
Sovereign and supranational	260		(51)			209	
Total fixed maturities	2,590	(114)	(132)		310	2,654	(114)
Perpetual securities:							
Banks/financial institutions	412		(133)		357	636	
Other corporate							
Total perpetual securities	412		(133)		357	636	

Equity securities	4			6	6	10	
Total	$3,006	$(114)	$ (265)	$	$ 673	$3,300	$(114)

**Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains (losses) relating to assets classified as Level 3 that were still held at March 31, 2009.*

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	Three Months Ended March 31, 2008						
(In millions)	Balance, beginning of period	Realized gains or losses included in earnings	Unrealized gains or losses included in other comprehensive income	Purchases and settlements	Transfers into and/or out of Level 3	Balance, end of period	Unrealized gains (losses) still held*
Fixed maturities:							
Mortgage- and asset-backed securities	$ 13	$	$	$	$	$ 13	$
Banks/financial institutions	20		2			22	
Collateralized debt obligations	76		(21)	10		65	
Other corporate							
Public utilities							
Municipalities							
Sovereign and supranational							
Total fixed maturities	109		(19)	10		100	
Equity securities	3		1			4	
Total	$112	$	$ (18)	$ 10	$	$104	$

**Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains (losses) relating to assets classified as Level 3 that were still held at March 31, 2008.*

During the first quarter of 2009, we transferred investments totaling $701 million into Level 3 as a result of credit downgrades of the respective securities to below investment grade.

Over the course of 2008, the inputs we received from pricing brokers for forward exchange rates and the credit spreads for certain issuers, including liquidity risk, became increasingly difficult for us to observe or corroborate in the markets for our investments in CDOs, callable RDCs, securities rated below investment grade, and to a lesser extent less liquid sinking fund securities. This resulted in the transfer of affected fixed maturities available for sale from the Level 2 valuation category into the Level 3 valuation category in 2008.

For additional information on our cross-currency and interest rate swaps and other financial instruments, see Notes 1, 3 and 4 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008.

5. NOTES PAYABLE

A summary of notes payable follows:

(In millions)	**March 31, 2009**	December 31, 2008
6.50% senior notes paid April 2009	**$ 450**	$ 450
Yen-denominated Uridashi notes:		
1.52% notes due September 2011 (principal amount 15 billion yen)	**153**	165
2.26% notes due September 2016 (principal amount 8 billion yen in 2009 and 10 billion yen in 2008)	**81**	110
Variable interest rate notes due September 2011 (1.01% at March 31, 2009, principal amount 20 billion yen)	**204**	220
Yen-denominated Samurai notes:		
.71% notes due July 2010 (principal amount 40 billion yen)	**407**	439
1.87% notes due June 2012 (principal amount 26.6 billion yen in 2009 and 30 billion yen in 2008)	**271**	329
Capitalized lease obligations payable through 2014	**7**	8
Total notes payable	**$1,573**	$ 1,721

During the first quarter of 2009, we extinguished portions of our yen-denominated Uridashi and Samurai debt by buying the notes on the open market. We extinguished 2.0 billion yen (par value) of our Uridashi notes due September 2016 at a cost of 1.4 billion yen, yielding a gain of .6 billion yen. We extinguished 3.4 billion yen (par value) of our Samurai notes due June 2012 at a cost of 2.5 billion yen, yielding a gain of .9 billion yen. Through these transactions, we realized a total gain from extinguishment of debt of 1.5 billion yen, or $15 million ($10 million after tax), which we included in other income.

We were in compliance with all of the covenants of our notes payable at March 31, 2009. No events of default or defaults occurred during the three months ended March 31, 2009.

In April 2009, we used internally generated cash flow to pay off our $450 million senior notes upon their maturity.

For additional information, see Notes 4 and 7 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008.

6. SHAREHOLDERS EQUITY

The following table is a reconciliation of the number of shares of the Company s common stock for the three-month periods ended March 31.

(In thousands of shares)	**2009**	2008
Common stock issued:		
Balance, beginning of period	**660,035**	658,604
Exercise of stock options and issuance of restricted shares	**391**	593
Balance, end of period	**660,426**	659,197
Treasury stock:		
Balance, beginning of period	**193,420**	172,074
Purchases of treasury stock:		
Open market		12,500
Other	**85**	103
Disposition of treasury stock:		
Shares issued to AFL Stock Plan	**(355)**	(324)
Exercise of stock options	**(13)**	(177)
Other	**(135)**	(70)
Balance, end of period	**193,002**	184,106
Shares outstanding, end of period	**467,424**	475,091

Outstanding share-based awards are excluded from the calculation of weighted-average shares used in the computation of basic earnings per share. The following table presents the approximate number of stock options to purchase shares, on a weighted-average basis, that were considered to be anti-dilutive and were excluded from the calculation of diluted earnings per share for the three-month periods ended March 31.

(In thousands)	**2009**	2008
Anti-dilutive stock options and restricted share awards	**15,367**	789

In the first quarter of 2008, we entered into an agreement for an accelerated share repurchase (ASR) program with Merrill Lynch. Under the agreement, we purchased 12.5 million shares of our outstanding common stock at $60.61 per share for an initial purchase price of $758 million. The shares were acquired as a part of previously announced share repurchase authorizations by our board of directors and are held in treasury. The ASR program was settled during the second quarter of 2008, resulting in a purchase price adjustment of $40 million, or $3.22 per share, paid to Merrill Lynch based upon the volume-weighted average price of our common stock during the ASR program period. The total purchase price for the 12.5 million shares was $798 million, or $63.83 per share.

As of March 31, 2009, a remaining balance of 32.4 million shares of our common stock was available for purchase under share repurchase authorizations by our board of directors. The 32.4 million shares were comprised of 2.4 million shares remaining from a board authorization in 2006 and 30.0 million shares remaining from an authorization by the board of directors for purchase in January 2008.

7. SHARE-BASED TRANSACTIONS

The Company has two long-term incentive compensation plans. The first plan, which expired in February 2007, is a stock option plan which allowed grants for incentive stock options (ISOs) to employees and non-qualifying stock options (NQSOs) to employees and non-employee directors. Options granted before the plan s expiration date remain outstanding in accordance with their terms. The second long-term incentive plan allows awards to Company employees for ISOs, NQSOs, restricted stock, restricted stock units, and stock appreciation rights. As of March 31, 2009, approximately 18.6 million shares were available for future grants under this plan, and the only performance-based awards issued and outstanding were restricted stock awards.

The following table provides information on stock options outstanding and exercisable at March 31, 2009.

	Stock Option Shares (in thousands)	Weighted-Average Remaining Term (in years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Exercise Price Per Share
Outstanding	17,936	5.4	$ 60	$ 36.48
Exercisable	13,133	4.1		34.57

We received cash from the exercise of stock options in the amount of $.4 million during the first quarter of 2009, compared with $13 million in the first quarter of 2008. The tax benefit realized as a result of stock option exercises and restricted stock releases was $2 million in the first quarter of 2009, compared with $11 million in the first quarter of 2008.

As of March 31, 2009, total compensation cost not yet recognized in our financial statements related to restricted-share-based awards was $27 million, of which $13 million (599 thousand shares) was related to restricted-share-based awards with a performance-based vesting condition. We expect to recognize these amounts over a weighted-average period of approximately 2 years. There are no other contractual terms covering restricted stock awards once vested.

For additional information on our long-term share-based compensation plans and the types of share-based awards, see Note 10 of the Notes to the Consolidated Financial Statements included in our annual report to shareholders for the year ended December 31, 2008.

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8. BENEFIT PLANS

Our basic employee defined-benefit pension plans cover substantially all of our full-time employees in the United States and Japan. The components of retirement expense for the Japanese and U.S. pension plans were as follows for the three-month periods ended March 31:

	2009		2008	
(In millions)	**Japan**	**U.S.**	Japan	U.S.
Components of net periodic benefit cost:				
Service cost	**$ 3**	**$ 2**	$ 3	$ 2
Interest cost	**1**	**3**	1	3
Expected return on plan assets	**(1)**	**(3)**	(1)	(3)
Amortization of net actuarial loss	**1**	**1**		1
Net periodic benefit cost	**$ 4**	**$ 3**	$ 3	$ 3

During the three months ended March 31, 2009, Aflac Japan contributed approximately $4 million (using the March 31, 2009, exchange rate) to the Japanese pension plan, and Aflac U.S. did not make a contribution to the U.S. pension plan.

For additional information regarding our Japanese and U.S. benefit plans, see Note 12 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008.

9. COMMITMENTS AND CONTINGENT LIABILITIES

We are a defendant in various lawsuits considered to be in the normal course of business. Members of our senior legal and financial management teams review litigation on a quarterly and annual basis. The final results of any litigation cannot be predicted with certainty. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, we believe the outcome of pending litigation will not have a material adverse effect on our financial position, results of operations, or cash flows.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. We desire to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein, and in any other statements made by Company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as expect, anticipate, believe, goal, objective, may, should, estimate, intends, projects, will, assumes, potential, tar well as specific projections of future results, generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements.

We caution readers that the following factors, in addition to other factors mentioned from time to time, could cause actual results to differ materially from those contemplated by the forward-looking statements:

difficult conditions in global capital markets and the economy generally

governmental actions for the purpose of stabilizing the financial markets

defaults and downgrades in certain securities in our investment portfolio

impairment of financial institutions

credit and other risks associated with Aflac s investment in hybrid securities

differing judgments applied to investment valuations

subjective determinations of amount of impairments taken on our investments

realization of unrealized losses

limited availability of acceptable yen-denominated investments

concentration of our investments in any particular sector

concentration of business in Japan

ongoing changes in our industry

exposure to significant financial and capital markets risk

fluctuations in foreign currency exchange rates

significant changes in investment yield rates

deviations in actual experience from pricing and reserving assumptions subsidiaries ability to pay dividends to the Parent Company

changes in regulation by governmental authorities

ability to attract and retain qualified sales associates and employees

ability to continue to develop and implement improvements in information technology systems

changes in U.S. and/or Japanese accounting standards

decreases in our financial strength or debt ratings

- level and outcome of litigation
- ability to effectively manage key executive succession
- catastrophic events
- failure of internal controls or corporate governance policies and procedures

COMPANY OVERVIEW

Aflac Incorporated (the Parent Company) and its subsidiaries (collectively, the Company) primarily sell supplemental health and life insurance in the United States and Japan. The Company s insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac), which operates in the United States (Aflac U.S.) and as a branch in Japan (Aflac Japan). Most of Aflac s policies are individually underwritten and marketed through independent agents. Our insurance operations in the United States and our branch in Japan service the two markets for our insurance business.

MD&A OVERVIEW

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to inform the reader about matters affecting the financial condition and results of operations of Aflac Incorporated and its subsidiaries for the period from December 31, 2008, to March 31, 2009. As a result, the following discussion should be read in conjunction with the consolidated financial statements and notes that are included in our annual report to shareholders for the year ended December 31, 2008. This MD&A is divided into the following sections:

- Critical accounting estimates
- Results of operations, consolidated and by segment
- Analysis of financial condition, including discussion of market risks of financial instruments
- Capital Resources and Liquidity, including discussion of availability of capital and the sources and uses of cash

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CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates based on currently available information when recording transactions resulting from business operations. The estimates that we deem to be most critical to an understanding of Aflac s results of operations and financial condition are those related to investments, deferred policy acquisition costs and policy liabilities. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management s analyses and judgments. The application of these critical accounting estimates determines the values at which 95% of our assets and 89% of our liabilities are reported as of March 31, 2009, and thus has a direct effect on net earnings and shareholders equity. Subsequent experience or use of other assumptions could produce significantly different results.

There have been no changes in the items that we have identified as critical accounting estimates during the three months ended March 31, 2009. For additional information, see the Critical Accounting Estimates section of MD&A included in our annual report to shareholders for the year ended December 31, 2008.

New Accounting Pronouncements

For information on new accounting pronouncements and the impact, if any, on our financial position or results of operations, see Note 1 of the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table is a presentation of items impacting net earnings and net earnings per diluted share for the three-month periods ended March 31.

Items Impacting Net Earnings

	In Millions		Per Diluted Share	
	2009	2008	**2009**	2008
Net earnings	**$569**	$474	**$1.22**	$ .98
Items impacting net earnings, net of tax:				
Realized investment gains (losses)	**(6)**	(4)	**(.01)**	(.01)
Impact from SFAS 133	**(3)**	3	**(.01)**	.01
Gain on extinguishment of debt	**10**		**.02**	

Realized Investment Gains and Losses

Our investment strategy is to invest in investment-grade fixed-income securities to provide a reliable stream of investment income, which is one of the drivers of the Company s profitability. This investment strategy aligns our assets with our liability structure, which our assets support. We do not purchase securities with the intent of generating capital gains or losses. However, investment gains and losses may be realized as a result of changes in the financial markets and the creditworthiness of specific issuers, tax planning strategies, and/or general portfolio maintenance and rebalancing. The realization of investment gains and losses is independent of the underwriting and administration of our insurance products, which are the principal drivers of our profitability.

During the first quarter of 2009, realized pretax investment gains of $225 million ($146 million after tax) were generated through bond swaps to take advantage of tax loss carryforwards from previously incurred investment losses. We realized total pretax investment losses of $234 million ($152 million after tax), as a result of the recognition of other-than-temporary impairment losses. These other-than-temporary impairment losses consisted of $65 million ($42 million after tax) recognized on certain of our perpetual security investments; $114 million ($74 million after tax) recognized on certain of our collateralized debt obligation (CDO) investments; $49 million ($32 million after tax) recognized on corporate bonds of two issuers, Ford Motor Company and Security Benefit Life; and $6 million ($4 million after tax) recognized on certain collateralized mortgage obligations (CMOs).

During the first quarter of 2008, we realized pretax investment losses of $7 million (after-tax, $4 million, or $.01 per diluted share) primarily as a result of securities sold or redeemed in the normal course of business.

See Note 3 of the Notes to the Consolidated Financial Statements for more information on our realized investment gains and losses.

Impact from SFAS 133

We had cross-currency swap agreements to effectively convert our dollar-denominated senior notes, which matured in April 2009, into a yen-denominated obligation. We designated the foreign currency component of these cross-currency swaps as a hedge of the foreign currency exposure of our investment in Aflac Japan. The effect of issuing fixed-rate, dollar-denominated debt and swapping it into fixed-rate, yen-denominated debt has the same economic impact on Aflac as if we had issued yen-denominated debt of a like amount. However, the accounting treatment for cross-currency swaps is different from issuing yen-denominated Samurai and Uridashi notes. SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133), requires that the change in the fair value of the interest rate component of the cross-currency swaps, which does not qualify for hedge accounting, be reflected in net earnings. This change in fair value is determined by relative dollar and yen interest rates and has no cash impact on our results of operations. At maturity, the fair value equaled initial contract fair value, and the cumulative impact of gains and losses from the changes in fair value of the interest component was zero. We had the ability and intent to retain the cross-currency swaps until they expired in April 2009. The impact from SFAS 133 includes the change in fair value of the interest rate component of the cross-currency swaps, which does not qualify for hedge accounting, and is included in other income.

We have also issued yen-denominated Samurai and Uridashi notes. We have designated these notes as a hedge of our investment in Aflac Japan. If the value of these yen-denominated notes and the notional amounts of the cross-currency swaps exceed our investment in Aflac Japan, we would be required to recognize the foreign currency effect on the excess, or ineffective portion, in net earnings (other income). The ineffective portion would be included in the impact from SFAS 133. These hedges were effective during the three-month periods ended March 31, 2009 and 2008; therefore, there was no impact on net earnings.

We have interest rate swap agreements related to the 20 billion yen variable interest rate Uridashi notes and have designated the swap agreements as a hedge of the variability of the debt cash flows. The notional amounts and terms of the swaps match the principal amount and terms of the variable interest rate Uridashi notes, and the swaps had no value at inception. SFAS 133 requires that the change in the fair value of the swap contracts be recorded in other comprehensive income so long as the hedge is deemed effective. Any ineffectiveness would be recognized in net earnings (other income) and would be included in the impact from SFAS 133. These hedges were effective during the three-month periods ended March 31, 2009 and 2008; therefore, there was no impact on net earnings.

For additional information, see the Impact from SFAS 133 section of MD&A and Notes 4 and 7 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2008.

Debt Extinguishment

During the first quarter of 2009, we extinguished portions of our yen-denominated Uridashi and Samurai debt by buying the notes on the open market. We realized a total gain from extinguishment of debt of 1.5 billion yen, or $15 million ($10 million after tax), which we included in other income.

Foreign Currency Translation

Aflac Japan s premiums and most of its investment income are received in yen. Claims and expenses are paid in yen, and we primarily purchase yen-denominated assets to support yen-denominated policy liabilities. These and other yen-denominated financial statement items are translated into dollars for financial reporting purposes. We translate Aflac Japan s yen-denominated income statement into dollars using an average exchange rate for the reporting period, and we translate its yen-denominated balance sheet using the exchange rate at the end of the period. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert yen into dollars.

Due to the size of Aflac Japan, where our functional currency is the Japanese yen, fluctuations in the yen/dollar exchange rate can have a significant effect on our reported results. In periods when the yen weakens, translating yen into dollars results in fewer dollars being reported. When the yen strengthens, translating yen into dollars results in more dollars being reported. Consequently, yen weakening has the effect of suppressing current period results in relation to the comparable prior period, while yen strengthening has the effect of magnifying current period results in relation to the comparable prior period. As a result, we view foreign currency translation as a financial reporting issue for Aflac and not an economic event to our Company or shareholders. Because changes in exchange rates distort the growth rates of our operations, management evaluates Aflac s financial performance excluding the impact of foreign currency translation.

Income Taxes

Our combined U.S. and Japanese effective income tax rate on pretax earnings was 34.7% for the three-month periods ended March 31, 2009 and 2008.

Earnings Guidance

We communicate earnings guidance in this report based on the growth in net earnings per diluted share. However, certain items that cannot be predicted or that are outside of management s control may have a significant impact on actual results. Therefore, our comparison of net earnings includes certain assumptions to reflect the limitations that are inherent in projections of net earnings. In comparing period-over-period results, we exclude the effect of realized investment gains and losses, the impact from SFAS 133 and nonrecurring items. We also assume no impact from foreign currency

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translation on the Aflac Japan segment and the Parent Company s yen-denominated interest expense for a given period in relation to the prior period.

Subject to the preceding assumptions, our objective for 2009 is to increase net earnings per diluted share by 13% to 15% over 2008. If we achieve this objective, the following table shows the likely results for 2009 net earnings per diluted share, including the impact of foreign currency translation using various yen/dollar exchange rate scenarios.

2009 Net Earnings Per Share (EPS) Scenarios*

Weighted-Average Yen/Dollar Exchange Rate	Net Earnings Per Diluted Share		% Growth Over 2008		Yen Impact on EPS
85.00	$5.04	5.12	26.3	28.3%	$.53
90.00	4.87	4.96	22.1	24.3	.37
95.00	4.73	4.81	18.5	20.6	.22

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The following table reflects AMC Stubs activity for the period August 31, 2012 through December 31, 2012 (Successor):

			AMC Stubs Revenue for August 31, 2012 through December 31, 2012		
(In thousands)	Deferred Membership Fees	Deferred Rewards	Other Theatre Revenues (Membership Fees)	Admissions Revenues	Food and Beverage Revenues
Balance, August 31, 2012	$ 12,345	$ 19,175			
Membership fees received	5,802		$	$	$
Rewards accumulated, net of expirations:					
Admissions		382		(382)	
Food and beverage		9,522			(9,522)
Rewards redeemed:					
Admissions		(4,218)		4,218	
Food and beverage		(9,042)			9,042
Amortization of deferred revenue	(7,551)		7,551		
For the period ended or balance as of December 31, 2012	$ 10,596	$ 15,819	$ 7,551	$ 3,836	$ (480)

The following table reflects AMC Stubs activity for the period March 30, 2012 through August 30, 2012 (Predecessor):

			AMC Stubs Revenue for March 30, 2012 through August 30, 2012		
(In thousands)	Deferred Membership Fees	Deferred Rewards	Other Theatre Revenues (Membership Fees)	Admissions Revenues	Food and Beverage Revenues
Balance, March 30, 2012	$ 13,693	$ 20,961			
Membership fees received	9,283		$	$	$
Rewards accumulated, net of expirations:					
Admissions		4,146		(4,146)	
Food and beverage		16,385			(16,385)
Rewards redeemed:					
Admissions		(7,335)		7,335	
Food and beverage		(14,982)			14,982

Amortization of deferred revenue	(10,631)		10,631		
For the period ended or balance as of August 30, 2012	$ 12,345	$ 19,175	$ 10,631	$ 3,189	$ (1,403)

Significant Events

Subsequent Events. On January 12, 2015, the Compensation Committee and all of the Board of Directors of AMC Entertainment Holdings, Inc. adopted resolutions to terminate the AMC Postretirement Medical Plan with a targeted effective date of March 31, 2015. On January 23, 2015, we notified eligible associates that their retiree medical coverage under the plan will terminate after March 31, 2015. Payments to eligible associates will be in the amount of approximately $4,300,000 with a targeted payment date of March 31, 2015. We anticipate we will record gains including unrecognized prior service credits and actuarial gains recorded in accumulated other comprehensive income related to the termination and settlement of the plan during the first quarter of 2015.

On February 3, 2015, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on March 23, 2015 to stockholders of record on March 9, 2015.

Corporate Borrowings. On January 15, 2014, AMC Entertainment Inc. ("AMCE") launched a cash tender offer and consent solicitation for any and all of its outstanding 8.75% Senior Fixed Rate Notes due 2019 ("Notes due 2019") at a purchase price of $1,038.75 plus a $30.00 consent fee for each $1,000 principal amount of Notes due 2019 validly tendered and accepted by AMCE on or before the consent payment deadline on January 29, 2014 at 5:00 p.m. New York City time (the "Consent Date"). Holders of $463,950,000, or approximately 77.33%, of the Notes due 2019 validly tendered (or defective tender waived by AMCE) and did not withdraw their Notes due 2019 prior to the expiration of the Consent Date. An additional $14,000 of Notes due 2019 was tendered from the Consent Date to the expiration date of the tender offer. The consents received exceeded the amount needed to approve the proposed amendments to the indenture under which the Notes due 2019 were issued. On February 7, 2014, AMCE amended the indenture governing the Notes due 2019 to eliminate substantially all of the restrictive covenants and certain events of default and other related provisions. On February 7, 2014, AMCE accepted for purchase $463,950,000 aggregate principal amount, plus accrued and unpaid interest of the Notes due 2019, at a purchase price of $1,038.75 plus a $30.00 consent fee for each $1,000 principal amount of Notes due 2019 validly tendered (or defective tender waived by AMCE), and, on February 14, 2014, AMCE accepted for purchase the additional $14,000 of Notes due 2019 tendered after the Consent Date, plus accrued and unpaid interest, at a purchase price of $1,038.75 for each $1,000 principal amount of Notes due 2019 validly tendered. On April 22, 2014, AMCE gave notice for redemption of all outstanding Notes due 2019 on a redemption date of June 1, 2014 (the "Redemption Date") at a redemption price of 104.375% of the principal amount together with accrued and unpaid interest to the Redemption Date. The aggregate principal amount of the Notes due 2019 outstanding on April 22, 2014 was $136,036,000. AMCE completed the redemption of all of its outstanding Notes due 2019 on June 2, 2014. We recorded a gain on extinguishment related to the cash tender offer and redemption of the Notes due 2019 of approximately $8,544,000 in other income, partially offset by other expenses of $158,000 during the twelve months ended December 31, 2014.

On February 7, 2014, AMCE completed an offering of $375,000,000 aggregate principal amount of its Senior Subordinated Notes due 2022 (the "Notes due 2022") in a private offering. The Notes due 2022 mature on February 15, 2022. AMCE will pay interest on the Notes due 2022 at 5.875% per annum, semi-annually in arrears on February 15th and August 15th, commencing on August 15, 2014. AMCE may redeem some or all of the Notes due 2022 at any time on or after February 15, 2017 at 104.406% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after February 15, 2020, plus accrued and unpaid interest to the redemption date. Prior to February 15, 2017, AMCE may redeem the Notes due 2022 at par plus a make-whole premium. AMCE used the net proceeds from the Notes due 2022 private offering, together with a portion of the net proceeds from the Holdings' IPO, to pay the consideration and consent payments for the tender offer for the Notes due 2019, plus any accrued and unpaid interest and related transaction fees and expenses.

AMCE filed a registration statement on April 1, 2014 pursuant to the Securities Act of 1933, as amended, relating to an offer to exchange the original Notes due 2022 for exchange Notes due 2022. The registration statement was declared effective on April 9, 2014. After the exchange offer expired on May 9, 2014, all the original Notes due 2022 were exchanged.

On April 30, 2013, AMCE entered into a $925,000,000 Senior Secured Credit Facility pursuant to which it borrowed term loans (the "Term Loan due 2020"), and used the proceeds to fund the redemption of both the former Senior Secured Credit Facility terms loan due 2016 (the "Term Loan due 2016") and the term loans due 2018 (the "Term Loan due 2018"). The Senior Secured Credit Facility is comprised of a $150,000,000 Revolving Credit Facility, which matures on April 30, 2018, and

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a $775,000,000 term loan, which matures on April 30, 2020. The Term Loan due 2020 requires repayments of principal of 0.25% of the original principal amount, or $1,937,500, per quarter, with the remaining principal payable upon maturity. The term loan was issued at a 0.25% discount which will be amortized to interest expense over the term of the loan. We capitalized deferred financing costs of approximately $6,909,000 related to the issuance of the Revolving Credit Facility and approximately $2,217,000 related to the issuance of the Term Loan due 2020 during 2013. Concurrently with the Term Loan due 2020 borrowings on April 30, 2013, AMCE redeemed all of the outstanding Term Loan due 2016 and the Term Loan due 2018 at a redemption price of 100% of the outstanding aggregate principal balance of $464,088,000 and $296,250,000, respectively, plus accrued and unpaid interest. We recorded a net gain of approximately $(130,000) in other expense (income) due to the Term Loan due 2016 premium write-off and the expense for the third-party costs in connection with the repurchase of the Term Loan due 2016 and the Term Loan due 2018 during the twelve months ended December 31, 2013. See Note 9 Corporate Borrowings and Capital and Financing Lease Obligations under Part II Item 8 of this Annual Report on Form 10-K for additional information concerning the new senior secured credit facility.

On June 22, 2012, AMCE announced it had received the requisite consents from holders of each of our Notes due 2019 and our 9.75% Senior Subordinated Notes due 2020, (the "Notes due 2020", and, collectively with the Notes due 2019, the "Notes") for (i) a waiver of the requirement for it to comply with the "change of control" covenant in each of the Indenture governing the Notes due 2019 and the Indenture governing the Notes due 2020 (collectively the "Indentures") in connection with the Merger (the "Waivers"), including its obligation to make a "change of control offer" in connection with the Merger with respect to each series of Notes, and (ii) certain amendments to the Indentures to reflect the change in ownership going forward by adding Wanda and its affiliates to the definition of "Permitted Holder" under each of the Indentures. AMCE entered into supplemental indentures to give effect to the Waivers and certain amendments to the Indentures, which became operative upon payment of the applicable consent fee immediately prior to the closing of the Merger. The holders of each of the Notes due 2019 and Notes due 2020 who validly consented to the Waiver and the proposed amendments received a consent fee of $2.50 per $1,000 principal amount at the closing date of the Merger. Our accounting policy for any cost triggered by the consummation of the Merger was to recognize the cost when the Merger was consummated. Accordingly, these consent fees have not been recorded in the Consolidated Statement of Operations for the Predecessor period since that statement depicts the results of operations just prior to consummation of the transaction. In addition, since the Successor period reflects the effects of push-down accounting, these costs have also not been recorded as an expense in the Successor period. However, the costs were reflected in the purchase accounting adjustments which were applied in arriving at the opening balances of the Successor.

On April 6, 2012, AMCE redeemed $51,035,000 aggregate principal amount of its 8% Senior Subordinated Notes due 2014 ("Notes due 2014") pursuant to a cash tender offer at a price of $1,000 per $1,000 principal amount. We used the net proceeds from the issuance of the Term Loan due 2018, which was borrowed on February 22, 2012, to pay for the consideration of the cash tender offer plus accrued and unpaid interest on the principal amount of the Notes due 2014. On August 30, 2012, prior to the consummation of the Merger, AMCE issued a call notice for our remaining outstanding Notes due 2014 at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. On August 30, 2012, AMCE irrevocably deposited $141,027,000 plus accrued and unpaid interest to September 1, 2012 with a trustee to satisfy and to discharge our obligations under the Notes due 2014 and the indenture. We recorded a loss on redemption of $1,297,000 prior to the Merger in other expense (income) related to the extinguishment of the Notes due 2014.

Dividends. On April 25, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on June 16, 2014 to stockholders of record on June 6, 2014. On July 29, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on September 15, 2014 to stockholders of record on September 5, 2014. On October 27, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on December 15, 2014 to stockholders of record on December 5, 2014. We paid dividends and dividend equivalents of $58,504,000 during the twelve months ended December 31, 2014 and accrued $225,000 for the remaining unpaid dividends at December 31, 2014.

NCM. As of December 31, 2014, the estimated fair value of NCM, as measured by the closing price per common share of NCM, Inc. of $14.37, was $275,825,000, which was 3.8% greater than the carrying value of $265,839,000. The market price at December 31, 2013 was $19.96. The market value of common stock may change significantly due to the underlying performance of the business, industry trends and general economic and political conditions. During 2014, NCM has experienced a significant decrease in advertising revenues primarily caused by an increasingly competitive advertising environment. Should the market value of our investment in NCM decline below our carrying value, an impairment loss may be warranted if the decline in value is deemed other than temporary.

On May 5, 2014, NCM, Inc., the sole manager of NCM LLC, announced that it has entered into an agreement to acquire Screenvision, LLC for $375,000,000, consisting of cash, principally from an increase in borrowings, and NCM, Inc. common stock. Consummation of the transaction is subject to regulatory approvals and other customary closing conditions. If NCM, Inc. does not receive this approval or if the closing conditions in the agreement cannot be satisfied, NCM Inc. may be required to pay a termination fee of approximately $28,800,000. NCM LLC would indemnify NCM, Inc. and bear a pro rata portion of this fee based upon NCM, Inc.'s ownership percentage in NCM LLC, with NCM LLC's founding members bearing the remainder of the fee in accordance with their ownership percentage in NCM LLC. We hold an investment in NCM LLC of 14.96% as of December 31, 2014. On November 3, 2014, the U.S. Department of Justice (the "DOJ") filed an antitrust lawsuit seeking to enjoin the proposed acquisition of Screenvision, LLC by NCM, Inc. See Note 7 Investments of the Notes to Consolidated Financial Statements in Item 1 of Part I for further information for our investment in NCM LLC. As of December 31, 2014, NCM LLC did not have a liability recorded for this termination fee.

Valuation Allowance. On December 31, 2013, we reversed $265,600,000 of our recorded valuation allowance for deferred tax assets which significantly contributed to our recorded income tax benefit of $263,383,000 for the twelve months ended December 31, 2013. We generated sufficient earnings in the United States federal and state tax jurisdictions where we had recorded valuation allowances to conclude that we did not need valuation allowances in these tax jurisdictions.

Initial Public Offering of Holdings. On December 23, 2013, Holdings completed the IPO of 18,421,053 shares of Class A common stock at a price of $18.00 per share. In connection with the IPO, the underwriters exercised in full their option to purchase an additional 2,631,579 shares of Class A common stock. As a result, the total IPO size was 21,052,632 shares of Class A common stock and the net proceeds were approximately $355,299,000 after deducting underwriting discounts and commissions and offering expenses. The net proceeds of the IPO, after deducting offering expenses, were contributed to AMCE. AMCE used a portion of the proceeds (approximately $137 million) to fund the tender offer for the Notes due 2019. We used the remaining proceeds to retire outstanding indebtedness and for general corporate purposes, including capital expenditures. Wanda holds approximately 77.86% of Holdings' outstanding common stock and 91.34% of the combined voting power of Holdings' outstanding common stock as of December 31, 2014.

Holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to three votes per share, and such holders generally vote as a class on all matters. Our Class B common stock is only held by Wanda. Because of the three-to-one voting

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ratio between our Class B and Class A common stock, Wanda controls a majority of the combined voting power of our Common Stock and therefore will be able to control all matters submitted to our stockholders for approval (including election of directors and approval of significant corporate transactions, such as mergers) so long as the shares of Class B common stock owned by Wanda and its permitted transferees represent at least 30% of all outstanding shares of our Class A and Class B common stock. The shares of our Class B common stock automatically convert to shares of Class A common stock upon Wanda and its permitted transferees holding less than 30% of all outstanding shares of our Class A and Class B common stock.

Acquisitions. In December 2012, we completed the acquisition of 4 theatres and 61 screens from Rave Reviews Cinemas, LLC and 6 theatres and 95 screens from Rave Digital Media, LLC, (and together "Rave theatres"). The purchase price for the Rave theatres, paid in cash, was $88,683,000, net of cash acquired, and was subject to working capital and other purchase price adjustments. Approximately $881,000 of the total purchase price was paid during the twelve months ended December 31, 2013. For additional information about this acquisition, see Note 3 Acquisition to our Consolidated Financial Statements under Part II Item 8 of this Annual Report on Form 10-K.

Fiscal Year. On November 15, 2012, we changed our fiscal year to a calendar year ending on December 31st of each year. Prior to the change, we had a 52/53 week fiscal year ending on the Thursday closest to the last day of March. The consolidated financial statements include the transition period of March 30, 2012 through December 31, 2012 ("Transition Period").

Merger. On August 30, 2012, Wanda acquired Holdings through a merger between Holdings and Merger Subsidiary, an indirect subsidiary of Wanda, whereby Merger Subsidiary merged with and into Holdings with Holdings continuing as the surviving corporation and as an indirect subsidiary of Wanda. In connection with the change of control pursuant to the Merger, our assets and liabilities were adjusted to fair value on the closing date of the Merger by application of "push down" accounting. As a result of the application of "push down" accounting in connection with the Merger, our financial statement presentations herein distinguish between a predecessor period ("Predecessor"), for periods prior to the Merger, and a successor period ("Successor"), for periods subsequent to the Merger. The Successor applied "push down" accounting and its financial statements reflect a new basis of accounting that is based on the fair value of assets acquired and liabilities assumed as of the Merger date, August 30, 2012. As a result of the application of "push down" accounting at the time of the Merger, the financial statements for the Predecessor period and for the Successor period are presented on different bases and are, therefore, not comparable. See Note 2 Merger of the Notes to our Consolidated Financial Statements under Part II Item 8 of this Annual Report on Form 10-K.

Dispositions. In July and August of 2012, we sold 6 and closed 1 of our 8 theatres located in Canada. One theatre with 20 screens was closed prior to the end of the lease term and we made a payment to the landlord of $7,562,000 to terminate this lease. Two theatres with 48 screens were sold under an asset purchase agreement to Empire Theatres Limited and 4 theatres with 86 screens were sold under a share purchase agreement to Cineplex, Inc. During the period of March 30, 2012 through August 30, 2012, the total net proceeds we received from these sales were approximately $1,472,000, and were subject to purchase price adjustments. The operations of these 7 theatres have been eliminated from our ongoing operations. We do not have any significant continuing involvement in the operations of these 7 theatres after the dispositions. During August of 2012, we sold one theatre in the UK with 12 screens. Proceeds from this sale were $395,000 and were subject to working capital and other purchase price adjustments as described in the sales agreement. The results of operations of these 8 theatres have been classified as discontinued operations. We are in discussions with the landlord regarding the ongoing operation at the remaining theatre located in the UK. We recorded gains, net of lease termination expense, on the sales of these theatres of approximately $39,392,000, which were included in discontinued operations during the period of March 30, 2012 through

August 30, 2012, and reflect the write off of long-term lease liabilities extinguished in connection with the sales and closure. During the twelve months ended December 31, 2013, we received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada. The sales price adjustment was related to tax attributes of the theatres sold in Canada which were not determinable or probable of collection at the date of the sale. We completed our tax returns, for periods prior to the date of sale, during the twelve months ended December 31, 2013 at which time the buyer was able to determine amounts due pursuant to the sales price adjustment and remit them to us. We recorded the additional gain on sale following the guidance for gain contingencies in ASC 450-30-25-1 when the gains were realizable. The earnings from discontinued operations were partially offset by income taxes, legal and professional fees, and contractual repairs and maintenance expenses during the twelve months ended December 31, 2014.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our Consolidated Financial Statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. We have identified several policies as being critical because they require management to make particularly difficult, subjective and complex judgments about matters that are inherently uncertain, and there is a likelihood that materially different amounts would be reported under different conditions or using different assumptions. See Note 11 Income Taxes of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information and in particular our reversal of recorded valuation allowance for the twelve months ended December 31, 2013.

All of our significant accounting policies are discussed in Note 1 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Impairments. We evaluate goodwill and other indefinite lived intangible assets for impairment annually or more frequently as specific events or circumstances dictate. Impairment for other long-lived assets (including finite lived intangibles) is done whenever events or changes in circumstances indicate that these assets may not be fully recoverable. We have invested material amounts of capital in goodwill and other intangible assets in addition to other long-lived assets. We operate in a very competitive business environment and our revenues are highly dependent on movie content supplied by film producers. In addition, it is not uncommon for us to closely monitor certain locations where operating performance may not meet our expectations. Because of these and other reasons we have recorded material impairment charges primarily related to long-lived assets. Impairment charges were $3,149,000 and $1,370,000 during the twelve months ended December 31, 2014 and December 31, 2013, respectively. There are a number of estimates and significant judgments that are made by management in performing these impairment evaluations. Such judgments and estimates include estimates of future revenues, cash flows, capital expenditures, and the cost of capital, among others. We believe we have used reasonable and appropriate business judgments. There is considerable management judgment with respect to cash flow estimates and appropriate multiples and discount rates to be used in determining fair value, and, accordingly, actual results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy. These estimates determine whether impairments have been incurred and also quantify the amount of any related impairment charge. Given the nature of our business and our recent history, future impairments are possible and they may be material, based upon business conditions that are constantly changing.

Our recorded goodwill was $2,289,800,000 as of both December 31, 2014 and December 31, 2013. We evaluate goodwill and our trademarks for impairment annually during our fourth fiscal quarter and any time an event occurs or circumstances change that would more likely than not reduce the fair value for a reporting unit below its carrying amount. Our goodwill is recorded in our Theatrical Exhibition operating segment, which is also the reporting unit for purposes of evaluating recorded goodwill for impairment. If the carrying value of the reporting unit exceeds its fair value, we are required to reallocate the fair value of the reporting unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit.

At December 31, 2014 and December 31, 2013, we assessed qualitative factors and reached a determination that it is not more likely than not that the fair value of our reporting unit is less than its carrying value and therefore the two step method, as described in ASC 350-20, is not necessary. Factors considered in determining this conclusion include but are not limited to the fair value of our equity as determined by Holdings' closing stock price on December 31, 2014 exceeded our carrying value as of December 31, 2014; our Adjusted EBITDA improved from calendar 2013; and the equity values of our peer group competitors increased during the calendar 2014.

There was no goodwill impairment as of December 31, 2014 and December 31, 2013.

Film Exhibition Costs. We have agreements with film companies who provide the content we make available to our customers. We are required to routinely make estimates and judgments about box office receipts for certain films and for films provided by specific film distributors in closing our books each period. These estimates are subject to adjustments based upon final settlements and determinations of final amounts due to our content providers that are typically based on a film's box office receipts and how well it performs. In certain instances this evaluation is done on a film by film basis or in the aggregate by film production suppliers. We rely upon our industry experience and professional judgment in determining amounts to fairly record these obligations at any given point in time. The accruals made for film costs have historically been material and we expect they will continue to be so into the future. During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, our film exhibition costs totaled $934,246,000, $976,912,000, $291,561,000, and $436,539,000, respectively.

Income and operating taxes. Income and operating taxes are inherently difficult to estimate and record. This is due to the complex nature of the U.S. tax code and also because our returns are routinely subject to examination by government tax authorities, including federal, state and local officials. Most of these examinations take place a few years after we have filed our tax returns. Our tax audits in many instances raise questions regarding our tax filing positions, the timing and amount of deductions claimed and the allocation of income among various tax jurisdictions. Our federal and state tax operating loss carry forwards of approximately $649,782,000 and $409,654,000 which begin expiring in 2016, respectively at December 31, 2014, require us to estimate the amount of carry forward losses that we can reasonably be expected to realize. Future changes in conditions and in the tax code may change these strategies and thus change the amount of carry forward losses that we expect to realize and the amount of valuation allowances we have recorded. Accordingly future reported results could be materially impacted by changes in tax matters, positions, rules and estimates and these changes could be material.

Theatre and Other Closure Expense. Theatre and other closure expense is primarily related to payments made or received or expected to be made or received to or from landlords to terminate leases on certain of our closed theatres, other vacant space and theatres where development has been discontinued. Theatre and other closure expense is recognized at the time the theatre or auditorium closes, space becomes vacant or development is discontinued. Expected payments to or from landlords are based on actual or discounted contractual amounts. We estimate theatre closure expense based on contractual lease terms and our estimates of taxes and utilities. The discount rate we use to estimate theatre and other closure expense is based on estimates of our borrowing costs at the time of closing. Our theatre and other closure liabilities have been measured using a discount rate of approximately 6.0% to 9.0%. We have recorded theatre and other closure expense, which is included in operating expense in the Consolidated Statements of Operations, of $9,346,000, $5,823,000, $2,381,000 and $4,191,000 during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively.

Gift card and packaged ticket income. As noted in our significant accounting policies for revenue, we defer 100% of these items and recognize these amounts as they are redeemed by customers or as income related to non-redeemed amounts is recognized. A vast majority of gift cards are used or partially used. However a portion of the gift cards and packaged ticket sales we sell to our customers are not redeemed and not used in whole or in part. We are required to estimate income related to non-redeemed and partially redeemed cards and do so based upon our historical redemption patterns. Our history indicates that if a card or packaged ticket is not used for 18 months or longer, its likelihood of being used past this 18 month period is remote. We recognize income for non-redeemed or partially redeemed gift cards using the Proportional Method, pursuant to which we apply a non-redemption rate for our five gift card sales channels which range from 14% to 23% of our current month sales, and we recognize that total amount of income for that current month's sales as income over the next 24 months in proportion to the pattern of actual redemptions. We have determined our non-redemption rates and redemption patterns using data accumulated over ten years on a company-wide basis. Income for non-redeemed packaged tickets continues to be recognized as the redemption of these items is determined to be remote, that is if a ticket has not been used within 18 months after being purchased. During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, we recognized $21,347,000, $19,510,000, $3,483,000, and $7,776,000 of income, respectively, related to the derecognition of gift card liabilities, which was recorded in other theatre revenues in the Consolidated Statements of Operations. During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, we recognized $11,710,000, $0, $0, and $4,818,000 of income, respectively, related to the derecognition of package ticket liabilities, which was recorded in other theatre revenues in the Consolidated Statements of Operations. As a result of fair value accounting with the Merger, we did not recognize any income on packaged tickets until 18 months after the date of the Merger.

Operating Results

As a result of the Merger described above, our Predecessor does not have financial results for the twelve months ended December 31, 2012. We have prepared separate discussion and analysis of our consolidated operating results for the twelve months ended December 31, 2013 (Successor), the period August 31, 2012 through December 31, 2012 (Successor), and the period March 30, 2012 through August 30, 2012 (Predecessor).

The following table sets forth our revenues, operating costs and expenses attributable to our theatrical exhibition operations. Reference is made to Note 17 Operating Segment to the

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Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for additional information therein:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Revenues				
Theatrical exhibition				
Admissions	$ 1,765,388	$ 1,847,327	$ 548,632	$ 816,031
Food and beverage	797,735	786,912	229,739	342,130
Other theatre	132,267	115,189	33,121	47,911
Total revenues	2,695,390	2,749,428	811,492	1,206,072
Operating Costs and Expenses				
Theatrical exhibition				
Film exhibition costs	934,246	976,912	291,561	436,539
Food and beverage costs	111,991	107,325	30,545	47,326
Operating expense	733,338	726,641	230,434	297,328
Rent	455,239	451,828	143,374	189,086
General and administrative expense:				
Merger, acquisition and transaction costs	1,161	2,883	3,366	4,417
Management Fee				2,500
Other	64,873	97,288	29,110	27,023
Depreciation and amortization	216,321	197,537	71,633	80,971
Impairment of long-lived assets	3,149			
Operating costs and expenses	2,520,318	2,560,414	800,023	1,085,190
Operating income	175,072	189,014	11,469	120,882
Other expense (income)				
Other expense (income)	(8,344)	(1,415)	49	960
Interest expense:				
Corporate borrowings	111,072	129,963	45,259	67,614
Capital and financing lease obligations	9,867	10,264	1,873	2,390
Equity in (earnings) losses of non-consolidated entities	(26,615)	(47,435)	2,480	(7,545)
Investment expense (income)	(8,145)	(2,084)	290	(41)
Total other expense	77,835	89,293	49,951	63,378
Earnings (loss) from continuing operations before income taxes	97,237	99,721	(38,482)	57,504
Income tax provision (benefit)	33,470	(263,383)	3,500	2,500
Earnings (loss) from continuing operations	63,767	363,104	(41,982)	55,004
Earnings (loss) from discontinued operations, net of income taxes	313	1,296	(688)	35,153
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157

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(In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Operating Data Continuing Operations:				
Screen additions	29	12		
Screen acquisitions	36	37	166	
Screen dispositions	33	29	15	31
Construction openings (closures), net	(48)	(32)	18	(18)
Average screens continuing operations(1)	4,871	4,859	4,732	4,742
Number of screens operated	4,960	4,976	4,988	4,819
Number of theatres operated	348	345	344	333
Screens per theatre	14.3	14.4	14.5	14.5
Attendance (in thousands) continuing operations(1)	187,241	199,270	60,336	90,616

(1) Includes consolidated theatres only, excludes 8 theatres with 166 screens sold in July and August of 2012 and included in discontinued operations.

We present Adjusted EBITDA as a supplemental measure of our performance that is commonly used in our industry. We define Adjusted EBITDA as earnings (loss) from continuing operations plus (i) income tax provision (benefit), (ii) interest expense and (iii) depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance and to include any cash distributions of earnings from our equity method investments. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

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The following table sets forth our reconciliation of Adjusted EBITDA:

Reconciliation of Adjusted EBITDA
(unaudited)

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Earnings (loss) from continuing operations	$ 63,767	$ 363,104	$ (41,982)	$ 55,004
Plus:				
Income tax provision (benefit)(1)	33,470	(263,383)	3,500	2,500
Interest expense	120,939	140,227	47,132	70,004
Depreciation and amortization	216,321	197,537	71,633	80,971
Impairment of long-lived assets	3,149			
Certain operating expenses(2)	21,686	13,913	7,675	5,858
Equity in earnings of non-consolidated entities(3)	(26,615)	(47,435)	2,480	(7,545)
Cash distributions from non-consolidated entities	35,243	31,501	10,226	7,051
Investment expense (income)	(8,145)	(2,084)	290	(41)
Other expense (income)(4)	(8,344)	(127)	49	1,297
General and administrative expense unallocated:				
Merger, acquisition and transaction costs	1,161	2,883	3,366	4,417
Management fee				2,500
Stock-based compensation expense(5)	11,293	12,000		830
Adjusted EBITDA	$ 463,925	$ 448,136	$ 104,369	$ 222,846

(1) During the twelve months ended December 31, 2013, we reversed our recorded valuation allowance for deferred tax assets. We generated sufficient earnings in the United States federal and state tax jurisdictions where we had recorded valuation allowances to allow us to conclude that we did not need valuation allowances in these tax jurisdictions. This reversal is reflected as a non-cash income tax benefit recorded during the twelve months ended December 31, 2013.

(2) Amounts represent preopening expense, theatre and other closure expense, deferred digital equipment rent expense, and disposition of assets and other gains included in operating expenses.

(3) During the twelve months ended December 31, 2014, equity in earnings of non-consolidated entities was primarily due to equity in earnings (loss) from NCM of $11,311,000, DCIP of $20,929,000 and Open Road Releasing of $(7,650,000). During the twelve months ended December 31, 2013, equity in earnings of non-consolidated entities was primarily due to equity in earnings from NCM of $23,196,000, DCIP of $18,660,000, and Open Road Releasing of $4,861,000.

(4) During the twelve months ended December 31, 2014, AMCE redeemed its Notes due 2019 resulting in a net gain of $8,386,000.

(5) Non-cash expense included in general and administrative: other.

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Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net earnings (loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with GAAP). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. We have included Adjusted EBITDA because we believe it provides management and investors with additional information to measure our performance and liquidity, estimate our value and evaluate our ability to service debt.

Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted EBITDA:

- does not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt;
- excludes income tax payments that represent a reduction in cash available to us;
- does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; and
- does not reflect management fees that were paid to our former sponsors.

Results of Operations For the Twelve Months Ended December 31, 2014 (Successor) and the Twelve Months Ended December 31, 2013 (Successor)

Revenues. Total revenues decreased 2.0%, or $54,038,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013. Admissions revenues decreased 4.4%, or $81,939,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily due to a 6.0% decrease in attendance, partially offset by a 1.7% increase in average ticket price. Total admissions revenues were increased by redemptions, net of deferrals, of $642,000 and $1,451,000, related to rewards accumulated under AMC Stubs, during the twelve months ended December 31, 2014 and the twelve months ended December 31, 2013, respectively. The rewards accumulated under AMC Stubs are deferred and recognized in future periods upon redemption or expiration of customer rewards. The increase in average ticket price was primarily due to an increase in ticket prices for traditional film product, an increase in tickets purchased for alternative film content and an increase related to tickets purchased for 3D premium format film product, partially offset by declines in AMC Stubs redemptions net of deferrals and decreases in tickets purchased for IMAX premium format film product, due to the popularity of IMAX product.

Food and beverage revenues increased 1.4%, or $10,823,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily due to a 7.8% increase in food and beverage revenues per patron, partially offset by the decline in attendance. The increase in food and beverage revenues per patron reflects the popularity of family-oriented film product during the twelve months ended December 31, 2014, the contribution of our food and beverage strategic initiatives, increased prices associated with converting from tax inclusive pricing to tax on top pricing effective at the start of the fourth quarter of calendar 2014 and refunds of sales taxes paid in prior periods recorded as food and beverage revenue during the fourth quarter of calendar 2014. The increase in total food and beverage revenues also benefited from rewards redeemed, net of deferrals of $346,000 during the twelve months ended December 31, 2014 related to rewards accumulated under AMC Stubs compared to a decrease of $2,749,000, during the twelve months ended December 31, 2013 for revenue deferrals, net of rewards redeemed.

Other theatre revenues increased 14.8%, or $17,078,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily due to increases in income from package ticket sales, internet ticket fees related to our comfort and convenience initiatives and our recently launched AMC Online E-commerce website, income from gift card sales and AMC Stubs membership fees earned. The increase in income on packaged tickets of $11,710,000 was due to fair value accounting as a result of the Merger on August 30, 2012. We did not recognize any income on packaged ticket sales until 18 months after the date of the Merger. We began recognizing income on packaged tickets in March of 2014 and expect to continue recording income prospectively.

Operating costs and expenses. Operating costs and expenses decreased 1.6%, or $40,096,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013. Film exhibition costs decreased 4.4%, or $42,666,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 52.9% for the twelve months ended December 31, 2014 and December 31, 2013.

Food and beverage costs increased 4.3%, or $4,666,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013 due to the increase in food and beverage costs as a percentage of food and beverage revenues and the increase in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 14.0% for the twelve months ended December 31, 2014 and 13.6% for the twelve months ended December 31, 2013, primarily due to food and beverage cost increases and a shift in product mix to premium items that generate higher sales at lower profit margin percentages. Our food and beverage costs as a percentage of food and beverage revenues benefited during the year from increased prices associated with converting from tax inclusive pricing to tax on top pricing effective at the start of the fourth quarter of calendar 2014 and refunds of sales taxes paid in prior periods recorded as food and beverage revenue during the fourth quarter of calendar 2014.

As a percentage of revenues, operating expense was 27.2% in the current period as compared to 26.4% in the prior period, primarily due to increases in preopening expense related to our theatre renovation initiatives, theatre and other closure expense resulting from a permanent closure of one theatre in Canada, utility expenses due to colder weather during the three months ended March 31, 2014, partially offset by decreases in deferred digital equipment rent. Rent expense increased 0.8%, or $3,411,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily from increases in common area maintenance and other expenses associated with snow removal.

General and Administrative Expense:

Merger, acquisition and transaction costs. Merger, acquisition and transaction costs were $1,161,000 during the twelve months ended December 31, 2014 compared to $2,883,000 during the twelve months ended December 31, 2013, primarily due to a decrease in professional and consulting costs related to the Merger and the acquisition of 10 theatres and 156 screens from Rave Review Cinemas, LLC and Rave Digital Media, LLC recorded during the twelve months ended December 31, 2013.

Other. Other general and administrative expense decreased 33.3%, or $32,415,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, due primarily to decreases in expenses related to a discontinued cash-based management profit sharing plan, annual incentive compensation expense related to declines in operating performance compared to

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target, net periodic benefit costs for our pension and postretirement medical plans, legal expenses, theatre support center rent, and expenses related to abandoned projects.

Depreciation and amortization. Depreciation and amortization increased 9.5%, or $18,784,000, during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, primarily due to the increase in depreciable assets resulting from capital expenditures of $270,734,000 and $260,823,000, during the twelve months ended December 31, 2014 and the twelve months ended December 31, 2013, respectively.

Impairment of long-lived assets. During the twelve months ended December 31, 2014, we recognized non-cash impairment losses of $3,149,000 on eight theatres with 94 screens (in the District of Columbia, Florida, Georgia, Maryland, Michigan, New York and Oklahoma) in property, net.

Other Expense (Income):

Other expense (income). Other income increased $6,929,000 for the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, due to a gain on extinguishment of indebtedness related to the cash tender offer and redemption of the Notes due 2019 of $8,544,000, partially offset by other expenses of $158,000 recorded during the twelve months ended December 31, 2014. Other income of $1,415,000 recorded during the twelve months ended December 31, 2013 was primarily comprised of business interruption insurance recoveries.

Interest expense. Interest expense decreased 13.8%, or $19,288,000, for the twelve months ended December 31, 2014, compared to the twelve months ended December 31, 2013, primarily due to the decrease in interest rates for corporate borrowings and the decrease in aggregate principal amounts of borrowings. In February 2014, AMCE completed an offering of $375,000,000 principal amount of its 5.875% Senior Subordinated Notes due 2022. In February 2014, AMCE extinguished $463,964,000 of its 8.75% Senior Fixed Rate Notes due 2019 and in June 2014, extinguished the remaining outstanding principal of $136,036,000 of its 8.75% Senior Fixed Rate Notes due 2019.

Equity in earnings of non-consolidated entities. Equity in earnings of non-consolidated entities were $26,615,000 during the twelve months ended December 31, 2014 compared to $47,435,000 during the twelve months ended December 31, 2013. The decrease in equity in earnings of non-consolidated entities was primarily due to increases in equity in losses from Open Road Releasing, LLC and decreases in equity in earnings from NCM, partially offset by increases in equity in earnings from DCIP and AC JV LLC. The increase in equity in losses from Open Road Releasing, LLC was primarily due to higher cost of revenues resulting from timing and structure of theatrical releases and film participation costs during the twelve months ended December 31, 2014 compared to the same period for the prior year. The decrease in equity in earnings from NCM was primarily due to a decrease in advertising revenues primarily caused by an increasingly competitive advertising environment during the twelve months ended December 31, 2014 compared to the same period for the prior year. Cash distributions from non-consolidated entities were $35,243,000 during the twelve months ended December 31, 2014 and $31,501,000 during the twelve months ended December 31, 2013 and include payments related to the NCM tax receivable agreement recorded in investment income. See Note 7 Investments of the Notes to Consolidated Financial Statements in Item 1 of Part I for further information.

Investment expense (income). Investment income was $8,154,000 for the twelve months ended December 31, 2014 compared to $2,084,000 for the twelve months ended December 31, 2013. The investment income for the twelve months ended December 31, 2014 includes payments received of $8,730,000 related to the NCM tax receivable agreement compared to payments received of $3,677,000 during the twelve months ended December 31, 2013.

Income tax provision (benefit). The income tax provision from continuing operations was $33,470,000 for the twelve months ended December 31, 2014 and a benefit of $(263,383,000) for the twelve months ended December 31, 2013. We reversed our recorded valuation allowance for deferred tax assets during the twelve months ended December 31, 2013. See Note 11 Income Taxes of the Notes to Consolidated Financial Statements in Item 1 of Part I for further information.

Earnings from discontinued operations, net of income taxes. In July and August of 2012, we sold or closed 7 of the 8 theatres located in Canada and sold one theatre with 12 screens in the UK. The results of operations of the 7 Canada theatres and the one UK theatre have been classified as discontinued operations for all periods presented. During the twelve months ended December 31, 2013, we received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada. The sales price adjustment was related to tax attributes of the theatres sold in Canada which were not determinable or probable of collection at the date of the sale. We completed our tax returns, for periods prior to the date of sale, during the twelve months ended December 31, 2013, at which time the buyer was able to determine amounts due pursuant to the sales price adjustment and remit payment to us. We recorded the additional gain on sale at the time the gain was realizable. The earnings from discontinued operations were partially offset by income taxes, legal and professional fees, and contractual repairs and maintenance expenses.

Net earnings. Net earnings were $64,080,000 and $364,400,000 for the twelve months ended December 31, 2014 and the twelve months ended December 31, 2013, respectively. Net earnings during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013 were negatively impacted by the increase in income tax provision as a result of the reversal of valuation allowance during the twelve months ended December 31, 2013, the decrease in attendance, the decrease in equity in earnings of non-consolidated entities, the increase in depreciation and amortization, the increase in preopening expense, the decrease in gain from discontinued operations and the increase in theatre closure expense. Net earnings were positively impacted by the decrease in interest expense, the decrease in general and administrative: other expense, the increase in income from packaged tickets and gift card sales, the net gain on extinguishment of Notes due 2019, and the increase in payments received from NCM related to the tax receivable agreement.

Results of Operations For the Twelve Months Ended December 31, 2013 (Successor)

Revenues. Total revenues were $2,749,428,000 during the twelve months ended December 31, 2013. Revenues consisted of (i) admission revenues of $1,847,327,000, or 67.2% of total revenues, (ii) food and beverage revenues of $786,912,000, or 28.6% of total revenues, and (iii) other theatre revenues of $115,189,000, or 4.2% of total revenues. Other theatre revenues were primarily comprised of advertising revenues, AMC Stubs membership fees earned, income from gift card sales, and theatre rentals. Attendance at our theatres was 199,270,000 patrons during this period.

Operating costs and expenses. Operating costs and expenses were $2,560,414,000 during the twelve months ended December 31, 2013. Film exhibition costs were $976,912,000, or 52.9% of admission revenues, and food and beverage costs were $107,325,000, or 13.6% of food and beverage revenues, during the twelve months ended December 31, 2013. As a percentage of revenues, operating expense was 26.4% during the twelve months ended December 31, 2013. Rent expense was $451,828,000 during the twelve months ended December 31, 2013.

General and Administrative Expense:

Merger, acquisition and transaction costs. Merger, acquisition and transaction costs were $2,883,000 during the twelve months ended December 31, 2013, primarily due to the professional and legal fees, acquisition of the Rave theatres, and costs related to our IPO.

Other. Other general and administrative expense was $97,288,000 during the twelve months ended December 31, 2013. Other general and administrative expense includes both the annual incentive compensation expense of $19,563,000 and the management profit sharing plan expense of $11,300,000 related to improvements in net earnings, an IPO stock award of $12,000,000 to certain members of management, and early retirement and severance expense of $3,279,000 during calendar 2013. For calendar 2014, the cash management profit sharing plan will be replaced with stock-based compensation.

Depreciation and amortization. Depreciation and amortization was $197,537,000 during the twelve months ended December 31, 2013.

Other Expense (Income):

Other income. Other income of $1,415,000 during the twelve months ended December 31, 2013, was primarily due to business interruption insurance recoveries.

Interest expense. Interest expense was $140,227,000 during the twelve months ended December 31, 2013. On April 30, 2013, we entered into a new Senior Secured Credit Facility. The applicable rate for borrowings of $775,000,000 under the new Senior Secured Credit Facility Term Loan due 2020 at April 30, 2013 was 3.5% based on LIBOR. Prior to their redemption with proceeds of the Term Loan due 2020, the applicable rate for borrowings of $464,088,000 under the Term Loan due 2016 at April 30, 2013 was 4.25% based on LIBOR and the applicable rate for borrowings of $296,250,000 under the Term Loan due 2018 was 4.75%. Interest expense during the twelve months ended December 31, 2013, was impacted by the decrease in interest rates for corporate borrowings, offset by the increase in aggregate principal amounts of borrowings. In addition, interest expense was partially offset by the amortization of premiums of $12,873,000 during the twelve months ended December 31, 2013. See Note 9 Corporate Borrowings and Capital and Financing Lease Obligations of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Equity in earnings of non-consolidated entities. Equity in earnings of non-consolidated entities were $47,435,000 during the twelve months ended December 31, 2013 and was primarily due to equity in earnings from NCM of $23,196,000, DCIP of $18,660,000, and Open Road Releasing of $4,861,000. See Note 7 Investments of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Investment income. Investment income was $2,084,000 during the twelve months ended December 31, 2013. The investment income includes payments received of $3,677,000 related to the NCM tax receivable agreement and gains on investments of $587,000, partially offset by an impairment loss of $1,370,000 related to our investment in a marketable equity security when it was determined that its decline in value was other than temporary and the intangible asset amortization of the NCM tax receivable agreement of $835,000.

Income tax benefit. The income tax benefit from continuing operations was $263,383,000 for the twelve months ended December 31, 2013. We reversed our recorded valuation allowance for deferred tax assets. The valuation allowance had been previously provided based on our cumulative loss history, which was primarily incurred during predecessor periods prior to the Merger. The principal positive evidence that led to the reversal of the valuation allowance included: (1) prudent and feasible tax planning strategies; (2) a successful public offering of our common stock during December 2013; (3) the Company's projected emergence from a three-year cumulative loss in March 2014; (4) the significant positive income generated during 2013; (5) the Company's forecasted future profitability; and (6) improvement in the Company's financial position, including over $500,000,000 of cash on hand at December 31, 2013. We experienced an improvement in operating results over the past year and made changes to reduce our debt leverage significantly due to use of a portion of the net IPO proceeds

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of approximately $355,580,000 raised in the fourth quarter of calendar 2013. These factors have enabled us to conclude that it is more likely than not that we realize deferred tax assets related to our net operating loss carryforwards.

Earnings from discontinued operations, net. In July and August of 2012, we sold or closed 7 of the 8 theatres located in Canada and sold one theatre with 12 screens in the UK. The results of operations of the 7 Canada theatres and the one UK theatre have been classified as discontinued operations for all periods presented. During the twelve months ended December 31, 2013, we received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada. The sales price adjustment was related to tax attributes of the theatres sold in Canada which were not determinable or probable of collection at the date of the sale. See Note 4 Discontinued Operations of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information, We completed our tax returns, for periods prior to the date of sale, during the twelve months ended December 31, 2013, at which time the buyer was able to determine amounts due pursuant to the sales price adjustment and remit payment to us. We recorded the additional gain on sale following the guidance for gain contingencies in ASC 450-30-25-1 when gains were realizable. The earnings from discontinued operations were partially offset by income taxes, legal and professional fees and contractual repairs and maintenance expenses.

Net earnings. Net earnings of $364,400,000 were comprised primarily of deferred tax benefit, operating income, and equity in earnings from non-consolidated entities for the twelve months ended December 31, 2013, partially offset by interest expense.

Results of Operations For the Period August 31, 2012 through December 31, 2012 (Successor)

Revenues. Total revenues were $811,492,000 during the period August 31, 2012 through December 31, 2012. Revenues consisted of (i) admission revenues of $548,632,000, or 67.6% of total revenues, (ii) food and beverage revenues of $229,739,000, or 28.3% of total revenues, and (iii) other theatre revenues of $33,121,000, or 4.1% of total revenues. Attendance at our theatres was 60,336,000 patrons during this period.

Operating costs and expenses. Operating costs and expenses were $800,023,000 during the period August 31, 2012 through December 31, 2012. Film exhibition costs were $291,561,000, or 53.1% of admission revenues, and food and beverage costs were $30,545,000, or 13.3% of food and beverage revenues, during the period August 31, 2012 through December 31, 2012. As a percentage of revenues, operating expense was 28.4% during the period August 31, 2012 through December 31, 2012. Rent expense was $143,374,000 during the period August 31, 2012 through December 31, 2012.

General and Administrative Expense:

Merger, acquisition and transaction costs. Merger, acquisition and transaction costs were $3,366,000, during the period August 31, 2012 through December 31, 2012, primarily due to the Merger.

Management fees. Management fees were $0 during the period August 31, 2012 through December 31, 2012. Management fees ceased subsequent to the Merger.

Other. Other general and administrative expense was $29,110,000 during the period August 31, 2012 through December 31, 2012.

Depreciation and amortization. Depreciation and amortization was $71,633,000 during the period August 31, 2012 through December 31, 2012.

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Other Expense:

Other expense. Other expense was $49,000 during the period August 31, 2012 through December 31, 2012.

Interest expense. Interest expense was $47,132,000 during the period August 31, 2012 through December 31, 2012.

Equity in losses of non-consolidated entities. Equity in losses of non-consolidated entities were $2,480,000 during the period August 31, 2012 through December 31, 2012 and was primarily due to equity in losses from Open Road Releasing of $10,691,000, largely offset by equity in earnings from DCIP of $4,436,000 and NCM of $4,271,000. See Note 7 Investments of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Investment expense. Investment expense was $290,000 during the period August 31, 2012 through December 31, 2012.

Income tax provision. The income tax provision from continuing operations was $3,500,000 for the period August 31, 2012 through December 31, 2012. See Note 11 Income Taxes of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Earnings from discontinued operations, net. In July and August of 2012, we sold or closed 7 of the 8 theatres located in Canada and sold one theatre with 12 screens in the UK. The results of operations of the 7 Canada theatres and the one UK theatre have been classified as discontinued operations for all periods presented. See Note 4 Discontinued Operations of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Net loss. Net loss was $42,670,000 for the period August 31, 2012 through December 31, 2012.

Results of Operations For the Period March 30, 2012 through August 30, 2012 (Predecessor)

Revenues. Total revenues were $1,206,072,000 during the period March 30, 2012 through August 30, 2012. Revenues consisted of (i) admission revenues of $816,031,000, or 67.7% of total revenues, (ii) food and beverage revenues of $342,130,000, or 28.4% of total revenues, and (iii) other theatre revenues of $47,911,000, or 3.9% of total revenues. Attendance at our theatres was 90,616,000 patrons during this period.

Operating costs and expenses. Operating costs and expenses were $1,085,190,000 during the period March 30, 2012 through August 30, 2012. Film exhibition costs were $436,539,000, or 53.5% of admission revenues, and food and beverage costs were $47,326,000, or 13.8% of food and beverage revenues, during the period March 30, 2012 through August 30, 2012. As a percentage of revenues, operating expense was 24.7% during the period March 30, 2012 through August 30, 2012. Rent expense was $189,086,000 during the period March 30, 2012 through August 30, 2012.

General and Administrative Expense:

Merger, acquisition and transaction costs. Merger, acquisition and transaction costs were $4,417,000, during the period March 30, 2012 through August 30, 2012, primarily due to the Merger.

Management fees. Management fees were $2,500,000 during the period March 30, 2012 through August 30, 2012. Management fees of $1,250,000 were paid quarterly, in advance, to the former sponsors in exchange for consulting and other services through the date of the Merger.

Other. Other general and administrative expense was $27,023,000 during the period March 30, 2012 through August 30, 2012.

Depreciation and amortization. Depreciation and amortization was $80,971,000 during the period March 30, 2012 through August 30, 2012.

Other Expense (Income):

Other expense. Other expense of $960,000 was comprised of expenses related to the redemption of our Notes due 2014 of $1,297,000, partially offset by business interruption insurance recoveries and other income of $337,000, during the period March 30, 2012 through August 30, 2012.

Interest expense. Interest expense was $70,004,000 during the period March 30, 2012 through August 30, 2012.

Equity in earnings of non-consolidated entities. Equity in earnings of non-consolidated entities were $7,545,000 during the period March 30, 2012 through August 30, 2012 and was primarily due to equity in earnings NCM of $7,473,000 and DCIP of $4,941,000, partially offset by equity in losses from Open Road Releasing of $6,416,000. See Note 7 Investments of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Investment income. Investment income was $41,000 during the period March 30, 2012 through August 30, 2012.

Income tax provision. The income tax provision from continuing operations was $2,500,000 for the period March 30, 2012 through August 30, 2012. See Note 11 Income Taxes of the Notes to Consolidated Financial Statements in Item 8 of Part II hereof for further information.

Earnings from discontinued operations, net. In July and August of 2012, we sold or closed 7 of the 8 theatres located in Canada and sold one theatre with 12 screens in the UK. The results of operations of the 7 Canada theatres and the one UK theatre have been classified as discontinued operations for all periods presented. Gains, net of lease termination expense, on the sales and closure of these theatres of $39,382,000 were included in discontinued operations during the period March 30, 2012 through August 30, 2012.

Net earnings. Net earnings of $90,157,000 were driven by attendance and gains, net of lease termination expense, recorded on the disposition of the Canada and UK theatres recorded in discontinued operations for the period March 30, 2012 through August 30, 2012.

Liquidity and Capital Resources

Our consolidated revenues are primarily collected in cash, principally through box office admissions and food and beverage 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. Film distributors generally release the films which they anticipate will be the most successful during the summer and year-end holiday seasons. Consequently, we typically generate higher revenues during such periods.

We had working capital surplus (deficit) as of December 31, 2014 and December 31, 2013 of $(126,638,000) and $185,527,000, respectively. Working capital includes $213,882,000 and $202,833,000 of deferred revenue as of December 31, 2014 and December 31, 2013, respectively. We have the ability to borrow against the Senior Secured Credit Facility to meet obligations as they come due (subject to limitations on the incurrence of indebtedness in our various debt instruments) and had approximately $136,798,000 under our Senior Secured Revolving Credit Facility available to meet these obligations as of December 31, 2014. The applicable rate for borrowings under the Term Loan due 2020 at

December 31, 2014 was 3.5% based on LIBOR (2.75% margin plus 0.75% minimum LIBOR rate). Reference is made to Note 9 Corporate Borrowings and Capital and Financing Lease Obligations to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for information about our outstanding indebtedness.

We believe that cash generated from operations and existing cash and equivalents will be sufficient to fund operations and planned capital expenditures and acquisitions currently and for at least the next 12 months and enable us to maintain compliance with covenants related to the Senior Secured Credit Facility, and our Notes due 2020 and Notes due 2022. AMCE may redeem its Notes due 2019 on or after June 1, 2014. We are considering various options with respect to the utilization of cash and equivalents on hand in excess of our anticipated operating needs. Such options might include, but are not limited to, acquisition of theatres or theatre companies, repayment of corporate borrowings of AMCE, and payment of dividends.

Each indenture relating to AMCE's notes (Notes due 2022 and Notes due 2020) allows it to incur specified permitted indebtedness (as defined therein) without restriction. Each indenture also allows AMCE to incur any amount of additional debt as long as it can satisfy the coverage ratio of each indenture, after giving effect to the indebtedness on a pro forma basis. Under the indenture for the Notes due 2020 (AMCE's most restrictive indenture), at December 31, 2014 AMCE could borrow approximately $1,976,500,000 (assuming an interest rate of 6.25% per annum on the additional indebtedness) in addition to specified permitted indebtedness. If AMCE cannot satisfy the coverage ratios of the indentures, generally it can borrow an additional amount under its Senior Secured Credit Facility.

As of December 31, 2014, AMCE was in compliance with all financial covenants relating to the Senior Secured Credit Facility, the Notes due 2020, and the Notes due 2022.

Holdings Company Status

Holdings is a holding company with no operations of its own and has no ability to service interest or principal on its indebtedness or pay dividends other than through any dividends it may receive from its subsidiaries. Under certain circumstances, AMCE is restricted from paying dividends to Holdings by the terms of the indentures relating to its notes and its Senior Secured Credit Facility. AMCE's Senior Secured Credit Facility and note indentures contain provisions which limit the amount of dividends and advances which it may pay or make to Holdings. Under the most restrictive of these provisions, set forth in the note indenture for the Notes due 2020, the amount of loans and dividends which AMCE could make to Holdings may not exceed approximately $713,526,000 in the aggregate as of December 31, 2014. Under the note indentures, a loan to Holdings would have to be on terms no less favorable to AMCE than could be obtained in a comparable transaction on an arm's length basis with an unaffiliated third party and be in the best interest of AMCE. Provided no event of default has occurred or would result, the Senior Secured Credit Facility also permits AMCE to pay cash dividends to Holdings for specified purposes, including indemnification claims, taxes, up to $4,000,000 annually for operating expenses, repurchases of equity awards to satisfy tax withholding obligations, specified management fees, fees and expenses of permitted equity and debt offerings and to pay for the repurchase of stock from employees, directors and consultants under benefit plans up to specified amounts. Depending on the net senior secured leverage ratio, as defined in the Senior Secured Credit Facility, AMCE may also pay Holdings a portion of net cash proceeds from specified assets sales.

Cash Flows from Operating Activities

Cash flows provided by operating activities, as reflected in the Consolidated Statements of Cash Flows, were $297,302,000, $357,342,000, $73,892,000, and $76,372,000 during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through

December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively. The decrease in cash flow provided by operating activities during 2014 compared to 2013 was primarily due to decreases in net earnings, film payables, accrued bonuses, equity in earnings of non-consolidated entities, deferred revenues for packaged tickets, and accrued payroll, partially offset by increases in landlord contributions and accounts payable.

Cash Flows from Investing Activities

Cash used in investing activities, as reflected in the Consolidated Statement of Cash Flows, were $271,691,000, $268,784,000, $158,898,000, and $31,031,000 during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively. Cash outflows from investing activities include capital expenditures during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012 of $270,734,000, $260,823,000, $72,774,000, and $40,116,000, respectively. Our capital expenditures primarily consisted of strategic growth initiatives and remodels, maintaining our theatre circuit, and technology upgrades. We expect that our gross cash outflows for capital expenditures will be approximately $320,000,000 to $340,00000 for calendar 2015, before giving effect to expected landlord contributions of approximately $65,000,000 to $85,000,000.

During the twelve months ended December 31, 2013, we received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada, proceeds of $305,000 for the disposition of other long-term assets, and paid legal and professional fees of $1,091,000.

During the twelve months ended December 31, 2013 and the period August 31, 2012 through December 31, 2012, we paid $1,128,000 and $87,555,000, respectively, for the purchase of the Rave theatres, net of cash acquired. The amounts paid included working capital and other purchase price adjustments.

Cash flows from investing activities during the period August 31, 2012 through December 31, 2012, include cash received related to the Merger of $3,110,000.

We fund the costs of constructing, maintaining and remodeling our theatres through existing cash balances, cash generated from operations, landlord contributions, or borrowed funds, as necessary. 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 the construction costs. 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.

Cash Flows from Financing Activities

Cash flows provided by (used in) financing activities, as reflected in the Consolidated Statement of Cash Flows, were $(353,864,000), $324,928,000, $117,610,000, and $(222,288,000) during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively.

On February 7, 2014, AMCE issued $375,000,000 aggregate principal amount of its Notes due 2022 and used the net proceeds, together with a portion of the net proceeds from the IPO, to pay the consideration and consent payments for the tender offer for the Notes due 2019, plus any accrued and unpaid interest and related transaction fees and expenses. The deferred financing costs paid related to the issuance of the Notes due 2022 were $7,748,000, during the twelve months ended December 31, 2014. AMCE repurchased the Notes due 2019 during the twelve months ended December 31, 2014 for $639,728,000. See Note 9 Corporate Borrowings and Capital and Financing Lease Obligations and Note 1 Basis of Presentation of the Notes to Consolidated Financial Statements in Item 1 of Part I for further information.

On April 25, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on June 16, 2014 to stockholders of record on June 6, 2014. On July 29, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on September 15, 2014 to stockholders of record on September 5, 2014. On October 27, 2014, our Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on December 15, 2014 to stockholders of record on December 5, 2014. We paid dividends and dividend equivalents of $58,504,000 during the twelve months ended December 31, 2014.

On April 30, 2013, AMCE entered into a new $925,000,000 Senior Secured Credit Facility pursuant to which it borrowed the Term Loan due 2020, and used the proceeds to fund the redemption of both the former Senior Secured Credit Facility Term Loan due 2016 and the former Senior Secured Credit Facility Term Loan due 2018. The new Senior Secured Credit Facility is comprised of a $150,000,000 Revolving Credit Facility, which matures in 2018, and a $775,000,000 term loan, which matures in 2020. Proceeds from the issuance of Term Loan due 2020 were $773,063,000 and deferred financing costs paid related to the issuance of the new Senior Secured Credit Facility were $9,126,000 during the twelve months ended December 31, 2013. We repurchased the principal balance on both our Term Loan due 2016 of $464,088,000 and our Term Loan due 2018 of $296,250,000 during the twelve months ended December 31, 2013. See Note 9 Corporate Borrowings and Capital and Financing Lease Obligations to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information.

On December 23, 2013, Holdings completed its IPO and contributed the net proceeds to AMCE of $355,580,000, after deducting underwriting discounts and commissions and other paid offering expenses.

During the period August 31, 2012 through December 31, 2012, we received $100,000,000 in additional capital contributions from Wanda subsequent to the Merger. During the period March 30, 2012 through August 30, 2012, we made principal payments of $191,035,000 related to AMCE's Notes due 2014.

During the twelve months ended December 31, 2013, AMCE used cash on hand to make a dividend distribution to us to purchase treasury stock of $588,000. As a result of the IPO, members of management incurred a tax liability associated with Holdings' common stock owned since the date of the Merger. Management elected to satisfy $588,000 of tax withholding obligation by tendering shares of Class A common stock to us. During fiscal 2012, AMCE used cash on hand to make dividend distributions to us in an aggregate amount of $109,581,000. We used the available funds to pay corporate overhead expenses incurred in the ordinary course of business and, on January 25, 2012, to redeem our Term Loan Facility due June 2012, plus accrued and unpaid interest.

Commitments and Contingencies

Minimum annual cash payments required under existing capital and financing lease obligations, maturities of corporate borrowings, future minimum rental payments under existing operating leases, committed capital expenditures, investments and betterments, including furniture, fixtures, equipment

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and leasehold betterments and ADA related betterments and pension funding that have initial or remaining non-cancelable terms in excess of one year as of December 31, 2014 are as follows:

(In thousands) Calendar Year	Minimum Capital and Financing Lease Payments	Principal Amount of Corporate Borrowings(1)	Interest Payments on Corporate Borrowings(2)	Minimum Operating Lease Payments	Capital Related Betterments(3)	Pension Funding(4)	Total Commitments
2015	$ 16,933	$ 15,914	$ 100,652	$ 419,273	$ 47,841	$ 4,300	$ 604,913
2016	16,943	16,473	99,752	428,133			561,301
2017	16,951	17,067	98,818	408,851			541,687
2018	17,112	17,713	97,831	366,120			498,776
2019	15,530	18,407	96,796	328,409			459,142
Thereafter	81,042	1,706,849	99,705	1,542,618			3,430,214
Total	$ 164,511	$ 1,792,423	$ 593,554	$ 3,493,404	$ 47,841	$ 4,300	$ 6,096,033

(1) Represents cash requirements for the payment of principal on corporate borrowings. Total amount does not equal carrying amount due to unamortized discounts. We consider the amount recorded for corporate borrowings issued or acquired at a premium above the stated principal balance to be part of the amount borrowed and classify the related cash inflows and outflows up to but not exceeding the borrowed amount as financing activities in the Consolidated Statements of Cash Flows. For amounts borrowed in excess of the stated principal amount, a portion of the semi-annual interest payment is considered to be a repayment of the amount borrowed and the remaining portion of the semi-annual coupon payment is considered to be an interest payment flowing through operating activities based on the level yield to maturity of the debt.

(2) Interest expense on the term loan portion of our Senior Secured Credit Facility was estimated at 3.5% based upon the interest rate in effect as of December 31, 2014.

(3) Includes committed capital expenditures, investments, and betterments to our circuit. Does not include planned, but non-committed capital expenditures.

(4) We fund our pension plan such that the plan is in compliance with Employee Retirement Income Security Act ("ERISA") and the plan is not considered "at risk" as defined by ERISA guidelines. The plan has been frozen effective December 31, 2006. On January 12, 2014, the retiree health plan was terminated effective March 31, 2015, with an expected payment to associates of $4,300,000. See Note 21 Subsequent Events to the Consolidated Financial Statements under Part II Item 8 of this Annual Report on Form 10-K.

As discussed in Note 11 Income Taxes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, we adopted accounting for uncertainty in income taxes per the guidance in ASC 740, *Income Taxes*, ("ASC 740"). As of December 31, 2014, our recorded obligation for unrecognized benefits is $30,500,000. There are currently unrecognized tax benefits which we anticipate will be resolved in the next 12 months; however, we are unable at this time to estimate what the impact on our effective tax rate will be. Any amounts related to these items are not included in the table above.

Investment in NCM

We hold an investment of 14.96% in NCM accounted for following the equity method as of December 31, 2014. The fair market value of these units is approximately $275,825,000 as of December 31, 2014, based upon the closing price of NCM, Inc. common stock. We have little tax basis in these units; therefore, the sale of all these units would require us to report taxable income of approximately $415,042,000, including distributions received from NCM that were previously deferred.

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Our investment in NCM is a source of liquidity for us and we expect that any sales we may make of NCM units would be made in such a manner to most efficiently manage any related tax liability. We have available net operating loss carryforwards which could reduce any related tax liability.

Impact of Inflation

Historically, the principal impact of inflation and changing prices upon us has been to increase the costs of the construction of new theatres, the purchase of theatre equipment, rent and the utility and labor costs incurred in connection with continuing theatre operations. Film exhibition costs, our largest cost of operations, are customarily paid as a percentage of admissions revenues and hence, while the film exhibition costs may increase on an absolute basis, the percentage of admissions revenues represented by such expense is not directly affected by inflation. Except as set forth above, inflation and changing prices have not had a significant impact on our total revenues and results of operations during the last three years.

Off-Balance Sheet Arrangements

Other than the operating leases detailed above in this Annual Report on Form 10-K, under the heading "Commitments and Contingencies," we have no other off-balance sheet arrangements.

New Accounting Pronouncements

See Note 1 The Company and Significant Accounting Policies to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for information regarding recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate market risk.

Market risk on variable-rate financial instruments. At December 31, 2014, AMCE maintained a Senior Secured Credit Facility comprised of a $150,000,000 revolving credit facility and $775,000,000 of Senior Secured Term Loans due 2020. The Senior Secured Credit Facility provides for borrowings at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR, with a minimum base rate of 1.75% and a minimum rate for LIBOR borrowings of 0.75%. The rate in effect at December 31, 2014 for the outstanding Senior Secured Term Loan due 2020 was a LIBOR-based rate of 3.50% per annum. See Note 9 Corporate Borrowings and Capital and Financing Lease Obligations of the Notes to the Consolidated Financial Statements in Item II of Part 8 hereof for additional information. 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. At December 31, 2014, AMCE had no variable-rate borrowings under its revolving credit facility and had an aggregate principal balance of $761,438,000 outstanding under the Senior Secured Term Loan due 2020. A 100 basis point change in market interest rates would have increased or decreased interest expense on the Senior Secured Credit Facility by $7,663,000 during the twelve months ended December 31, 2014.

Market risk on fixed-rate financial instruments. Included in long-term corporate borrowings at December 31, 2014 were principal amounts of $600,000,000 of AMCE's Notes due 2020 and $375,000,000 of AMCE's Notes due 2022. Increases in market interest rates would generally cause a decrease in the fair value of the Notes due 2020 and Notes due 2022 and a decrease in market interest rates would generally cause an increase in fair value of the Notes due 2020 and Notes due 2022.

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AMC Entertainment Holdings, Inc.

TO THE STOCKHOLDERS OF AMC ENTERTAINMENT HOLDINGS, INC.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. With our participation, an evaluation of the effectiveness of internal control over financial reporting was conducted as of December 31, 2014, based on the framework and criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

/s/ GERARDO I. LOPEZ

Chief Executive Officer, Director and President

/s/ CRAIG R. RAMSEY

Executive Vice President and Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
AMC Entertainment Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of AMC Entertainment Holdings, Inc. (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013, the period August 31, 2012 to December 31, 2012, and the 22-week period ended August 30, 2012. We also have audited AMC Entertainment Holdings, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on AMC Entertainment Holdings, Inc.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMC Entertainment Holdings, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, the period August 31, 2012 to December 31, 2012, and the 22-week period ended August 30, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, AMC

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Entertainment Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As discussed in Note 2 to the consolidated financial statements, effective August 30, 2012, the Company had a change of controlling ownership. As a result of this change of control, the consolidated financial information after August 30, 2012 is presented on a different cost basis than that for the period before the change of control and, therefore, is not comparable.

/s/ KPMG LLP

Kansas City, Missouri
March 10, 2015

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Calendar 2014 12 Months Ended December 31, 2014 (Successor)	Calendar 2013 12 Months Ended December 31, 2013 (Successor)	Transition Period From Inception August 31, 2012 through December 31, 2012 (Successor)	Transition Period March 30, 2012 through August 30, 2012 (Predecessor)
Revenues				
Admissions	$ 1,765,388	$ 1,847,327	$ 548,632	$ 816,031
Food and beverage	797,735	786,912	229,739	342,130
Other theatre	132,267	115,189	33,121	47,911
Total revenues	2,695,390	2,749,428	811,492	1,206,072
Operating costs and expenses				
Film exhibition costs	934,246	976,912	291,561	436,539
Food and beverage costs	111,991	107,325	30,545	47,326
Operating expense	733,338	726,641	230,434	297,328
Rent	455,239	451,828	143,374	189,086
General and administrative:				
Merger, acquisition and transaction costs	1,161	2,883	3,366	4,417
Management fee				2,500
Other	64,873	97,288	29,110	27,023
Depreciation and amortization	216,321	197,537	71,633	80,971
Impairment of long-lived assets	3,149			
Operating costs and expenses	2,520,318	2,560,414	800,023	1,085,190
Operating income	175,072	189,014	11,469	120,882
Other expense (income)				
Other expense (income)	(8,344)	(1,415)	49	960
Interest expense:				
Corporate borrowings	111,072	129,963	45,259	67,614
Capital and financing lease obligations	9,867	10,264	1,873	2,390
Equity in (earnings) losses of non-consolidated entities	(26,615)	(47,435)	2,480	(7,545)
Investment expense (income)	(8,145)	(2,084)	290	(41)
Total other expense	77,835	89,293	49,951	63,378
Earnings (loss) from continuing operations before income taxes	97,237	99,721	(38,482)	57,504
Income tax provision (benefit)	33,470	(263,383)	3,500	2,500
Earnings (loss) from continuing operations	63,767	363,104	(41,982)	55,004
Gain (loss) from discontinued operations, net of income taxes	313	1,296	(688)	35,153
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157
Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	$ 0.65	$ 4.74	$ (0.56)	$ 0.87
Earnings (loss) from discontinued operations	0.01	0.02	(0.01)	0.55

Basic earnings (loss) per share	$	0.66	$	4.76	$	(0.57)	$	1.42
Average shares outstanding Basic		97,506		76,527		74,988		63,335
Diluted earnings (loss) per share:								
Earnings (loss) from continuing operations	$	0.65	$	4.74	$	(0.56)	$	0.86
Earnings (loss) from discontinued operations		0.01		0.02		(0.01)		0.55
Diluted earnings (loss) per share	$	0.66	$	4.76	$	(0.57)	$	1.41
Average shares outstanding Diluted		97,700		76,527		74,988		63,715
Dividends declared per basic and diluted common share	$	0.60	$		$		$	

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Calendar 2014 12 Months Ended December 31, 2014 (Successor)	Calendar 2013 12 Months Ended December 31, 2013 (Successor)	Transition Period From Inception August 31, 2012 through December 31, 2012 (Successor)	Transition Period March 30, 2012 through August 30, 2012 (Predecessor)
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157
Foreign currency translation adjustment, net of tax	978	179	(530)	11,935
Pension and other benefit adjustments:				
Net gain (loss) arising during the period, net of tax	(13,543)	4,510	7,279	
Prior service credit arising during the period, net of tax		9,271		771
Amortization of net (gain) loss included in net periodic benefit costs, net of tax	(844)	(78)		987
Amortization of prior service credit included in net periodic benefit costs, net of tax	(1,016)			(448)
Settlement, net of tax			(15)	
Unrealized gain (loss) on marketable securities:				
Unrealized holding gain (loss) arising during the period, net of tax	2,627	(1,622)	1,915	(4,167)
Less: reclassification adjustment for (gains) loss included in investment expense (income), net of tax	(31)	925	(2)	(44)
Unrealized gain from equity method investees' cash flow hedge, net of tax:				
Unrealized holding gain (loss) arising during the period, net of tax	(59)	2,085	797	
Holding (gains) losses reclassified to equity in earnings of non-consolidated entities, net of tax	528	(510)		
Other comprehensive income (loss)	(11,360)	14,760	9,444	9,034
Total comprehensive income (loss)	$ 52,720	$ 379,160	$ (33,226)	$ 99,191

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
ASSETS		
Current assets:		
Cash and equivalents	$ 218,206	$ 546,454
Receivables, net	99,252	106,148
Deferred tax asset	107,938	110,097
Other current assets	84,343	80,824
Total current assets	509,739	843,523
Property, net	1,247,230	1,179,754
Intangible assets, net	225,515	234,319
Goodwill	2,289,800	2,289,800
Deferred tax asset	73,844	96,824
Other long-term assets	417,604	402,504
Total assets	$ 4,763,732	$ 5,046,724
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 262,635	$ 268,163
Accrued expenses and other liabilities	136,262	170,920
Deferred revenues and income	213,882	202,833
Current maturities of corporate borrowings and capital and financing lease obligations	23,598	16,080
Total current liabilities	636,377	657,996
Corporate borrowings	1,775,132	2,069,672
Capital and financing lease obligations	101,533	109,258
Exhibitor services agreement	316,815	329,913
Other long-term liabilities	419,717	370,946
Total liabilities	3,249,574	3,537,785
Commitments and contingencies		
Class A common stock (temporary equity) ($.01 par value, 173,150 shares issued and 136,381 shares outstanding as of December 31, 2014; 173,150 shares issued and 140,466 shares outstanding as of December 31, 2013)	1,426	1,469
Stockholders' equity:		
Class A common stock ($.01 par value, 524,173,073 shares authorized; 21,423,839 shares issued and outstanding as of December 31, 2014; 21,412,804 shares issued and outstanding as of December 31, 2013)	214	214
Class B common stock ($.01 par value, 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of December 31, 2014 and December 31, 2013)	758	758
Additional paid-in capital	1,172,515	1,161,152
Treasury stock (36,769 shares as of December 31, 2014 and 32,684 shares as of December 31, 2013, at cost)	(680)	(588)
Accumulated other comprehensive income	12,844	24,204

Accumulated earnings	327,081	321,730
Total stockholders' equity	1,512,732	1,507,470
Total liabilities and stockholders' equity	$ 4,763,732	$ 5,046,724

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Calendar 2014 12 Months Ended December 31, 2014 (Successor)	Calendar 2013 12 Months Ended December 31, 2013 (Successor)	Transition Period From Inception August 31, 2012 through December 31, 2012 (Successor)	Transition Period March 30, 2012 through August 30, 2012 (Predecessor)
Cash flows from operating activities:				
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation and amortization	216,321	197,537	71,633	81,234
Deferred income taxes	32,430	(266,598)	3,020	
Impairment of long-lived assets	3,149			
Gain on extinguishment and modification of debt	(8,544)	(422)		
Amortization of discount (premium) on corporate borrowings	832	(12,687)	(3,219)	967
Impairment of marketable equity security investment		1,370		
Theatre and other closure expense	9,346	5,823	2,381	11,753
Stock-based compensation	11,293	12,000		830
(Gain) loss on dispositions	(630)	(2,876)	73	(48,245)
Equity in earnings and losses from non-consolidated entities, net of distributions	(102)	(19,611)	12,707	(495)
Landlord contributions	59,518	18,090	3,597	2,000
Deferred rent	(18,056)	(6,333)	(2,900)	(3,427)
Change in assets and liabilities:				
Receivables	308	(3,365)	(66,615)	12,884
Other assets	(4,282)	(8,915)	(35,138)	36,770
Accounts payable	(13,692)	64,215	69,029	(58,027)
Accrued expenses and other liabilities	(52,603)	14,822	63,288	(50,473)
Other, net	(2,066)	(108)	(1,294)	444
Net cash provided by operating activities	297,302	357,342	73,892	76,372
Cash flows from investing activities:				
Capital expenditures	(270,734)	(260,823)	(72,774)	(40,116)
Merger, net of cash acquired			3,110	
Acquisition of Rave theatres, net of cash acquired		(1,128)	(87,555)	
Proceeds from disposition of long-term assets	238	3,880	90	7,291
Investments in non-consolidated entities, net	(1,522)	(3,265)	(1,194)	1,589
Other, net	327	(7,448)	(575)	205
Net cash used in investing activities	(271,691)	(268,784)	(158,898)	(31,031)
Cash flows from financing activities:				
Proceeds from issuance of Senior Subordinated Notes due 2022	375,000			
Repurchase of Senior Subordinated Notes due 2019	(639,728)			
Proceeds from issuance of Term Loan due 2020		773,063		
Net proceeds (disbursements) from IPO	(281)	355,580		
Repayment of Term Loan due 2016		(464,088)		
Repayment of Term Loan due 2018		(296,250)		
Repurchase of Senior Subordinated Notes due 2014				(191,035)
Principal payments under Term Loan	(7,750)	(7,813)	(4,002)	(4,002)
Principal payments under capital and financing lease obligations	(6,941)	(6,446)	(875)	(1,298)
Principal payments under promissory note	(1,389)			
Principal amount of coupon payment under Senior Subordinated Notes due 2020	(6,227)			
Capital contribution from Wanda			100,000	

Deferred financing costs		(7,952)		(9,126)				(2,378)
Payment of construction payables				(19,404)		22,487		(23,575)
Cash used to pay dividends		(58,504)						
Purchase of treasury stock		(92)		(588)				
Net cash provided by (used in) financing activities		(353,864)		324,928		117,610		(222,288)
Effect of exchange rate changes on cash and equivalents		5		(103)		(207)		16
Net increase (decrease) in cash and equivalents		(328,248)		413,383		32,397		(176,931)
Cash and equivalents at beginning of period		546,454		133,071		100,674		277,605
Cash and equivalents at end of period	$	218,206	$	546,454	$	133,071	$	100,674
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:								
Cash paid during the period for:								
Interest (including amounts capitalized of $315, $511, $0, and $14)	$	113,578	$	152,220	$	68,794	$	78,789
Income taxes, net		1,084		1,646		10,088		828
Schedule of non-cash investing and financing activities:								
Investment in NCM (See Note 7 Investments)	$	2,137	$	26,315	$		$	
Investment in AC JV, LLC. (See Note 7 Investments)				8,333				
See Note 3 Acquisition for non-cash activities related to acquisition								

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

usands, except share and are data)	Class A-1 Voting Common Stock Shares	Class A-1 Voting Common Stock Amount	Class A-2 Voting Common Stock Shares	Class A-2 Voting Common Stock Amount	Class N Nonvoting Common Stock Shares	Class N Nonvoting Common Stock Amount	Class L-1 Voting Common Stock Shares	Class L-1 Voting Common Stock Amount	Class L-2 Voting Common Stock Shares	Class L-2 Voting Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	To Stockh Eq
ccessor															
e March 29, 2012	382,475.00000	$ 4	382,475.00000	$ 4	2,021.01696	$	256,085.61252	$ 3	256,085.61252	$ 3	$ 673,325	$ (2,596)	$ (20,203)	$ (492,939)	$ 15
rnings														90,157	9
ehensive earnings													9,034		
based compensation											830				
e August 30, 2012	382,475.00000	$ 4	382,475.00000	$ 4	2,021.01696	$	256,085.61252	$ 3	256,085.61252	$ 3	$ 674,155	$ (2,596)	$ (11,169)	$ (402,782)	$ 25

	Class A Voting Common Stock Shares	Class A Voting Common Stock Amount	Class B Voting Common Stock Shares	Class B Voting Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
Successor									
Balance August 30, 2012									
Net loss		$		$	$	$	$	$ (42,670)	$ (42,670)
Other comprehensive income							9,444		9,444
Merger consideration			66,252,108	662	699,338				700,000
Capital contributions			9,574,819	96	99,904				100,000
Balance December 31, 2012			75,826,927	758	799,242		9,444	(42,670)	766,774
Net earnings								364,400	364,400
Other comprehensive income							14,760		14,760
Net proceeds from IPO	21,052,632	211			355,088				355,299
Stock-based compensation	360,172	3			6,480				6,483
Purchase shares for treasury					342	(588)			(246)
Balance December 31, 2013	21,412,804	214	75,826,927	758	1,161,152	(588)	24,204	321,730	1,507,470
Net earnings								64,080	64,080
Other comprehensive loss							(11,360)		(11,360)
Dividends declared					27			(58,729)	(58,702)
Stock-based compensation	11,035				11,293				11,293
Purchase shares for treasury					43	(92)			(49)
Balance December 31, 2014	21,423,839	$ 214	75,826,927	$ 758	$ 1,172,515	$ (680)	$ 12,844	$ 327,081	$ 1,512,732

See Notes to Consolidated Financial Statements

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

AMC Entertainment Holdings, Inc. ("Holdings" or "AMC"), through its direct and indirect subsidiaries, including AMC Entertainment® Inc. ("AMCE"), American Multi-Cinema, Inc. ("OpCo") and its subsidiaries, (collectively with Holdings, unless the context otherwise requires, the "Company" or "AMC"), is principally involved in the theatrical exhibition business and owns, operates or has interests in theatres primarily located in the United States. Holdings is an indirect subsidiary of Dalian Wanda Group Co., Ltd. ("Wanda"), a Chinese private conglomerate.

As of December 31, 2014, Wanda owns approximately 77.86% of Holdings' outstanding common stock and 91.34% of the combined voting power of Holdings' outstanding common stock and has the power to control Holdings' affairs and policies, including with respect to the election of directors (and, through the election of directors, the appointment of management), entering into mergers, sales of substantially all of the Company's assets and other extraordinary transactions.

Initial Public Offering of Holdings: On December 23, 2013, Holdings completed its initial public offering ("IPO") of 18,421,053 shares of Class A common stock at a price of $18.00 per share. In connection with the IPO, the underwriters exercised in full their option to purchase an additional 2,631,579 shares of Class A common stock. As a result, the total IPO size was 21,052,632 shares of Class A common stock and the net proceeds to Holdings were approximately $355,299,000 after deducting underwriting discounts and commissions and offering expenses. The net IPO proceeds of approximately $355,299,000, were contributed by Holdings to AMCE.

Wanda Merger: Prior to the IPO, Wanda acquired Holdings, on August 30, 2012, through a merger between Holdings and Wanda Film Exhibition Co. Ltd. ("Merger Subsidiary"), a wholly-owned indirect subsidiary of Wanda, whereby Merger Subsidiary merged with and into Holdings with Holdings continuing as the surviving corporation and as a then wholly-owned indirect subsidiary of Wanda (the "Merger"). A change of control of the Company occurred pursuant to the Merger. Prior to the Merger, Holdings was owned by J.P. Morgan Partners, LLC and certain related investment funds, Apollo Management, L.P. and certain related investment funds, affiliates of Bain Capital Partners, The Carlyle Group and Spectrum Equity Investors ("Spectrum") (collectively the "Sponsors"). The Merger consideration totaled $701,811,000, with $700,000,000 invested by Wanda and $1,811,000 invested by members of management. The estimated transaction value was approximately $2,748,018,000. Wanda acquired cash, corporate borrowings and capital and financing lease obligations in connection with the Merger. Funding for the Merger consideration was obtained by Merger Subsidiary pursuant to bank borrowings and cash contributed by Wanda.

In connection with the change of control due to the Merger, the Company's assets and liabilities were adjusted to fair value on the closing date of the Merger by application of "push down" accounting. As a result of the application of "push down" accounting in connection with the Merger, the Company's financial statement presentations herein distinguish between a predecessor period, ("Predecessor"), for periods prior to the Merger and a successor period, ("Successor"), for periods subsequent to the Merger. The Successor applied "push down" accounting and its financial statements reflect a new basis of accounting that is based on the fair value of assets acquired and liabilities assumed as of the Merger date, August 30, 2012. The consolidated financial statements presented herein are those of Successor from its inception on August 31, 2012 through December 31, 2014, and those of Predecessor for all periods prior to the Merger date. As a result of the application of "push down" accounting at the time of the Merger, the financial statements for the Predecessor period and

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the Successor period are presented on different bases and are, therefore, not comparable. See Note 2 Merger for additional information regarding the Merger.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to: (1) Impairments, (2) Film exhibition costs, (3) Income and operating taxes, (4) Theatre and other closure expense, and (5) Gift card and packaged ticket income. Actual results could differ from those estimates.

Principles of Consolidation: The consolidated financial statements include the accounts of AMCE and all subsidiaries, as discussed above. All significant intercompany balances and transactions have been eliminated in consolidation. There are no noncontrolling (minority) interests in the Company's consolidated subsidiaries; consequently, all of its stockholders' equity, net earnings (loss) and comprehensive income (loss) for the periods presented are attributable to controlling interests. As of December 31, 2014, December 31, 2013, and December 31, 2012, the Company managed its business under one reportable segment called Theatrical Exhibition.

Fiscal Year: On November 15, 2012, the Company changed its fiscal year to a calendar year ending on December 31st of each year. Prior to the change, the Company had a 52/53 week fiscal year ending on the Thursday closest to the last day of March. The consolidated financial statements include the transition period of March 30, 2012 through December 31, 2012 ("Transition Period").

Discontinued Operations: The results of operations for the Company's discontinued operations have been eliminated from the Company's continuing operations and classified as discontinued operations for each period presented within the Company's Consolidated Statements of Operations. See Note 4 Discontinued Operations for further information.

Revenues: Revenues are recognized when admissions and food and beverage sales are received at the theatres and are reported net of sales tax. The Company defers 100% of the revenue associated with the sales of gift cards and packaged tickets until such time as the items are redeemed or income from non-redemption is recorded. The Company recognizes income from non-redeemed or partially redeemed gift cards using the Proportional Method where it applies a non-redemption rate for its five gift card sales channels which ranges from 14% to 23% of the current month sales and the Company recognizes that total amount of income for that current month's sales as income over the next 24 months in proportion to the pattern of actual redemptions. The Company has determined its non-redeemed rates and redemption patterns using data accumulated over ten years on a company-wide basis. Income for non-redeemed packaged tickets continues to be recognized as the redemption of these items is determined to be remote, that is if a ticket has not been used within 18 months after being purchased. During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, the Company recognized $21,347,000, $19,510,000, $3,483,000, and $7,776,000 of income, respectively, related to the derecognition of gift card liabilities, which was recorded in other theatre revenues in the Consolidated Statements of Operations. During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012,

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

the Company recognized $11,710,000, $0, $0, and $4,818,000 of income, respectively, related to the derecognition of package ticket liabilities, which was recorded in other theatre revenues in the Consolidated Statements of Operations. As a result of fair value accounting due to the Merger, the Company did not recognize any income on packaged tickets until 18 months after the date of the Merger.

Film Exhibition Costs: Film exhibition costs are accrued based on the applicable box office receipts and estimates of the final settlement to the film licenses. Film exhibition costs include certain advertising costs. As of December 31, 2014 and December 31, 2013, the Company recorded film payables of $95,847,000 and $149,378,000, respectively, which are included in accounts payable in the accompanying Consolidated Balance Sheets.

Food and Beverage Costs: The Company records payments from vendors as a reduction of food and beverage costs when earned.

Screen Advertising: On March 29, 2005, the Company and Regal Entertainment Group ("Regal") combined their respective cinema screen advertising businesses into a joint venture company called National CineMedia, LLC ("NCM") and on July 15, 2005, Cinemark Holdings, Inc. ("Cinemark") joined NCM. The Company, Regal and Cinemark are known as the "Founding Members." NCM engages in the marketing and sale of cinema advertising and promotions products, business communications and training services. The Company records its share of on-screen advertising revenues generated by NCM in other theatre revenues.

Customer Frequency Program: On April 1, 2011, the Company fully launched *AMC Stubs*, a customer frequency program, which allows members to earn rewards, including $10 for each $100 spent, redeemable on future purchases at AMC locations. The portion of the admissions and food and beverage revenues attributed to the rewards is deferred as a reduction of admissions and food and beverage revenues and is allocated between admissions and food and beverage revenues based on expected member redemptions. Rewards must be redeemed no later than 90 days from the date of issuance. Upon redemption, deferred rewards are recognized as revenues along with associated cost of goods. Rewards not redeemed within 90 days are forfeited and recognized as admissions or food and beverage revenues. Progress rewards (member expenditures toward earned rewards) for expired membership are forfeited upon expiration of the membership and recognized as admissions or food and beverage revenues. The program's annual membership fee is deferred, net of estimated refunds, and is recognized ratably over the one-year membership period.

Advertising Costs: The Company expenses advertising costs as incurred and does not have any direct-response advertising recorded as assets. Advertising costs were $10,317,000, $9,684,000, $4,137,000, and $3,603,000 for the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively, and are recorded in operating expense in the accompanying Consolidated Statements of Operations.

Cash and Equivalents: All highly liquid debt instruments and investments purchased with an original maturity of three months or less are classified as cash equivalents.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets: Intangible assets are recorded at cost or fair value, in the case of intangible assets resulting from the Merger and acquisitions, and are comprised of amounts assigned to theatre leases acquired under favorable terms, management contracts, a contract with an equity method investee, and a non-compete agreement, each of which are being amortized on a straight-line basis over the estimated remaining useful lives of the assets, and trademark and trade names, which are considered indefinite lived intangible assets and therefore are not amortized but rather evaluated for impairment annually.

The Company first assesses the qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not the fair vale of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative impairment test. There were no intangible asset impairment charges incurred during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, the period March 30, 2012 through August 30, 2012.

Investments: The Company accounts for its investments in non-consolidated entities using either the cost or equity methods of accounting as appropriate, and has recorded the investments within other long-term assets in its Consolidated Balance Sheets. Equity earnings and losses are recorded when the Company's ownership interest provides the Company with significant influence. The Company follows the guidance in ASC 323-30-35-3, which prescribes the use of the equity method for investments where the Company has significant influence. The Company classifies gains and losses on sales of and changes of interest in equity method investments within equity in earnings of non-consolidated entities or in separate line items on the face of the Consolidated Statements of Operations when material, and classifies gains and losses on sales of investments or impairments accounted for using the cost method in investment income. Gains and losses on cash sales are recorded using the weighted average cost of all interests in the investments. Gains and losses related to non-cash negative common unit adjustments are recorded using the weighted average cost of those units in NCM. See Note 7 Investments for further discussion of the Company's investments in NCM. As of December 31, 2014, the Company holds equity method investments comprised of a 14.96% interest in NCM, a joint venture that markets and sells cinema advertising and promotions; a 32% interest in AC JV, LLC ("AC JV"), a joint venture that owns Fathom Events offering alternative content for motion picture screens; a 29% interest in Digital Cinema Implementation Partners LLC ("DCIP"), a joint venture charged with implementing digital cinema in the Company's theatres; a 50% ownership interest in two U.S. motion picture theatres and one IMAX screen; and a 50% ownership interest in Open Road Releasing, LLC, operator of Open Road Films, LLC ("Open Road Films"), a motion picture distribution company.

The Company's investment in RealD Inc. is an available-for-sale marketable equity security and is carried at fair value (Level 1). Unrealized gains and losses on available-for-sale securities are included in the Company's Consolidated Balance Sheets as a component of accumulated other comprehensive loss. See Note 7 Investments for further discussion of the Company's investment in RealD Inc.

Goodwill: Goodwill represents the excess of purchase price over fair value of net tangible and identifiable intangible assets related to the Merger and subsequent acquisitions. The Company is not required to amortize goodwill as a charge to earnings; however, the Company is required to conduct an annual review of goodwill for impairment.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's recorded goodwill was $2,289,800,000 as of December 31, 2014 and December 31, 2013. The Company evaluates goodwill and its trademark and trade names for impairment annually as of the beginning of the fourth quarter or more frequently as specific events or circumstances dictate. The Company's goodwill is recorded in its Theatrical Exhibition operating segment, which is also the reporting unit for purposes of evaluating recorded goodwill for impairment.

The Company performed its annual impairment analysis during the fourth quarter of calendar 2014 and the fourth quarter of calendar 2013, and reached a determination that there was no goodwill or trademark and trade name impairment. According to ASC 350-20, the Company has an option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. During the fourth quarter of calendar 2014 and the fourth quarter of calendar 2013, the Company assessed qualitative factors and reached a determination that it is not more likely than not that the fair value of the Company's reporting unit is less than its carrying value, and therefore, no impairment charge was incurred.

Other Long-term Assets: Other long-term assets are comprised principally of investments in equity method investees and capitalized computer software, which is amortized over the estimated useful life of the software. See Note 8 Supplemental Balance Sheet Information.

Accounts Payable: Under the Company's cash management system, checks issued but not presented to banks frequently result in book overdraft balances for accounting purposes and are classified within accounts payable in the balance sheet. The change in book overdrafts are reported as a component of operating cash flows for accounts payable as they do not represent bank overdrafts. The amount of these checks included in accounts payable as of December 31, 2014 and December 31, 2013 was $43,692,000 and $52,093,000, respectively.

Leases: The majority of the Company's operations are conducted in premises occupied under lease agreements with initial base terms ranging generally from 15 to 20 years, with certain leases containing options to extend the leases for up to an additional 20 years. The Company does not believe that exercise of the renewal options are reasonably assured at the inception of the lease agreements and, therefore, considers the initial base term as the lease term. Lease terms vary but generally the leases provide for fixed and escalating rentals, contingent escalating rentals based on the Consumer Price Index not to exceed certain specified amounts and contingent rentals based on revenues with a guaranteed minimum.

The Company records rent expense for its operating leases on a straight-line basis over the initial base lease term commencing with the date the Company has "control and access" to the leased premises, which is generally a date prior to the "lease commencement date" in the lease agreement. Rent expense related to any "rent holiday" is recorded as operating expense, until construction of the leased premises is complete and the premises are ready for their intended use. Rent charges upon completion of the leased premises subsequent to the theatre opening date are expensed as a component of rent expense.

Occasionally, the Company will receive amounts from developers in excess of the costs incurred related to the construction of the leased premises. The Company records the excess amounts received from developers as deferred rent and amortizes the balance as a reduction to rent expense over the base term of the lease agreement.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company evaluates the classification of its leases following the guidance in ASC 840-10-25. Leases that qualify as capital leases are recorded at the present value of the future minimum rentals over the base term of the lease using the Company's incremental borrowing rate. Capital lease assets are assigned an estimated useful life at the inception of the lease that generally corresponds with the base term of the lease.

Occasionally, the Company is responsible for the construction of leased theatres and for paying project costs that are in excess of an agreed upon amount to be reimbursed from the developer. ASC 840-40-05-5 requires the Company to be considered the owner (for accounting purposes) of these types of projects during the construction period and therefore it is required to account for these projects as sale and leaseback transactions. As a result, the Company has recorded financing lease obligations for failed sale leaseback transactions of $80,645,000 and $85,902,000 in its Consolidated Balance Sheets related to these types of projects as of December 31, 2014 and December 31, 2013, respectively.

Sale and Leaseback Transactions: The Company accounts for the sale and leaseback of real estate assets in accordance with ASC 840-40. Losses on sale leaseback transactions are recognized at the time of sale if the fair value of the property sold is less than the net book value of the property. Gains on sale and leaseback transactions are deferred and amortized over the remaining lease term.

Impairment of Long-lived Assets: The Company reviews long-lived assets, including definite-lived intangibles, investments in non-consolidated equity method investees, marketable equity securities and internal use software for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company identifies impairments related to internal use software when management determines that the remaining carrying value of the software will not be realized through future use. The Company reviews internal management reports on a quarterly basis as well as monitors current and potential future competition in the markets where it operates for indicators of triggering events or circumstances that indicate potential impairment of individual theatre assets. The Company evaluates theatres using historical and projected data of theatre level cash flow as its primary indicator of potential impairment and considers the seasonality of its business when making these evaluations. The Company performs impairment analysis during the last quarter of the year. Under these analyses, if the sum of the estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount of the asset, an impairment loss is recognized in the amount by which the carrying value of the asset exceeds its estimated fair value. Assets are evaluated for impairment on an individual theatre basis, which management believes is the lowest level for which there are identifiable cash flows. The impairment evaluation is based on the estimated cash flows from continuing use until the expected disposal date for the fair value of furniture, fixtures and equipment. The expected disposal date does not exceed the remaining lease period unless it is probable the lease period will be extended and may be less than the remaining lease period when the Company does not expect to operate the theatre to the end of its lease term. The fair value of assets is determined as either the expected selling price less selling costs (where appropriate) or the present value of the estimated future cash flows. The fair value of furniture, fixtures and equipment has been determined using similar asset sales, in some instances with the assistance of third party valuation studies and using management judgment.

There is considerable management judgment necessary to determine the estimated future cash flows and fair values of the Company's theatres and other long-lived assets, and, accordingly, actual

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy, see Note 16 Fair Value Measurements.

Impairment losses in the Consolidated Statements of Operations are included in the following captions:

(In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Impairment of long-lived assets	$ 3,149	$	$	$
Investment expense (income)		1,370		
Total impairment losses	$ 3,149	$ 1,370	$	$

During calendar 2014, the Company recognized an impairment loss of $3,149,000 on 8 theatres with 94 screens, which was related to property, net. During calendar 2013, the Company recognized non-cash impairment losses of $1,370,000 related to a marketable equity security when it was determined that its decline in value was other than temporary. There were no impairments during the period August 31, through December 31, 2012, and the period March 30, 2012 through August 30, 2012.

Foreign Currency Translation: Operations outside the United States are generally measured using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average rates of exchange. The resultant translation adjustments are included in foreign currency translation adjustment, a separate component of accumulated other comprehensive income. Gains and losses from foreign currency transactions, except those intercompany transactions of a long-term investment nature, are included in net earnings (loss). If the Company substantially liquidates its investment in a foreign entity, any gain or loss on currency translation balance recorded in accumulated other comprehensive income is recognized as part of a gain or loss on disposition.

Income and Operating Taxes: The Company accounts for income taxes in accordance with ASC 740-10. Under ASC 740-10, deferred income tax effects of transactions reported in different periods for financial reporting and income tax return purposes are recorded by the asset and liability method. This method gives consideration to the future tax consequences of deferred income or expense items and recognizes changes in income tax laws in the period of enactment. The statement of operations effect is generally derived from changes in deferred income taxes on the balance sheet. During the twelve months ended December 31, 2013, the Company reversed $265,600,000 ($3.47 per share) of valuation allowance which increased its net earnings.

Holdings and its subsidiaries file a consolidated federal income tax return and combined income tax returns in certain state jurisdictions. Income taxes are allocated based on separate Company computations of income or loss. Tax sharing arrangements are in place and utilized when tax benefits from affiliates in the consolidated group are used to offset what would otherwise be taxable income generated by Holdings or another affiliate.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Casualty Insurance: The Company is self-insured for general liability up to $1,000,000 per occurrence and carries a $500,000 deductible limit per occurrence for workers compensation claims. The Company utilizes actuarial projections of its ultimate losses to calculate its reserves and expense. The actuarial method includes an allowance for adverse developments on known claims and an allowance for claims which have been incurred but which have not yet been reported. As of December 31, 2014 and December 31, 2013, the Company had recorded casualty insurance reserves of $17,197,000 and $16,549,000, respectively, net of estimated insurance recoveries. The Company recorded expenses related to general liability and workers compensation claims of $16,329,000, $16,332,000, $3,913,000, and $5,732,000 for the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively.

Other Expense (Income): The following table sets forth the components of other expense (income):

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 Through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Gain on redemption of 8.75% Senior Fixed Rate Notes due 2019	$ (8,386)	$	$	$
Gain on redemption and modification of Senior Secured Credit Facility		(130)		
Loss on redemption of 8% Senior Subordinated Notes due 2014				1,297
Business interruption insurance recoveries		(1,285)		(337)
Other expense	42		49	
Other expense (income)	$ (8,344)	$ (1,415)	$ 49	$ 960

Policy for Consolidated Statements of Cash Flows: The Company considers the amount recorded for corporate borrowings issued or acquired at a premium above the stated principal balance to be part of the amount borrowed and classifies the related cash inflows and outflows up to but not exceeding the borrowed amount as financing activities in its Consolidated Statements of Cash Flows. For amounts borrowed in excess of the stated principal amount, a portion of the semi-annual coupon payment is considered to be a repayment of the amount borrowed and the remaining portion of the semi-annual coupon payment is an interest payment flowing through operating activities based on the level yield to maturity of the debt.

New Accounting Pronouncements: In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis ("ASU 2015-02"), which provides guidance on evaluating whether a reporting entity should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Further, the amendments eliminate the presumption that a general

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The Company is currently evaluating the impact, if any, that adopting ASU 2015-02 will have on its consolidated financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-12, Compensation Stock Compensation (Topic 718), ("ASU 2014-12"). This update is intended to resolve the diverse accounting treatment of share-based awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service has already been rendered. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company expects to apply the amendments prospectively to all awards granted or modified after the effective date and expects to adopt ASU 2014-12 as of the beginning of 2016. The Company does not anticipate the adoption of ASU 2014-12 to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, ("ASU 2014-08"). This amendment changes the requirements for reporting discontinued operations and includes enhanced disclosures about discontinued operations. Under the amendment, only those disposals of components of an entity that represent a strategic shift that has a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. ASU 2014-08 is effective prospectively for annual periods beginning on or after December 15, 2014, and interim reporting periods within those years. Early adoption is permitted. The Company expects to adopt ASU 2014-08 as of the beginning of 2015 and it does not anticipate the adoption of ASU 2014-08 to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, ("ASU 2013-05"). This amendment clarifies the applicable guidance for the release of cumulative translation adjustment into net earnings. When an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, the entity is required to apply the guidance in

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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NOTE 1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASC 830-30 to release any related cumulative translation adjustment into net earnings. Accordingly, the cumulative translation adjustment should be released into net earnings only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU 2013-05 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted as of the beginning of the entity's fiscal year. The Company adopted ASU 2013-05 as of the beginning of 2014 and the adoption of ASU 2013-05 did not have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

NOTE 2 MERGER

Holdings and Wanda, a Chinese private conglomerate, completed a Merger on August 30, 2012 in which Wanda indirectly acquired all of the then outstanding capital stock of Holdings. Holdings merged with Merger Subsidiary, a wholly-owned indirect subsidiary of Wanda, whereby Merger Subsidiary merged with and into Holdings with Holdings continuing as the surviving corporation and as a wholly-owned indirect subsidiary of Wanda. The Merger consideration totaled $701,811,000, with $700,000,000 invested by Wanda and $1,811,000 invested by members of management, for which 66,252,109 shares of Holdings' Class A common stock and 173,147 shares of Holdings' Class N common stock were issued, respectively. The investment amount and price per share paid by members of management was determined pursuant to Management Subscription Agreements negotiated in connection with the Merger. Pursuant to such agreements, as a retention incentive certain key members of management were required to reinvest 50% of the after tax amount they received with respect to equity awards outstanding at the time of the Merger at a price per share equal to that received for such equity awards. The approximately one percent differential in the per share price paid by Wanda and members of management represents the dilutive effect from settlement of outstanding management equity awards in connection with the Merger. Wanda also acquired cash, corporate borrowings and capital and financing lease obligations in connection with the Merger as described below. See Note 1 The Company and Significant Accounting Policies for information regarding the completed IPO of Holdings on December 23, 2013.

In connection with the Merger agreement, $35,000,000 of consideration otherwise payable to the equity holders was deposited into an Indemnity Escrow Fund and $2,000,000 otherwise payable to the equity holders was deposited into an account designated by the Stockholder Representative. The $35,000,000 of consideration previously deposited in the Indemnity Escrow Fund, which was established to cover any indemnity claims by Wanda against the sellers (former owners) relating to their representations, warranties and covenants in connection with the Merger, was released in full on April 3, 2013. There were no indemnity claims made. Further, the $2,000,000 previously deposited in an account designated by the stockholder representative, which account was established to cover post-merger closing de minimis taxes and administrative fees and expenses, has also been released in full. On April 15, 2013, after net of such taxes, fees and expenses, $1,974,000 was released back to the selling stockholders, including members of management. The Company accounted for the entire $701,811,000 as purchase price which included the amounts placed in escrow because the Company believed any contingencies requiring escrow were remote and that the amounts would be paid out subsequently.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

As a result of the Merger and related change of control, the Company applied "push down" accounting, which required allocation of the Merger consideration to the estimated fair values of the assets and liabilities acquired in the Merger. The allocation of Merger consideration was based on management's judgment after evaluating several factors, including a valuation assessment performed by a third party appraiser. Final appraisal reports were received during the first quarter of 2013. The appraisal measurements included a combination of income, replacement costs and market approaches and represents managements' best estimate of fair value at August 30, 2012, the acquisition date. Management finalized its purchase price allocation in May of calendar 2013. Adjustments made during calendar 2013 increased recorded goodwill by approximately $32,000,000. Property, net and other long-term assets decreased by approximately $28,000,000 and $4,000,000, respectively, due to final determinations of fair values assigned to tangible assets. The following is a summary of the allocation of the Merger consideration:

(In thousands)	Total (Predecessor)
Cash	$ 103,784
Receivables, net	29,775
Other current assets	34,840
Property, net(1)	1,034,597
Intangible assets, net(2)	246,507
Goodwill(3)	2,202,080
Other long-term assets(4)	339,013
Accounts payable	(134,186)
Accrued expenses and other liabilities	(138,535)
Credit card, package tickets, and loyalty program liability(5)	(117,841)
Corporate borrowings(6)	(2,086,926)
Capital and financing lease obligations	(60,922)
Exhibitor services agreement(7)	(322,620)
Other long-term liabilities(8)	(427,755)
Total Merger consideration	$ 701,811
Corporate borrowings	2,086,926
Capital and financing lease obligations	60,922
Less: cash	(103,784)
Total transaction value	$ 2,745,875

(1) Property, net consists of real estate, leasehold improvements and furniture, fixtures and equipment recorded at fair value.

(2) Intangible assets consist of a trademark and trade names, a non-compete agreement, management contracts, a contract with an equity method investee, and favorable leases. In general, the majority of the Company's asset value is comprised of real estate and fixed assets. Furthermore, the majority of the Company's theatres are operated via lease agreements as opposed to owning the underlying real estate. Therefore, any asset value

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

related to leased real estate would exist only if the existing lease agreements were at below-market, or favorable, terms. Certain of the Company's leased locations were considered to be at favorable terms, and an intangible asset was ascribed for such lease agreements. However, the majority of lease agreements were considered to be at market terms. As a result, there is no owned real estate or lease intangible asset value ascribed to the majority of the Company's locations. In estimating the fair value of the favorable lease agreements, market rents were estimated for each of the Company's leased locations. If the contractual rents were considered to be below the market rent, a favorable lease agreement was valued by discounting the difference between the contractual rent and estimated market rates over the remaining lease term. Renewal options in the leases were also considered in determining the remaining lease term.

Other intangible assets were also considered. For the Company's business, the largest intangible asset (other than favorable lease agreements) is the trade name. There was no customer relationship asset since the Company's customers represent "walk-in traffic" in which the customer would not meet the legal or separable criteria under ASC 805. The royalty savings method, a form of the income approach, was used to estimate the fair value of the trade name. In estimating the appropriate royalty rate for the trade name, the Company considered the impact and contribution that the trade name provides to the Company's operating cash flows. The Company assessed that the trade name does provide some contribution to the Company's operating cash flow, but that the attendance in the theatre is ultimately driven by factors that are not separable from goodwill such as the quality of the film product, the location of each individual theatre, the physical condition of the individual theatre, and the competitive landscape of the individual theatre.

Other than the favorable lease agreements and the trade name, there are not many other operating intangible assets for the Company's business. However, the Company does have some contractual relationships identified as intangible assets. These contractual relationships include the non-compete agreement that was entered into as part of the Company's acquisition of Kerasotes, management agreements in which the Company manages certain theatres that are owned by a third party, and the NCM tax receivable agreement (the "NCM TRA") which represents an agreement in which the Company receives a certain portion of a tax benefit that NCM is expected to receive as part of the Company's partial ownership interest in NCM. The non-compete agreement was valued using the differential cash flow method, a form of the income approach, in which the cash flows of the Company were estimated under a scenario in which the non-compete agreement was in place and a scenario in which there was no non-compete agreement. The value of the non-compete agreement was considered to be the difference of the discounted cash flows between the two scenarios over the remaining contractual term of the agreement. The management agreements were valued using the income approach, in which the annual management fees over the life of the agreements were discounted. The NCM TRA was valued using the income approach in which the future tax benefit distribution realized from any tax amortization of intangible assets was estimated and discounted. The Company determined the value of the TRA using a discounted cash flow model. For the purposes of its analysis, the Company estimated the cash receipts from

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

taxable transactions that were known as of the date of the Merger. The Company did not consider future transactions that NCM may undertake. The Company estimated a run-off of the intangible asset amortization benefits from the TRA due to the following transactions:

1. ESA (Exhibitor Services Agreement) relates to the amortization due to a modification of the initial ESA agreement.
2. CUA (Common Unit Adjustment) relates to NCM issuing additional common units to the founding members if there is an increase in the number of theaters under the ESA agreement. A reduction of common units is made if there are theaters removed from the ESA agreement.
3. AMC II Benefit relates to AMC's acquisition of Kerasotes theaters.
4. IPO Exchange Benefit relates to amortization from NCM's IPO in 2007.
5. IPO II Exchange Benefit relates to amortization step ups from NCM's secondary IPO in 2010.
6. Capital Account Administration Allocation relates to receipts attributable to the account administration.

The estimated TRA receipts through 2037 are tax effected at 40%, based on a blended federal and 50-state average tax rate. The after tax receipts were discounted to a present value using a discount rate of 12.0%, based on the cost of equity of NCM, as the TRA payments only benefit the equity holders. See Note 7 Investments for additional information.

(3) Goodwill represents the excess of the Merger consideration over the net assets recognized and represents the future expected economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill associated with the Merger is not tax deductible. Additionally, the Company expects to realize synergies and cost savings related to the Merger. Wanda is the largest theatre exhibition operator in China through its controlling ownership interest in Wanda Cinema Line. The combined ownership and scale of AMC and Wanda Cinema Line, has enabled them to enhance relationships and obtain better terms for important food and beverage, lighting and theatre supply vendors, and to expand their strategic partnership with IMAX. Wanda and AMC are also working together to offer Hollywood studios and other production companies valuable access to their industry-leading promotion and distribution platforms, with the goal of gaining greater access to content and playing a more important role in the industry going forward.

(4) Other long-term assets primarily include equity method investments, real estate held for investment and marketable equity securities recorded at fair value.

(5) Represents a liability related to the sales of gift cards, packaged tickets and AMC Stubs memberships and rewards outstanding at August 30, 2012, recorded at fair value. The Company determined fair value for the gift cards and packaged tickets by removing the

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

amount of unrecognized breakage income that was included in the deferred revenue amounts prior to the Merger. The Company made purchase accounting adjustments to reduce its deferred revenues for packaged tickets by $24,859,000 and gift cards by $7,441,000 such that the Company would recognize a normal profit margin on its deferred revenues for the future redemptions of the sales that occurred prior to the Merger. The Company did not make any fair value adjustments to its deferred revenues related to AMC Stubs as a result of the Merger because deferred revenues for the annual memberships require performance by AMC in the future and there was not sufficient historical data to estimate amounts of future breakage for AMC Stubs rewards. AMC Stubs vested rewards expire after 90 days if unused and AMC Stubs progress rewards expire to the extent members do not renew their annual membership.

(6) Corporate borrowings include borrowings under the Senior Secured Credit Facility-Term Loan due 2016, the Senior Secured Credit Facility-Term Loan due 2018, the 8.75% Senior Fixed Rate Notes due 2019 and the 9.75% Senior Subordinated Notes due 2020, recorded at fair value.

(7) In connection with the completion of NCM, Inc.'s IPO on February 13, 2007, the Company entered into the Exhibitor Services Agreement that provided favorable terms to NCM in exchange for a payment of $231,308,000. The Exhibitor Services Agreement was considered an unfavorable contract to the Company based on a comparison of rates charged by NCM to third-party exhibitors. The market rate was estimated as the average rate charged by NCM to third party exhibitors. The fair value of the contract was estimated as the present value of the difference between the Company's expected payments under the contract and a market rate over the life of the Exhibitor Services Agreement. The Company's expected payments were estimated based on the Company's expected annual attendance, screen count, and advertising revenues over the life of the exhibitor Services Agreement. See Note 7 Investments for additional information.

(8) Other long-term liabilities consist of certain theatre leases that have been identified as unfavorable, adjustments to reset deferred rent related to escalations of minimum rentals to zero, adjustments for pension and postretirement medical plan liabilities and deferred RealD Inc. lease incentive recorded at fair value. Other long-term liabilities include deferred tax liabilities resulting from indefinite temporary differences that arose primarily from the application of "push down" accounting.

The fair value measurement of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value measurement hierarchy. Level 3 fair market values were determined using a variety of information, including estimated future cash flows, appraisals, market comparables, and quoted market prices. Quoted market prices and observable market based inputs were used to estimate the fair value of corporate borrowings (Level 2) and the Company's investments in NCM and equity securities available for sale (Level 1).

During the twelve months ended December 31, 2013 and the period of August 31, 2012 through December 31, 2012, the Company incurred Merger-related costs of approximately $957,000 and $2,500,000, respectively, which are included in general and administrative expense: merger, acquisition and transaction costs in the Consolidated Statements of Operations.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

The unaudited pro forma financial information presented below sets forth the Company's historical statements of operations for the periods indicated and gives effect to the Merger as if "push down" accounting had been applied as of March 30, 2012. Such information is presented for comparative purposes to the Consolidated Statements of Operations 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.

(In thousands)	Pro forma March 30, 2012 through December 31, 2012 (unaudited)
Revenues	
Admissions	$ 1,364,663
Food and beverage	571,869
Other theatre	72,574
Total revenues	2,009,106
Operating Costs and Expenses	
Film exhibition costs	728,100
Food and beverage costs	77,871
Operating expense	529,235
Rent	331,397
General and administrative:	
Merger, acquisition and transaction costs	7,783
Management fee	
Other	55,594
Depreciation and amortization	150,234
Operating costs and expenses	1,880,214
Operating income	128,892
Other expense (income)	
Other expense	1,009
Interest expense	
Corporate borrowings	103,429
Capital and financing lease obligations	4,263
Equity in earnings of non-consolidated entities	(7,499)
Investment expense	578
Total other expense	101,780
Earnings from continuing operations before income taxes	27,112
Income tax provision	8,900
Earnings from continuing operations	18,212

Earnings from discontinued operations		34,465
Net earnings	$	52,677

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 2 MERGER (Continued)

The Merger on August 30, 2012 triggered the payment of an aggregate of $31,462,000 for success fees to financial advisors, bond amendment consent fees, payments for cancellation of stock based compensation and management success bonuses that were contingent on the consummation of the Merger. The Company determined that its accounting policy for any cost triggered by the consummation of the Merger was to recognize the cost when the Merger was consummated. Accordingly, the contingent costs discussed below have not been recorded in the Consolidated Statement of Operations for the Predecessor period since that statement depicts the results of operations just prior to consummation of the transaction. In addition, since the Successor period reflects the effects of push-down accounting, these costs have also not been recorded as an expense in the Successor period. However, the costs were reflected in the purchase accounting adjustments which were applied in arriving at the opening balances of the Successor.

The following is a summary of the contingent costs:

(In thousands)		
Financial advisor fees	$	18,129(a)
Management transaction bonuses		6,000(b)
Bond amendment fees		3,946(c)
Unrecognized stock compensation expense		3,177(d)
Other contingent transaction costs		210
	$	31,462

(a) These represent non-exclusive arrangements made with multi-parties to provide advice and assistance related to the sale of Holdings. Payment terms were contingent upon consummation of a sale. Each agreement was entered into by Predecessor entities when the Company was under previous ownership.

(b) Management bonuses were approved by the Predecessor Entity and previous ownership group to help incent key Holdings' management team members to use their best efforts to help facilitate the sale of the Company. Payments were contingent on the consummation of a transaction.

(c) Consent fees were paid pursuant to a consent solicitation to amend indentures relating to the Company's outstanding notes and permit the sale of the Company without triggering change of control payments. The payments were only made upon closing the Wanda transaction.

(d) Unrecognized stock compensation for previously existing awards that became payable due to change of control provisions and only upon consummation of a sale transaction.

NOTE 3 ACQUISITION

In December 2012, the Company completed the acquisition of 4 theatres and 61 screens from Rave Reviews Cinemas, LLC and 6 theatres and 95 screens from Rave Digital Media, LLC, (together "Rave"). The total purchase price for the Rave theatres, paid in cash, was $88,683,000, net of cash

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 3 ACQUISITION (Continued)

acquired. Approximately $881,000 of the total purchase price was paid during the twelve months ended December 31, 2013. The Company acquired the Rave theatres based on their highly complementary geographic presence in certain key markets. Additionally, the Company expects to realize synergies and cost savings related to the Rave acquisition as a result of moving to the Company's operating practices, decreasing costs for newspaper advertising, food and beverage costs, and general and administrative expense savings, particularly with respect to the consolidation of corporate related functions and elimination of redundancies.

The acquisitions are being treated as a purchase in accordance with Accounting Standards Codification, ("ASC") 805, *Business Combinations,* which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction. The allocation of purchase price is based on management's judgment after evaluating several factors, including bid prices from potential buyers and a valuation assessment. The following is a summary of the allocation of the purchase price:

(In thousands)	**Total (Successor)**
Cash	$ 3,649
Receivables, net(1)	58
Other current assets	1,556
Property, net	79,428
Goodwill(2)	87,720
Deferred tax asset	3,752
Accrued expenses and other liabilities	(7,243)
Capital and financing lease obligations	(62,598)
Other long-term liabilities(3)	(13,990)
Total purchase price	$ 92,332

(1) Receivables consist of trade receivables recorded at estimated fair value. The Company did not acquire any other class of receivables as a result of the acquisition of the Rave theatres.

(2) Amounts recorded for goodwill are expected to be deductible for tax purposes.

(3) Amounts recorded for other long-term liabilities consist of unfavorable leases and long-term deferred tax liabilities.

During the twelve months ended December 31, 2013, the Company incurred acquisition-related costs for the Rave theatres of approximately $728,000, which are included in general and administrative expense: merger, acquisition and transaction costs in the Consolidated Statements of Operations. The Company's operating results for the twelve months ended December 31, 2013 were not materially impacted by this acquisition.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 4 DISCONTINUED OPERATIONS

In August of 2012, the Company closed one theatre with 20 screens located in Canada. The Company paid the landlord $7,562,000 to terminate the lease agreement. Also, the Company sold one theatre with 12 screens located in the United Kingdom in August of 2012. The proceeds received from the sale was $395,000, and was subject to working capital and other purchase price adjustments as described in the asset purchase agreement.

In July of 2012, the Company sold six theatres with 134 screens located in Canada. The aggregate gross proceeds from the sales were approximately $1,472,000, and were subject to working capital and purchase price adjustments.

The Company recorded gains, net of lease termination expense, on the disposition of the seven Canada theatres and the one United Kingdom theatre of approximately $39,382,000, primarily due to the write-off of long-term lease liabilities extinguished in connection with the sales and closure during the period March 30, 2012 through August 30, 2012. The Company does not have any significant continuing involvement in the operations of these theatres after the disposition. The results of operations of these theatres have been classified as discontinued operations, and information presented for all periods reflects the classification.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 4 DISCONTINUED OPERATIONS (Continued)

The Company calculated the gain on sale and closure of its theatres in Canada and in the UK as follows during the period of March 30, 2012 through August 30, 2012:

(In thousands)	Total (Predecessor)
Proceeds from sale of UK theatre	$ 395
Proceeds from sale of Canada theatres	1,472
Cash payment for closure of Canada theatre	(7,562)
Net cash payment	$ (5,695)
Fixed asset write-offs	(1,885)
Recognition of cumulative translation losses in AOCI(1)	(11,069)
Legal and professional fees	(1,582)
Operating Lease Liabilities:	
Deferred rent write-off	14,848
Unfavorable lease write-off	31,099
Deferred gain write-off	13,666
Gain on sale, net of lease termination expense	$ 39,382

(1) Included in Consolidated Statements of Comprehensive Income (Loss) as follows:

(In thousands)	March 30, 2012 through August 30, 2012 (Predecessor)
Foreign currency translation adjustment:	
Foreign currency translation adjustment, net of tax	$ 866
Reclassification adjustment for foreign currency translation loss included in discontinued operations, net of tax	11,069
Total foreign currency translation adjustment, net of tax	$ 11,935

The Company operated all of the Canada and UK theatres pursuant to long-term operating lease agreements with original terms of 20 years. In connection with the sales of these theatres, the buyers assumed responsibility under the operating lease agreements and the Company was relieved of its legal obligation for future payments under the lease agreements. For the theatre that was closed, the Company paid the landlord $7,562,000 to terminate its obligation under the lease at the date of closing.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 4 DISCONTINUED OPERATIONS (Continued)

During the twelve months ended December 31, 2013, the Company received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada. The sales price adjustment was related to tax attributes of the theatres sold in Canada, which were not determinable or probable of collection at the date of the sale. The Company completed its tax returns for periods prior to the date of sale during the twelve months ended December 31, 2013, at which time the buyer was able to determine amounts due pursuant to the sales price adjustment and remit payment to the Company. The Company recorded the additional gain on sale following the guidance for gain contingencies in ASC 450-30-25-1 when the gains were realizable. The earnings from discontinued operations were partially offset by income taxes, legal and professional fees and contractual repairs and maintenance expenses during the twelve months ended December 31, 2013.

Components of amounts reflected as (earnings) loss from discontinued operations in the Company's Consolidated Statements of Operations are presented in the following table:

	Calendar 2014	Calendar 2013	Transition Period	
(In thousands)	**12 Months Ended December 31, 2014**	**12 Months Ended December 31, 2013**	**From Inception August 31, 2012 through December 31, 2012**	**March 30, 2012 through August 30, 2012**
	(Successor)	**(Successor)**	**(Successor)**	**(Predecessor)**
Revenues				
Admissions	$	$	$	$ 16,389
Food and beverage				6,099
Other theatre				548
Total revenues				23,036
Operating costs and expenses				
Film exhibition costs				8,706
Food and beverage costs			66	1,252
Operating expense			439	15,592
Rent				7,322
General and administrative costs			221	511
Depreciation and amortization				263
Gain on disposition	(523)	(2,126)	(37)	(46,951)
Operating costs and expenses	(523)	(2,126)	689	(13,305)
Operating income (loss)	523	2,126	(689)	36,341
Investment income			(1)	(12)
Total other expense (income)			(1)	(12)
Earnings (loss) before income taxes	523	2,126	(688)	36,353
Income tax provision	210	830		1,200
Net earnings (loss)	$ 313	$ 1,296	$ (688)	$ 35,153

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 5 PROPERTY

A summary of property is as follows:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Property owned:		
Land	$ 45,448	$ 46,148
Buildings and improvements	211,947	202,311
Leasehold improvements	627,259	528,915
Furniture, fixtures and equipment	745,280	616,234
	1,629,934	1,393,608
Less-accumulated depreciation and amortization	394,008	226,556
	1,235,926	1,167,052
Property leased under capital leases:		
Building and improvements	14,381	14,381
Less-accumulated depreciation and amortization	3,077	1,679
	11,304	12,702
	$ 1,247,230	$ 1,179,754

Property is recorded at cost or fair value, in the case of property resulting from acquisitions. The Company uses the straight-line method in computing depreciation and amortization for financial reporting purposes. The estimated useful lives for leasehold improvements reflect the shorter of the expected useful lives of the assets or the base terms of the corresponding lease agreements plus renewal options expected to be exercised for these leases. The estimated useful lives are as follows:

Buildings and improvements	5 to 40 years
Leasehold improvements	1 to 20 years
Furniture, fixtures and equipment	1 to 10 years

Expenditures for additions (including interest during construction) and betterments are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are included in operating expense in the accompanying Consolidated Statements of Operations.

Depreciation expense was $194,930,000, $176,998,000, $63,472,000, and $70,715,000 for the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 6 GOODWILL AND OTHER INTANGIBLE ASSETS

Activity of goodwill is presented below:

(In thousands)	Total (Successor)
Balance as of December 31, 2012	$ 2,249,153
Increase in Goodwill from purchase price allocation adjustments related to the Merger	31,951
Increase in Goodwill from purchase price allocation adjustments related to the Rave acquisition	8,696
Balance as of December 31, 2013 and December 31, 2014	$ 2,289,800

Detail of other intangible assets is presented below:

		December 31, 2014 (Successor)		December 31, 2013 (Successor)	
(In thousands)	Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable Intangible Assets:					
Favorable leases	4 to 44 years	$ 112,251	$ (13,781)	$ 112,496	$ (8,053)
Management contracts	3 to 6 years	4,540	(1,676)	4,690	(1,103)
Non-compete agreement	1 year	3,800	(2,951)	3,800	(1,678)
NCM tax receivable agreement	22 years	20,900	(1,968)	20,900	(1,133)
Total, amortizable		$ 141,491	$ (20,376)	$ 141,886	$ (11,967)
Unamortized Intangible Assets:					
AMC trademark		$ 104,400		$ 104,400	
Total, unamortizable		$ 104,400		$ 104,400	

Amortization expense associated with the intangible assets noted above is as follows:

(In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012

	(Successor)	(Successor)	(Successor)	(Predecessor)
Recorded amortization	$ 8,804	$ 9,011	$ 3,106	$ 5,016

Estimated annual amortization for the next five calendar years for intangible assets is projected below:

(In thousands)	2015	2016	2017	2018	2019
Projected annual amortization	$ 8,365	$ 7,516	$ 7,400	$ 7,131	$ 6,187

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS

Investments in non-consolidated affiliates and certain other investments accounted for under the equity method generally include all entities in which the Company or its subsidiaries have significant influence, but not more than 50% voting control. Investments in non-consolidated affiliates as of December 31, 2014, include a 14.96% interest in National CineMedia, LLC ("NCM"), a 32% interest in AC JV, LLC, owner of Fathom Events, a 50% interest in two U.S. motion picture theatres and one IMAX screen, a 29% interest in Digital Cinema Implementation Partners, LLC ("DCIP"), a 15.45% interest in Digital Cinema Distribution Coalition, LLC ("DCDC") and a 50% interest in Open Road Releasing, LLC, operator of Open Road Films. Indebtedness held by equity method investees is non-recourse to the Company.

At December 31, 2014, the Company's recorded investments are less than its proportional ownership of the underlying equity in these entities by approximately $13,257,000, excluding NCM.

RealD Inc. Common Stock

The Company holds an investment in RealD Inc. common stock, which is accounted for as an equity security, available for sale, and is recorded in the Consolidated Balance Sheets in other long-term assets at fair value (Level 1). Under its RealD Inc. motion picture license agreement, the Company received a ten-year option to purchase 1,222,780 shares of RealD Inc. common stock at approximately $0.00667 per share. The stock options vested in 3 tranches upon the achievement of screen installation targets and were valued at the underlying stock price at the date of vesting. At the dates of exercise, the fair market value of the RealD Inc. common stock was recorded in other long-term assets with an offsetting entry recorded to other long-term liabilities as a deferred lease incentive. The unamortized deferred lease incentive was recorded at fair value as a result of the Merger, and is being amortized on a straight-line basis over the remaining contract life of approximately 7 years as of December 31, 2014, to reduce RealD license expense recorded in the consolidated statements of operations under operating expense. For further information, see Note 2 Merger. As of December 31, 2014, the unamortized deferred lease incentive balance included in other long-term liabilities was $16,047,000. Fair value adjustments of RealD Inc. common stock are recorded to other long-term assets with an offsetting entry to accumulated other comprehensive income.

NCM Transactions

On March 29, 2005, the Company along with Regal combined their screen advertising operations to form NCM. On July 15, 2005, Cinemark joined the NCM joint venture by contributing its screen advertising business. The Company, Regal and Cinemark are known as "Founding Members" of NCM. On February 13, 2007, National CineMedia, Inc. ("NCM, Inc."), a newly formed entity that now serves as the sole manager of NCM, closed its initial public offering, or IPO, of 42,000,000 shares of its common stock at a price of $21.00 per share.

As of December 31, 2014, the Company owns a 14.96% interest in NCM. As a Founding Member, the Company has the ability to exercise significant influence over the governance of NCM, and, accordingly accounts for its investment following the equity method. All of the Company's NCM membership units are redeemable for, at the option of NCM, Inc., cash or shares of common stock of NCM, Inc. on a share-for-share basis. The fair market value of the units in National CineMedia, LLC was approximately $275,825,000 based on a price for shares of NCM, Inc. on December 31, 2014 of $14.37 per share.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

Pursuant to the Company's Common Unit Adjustment Agreement, from time to time common units of NCM held by the Founding Members will be adjusted up or down through a formula ("Common Unit Adjustment"), primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each Founding Member. The common unit adjustment is computed annually, except that an earlier common unit adjustment will occur for a Founding Member if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent common unit adjustment, will cause a change of 2% or more in the total annual attendance of all of the Founding Members. In the event that a common unit adjustment is determined to be a negative number, the Founding Member shall cause, at its election, either (a) the transfer and surrender to NCM of a number of common units equal to all or part of such Founding Member's common unit adjustment or (b) pay to NCM an amount equal to such Founding Member's common unit adjustment calculated in accordance with the Common Unit Adjustment Agreement.

As a result of the Rave theatre acquisitions in December 2012, the Company received 1,728,988 common membership units of NCM, effective March 14, 2013 from the annual Common Unit Adjustment. The Company recorded the additional units received at a fair value of $26,315,000, based on a price for shares of NCM, Inc. on March 14, 2013, of $15.22 per share, and as a new investment (Tranche 2 Investment), with an offsetting adjustment to the Exhibitor Services Agreement to be amortized to revenues over the remaining term of the ESA following the units-of-revenue method. The Rave theatre screens were under a contract with another screen advertising provider and the Company will continue to receive its share of the advertising revenues. During the remainder of the Rave screen contract, the Company will pay a screen integration fee to NCM in an amount that approximates the EBITDA that NCM would have generated if it had been able to sell advertising on the Rave theatre screens. In March 2014, the Company received 141,731 membership units recorded at a fair value of $2,137,000 ($15.08 per unit) with a corresponding credit to the ESA to be amortized following the units-of-revenue method over the remaining term of the ESA.

The NCM, Inc. IPO and related transactions have the effect of reducing the amounts NCM, Inc. would otherwise pay in the future to various tax authorities as a result of an increase in its proportionate share of tax basis in NCM's tangible and intangible assets. On the IPO date, NCM, Inc. and the Founding Members entered into a tax receivable agreement. Under the terms of this agreement, NCM, Inc. will make cash payments to the Founding Members in amounts equal to 90% of NCM, Inc.'s actual tax benefit realized from the tax amortization of the NCM intangible assets. For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing NCM, Inc.'s actual income and franchise tax liability to the amount of such taxes that NCM, Inc. would have been required to pay had there been no increase in NCM, Inc.'s proportionate share of tax basis in NCM's tangible and intangible assets and had the tax receivable agreement not been entered into. The tax receivable agreement shall generally apply to NCM, Inc.'s taxable years up to and including the 30th anniversary date of the NCM, Inc. IPO and related transactions. Prior to the date of the Merger on August 30, 2012, distributions received under the tax receivable agreement from NCM, Inc. were recorded as additional proceeds received related to the Company's Tranche 1 or 2 Investments and were recorded in earnings in a similar fashion to the proceeds received from the NCM, Inc. IPO and the receipt of excess cash distributions. Following the date of the Merger, the Company recorded an intangible asset of $20,900,000 as the fair value of the tax receivable agreement. The tax receivable agreement intangible asset is amortized on a straight-line basis against investment income over the remaining life of the ESA. Cash receipts from NCM, Inc. for the tax receivable agreement are recorded to the investment expense (income) account.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

During the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, payments received of $8,730,000, $3,677,000, $0, and $0, related to the NCM tax receivable agreement were recorded in investment expense (income), net of related amortization, respectively, for the NCM tax receivable agreement intangible asset.

Due to the capital transactions following the NCM, Inc. IPO and the quarterly cash distributions paid by NCM to the members, the recorded membership equity in NCM is a deficit. The Company's recorded investment in NCM was adjusted to fair value at the date of the Merger. As a result, the Company's recorded investment in NCM exceeds its proportional ownership in the equity of NCM by approximately $735,795,000 as of December 31, 2014.

The Company recorded the following related party transactions with NCM:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Due from NCM for on-screen advertising revenue	$ 2,072	$ 2,226
Due to NCM for Exhibitor Services Agreement	1,784	2,429
Promissory note payable to NCM	6,944	8,333

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Net NCM screen advertising revenues	$ 34,523	$ 33,790	$ 11,086	$ 11,731
NCM beverage advertising expense	12,226	13,809	4,197	6,326

DCIP Transactions. The Company will make capital contributions to DCIP for projector and installation costs in excess of an agreed upon cap ($68,000 per system for digital conversions and as of December 31, 2014, $41,500 for new build locations). The Company pays equipment rent monthly and records the equipment rental expense on a straight-line basis over 12 years.

The Company recorded the following related party transactions with DCIP:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Due from DCIP for equipment and warranty purchases	$ 1,048	$ 663
Deferred rent liability for digital projectors	9,031	7,747

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Digital equipment rental expense (continuing operations)	$ 6,639	$ 11,077	$ 3,338	$ 3,624

Open Road Films Transactions. Open Road Films was launched by the Company and Regal in March 2011, as an acquisition-based domestic theatrical distribution company that concentrates on wide-release movies. Open Road titles are also distributed in the pay-TV and home entertainment markets. The Company has a commitment to invest up to an additional $10,000,000, in the event additional capital is required.

The Company recorded the following related party transactions with Open Road Films:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Due from Open Road Films	$ 2,560	$ 2,658
Film rent payable to Open Road Films	709	1,959

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Gross film exhibition cost on Open Road Films	$ 13,300	$ 12,700	$ 5,500	$ 1,550

AC JV Transactions

On December 26, 2013, the Company amended and restated its existing ESA with NCM in connection with the spin-off by NCM of its Fathom Events business to AC JV, a newly-formed company owned 32% by each of the Founding Members and 4% by NCM. In consideration for the spin-off, NCM received a total of $25,000,000 in promissory notes from its Founding Members (approximately $8,333,000 from each Founding Member). Interest on the promissory note is at a fixed rate of 5% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing. Cinemark and Regal also amended and restated their respective ESAs with NCM in connection with the spin-off. The ESAs were modified to remove those provisions addressing the rights and obligations related to digital programing services of the Fathom Events business. Those provisions are now contained in the Amended and Restated Digital Programming Exhibitor Services Agreements (the "Digital ESAs") that were entered into on December 26, 2013 by NCM and each of the Founding Members. These Digital ESAs were then assigned by NCM to AC JV as part of the Fathom spin-off. There were no significant operations from the closing date until December 31, 2013.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

The Company recorded the following related party transactions with AC JV:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Due to AC JV for Fathom Events programming	$ 333	$

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Gross exhibition cost on Fathom Events programming	$ 6,898	$	$	$

Summary Financial Information

Investments in non-consolidated affiliates accounted for under the equity method as of December 31, 2014, include interests in NCM, DCIP, Open Road Films, AC JV, DCDC, two U.S. motion picture theatres and one IMAX screen, and other immaterial investments.

Condensed financial information of the Company's non-consolidated equity method investments is shown below and amounts are presented under GAAP for the periods of ownership by the Company:

	December 31, 2014 (Successor)					
(In thousands)	NCM	DCIP	Open Road	AC JV	Other	Total
Current assets	$ 134,900	$ 53,229	$ 44,498	$ 10,993	$ 11,649	$ 255,269
Noncurrent assets	546,200	1,044,417	12,260	22,948	25,296	1,651,121
Total assets	681,100	1,097,646	56,758	33,941	36,945	1,906,390
Current liabilities	106,500	24,036	64,080	4,238	3,538	202,392
Noncurrent liabilities	892,000	821,282	22,582			1,735,864
Total liabilities	998,500	845,318	86,662	4,238	3,538	1,938,256
Stockholders' equity (deficit)	(317,400)	252,328	(29,904)	29,703	33,407	(31,866)
Liabilities and stockholders' equity	681,100	1,097,646	56,758	33,941	36,945	1,906,390
The Company's recorded investment(1)	$ 265,839	$ 62,236	$ (9,570)	$ 6,255	$ 7,680	$ 332,440

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

	December 31, 2013 (Successor)					
(In thousands)	**NCM**	**DCIP**	**Open Road**	**AC JV**	**Other**	**Total**
Current assets	$ 141,600	$ 140,353	$ 60,431	$ 806	$ 14,069	$ 357,259
Noncurrent assets	557,600	1,124,517	10,341	24,464	24,281	1,741,203
Total assets	699,200	1,264,870	70,772	25,270	38,350	2,098,462
Current liabilities	122,400	34,919	69,530		6,301	233,150
Noncurrent liabilities	876,000	1,028,191	15,918			1,920,109
Total liabilities	998,400	1,063,110	85,448		6,301	2,153,259
Stockholders' equity (deficit)	(299,200)	201,760	(14,676)	25,270	32,049	(54,797)
Liabilities and stockholders' equity	699,200	1,264,870	70,772	25,270	38,350	2,098,462
The Company's recorded investment(1)	$ 272,407	$ 45,831	$ (1,920)	$ 4,785	$ 6,807	$ 327,910

(1) Certain differences in the Company's recorded investments, and its proportional ownership share resulting from the Merger where the investments were recorded at fair value and are amortized to equity in (earnings) losses of non-consolidated entities over the estimated useful lives the underlying assets and liabilities. Other non-amortizing differences are considered to represent goodwill and are evaluated for impairment annually.

Condensed financial information of the Company's non-consolidated equity method investments is shown below and amounts are presented under GAAP for the periods of ownership by the Company:

	12 Months Ended December 31, 2014 (Successor)					
(In thousands)	**NCM**	**DCIP**	**Open Road**	**AC JV**	**Other**	**Total**
Revenues	$ 394,000	$ 170,724	$ 175,374	$ 42,102	$ 26,887	$ 809,087
Operating costs and expenses	297,700	109,430	190,602	37,669	26,072	661,473
Net earnings (loss)	$ 96,300	$ 61,294	$ (15,228)	$ 4,433	$ 815	$ 147,614

	12 Months Ended December 31, 2013 (Successor)					
(In thousands)	**NCM**	**DCIP**	**Open Road**	**AC JV**	**Other**	**Total**
Revenues	$ 462,800	$ 182,659	$ 140,350	$	$ 18,517	$ 804,326
	299,900	133,700	130,628		18,546	582,774

Operating costs and expenses						
Net earnings (loss)	$ 162,900	$ 48,959	$ 9,722	$	$ (29)	$ 221,552

	From Inception August 31, 2012 through December 31, 2012 (Successor)					
(In thousands)	**NCM**	**DCIP**	**Open Road**	**AC JV**	**Other**	**Total**
Revenues	$ 178,100	$ 56,851	$ 39,701	$	$ 9,128	$ 283,780
Operating costs and expenses	144,000	43,052	61,083		11,088	259,223
Net earnings (loss)	$ 34,100	$ 13,799	$ (21,382)	$	$ (1,960)	$ 24,557

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

	March 30, 2012 through August 30, 2012 (Predecessor)					
(In thousands)	**NCM**	**DCIP**	**Open Road**	**AC JV**	**Other**	**Total**
Revenues	$ 231,600	$ 71,560	$ 42,563	$	$ 14,680	$ 360,403
Operating costs and expenses	167,900	55,378	55,395		14,820	293,493
Net earnings (loss)	$ 63,700	$ 16,182	$ (12,832)	$	$ (140)	$ 66,910

The components of the Company's recorded equity in earnings (losses) of non-consolidated entities are as follows:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
National CineMedia, LLC	$ 11,311	$ 23,196	$ 4,271	$ 7,473
Digital Cinema Implementation Partners, LLC	20,929	18,660	4,436	4,941
Open Road Releasing, LLC	(7,650)	4,861	(10,691)	(6,416)
AC JV, LLC	1,470			
Other	555	718	(496)	1,547
The Company's recorded equity in earnings (losses)	$ 26,615	$ 47,435	$ (2,480)	$ 7,545

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

The Company recorded the following changes in the carrying amount of its investment in NCM and equity in earnings of NCM during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012:

(In thousands)	Investment in NCM(1)	Exhibitor Services Agreement(2)	Other Comprehensive (Income)	Cash Received	Equity in (Earnings) Losses	Advertising (Revenue)
Ending balance March 29, 2012	$ 71,517	$ (328,442)	$			
Receipt of excess cash distributions	$ (1,701)	$	$	$ 6,667	$ (4,966)	$
Change in interest loss	(16)				16	
Amortization of ESA		2,367				(2,367)
Equity in earnings(3)	2,523				(2,523)	
Ending balance August 30, 2012	$ 72,323	$ (326,075)	$	$ 6,667	$ (7,473)	$ (2,367)
Purchase price fair value adjustment	177,832	3,453				
Receipt of excess cash distributions	(10,176)			10,176		
Amortization of ESA		4,468				(4,468)
Unrealized gain	797		(797)			
Equity in earnings(3)	4,271				(4,271)	
Ending balance December 31, 2012	$ 245,047	$ (318,154)	$ (797)	$ 10,176	$ (4,271)	$ (4,468)
Receipt of common units	26,315	(26,315)				
Receipt of excess cash distributions	(27,453)			27,453		
Amortization of ESA		14,556				(14,556)
Unrealized gain from cash flow hedge	1,485		(1,485)			
Adjust carrying value of AC JV, LLC(6)	3,817					
Change in interest gain(4)	5,012				(5,012)	
Equity in earnings(3)	21,149				(21,149)	
Equity in loss from amortization of basis difference(5)	(2,965)				2,965	
Ending balance December 31, 2013	$ 272,407	$ (329,913)	$ (2,282)	$ 27,453	$ (23,196)	$ (14,556)

Receipt of common units	2,137	(2,137)				
Receipt of excess cash distributions	(21,514)			21,514		
Amortization of ESA		15,235				(15,235)
Unrealized gain from cash flow hedge	1,498		(1,498)			
Equity in earnings(3)	14,446				(14,446)	
Equity in loss from amortization of basis difference(5)	(3,135)				3,135	
Ending balance December 31, 2014	$ 265,839	$ (316,815)	$ (3,780)	$ 21,514	$ (11,311)	$ (15,235)

(1) Represents AMC's investment through the date of the Merger on August 30, 2012 in 4,417,042 common membership units received under the Common Unit Adjustment Agreement dated as of February 13, 2007 (Predecessor Tranche 2 Investments). AMC's investment in 12,906,740 common membership units (Predecessor Tranche 1 Investment) was carried at zero cost through the date of the Merger. As of the date of the Merger, the Company's investment in NCM consisted of a single investment tranche (Tranche 1 Investment) of 17,323,782 membership units recorded at fair value (Level 1). As a result of the Rave theatre acquisitions in December of 2012, and as provided under the Common Unit Adjustment Agreement, the Company received 1,728,988 additional NCM common membership units in 2013 valued at $26,315,000 and is recorded in a second tranche, (Tranche 2 Investment). In March 2014, the Company received 141,731 membership units recorded at a fair value of $2,137,000 ($15.08 per unit) with a corresponding credit to the ESA and is recorded as a part of the Tranche 2 Investment.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 7 INVESTMENTS (Continued)

(2) Represents the unamortized portion of the ESA with NCM. Such amounts are being amortized to other theatre revenues over the remainder of the 30 year term of the ESA ending in 2036, using a units-of-revenue method, as described in ASC 470-10-35 (formerly EITF 88-18, *Sales of Future Revenues*). In connection with the Merger on August 30, 2012, the amounts related to the ESA were adjusted to estimated fair value. For further information, see Note 2 Merger.

(3) Represents equity in earnings on the Predecessor Tranche 2 investments only through August 30, 2012. Subsequent to August 30, 2012, represents percentage of ownership equity in earnings for Successor on both Tranche 1 and Tranche 2 Investments.

(4) Non-cash gains were recorded in 2013 to adjust the Company's investment balance due to NCM's issuance of 8,688,078 common membership units to other founding members, at a price per share in excess of the Company's average carrying amount per share.

(5) Certain differences between the Company's carrying value and the Company's share of NCM's membership equity have been identified and are amortized to equity in (earnings) losses in non-consolidated entities over the respective lives of the assets and liabilities.

(6) On December 26, 2013, NCM spun-off its Fathom Events business to a newly formed limited liability company, AC JV, LLC which is owned 32% by each founding member and 4% by NCM. In consideration for the sale, each of the three founding members issued promissory notes of approximately $8,333,000 to NCM. The Company's share of the gain recorded by NCM, as a result of the spin-off, has been excluded from equity in earnings and has been applied as a reduction in the carrying value of AC JV, LLC investment.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 8 SUPPLEMENTAL BALANCE SHEET INFORMATION

Other assets and liabilities consist of the following:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Other current assets:		
Prepaid rent	$ 39,021	$ 37,839
Income taxes receivable	3,029	3,871
Prepaid insurance and other	16,512	18,578
Merchandise inventory	10,516	10,645
Other	15,265	9,891
	$ 84,343	$ 80,824
Other long-term assets:		
Investments in real estate	$ 11,300	$ 10,733
Deferred financing costs	13,129	7,841
Investments in equity method investees	332,440	327,910
Computer software	38,619	39,237
Investment in RealD Inc. common stock	14,429	10,442
Other	7,687	6,341
	$ 417,604	$ 402,504
Accrued expenses and other liabilities:		
Taxes other than income	$ 47,988	$ 46,251
Interest	13,649	9,783
Payroll and vacation	10,901	21,697
Current portion of casualty claims and premiums	9,211	10,030
Accrued bonus	16,771	36,916
Theatre and other closure	7,709	6,405
Accrued licensing and percentage rent	14,399	19,241
Current portion of pension and other benefits liabilities	781	766
Other	14,853	19,831
	$ 136,262	$ 170,920
Other long-term liabilities:		
Unfavorable lease obligations	$ 165,073	$ 194,233
Deferred rent	120,184	55,272
Pension and other benefits	48,436	30,177

RealD deferred lease incentive	16,047	18,635
Casualty claims and premiums	10,327	9,525
Theatre and other closure	45,126	48,758
Other	14,524	14,346
	$ 419,717	$ 370,946

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS

A summary of the carrying value of corporate borrowings and capital and financing lease obligations is as follows:

(In thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Senior Secured Credit Facility-Term Loan due 2020 (3.50% as of December 31, 2014)	$ 760,018	$ 767,502
5% Promissory Note payable to NCM due 2019	6,944	8,333
8.75% Senior Fixed Rate Notes due 2019		647,666
9.75% Senior Subordinated Notes due 2020	649,043	655,310
5.875 Senior Subordinated Notes due 2022	375,000	
Capital and financing lease obligations, 8.25%-11.5%	109,258	116,199
	1,900,263	2,195,010
Less: current maturities	(23,598)	(16,080)
	$ 1,876,665	$ 2,178,930

The carrying amount of corporate borrowings includes a net premium amount of $47,623,000 for unamortized premiums and discounts as of December 31, 2014.

Minimum annual payments required under existing capital and financing lease obligations (net present value thereof) and maturities of corporate borrowings as of December 31, 2014 are as follows:

	Capital and Financing Lease Obligations				
(In thousands)	Minimum Lease Payments	Less Interest	Principal	Principal Amount of Corporate Borrowings	Total
2015	$ 16,933	$ 9,207	$ 7,726	$ 15,914	$ 23,640
2016	16,943	8,474	8,469	16,473	24,942
2017	16,951	7,671	9,280	17,067	26,347
2018	17,112	6,782	10,330	17,713	28,043
2019	15,530	5,852	9,678	18,407	28,085
Thereafter	81,042	17,267	63,775	1,706,849	1,770,624
Total	$ 164,511	$ 55,253	$ 109,258	$ 1,792,423	$ 1,901,681

AMCE's Senior Secured Credit Facility

The Senior Secured Credit Facility is with a syndicate of banks and other financial institutions and, as a result of the third amendment on December 15, 2010, the term loan maturity was extended from January 26, 2013 to December 15, 2016 (the "Term Loan due 2016") for the then aggregate principal amount of $476,597,000 held by lenders who consented to the amendment. The remaining then aggregate term loan principal amount of $142,528,000 (the "Term Loan due 2013") was scheduled to mature on January 26, 2013. The Senior Secured Credit Facility also provided for a revolving credit facility of $192,500,000 that would mature on December 15, 2015. The revolving credit facility included borrowing capacity available for letters of credit and for swingline borrowings on same-day notice.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

Incremental Amendment. On February 22, 2012, AMCE entered into an amendment to its Senior Secured Credit Facility pursuant to which AMCE borrowed term loans (the "Term Loan due 2018"), and used the proceeds, together with cash on hand, to repay the existing Term Loan due 2013. The Term Loan due 2018 was issued under the Senior Secured Credit Facility for $300,000,000 aggregate principal amount and the net proceeds received were $297,000,000. The 1% discount was amortized to interest expense over the term of the loan until the Merger date of August 30, 2012, when the debt was re-measured at fair value. The Term Loan due 2018 required repayments of principal of 1%, or $3,000,000, per annum and the remaining principal payable upon maturity on February 22, 2018.

Fourth Amendment. On July 2, 2012, AMCE entered into a waiver and fourth amendment to its Senior Secured Credit Facility dated as of January 26, 2006 to, among other things: (i) waive a certain specified default that would otherwise occur upon the change of control effected by the Merger, (ii) permit the Company to change its fiscal year after completion of the Merger, (iii) reflect the change in ownership going forward by restating the definition of "Permitted Holder" to include only Wanda and its affiliates under the Senior Secured Credit Facility in connection with the Merger, (iv) provide for a minimum LIBOR percentage of 1.00%, from, and only after, the completion of the Merger, in determining the interest rate to the Term Loan due 2016, and (v) provide for an interest rate of LIBOR plus 375 basis points to the Term Loan due 2018, from and only after, the completion of the Merger.

In connection with the waiver and fourth amendment, AMCE paid consent fees to lenders equal to 0.25% of the sum of the revolving credit commitment of such consenting lender and the aggregate outstanding principal amount of term loans held by such consenting lender. AMCE made total consent fee payments to lenders for the fourth amendment of $2,256,000 and recorded it as deferred charges to be amortized as an adjustment to interest expense over the remaining term of the related term loan or revolving credit facility. AMCE recorded deferred charges for the consent fees of $438,000 on the Revolving Credit Facility pursuant to ASC 470-50-40-21 and recorded deferred charges of $1,108,000 for the Term Loan due 2016 and $710,000 for the Term Loan due 2018 pursuant to ASC 470-50-40-17b.

New Senior Secured Credit Facility. On April 30, 2013, AMCE entered into a new $925,000,000 Senior Secured Credit Facility pursuant to which AMCE borrowed term loans and used the proceeds to fund the redemption of both the Term Loan due 2016 and the Term Loan due 2018. The Senior Secured Credit Facility is comprised of a $150,000,000 Revolving Credit Facility, which matures on April 30, 2018 (the "Revolving Credit Facility"), and a $775,000,000 term loan, which matures on April 30, 2020 (the "Term Loan due 2020"). The Term Loan due 2020 requires repayments of principal of 0.25% of the original principal amount, or $1,937,500, per quarter, with the remaining principal payable upon maturity. The term loan was issued at a 0.25% discount, which will be amortized to interest expense over the term of the loan. AMCE capitalized deferred financing costs of approximately $6,909,000 related to the issuance of the Revolving Credit Facility and approximately $2,217,000 related to the issuance of the Term Loan due 2020 during calendar 2013. Concurrently with the Term Loan due 2020 borrowings on April 30, 2013, AMCE redeemed all of the outstanding Term Loan due 2016 and the Term Loan due 2018 at a redemption price of 100% of the outstanding aggregate principal balance of $464,088,000 and $296,250,000, respectively, plus accrued and unpaid interest. AMCE recorded a net gain of approximately $(130,000) in other expense (income), which consisted of the

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

Term Loan due 2016 premium write-off, partially offset by the expense for the third-party costs incurred in connection with the repurchase of the Term Loan due 2016 and the Term Loan due 2018, during the twelve months ended December 31, 2013. At December 31, 2014, the aggregate principal balance of the Term Loan due 2020 was $761,438,000 and there were no borrowings under the Revolving Credit Facility. As of December 31, 2014, AMCE had approximately $136,798,000 available for borrowing, net of letters of credit, under its Revolving Senior Credit Facility.

Borrowings under the Senior Secured Credit Facility bear interest at a rate equal to an applicable margin plus, at the Company's option, either a base rate or LIBOR. The minimum rate for base rate borrowings is 1.75% and the minimum rate for LIBOR-based borrowings is 0.75%. The applicable margin for the Term loan due 2020 is 1.75% for base rate borrowings and 2.75% for LIBOR based loans. The applicable margin for the Revolving Credit Facility ranges from 1.25% to 1.5% for base rate borrowings and from 2.25% to 2.5% for LIBOR based borrowings. The Revolving Credit Facility also provides for an unused commitment fee of 0.50% per annum and for letter of credit fees of up to 0.25% per annum plus the applicable margin for LIBOR-based borrowings on the undrawn amount of the letter of credit. The applicable rate for borrowings under the Term Loan due 2020 at December 31, 2014 was 3.5% based on LIBOR (2.75% margin plus 0.75% minimum LIBOR rate). Prior to redemption, the applicable rate for borrowings under the Term Loan due 2016 at April 30, 2013 was 4.25% based on LIBOR (3.25% margin plus 1.00% minimum LIBOR rate) and the applicable rate for borrowings under the Term Loan due 2018 was 4.75% (3.75% margin plus 1.00% minimum LIBOR rate). AMCE is obligated to repay $7,750,000 of the Term Loan due 2020 per annum through April 30, 2019, with any remaining balance due on April 30, 2020. AMCE may voluntarily repay outstanding loans under the Senior Secured Credit Facility at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans.

The Senior Secured Credit Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of AMCE and its subsidiaries, to sell assets; incur additional indebtedness; prepay other indebtedness (including the notes); pay dividends and distributions or repurchase their capital stock; create liens on assets; make investments; make acquisitions; engage in mergers or consolidations; engage in transactions with affiliates; amend constituent documents and material agreements governing subordinated indebtedness, including the Notes due 2020; change the business conducted by it and its subsidiaries; and enter into agreements that restrict dividends from subsidiaries. In addition, the Senior Secured Credit Facility requires AMCE and its subsidiaries to maintain, on the last day of each fiscal quarter, a net senior secured leverage ratio, as defined in the Senior Secured Credit Facility, of no more than 3.25 to 1 as long as the commitments under the Revolving Credit Facility remain outstanding. The Senior Secured Credit Facility also contains certain customary affirmative covenants and events of default, including the occurrence of (i) a change in control, as defined in the Senior Secured Credit Facility, (ii) defaults under other indebtedness of AMCE, any guarantor or any significant subsidiary having a principal amount of $25,000,000 or more, and (iii) one or more uninsured judgments against the AMCE, any guarantor, or any significant subsidiary for an aggregate amount exceeding $25,000,000 with respect to which enforcement proceedings are brought or a stay of enforcement is not in effect for any period of 60 consecutive days.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

All obligations under the Senior Secured Credit Facility are guaranteed by each of AMCE's wholly-owned domestic subsidiaries. All obligations under the Senior Secured Credit Facility, and the guarantees of those obligations (as well as cash management obligations), are secured by substantially all of AMCE's assets as well as those of each subsidiary guarantor.

AMCE's Notes Due 2019

On June 9, 2009, AMCE issued $600,000,000 aggregate principal amount of 8.75% Senior Notes due 2019 (the "Notes due 2019") issued under an indenture with U.S. Bank, National Association, as trustee. The Notes due 2019 bear interest at a rate of 8.75% per annum, payable on June 1 and December 1 of each year (commencing on December 1, 2009), and have a maturity date of June 1, 2019. The Notes due 2019 are redeemable at AMCE's option in whole or in part, at any time on or after June 1, 2014 at 104.375% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after June 1, 2017, plus accrued and unpaid interest to the redemption date.

The Notes due 2019 are general unsecured senior obligations of AMCE, fully and unconditionally guaranteed, jointly and severally, on a senior basis by each of AMCE's existing and future domestic restricted subsidiaries that guarantee its other indebtedness.

In connection with the Merger on August 30, 2012, the carrying value of the Notes due 2019 was adjusted to fair value. As a result, a premium of $57,000,000 was recorded and will be amortized to interest expense utilizing the interest rate method over the remaining term of the notes. Quoted market prices were used to estimate the fair value of the Notes due 2019 (Level 2) at the date of the Merger. AMCE determined the premium for the Notes due 2019 as the difference between the fair value of the Notes due 2019 and the principal balance of the Notes due 2019.

On January 15, 2014, AMCE launched a cash tender offer and consent solicitation for any and all of its outstanding Notes due 2019 at a purchase price of $1,038.75 plus a $30.00 consent fee for each $1,000 principal amount of Notes due 2019 validly tendered and accepted by AMCE on or before the consent payment deadline on January 29, 2014 at 5:00 p.m. New York City time (the "Consent Date"). Holders of $463,950,000, or approximately 77.33%, of the Notes due 2019 validly tendered (or defective tender waived by AMCE) and did not withdraw their Notes due 2019 prior to the expiration of the Consent Date. An additional $14,000 of Notes due 2019 was tendered from the Consent Date to the expiration date of the tender offer. The consents received exceeded the amount needed to approve the proposed amendments to the indenture under which the Notes due 2019 were issued.

On February 7, 2014, AMCE amended the indenture governing the Notes due 2019 to eliminate substantially all of the restrictive covenants and certain events of default and other related provisions. On February 7, 2014, AMCE accepted for purchase $463,950,000 aggregate principal amount, plus accrued and unpaid interest of the Notes due 2019, at a purchase price of $1,038.75 plus a $30.00 consent fee for each $1,000 principal amount of Notes due 2019 validly tendered (or defective tender waived by AMCE), and, on February 14, 2014, AMCE accepted for purchase the additional $14,000 of Notes due 2019 tendered after the Consent Date, plus accrued and unpaid interest, at a purchase price of $1,038.75 for each $1,000 principal amount of Notes due 2019 validly tendered.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

On April 22, 2014, AMCE gave notice for redemption of all outstanding Notes due 2019 on a redemption date of June 1, 2014 (the "Redemption Date") at a redemption price of 104.375% of the principal amount together with accrued and unpaid interest to the Redemption Date. The aggregate principal amount of the Notes due 2019 outstanding on April 22, 2014 was $136,036,000. AMCE completed the redemption of all of its outstanding Notes due 2019 on June 2, 2014.

The Company recorded a gain on extinguishment related to the cash tender offer and redemption of the Notes due 2019 of approximately $8,544,000 in other income, partially offset by other expenses of $158,000 during the twelve months ended December 31, 2014.

AMCE's Notes Due 2020

On December 15, 2010, AMCE completed the offering of $600,000,000 aggregate principal amount of its Notes due 2020. The Notes due 2020 mature on December 1, 2020, pursuant to an indenture dated as of December 15, 2010, among AMCE, the Guarantors named therein and U.S. Bank National Association, as trustee. AMCE will pay interest on the Notes due 2020 at 9.75% per annum, semi-annually in arrears on June 1 and December 1, commencing on June 1, 2011. AMCE may redeem some or all of the Notes due 2020 at any time on or after December 1, 2015 at 104.875% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after December 1, 2018, plus accrued and unpaid interest to the redemption date.

The Indenture provides that the Notes due 2020 are general unsecured senior subordinated obligations of AMCE and are fully and unconditionally guaranteed on a joint and several senior subordinated unsecured basis by all of its existing and future domestic restricted subsidiaries that guarantee its other indebtedness. The Notes due 2020 are not guaranteed by Holdings.

The indenture governing the Notes due 2020 contains covenants limiting other indebtedness, dividends, purchases or redemptions of stock, transactions with affiliates and mergers and sales of assets.

In connection with the Merger on August 30, 2012, the carrying value of the Notes due 2020 was adjusted to fair value. As a result, a premium of $63,000,000 was recorded and will be amortized to interest expense over the remaining term of the notes. Quoted market prices were used to estimate the fair value of AMCE's Notes due 2020 (Level 2) at the Merger. AMCE determined the premium for the Notes due 2020 as the difference between the fair value of the Notes due 2020 and the principal balance of the Notes due 2020.

AMCE's Notes Due 2022

On February 7, 2014, AMCE completed an offering of $375,000,000 aggregate principal amount of its Senior Subordinated Notes due 2022 (the "Notes due 2022") in a private offering. The Notes due 2022 mature on February 15, 2022. AMCE will pay interest on the Notes due 2022 at 5.875% per annum, semi-annually in arrears on February 15th and August 15th, commencing on August 15, 2014. AMCE may redeem some or all of the Notes due 2022 at any time on or after February 15, 2017 at 104.406% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after February 15, 2020, plus accrued and unpaid interest to the redemption date. Prior to

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

February 15, 2017, AMCE may redeem the Notes due 2022 at par plus a make-whole premium. AMCE used the net proceeds from the Notes due 2022 private offering, together with a portion of the net proceeds from the Holdings' IPO, to pay the consideration and consent payments for the tender offer for the Notes due 2019, plus any accrued and unpaid interest and related transaction fees and expenses.

The Notes due 2022 are general unsecured senior subordinated obligations of AMCE and are fully and unconditionally guaranteed on a joint and several unsecured senior subordinated basis by all of its existing and future domestic restricted subsidiaries that guarantee its other indebtedness. The Notes due 2022 are not guaranteed by Holdings.

The indenture governing the Notes due 2022 contains covenants limiting other indebtedness, dividends, purchases or redemptions of stock, transactions with affiliates and mergers and sales of assets.

AMCE filed a registration statement on April 1, 2014 pursuant to the Securities Act of 1933, as amended, relating to an offer to exchange the original Notes due 2022 for exchange Notes due 2022. The registration statement was declared effective on April 9, 2014. After the exchange offer expired on May 9, 2014, all of the original Notes due 2022 were exchanged.

Consent Solicitation

On June 22, 2012, AMCE announced it had received the requisite consents from holders of each of its Notes due 2019 and its Notes due 2020 and, collectively with the Notes due 2019, the ("Notes") for (i) a waiver of the requirement for AMCE to comply with the "change of control" covenant in each of the indentures governing the Notes due 2019 and the indenture governing the Notes due 2020 (collectively, the "Indentures"), in connection with the Merger (the "Waivers"), including AMCE's obligation to make a "change of control offer" in connection with the Merger with respect to each series of Notes, and (ii) certain amendments to the Indentures to reflect the change in ownership going forward by adding Wanda and its affiliates to the definition of "Permitted Holder" under each of the Indentures. AMCE entered into supplemental indentures to give effect to the Waivers and certain amendments to the Indentures, which became operative upon payment of the applicable consent fee immediately prior to the closing of the Merger. The holders of each of the Notes due 2019 and Notes due 2020, who validly consented to the Waiver and the proposed amendments, received a consent fee of $2.50 per $1,000 principal amount at the closing date of the Merger. The total consent fees were $2,376,000. See Note 2 Merger for additional information regarding the recording of the consent fees.

OpCo's Promissory Note

See Note 7 Investments for information regarding the 5% Promissory Note payable to NCM.

Financial Covenants

Each indenture relating to the Notes due 2022 and the Notes due 2020 allows AMCE to incur specified permitted indebtedness (as defined therein) without restriction. Each indenture also allows AMCE to incur any amount of additional debt as long as it can satisfy the coverage ratio of each

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 9 CORPORATE BORROWINGS AND CAPITAL AND FINANCING LEASE OBLIGATIONS (Continued)

indenture, after giving effect to the indebtedness on a pro forma basis. Under the indenture for the Notes due 2020 (AMCE's most restrictive indenture), at December 31, 2014 AMCE could borrow approximately $1,976,500,000 (assuming an interest rate of 6.25% per annum on the additional indebtedness) in addition to specified permitted indebtedness. If AMCE cannot satisfy the coverage ratios of the indentures, generally it can borrow an additional amount under the Senior Secured Credit Facility. The indentures also contain restrictions on AMCE's ability to make distributions to Holdings. Under the most restrictive provision set forth in the note indenture for the Notes due 2020, as of December 31, 2014, the amount of loans and dividends which AMCE could make to Holdings could not exceed approximately $713,526,000 in the aggregate.

As of December 31, 2014, AMCE was in compliance with all financial covenants relating to the Senior Secured Credit Facility, the Notes due 2020, and the Notes due 2022.

NOTE 10 STOCKHOLDERS' EQUITY

Common Stock Rights and Privileges

On December 17, 2013, Holdings reclassified each share of its existing Class A common stock and Class N common stock by filing an amendment to its certificate of incorporation. Pursuant to the reclassification, which substantively resulted in a stock split, each holder of shares of existing Class A common stock received 49.514 shares of Class B common stock for one share of existing Class A common stock, and each holder of shares of Class N common stock received 49.514 shares of new Class A common stock for one share of Class N common stock.

The rights of the holders of Holdings' Class A common stock and Holdings' Class B common stock are identical, except with respect to voting and conversion applicable to the Class B common stock. Holders of Holdings' Class A common stock are entitled to one vote per share and holders of Holdings' Class B common stock are entitled to three votes per share. Holders of Class A common stock and Class B common stock will share ratably (based on the number of shares of common stock held) in any dividend declared by its board of directors, subject to any preferential rights of any outstanding preferred stock. The Class A common stock is not convertible into any other shares of Holdings' capital stock. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in Holdings' certificate of incorporation.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

Dividends

The following is a summary of dividends and dividend equivalents paid to stockholders during the twelve months ended December 31, 2014:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock
April 25, 2014	June 6, 2014	June 16, 2014	$ 0.20
July 29, 2014	September 5, 2014	September 15, 2014	0.20
October 27, 2014	December 5, 2014	December 15, 2014	0.20

The Company paid dividends and dividend equivalents of $58,504,000 during the twelve months ended December 31, 2014, increased additional paid-in capital for recognition of deferred tax assets of $27,000 related to the dividend equivalents paid, and accrued $225,000 for the remaining unpaid dividends at December 31, 2014. The aggregate dividends paid for Class A common stock, Class B common stock, and dividend equivalents were approximately $12,937,000, $45,496,000, and $71,000, respectively.

During the twelve months ended December 31, 2013, AMCE used cash on hand to make a dividend distribution to Holdings to purchase treasury stock of $588,000. As a result of the IPO, members of management incurred a tax liability associated with Holdings' common stock owned since the date of the Merger. Management elected to satisfy $588,000 of the tax withholding obligation by tendering the shares of Class A common stock to Holdings.

During the Successor period of August 31, 2012 through December 31, 2012, the Company received capital contributions of $100,000,000 from Wanda.

Related Party Transaction

As of December 31, 2014, the Company recorded a receivable due from Wanda of $156,000 for reimbursement of general administrative and other expense incurred on behalf of Wanda.

Temporary Equity

Certain members of management have the right to require Holdings to repurchase the Class A common stock held by them under certain limited circumstances pursuant to the terms of a stockholders agreement. Beginning on January 1, 2016 (or upon the termination of a management stockholder's employment by the Company without cause, by the management stockholder for good reason, or due to the management stockholder's death or disability) management stockholders will have the right, in limited circumstances, to require Holdings to purchase shares that are not fully and freely tradeable at a price equal to the price per share paid by such management stockholder with appropriate adjustments for any subsequent events such as dividends, splits, or combinations. The shares of Class A common stock, subject to the stockholder agreement, are classified as temporary equity, apart from permanent equity, as a result of the contingent redemption feature contained in the stockholder agreement. The Company determined the amount reflected in temporary equity for the

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

Class A common stock based on the price paid per share by the management stockholders and Wanda at the date of the Merger.

During the twelve months ended December 31, 2014, certain members of management received $92,000 by tendering shares of Class A common stock to Holdings with an original recorded historical cost of $43,000. As a result of this transaction, temporary equity declined by $43,000 and additional paid-in capital increased by $43,000.

Treasury Stock

During the twelve months ended December 31, 2014, Holdings used cash on hand to purchase 4,085 shares of Class A common stock for fair value of $92,000 from certain members of management.

Stock-Based Compensation

Holdings adopted a stock-based compensation plan in December of 2013. Prior to the Merger, Holdings adopted the 2010 Equity Incentive Plan, which was cancelled at the Merger date, and also the 2004 Stock Plan, which was suspended by the Board of Directors on July 23, 2010.

The Company recorded stock-based compensation expense of $11,293,000, $12,000,000, $0, and $830,000 within general and administrative: other during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period the period March 30, 2012 through August 30, 2012, respectively. The Company's financial statements reflect an increase to additional paid-in capital related to stock-based compensation of $11,293,000 during the twelve months ended December 31, 2014. As of December 31, 2014, there were no unrecognized compensation cost related to stock-based compensation arrangements.

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan provides for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance stock units, stock awards, and cash performance awards. The maximum number of shares of Holdings' common stock available for delivery pursuant to awards granted under the 2013 Equity Incentive Plan is 9,474,000 shares. At December 31, 2014, the aggregate number of shares of Holdings' common stock available for grant was 8,608,822 shares.

Awards in Connection with Holdings' IPO

In connection with Holdings' IPO, the Board of Directors approved the grants of 666,675 fully vested shares of Holdings' Class A common stock to certain of its employees in December of 2013 under the 2013 Equity Incentive Plan. Of the total 666,675 shares that were awarded, 360,172 shares were issued to the employees and 306,503 were withheld to cover tax obligations and were cancelled. The fair value of the stock at the grant date was $18.00 per share and was based on the IPO price. The Company recognized approximately $12,000,000 of expense in general and administrative: other expense in connection with these share grants.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

Awards Granted in 2014

Holdings' Board of Directors approved awards of stock, restricted stock units ("RSUs"), and performance stock units ("PSUs") to certain of the Company's employees and directors under the 2013 Equity Incentive Plan. The grant date fair value of the stock was based on the closing price of Holdings' stock as presented below:

Date of Grant	Holdings' stock price
January 2, 2014	$ 20.18
May 12, 2014	21.61
June 25, 2014	24.44
September 15, 2014	24.60
October 22, 2014	22.44
December 17, 2014	25.40

Holdings' Board of Directors and Compensation Committee approved a modification to the performance target of the original PSU grant, which resulted in re-measurement of the fair value of the PSU awards as of September 15, 2014. In September 2014, the Board of Directors approved an increase in authorized capital expenditures for the twelve months ended December 31, 2014 of $38,800,000 to accelerate deployment of certain customer experience enhancing strategic initiatives. As a result, the PSU awards' free cash flow performance target was no longer considered probable of being met. The PSU free cash flow performance target was modified on September 15, 2014 to consider the impact of the additional authorized capital expenditures, making the awards probable at that time. The fair value of the stock at the modification date of September 15, 2014 was $24.60 per share and was based on the closing price of Holdings' stock.

The award agreements generally had the following features:

Stock Award Agreement: On January 2, 2014, two independent members of Holdings' Board of Directors were granted an award of 5,002 fully vested shares of Class A common stock each, for a total award of 10,004 shares. As a result of filling the two vacant positions due to the expansion of the Board, Holdings' Board of Directors granted an award of fully vested shares of Class A common stock on October 22, 2014 and December 17, 2014, of 864 shares and 167 shares, respectively. The Company recognized approximately $226,000 of expense in general and administrative: other expense during the twelve months ended December 31, 2014, in connection with these share grants.

Restricted Stock Unit Award Agreement: On January 2, 2014, May 12, 2014, and June 25, 2014, RSU awards of 115,375 units, 1,819 units, and 1,655 units, respectively, were granted to certain members of management. Each RSU represents the right to receive one share of Class A common stock at a future date. The RSUs are fully vested at the date of grant. The RSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the RSUs may be settled within 60 days following termination of service. Participants will receive dividend equivalents equal to the amount paid in respect to the shares of Class A common stock underlying the

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

RSUs. The Company recognized approximately $2,408,000 of expense in general and administrative: other expense during the twelve months ended December 31, 2014, in connection with these fully vested awards.

On January 2, 2014, RSU awards of 128,641 units were granted to certain executive officers. The RSUs would be forfeited if Holdings did not achieve a specified cash flow from operating activities target for the twelve months ended December 31, 2014. These awards did not contain a service condition. The vested RSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the RSUs may be settled within 60 days following termination of service. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs begins to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the RSUs. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock. The grant date fair value was $2,596,000. The Company recognized expense for these awards of $2,596,000, within general and administrative: other expense, during the twelve months ended December 31, 2014, due to the achievement of the performance condition.

Performance Stock Unit Award Agreement: On January 2, 2014, May 12, 2014, and June 25, 2014, PSU awards were granted to certain members of management and executive officers, with both a 2014 free cash flow performance target condition and a 1 year service condition, ending on December 31, 2014. The PSUs would vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. If the performance target was met at 100%, the PSU awards granted on January 2, 2014, May 12, 2014, and June 25, 2014 would be 244,016 units, 1,819 units, and 1,655 units, respectively. On September 15, 2014, the terms of the original PSU grants were modified, which resulted in re-measurement of the fair value of the PSU awards. No PSUs would vest if Holdings did not achieve the free cash flow minimum performance target or the participant's service did not continue through the last day of the performance period, during the twelve months ended December 31, 2014. The vested PSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the vested PSUs may be settled within 60 days following termination of service. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the PSUs began to accrue with respect to the PSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the PSUs. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock. The Company recognized expense of $6,063,000, within general and administrative: other expense during the twelve months ended December 31, 2014, as a result of the one-year service condition being met and attainment of the target performance condition at 100%.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

The following table represents the RSU and PSU activity for the twelve months ended December 31, 2014:

	Shares of RSU and PSU	Weighted Average Grant Date Fair Value
Beginning balance at January 1, 2014		$
Granted	494,980	22.40
Vested	(493,971)	22.41
Forfeited	(1,009)	20.18
Nonvested at December 31, 2014		$

Awards Granted in 2015

The Board of Directors approved awards of stock, RSU's and PSU's granted on January 5, 2015 and March 6, 2015, to certain of the Company's employees and directors under the 2013 Equity Incentive Plan. The fair value of the stock on January 5, 2015 and March 6, 2015 was $24.97 per share and $33.96 per share respectively, and was based on the closing price of Holdings' common stock. These awards have features substantially consistent with those awarded in 2014 described above, and additional details are as follows:

Stock Award Agreement: On January 5, 2015, 4 non-employee directors were granted an award of 3,828 fully vested shares of Class A common stock each, for a total award of 15,312 shares. The Company will recognize approximately $382,000 of expense in general and administrative expense: other during the three months ended March 31, 2015, in connection with these share grants.

Restricted Stock Unit Award Agreements: On March 6, 2015, RSU awards of 84,649 units were granted to certain members of management and the Company expects to recognize approximately $2,875,000 of expense in general and administrative expense: other during the three months ended March 31, 2015, in connection with these share grants. These awards do not contain a service condition.

On March 6, 2015, RSU awards of 58,749 units were granted to certain executive officers. The RSU's would be forfeited if Holdings does not achieve a specified performance target. These awards do not contain a service condition. The Company expects to recognize expense for these awards of approximately $1,995,000 in general and administrative expense: other during the three months ended March 31, 2015, based on estimates that the performance condition is expected to be achieved.

Performance Stock Unit Award Agreements: On March 6, 2015, PSU awards of 143,398 units were granted to certain members of management. Assuming attainment of the performance target at 100%, the Company expects to recognize expense for these awards of approximately $4,870,000 in general and administrative expense: other over the performance and vesting period during the twelve months ended December 31, 2015.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 10 STOCKHOLDERS' EQUITY (Continued)

Merger

All of the stock options and restricted stock interests under both the amended and restated 2004 Stock Option Plan and the 2010 Equity Incentive Plan were cancelled, upon the change of control as a result of the Merger, and holders received payments aggregating approximately $7,035,000. The Company had previously recognized stock-based compensation expense of $3,858,000 related to these stock options and restricted stock interests. The Company did not recognize an expense for the remaining $3,177,000 of unrecognized stock-based compensation expense. The Company's accounting policy for any cost triggered by the consummation of the Merger was to recognize the cost when the Merger was consummated. Accordingly, unrecognized stock-based compensation expense for stock options and restricted stock interests has not been recorded in the Consolidated Statement of Operations for the Predecessor period since that statement depicts the results of operations just prior to consummation of the transaction. In addition, since the Successor period reflects the effects of push-down accounting, these costs have also not been recorded as an expense in the Successor period. However, the costs were reflected in the purchase accounting adjustments which were applied in arriving at the opening balances of the Successor. See Note 2 Merger for additional information regarding the settlement of stock options and restricted stock interests.

NOTE 11 INCOME TAXES

The Income tax provision reflected in the Consolidated Statements of Operations consists of the following components during the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Current:				
Federal	$	$	$	$
Foreign				
State	1,250	4,045	480	3,700
Total current	1,250	4,045	480	3,700
Deferred:				
Federal	43,869	(229,778)	3,020	
Foreign				
State	(11,439)	(36,820)		
Total deferred	32,430	(266,598)	3,020	
Total provision (benefit)	33,680	(262,553)	3,500	3,700
Tax provision from discontinued operations	210	830		1,200
Total provision (benefit) from continuing operations	$ 33,470	$ (263,383)	$ 3,500	$ 2,500

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 11 INCOME TAXES (Continued)

The Company has recorded no alternative minimum taxes as the consolidated tax group for which it is a member expects no alternative minimum tax liability, due to the utilization of tax credits.

Pre-tax income (losses) consisted of the following:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Domestic	$ 97,303	$ 103,526	$ (39,294)	$ 98,093
Foreign	457	(1,679)	124	7
Total	$ 97,760	$ 101,847	$ (39,170)	$ 98,100

The difference between the effective tax rate on earnings (loss) from continuing operations before income taxes and the U.S. federal income tax statutory rate is as follows:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Income tax expense (benefit) at the federal statutory rate	$ 34,035	$ 34,902	$ (13,470)	$ 20,125
Effect of:				
State income taxes	195	1,479	(1,930)	2,500
Increase in reserve for uncertain tax positions	1,050	2,193		
Federal and state credits	(2,985)	(2,600)		
Change in net operating loss carryforward for excess tax deductions		(28,206)		
Permanent items	1,485	537	20	100
Other	(1,100)	(6,088)		
Valuation allowance	790	(265,600)	18,880	(20,225)
Income tax expense (benefit)	$ 33,470	$ (263,383)	$ 3,500	$ 2,500
Effective income tax rate	34.4%	(264.1)%	(9.1)%	4.3%

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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NOTE 11 INCOME TAXES (Continued)

The significant components of deferred income tax assets and liabilities as of December 31, 2014 and December 31, 2013 are as follows:

(In thousands)	December 31, 2014 Deferred Income Tax Assets	December 31, 2014 Deferred Income Tax Liabilities	December 31, 2013 Deferred Income Tax Assets	December 31, 2013 Deferred Income Tax Liabilities
	(Successor)		(Successor)	
Tangible assets	$	$ (113,456)	$	$ (102,669)
Accrued reserves	31,430		33,156	
Intangible assets		(101,725)		(89,761)
Receivables		(5,206)		(3,513)
Investments		(233,005)		(227,718)
Capital loss carryforwards	50		564	
Pension postretirement and deferred compensation	33,581		29,290	
Corporate borrowings	19,127		43,839	
Deferred revenue	154,583		154,155	
Lease liabilities	111,250		97,307	
Capital and financing lease obligations	35,654		37,956	
Alternative minimum tax and other credit carryovers	21,802		19,545	
Charitable contributions	158			
Net operating loss carryforwards	228,329		214,770	
Total	$ 635,964	$ (453,392)	$ 630,582	$ (423,661)
Less: Valuation allowance	(790)			
Total deferred income taxes	$ 635,174	$ (453,392)	$ 630,582	$ (423,661)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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NOTE 11 INCOME TAXES (Continued)

A rollforward of the Company's valuation allowance for deferred tax assets is as follows:

(In thousands)	Balance at Beginning of Period	Additions Charged (Credited) to Revenues, Costs and Expenses	Charged (Credited) to Goodwill	Charged (Credited) to Other Accounts(1)	Balance at End of Period
Calendar Year 2014					
Valuation allowance-deferred income tax assets	$	790			$ 790
Calendar Year 2013					
Valuation allowance-deferred income tax assets	$ 248,420	(265,600)	11,088	6,092	$
From Inception August 31, 2012 through December 31, 2012					
Valuation allowance-deferred income tax assets	$ 232,985	18,880	195	(3,640)	$ 248,420
March 30, 2012 through August 30, 2012					
Valuation allowance-deferred income tax assets	$ 417,671	(20,225)	(164,461)		$ 232,985

(1) Primarily relates to amounts resulting from the Company's tax sharing arrangement, changes in deferred tax assets and associated valuation allowance that are not related to income statement activity as well as amounts charged to other comprehensive income.

The Company's federal income tax loss carryforward of $649,782,000 will begin to expire in 2016 and will completely expire in 2034 and will be limited annually due to certain change in ownership provisions of the Internal Revenue Code. The Company also has state income tax loss carryforwards of $409,654,000, which may be used over various periods ranging from 1 to 20 years.

From 2008 to 2012, the Company's predecessor entity generated significant net deferred tax assets primarily from debt carrying costs and asset impairments combined with reduced operating profitability. At December 31, 2014 and December 31, 2013, the Company had net deferred tax assets of $181,782,000 and $206,921,000, respectively. The Company evaluates its deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. The Company conducts its evaluation by considering all available positive and negative evidence. This evaluation considers, among other factors, historical operating results, forecasts of future profitability, the duration of statutory carryforward periods, and the outlooks for the U.S. motion picture and broader economy. Based on the Company's evaluation through December 31, 2014, the Company continued to reserve a portion of its net deferred tax assets due to uncertainty of their realization and dependence upon future taxable income.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 11 INCOME TAXES (Continued)

Consistent with the above process, the Company evaluated the need for a valuation allowance against its net deferred tax assets at December 31, 2013, and determined that the valuation allowance against its federal deferred tax assets and all of its state deferred tax assets dependent upon future taxable income was no longer appropriate. Accordingly, the Company reversed $265,600,000 of valuation allowance in the fourth quarter of 2013. This reversal is reflected as a non-cash income tax benefit recorded in the fourth quarter of 2013 in the accompanying consolidated statements of operations.

The Company conducted its evaluation by considering all available positive and negative evidence. The principal positive evidence that led to the reversal of the valuation allowance included: (1) prudent and feasible tax planning strategies; (2) a successful public offering of Holdings' common stock during December 2013; (3) the Company's emergence from a three-year cumulative loss in March 2014; (4) the significant positive income generated during 2013; (5) the Company's forecasted future profitability; and (6) improvement in the Company's financial position, including over $500,000,000 of cash on hand at December 31, 2013.

As described above, the Company has identified a prudent and feasible tax planning strategy which involves the conversion of NCM units into NCM, Inc. common stock that, if executed, would generate significant taxable income. The conversion is within the control of the Company and the Company intends to execute the conversion if it becomes necessary to prevent its net operating loss carryforward from expiring unrealized. In addition, AMCE utilized a portion of proceeds from the public offering of Holdings common stock along with cash generated from an offering of 5.875% Senior Subordinated Notes due 2022 to purchase approximately 77.33% of its 8.75% Senior Notes due 2019, which lowered the amount of indebtedness and lower overall borrowing costs for the Company. These subsequent events also were additional positive evidence considered by management.

The accounting for deferred taxes is based upon an estimate of future results. Differences between estimated and actual results could have a material impact on the Company's consolidated results of operations, its financial position and the ability to fully realize its deferred tax assets over time. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time. If future results are significantly different from the Company's estimates and judgments, the Company may be required to record a valuation allowance against some or all of its deferred tax assets prospectively.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 11 INCOME TAXES (Continued)

A reconciliation of the change in the amount of unrecognized tax benefits was as follows:

(In millions)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Balance at beginning of period	$ 27.4	$ 24.0	$ 24.5	$ 24.8
Gross increases current period tax positions	1.6	3.8		0.6
Gross increases prior period tax positions	1.5			
Favorable resolutions with authorities		(0.4)		
Cash settlements			(0.5)	(0.9)
Balance at end of period	$ 30.5	$ 27.4	$ 24.0	$ 24.5

The Company's effective tax rate is not expected to be significantly impacted by the ultimate resolution of the uncertain tax positions.

The Company recognizes income tax-related interest expense and penalties as income tax expense and general and administrative expense, respectively.

There are currently unrecognized tax benefits which the Company anticipates will be resolved in the next 12 months; however, the Company is unable at this time to estimate what the impact on its unrecognized tax benefits will be.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. An IRS examination of the tax years February 28, 2002 through December 31, 2003 of the former Loews Cineplex Entertainment Corporation and subsidiaries was concluded during fiscal 2007. An IRS examination for the tax years ended March 31, 2005 and March 30, 2006 was completed during 2009. Generally, tax years beginning after March 28, 2002 are still open to examination by various taxing authorities. Additionally, the Company has net operating loss ("NOL") carryforwards for tax years ended October 31, 2000 through March 28, 2002 in the U.S. and various state jurisdictions which have carryforwards of varying lengths of time. These NOLs are subject to adjustment based on the statute of limitations applicable to the return in which they are utilized, not the year in which they are generated. Various state, local and foreign income tax returns are also under examination by taxing authorities. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 12 LEASES

The following table sets forth the future minimum rental payments, by calendar year, required under existing operating leases and digital projector equipment leases payable to DCIP that have initial or remaining non-cancelable terms in excess of one year as of December 31, 2014:

(In thousands)	Minimum operating lease payments
2015	$ 419,273
2016	428,133
2017	408,851
2018	366,120
2019	328,409
Thereafter	1,542,618
Total minimum payments required	$ 3,493,404

As of December 31, 2014, the Company has lease agreements for five theatres with 51 screens which are under construction or development and are expected to open in 2015 and 2016.

Included in other long-term liabilities as of December 31, 2014 and December 31, 2013 is $120,184,000 and $55,272,000, respectively, of deferred rent representing future minimum rental payments for leases with scheduled rent increases, and $165,073,000 and $194,233,000, respectively, for unfavorable lease liabilities.

Rent expense is summarized as follows:

(In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Minimum rentals	$ 395,795	$ 394,937	$ 126,529	$ 166,220
Common area expenses	48,159	44,198	12,968	17,591
Percentage rentals based on revenues	11,285	12,693	3,877	5,275
Rent	455,239	451,828	143,374	189,086
General and administrative and other	7,763	13,393	3,940	4,207
Total	$ 463,002	$ 465,221	$ 147,314	$ 193,293

NOTE 13 EMPLOYEE BENEFIT PLANS

The Company sponsors frozen non-contributory qualified and non-qualified defined benefit pension plans generally covering all employees who, prior to the freeze, were age 21 or older and had completed at least 1,000 hours of service in their first twelve months of employment, or in a calendar year ending thereafter, and who were not covered by a collective bargaining agreement. The Company also offers eligible retirees the opportunity to participate in a health plan. Certain employees are eligible for subsidized postretirement medical benefits. The eligibility for these benefits is based upon a

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

participant's age and service as of January 1, 2009. The Company also sponsors a postretirement deferred compensation plan.

On December 31, 2013, the Company's Board of Directors approved revisions to the Company's Postretirement Medical and Life Insurance Plan effective April 1, 2014 and the changes were communicated to the plan participants. As a result of these revisions, the Company recorded a prior service credit of approximately $15,197,000 through other comprehensive income to be amortized over nine years starting in calendar 2014, based on expected future service of the remaining participants. See Note 21 Subsequent Events for information regarding the resolution to terminate the plan, which was adopted by the Compensation Committee and the Company's Board of Directors on January 12, 2015.

As a result of the Merger and the application of "push down" accounting, the benefit plans reflect a new basis of accounting that is based on the fair value of assets acquired and liabilities assumed as of the Merger date. At August 31, 2012, the Successor balance recorded in accumulated other comprehensive income was reset to zero.

The measurement dates used to determine pension and other postretirement benefits were December 31, 2014, December 31, 2013, December 31, 2012, and August 30, 2012.

Net periodic benefit cost for the plans consists of the following:

	Pension Benefits				Other Benefits			
(In thousands)	**12 Months Ended December 31, 2014**	**12 Months Ended December 31, 2013**	**From Inception August 31, 2012 through December 31, 2012**	**March 30, 2012 through August 30, 2012**	**12 Months Ended December 31, 2014**	**12 Months Ended December 31, 2013**	**From Inception August 31, 2012 through December 31, 2012**	**March 30, 2012 through August 30, 2012**
	(Successor)	**(Successor)**	**(Successor)**	**(Predecessor)**	**(Successor)**	**(Successor)**	**(Successor)**	**(Predecessor)**
Components of net periodic benefit cost:								
Service cost	$	$ 180	$ 59	$ 76	$ 36	$ 195	$ 61	$ 74
Interest cost	4,609	4,513	1,484	1,962	214	870	306	435
Expected return on plan assets	(5,230)	(4,707)	(1,442)	(1,811)				
Amortization of net (gain) loss	(1,034)			899	(348)	(78)		88
Amortization of prior service credit					(1,665)			(448)
Settlement			(15)					
Net periodic benefit cost (credit)	$ (1,655)	$ (14)	$ 86	$ 1,126	$ (1,763)	$ 987	$ 367	$ 149

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

The following table summarizes the changes in other comprehensive income:

(In thousands)	Pension Benefits 12 Months Ended December 31, 2014 (Successor)	Pension Benefits 12 Months Ended December 31, 2013 (Successor)	Other Benefits 12 Months Ended December 31, 2014 (Successor)	Other Benefits 12 Months Ended December 31, 2013 (Successor)
Net (gain) loss	$ 21,641	$ (12,537)	$ 561	$ (1,271)
Net prior service credit				(15,197)
Amortization of net gain	1,034		348	78
Amortization of prior service credit			1,665	
Allocated tax expense (benefit)	(8,843)	8,442	(1,003)	6,782
Total recognized in other comprehensive (income) loss	$ 13,832	$ (4,095)	$ 1,571	$ (9,608)
Net periodic benefit cost (credit)	(1,655)	(14)	(1,763)	987
Total recognized in net periodic benefit cost (credit) and other comprehensive (income) loss	$ 12,177	$ (4,109)	$ (192)	$ (8,621)

The following tables set forth the plan's change in benefit obligations and plan assets and the accrued liability for benefit costs included in the Consolidated Balance Sheets:

(In thousands)	Pension Benefits 12 Months Ended December 31, 2014 (Successor)	Pension Benefits 12 Months Ended December 31, 2013 (Successor)	Other Benefits 12 Months Ended December 31, 2014 (Successor)	Other Benefits 12 Months Ended December 31, 2013 (Successor)
Change in benefit obligation:				
Benefit obligation at beginning of period	$ 98,883	$ 109,718	$ 5,718	$ 22,765
Service cost		180	36	195
Interest cost	4,609	4,513	214	870
Plan participants' contributions			419	562
Actuarial (gain) loss	23,532	(10,022)	561	(1,271)
Plan amendment				(15,197)
Benefits paid	(2,247)	(5,408)	(1,262)	(2,206)
Administrative expenses	(81)	(98)		
Settlement paid	(7,166)			
Settlement gain	(3,575)			
Benefit obligation at end of period	$ 113,955	$ 98,883	$ 5,686	$ 5,718

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

(In thousands)	Pension Benefits 12 Months Ended December 31, 2014 (Successor)	Pension Benefits 12 Months Ended December 31, 2013 (Successor)	Other Benefits 12 Months Ended December 31, 2014 (Successor)	Other Benefits 12 Months Ended December 31, 2013 (Successor)
Change in plan assets:				
Fair value of plan assets at beginning of period	$ 73,658	$ 68,219	$	$
Actual return on plan assets gain	3,546	7,223		
Employer contribution	2,714	3,722	843	1,644
Plan participants' contributions			419	562
Benefits paid	(2,247)	(5,408)	(1,262)	(2,206)
Administrative expense	(81)	(98)		
Settlement paid	(7,166)			
Fair value of plan assets at end of period	$ 70,424	$ 73,658	$	$
Net liability for benefit cost:				
Funded status	$ (43,531)	$ (25,225)	$ (5,686)	$ (5,718)

(In thousands)	Pension Benefits December 31, 2014 (Successor)	Pension Benefits December 31, 2013 (Successor)	Other Benefits December 31, 2014 (Successor)	Other Benefits December 31, 2013 (Successor)
Amounts recognized in the Balance Sheet:				
Accrued expenses and other liabilities	$ (152)	$ (154)	$ (629)	$ (612)
Other long-term liabilities	(43,379)	(25,071)	(5,057)	(5,106)
Net liability recognized	$ (43,531)	$ (25,225)	$ (5,686)	$ (5,718)
Aggregate accumulated benefit obligation	$ (113,955)	$ (98,883)	$ (5,686)	$ (5,718)

The following table summarizes pension plans with accumulated benefit obligations and projected benefit obligations in excess of plan assets:

(In thousands)	Pension Benefits December 31, 2014 (Successor)	December 31, 2013 (Successor)
Aggregated accumulated benefit obligation	$ (113,955)	$ (98,883)
Aggregated projected benefit obligation	(113,955)	(98,883)
Aggregated fair value of plan assets	70,424	73,658

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

Amounts recognized in accumulated other comprehensive income consist of the following:

(In thousands)	Pension Benefits December 31, 2014 (Successor)	Pension Benefits December 31, 2013 (Successor)	Other Benefits December 31, 2014 (Successor)	Other Benefits December 31, 2013 (Successor)
Net actuarial (gain) loss	$ 21,641	$ (12,537)	$ 561	$ (1,271)
Prior service credit				(15,197)

Amounts in accumulated other comprehensive income expected to be recognized in components of net periodic pension cost during the calendar year 2015 are as follows:

(In thousands)	Pension Benefits	Other Benefits
Net actuarial (gain) loss	$ 45	$ (284)
Net prior service credit		(1,665)

Actuarial Assumptions

The weighted-average assumptions used to determine benefit obligations are as follows:

	Pension Benefits December 31, 2014 (Successor)	Pension Benefits December 31, 2013 (Successor)	Other Benefits December 31, 2014 (Successor)	Other Benefits December 31, 2013 (Successor)
Discount rate	3.80%	4.73%	3.37%	4.00%
Rate of compensation increase	N/A	N/A	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension Benefits 12 Months Ended December 31, 2014 (Successor)	Pension Benefits 12 Months Ended December 31, 2013 (Successor)	Pension Benefits From Inception August 31, 2012 through December 31, 2012 (Successor)	Pension Benefits March 30, 2012 through August 30, 2012 (Predecessor)	Other Benefits 12 Months Ended December 31, 2014 (Successor)	Other Benefits 12 Months Ended December 31, 2013 (Successor)	Other Benefits From Inception August 31, 2012 through December 31, 2012 (Successor)	Other Benefits March 30, 2012 through August 30, 2012 (Predecessor)
Discount rate	4.73%	4.17%	3.99%	4.86%	4.00%	3.90%	3.65%	4.42%
Weighted average expected long-term return on plan assets	7.81%	7.27%	7.27%	7.27%	N/A	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

In developing the expected long-term rate of return on plan assets at each measurement date, the Company considers the plan assets' historical returns, asset allocations, and the anticipated future economic environment and long-term performance of the asset classes. While appropriate consideration is given to recent and historical investment performance, the assumption represents management's best estimate of the long-term prospective return.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

At the measurement date of December 31, 2014, the Company selected the new RP-2014 Mortality Tables to measure benefit obligations. As a result of using the updated mortality assumptions, the pension and postretirement medical liabilities increased by approximately $6,658,000.

For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits assumed for 2014 was 7.0% for medical. The rates were assumed to decrease gradually to 5.0% for medical in 2019. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2014 by $60,000 and the aggregate of the service and interest cost components of postretirement expense for calendar year 2014 by $2,000. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement obligation for calendar year 2014 by $88,000 and the aggregate service and interest cost components of postretirement expense for calendar year 2014 by $4,000.

Cash Flows

The Company does not expect to contribute to the pension plans during the calendar year 2015.

The following table provides the benefits expected to be paid (inclusive of benefits attributable to estimated future employee service) in each of the next five fiscal years, and in the aggregate for the five years thereafter:

(In thousands)	Pension Benefits	Other Benefits
2015	$ 2,583	$ 639
2016	2,720	633
2017	3,973	614
2018	3,664	545
2019	4,493	490
Years 2020-2024	29,648	1,745

Pension Plan Assets

The Company's investment objectives for its defined benefit pension plan investments are: (1) to preserve the real value of its principal; (2) to maximize a real long-term return with respect to the plan assets consistent with minimizing risk; (3) to achieve and maintain adequate asset coverage for accrued benefits under the plan; and (4) to maintain sufficient liquidity for payment of the plan obligations and expenses. The Company uses a diversified allocation of equity, debt, commodity and real estate

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

exposures that are customized to the Plan's cash flow benefit needs. The target allocations for plan assets are as follows:

Asset Category	Target Allocation
Fixed(1)	15%
Equity Securities U.S.	26%
Equity Securities International	14%
Collective trust fund	25%
Private Real Estate	15%
Commodities broad basket	5%
	100%

(1) Includes U.S. Treasury Securities and Bond market fund.

Valuation Techniques. The fair values classified within Level 1 of the valuation hierarchy were determined using quoted market prices from actively traded markets. The fair values classified within Level 2 of the valuation hierarchy included pooled separate accounts and collective trust funds, which valuations were based on market prices for the underlying instruments that were observable in the market or could be derived by observable market data from independent external valuation information.

The fair value of the pension plan assets at December 31, 2014, by asset class is as follows:

		Fair Value Measurements at December 31, 2014 Using		
(In thousands)	Total Carrying Value at December 31, 2014	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 300	$ 300	$	$
U.S. treasury securities	1,615	1,615		
Equity securities:				
U.S. companies	18,513	18,513		
International companies	10,109	10,109		
Bond market fund	9,173	9,173		
Collective trust fund	17,485		17,485	
Commodities broad basket fund	2,918	2,918		
Private real estate	10,311		10,311	
Total assets at fair value	$ 70,424	$ 42,628	$ 27,796	$

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 13 EMPLOYEE BENEFIT PLANS (Continued)

The fair value of the pension plan assets at December 31, 2013, by asset class is as follows:

		Fair Value Measurements at December 31, 2013 Using		
(In thousands)	Total Carrying Value at December 31, 2013	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 265	$ 265	$	$
U.S. treasury securities	1,557	1,557		
Equity securities:				
U.S. companies	19,654	19,654		
International companies	11,281	11,281		
Bond market fund	9,655	9,655		
Collective trust fund	17,958		17,958	
Commodities broad basket fund	3,459	3,459		
Private real estate	9,829		9,829	
Total assets at fair value	$ 73,658	$ 45,871	$ 27,787	$

Defined Contribution Plan

The Company sponsors a voluntary 401(k) savings plan covering certain employees age 21 or older and who are not covered by a collective bargaining agreement. Under the Company's 401(k) Savings Plan, the Company matches 100% of each eligible employee's elective contributions up to 3% and 50% of contributions up to 5% of the employee's eligible compensation. The Company's expense under the 401(k) savings plan was $2,696,000, $2,817,000, $1,182,000, and $1,108,000, for the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, and the period March 30, 2012 through August 30, 2012, respectively.

Union-Sponsored Plans

Certain theatre employees are covered by union-sponsored pension and health and welfare plans. Company contributions into these plans are determined in accordance with provisions of negotiated labor contracts. Contributions aggregated $207,000, $265,000, $80,000, and $109,000, for the twelve months ended December 31, 2014, the twelve months ended December 31, 2013, the period August 31, 2012 through December 31, 2012, the period March 30, 2012 through August 30, 2012, respectively.

As of both December 31, 2014 and December 31, 2013, the Company's liability related to the collectively bargained multiemployer pension plan withdrawals was immaterial.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, is a party to various ordinary course claims from vendors (including food and beverage suppliers and film distributors), landlords, competitors, and other legal proceedings. If management believes that a loss arising from these actions is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no point is more probable than another. As additional information becomes available, any potential liability related to these actions is assessed and the estimates are revised, if necessary. Management believes that the ultimate outcome of such other matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation and claims are subject to inherent uncertainties and unfavorable outcomes could occur. An unfavorable outcome could include monetary damages. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the results of operations in the period in which the outcome occurs or in future periods.

On May 5, 2014, NCM, Inc., the sole manager of NCM LLC, announced that it has entered into an agreement to acquire Screenvision, LLC for $375,000,000, consisting of cash and NCM, Inc. common stock. Consummation of the transaction is subject to regulatory approvals and other customary closing conditions. If NCM, Inc. does not receive this approval or if the closing conditions in the agreement cannot be satisfied, NCM, Inc. may be required to pay a termination fee of approximately $28,800,000. NCM LLC would indemnify NCM, Inc. and bear a pro rata portion of this fee based upon NCM, Inc.'s ownership percentage in NCM LLC, with NCM LLC's founding members bearing the remainder of the fee in accordance with their ownership percentage in NCM LLC. On November 3, 2014, the DOJ filed an antitrust lawsuit seeking to enjoin the proposed acquisition of Screenvision, LLC by NCM, Inc. The Company holds an investment in NCM LLC of 14.96% as of December 31, 2014. As of December 31, 2014, NCM LLC did not have a liability recorded for this termination fee.

NOTE 15 THEATRE AND OTHER CLOSURE AND DISPOSITION OF ASSETS

The Company has provided reserves for estimated losses from theatres and screens which have been permanently closed and vacant space with no right to future use. As of December 31, 2014, the Company has reserved $52,835,000 for lease terminations which have either not been consummated or paid, related primarily to eight theatres and certain vacant restaurant space. The Company is obligated under long-term lease commitments with remaining terms of up to 13 years for theatres which have been closed. As of December 31, 2014, base rents aggregated approximately $10,082,000 annually and $58,970,000 over the remaining terms of the leases.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 15 THEATRE AND OTHER CLOSURE AND DISPOSITION OF ASSETS (Continued)

A rollforward of reserves for theatre and other closure is as follows:

(In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Beginning balance	$ 55,163	$ 61,344	$ 62,935	$ 65,471
Theatre and other closure expense continuing operations	9,346	5,823	2,381	4,191
Theatre and other closure expense discontinued operations				7,562
Transfer of assets and liabilities	2,439	(53)	994	(697)
Foreign currency translation adjustment	(1,822)	(286)	405	(38)
Cash payments	(12,291)	(11,665)	(5,371)	(13,554)
Ending balance	$ 52,835	$ 55,163	$ 61,344	$ 62,935

During the twelve months ended December 31, 2014 and December 31, 2013, the Company recognized theatre and other closure expense of $9,346,000 and $5,823,000, respectively. The increase was primarily due to the permanent closure of one theatre with 13 screens in Canada in May 2014. Theatre and other closure expense also includes the accretion on previously closed properties with remaining lease obligations.

During the period of August 31, 2012 through December 31, 2012 and the period of March 30, 2012 through August 30, 2012, the Company recognized theatre and other closure expense of $2,381,000 and $4,191,000, respectively, primarily related to the early termination of a lease agreement and accretion on previously closed properties with remaining lease obligations. The Company closed one theatre with 20 screens located in Canada and paid the landlord $7,562,000 to terminate the lease agreement during the period March 30, 2012 through August 30, 2012. See Note 4 Discontinued Operations for additional information.

In the accompanying Consolidated Balance Sheets, the current portion of the theatre and other closure ending balance is included with accrued expenses and other liabilities and the long-term portion of the theatre and other closure ending balance is included with other long-term liabilities. See Note 8 Supplemental Balance Sheet Information for further information.

Theatre and other closure reserves for leases that have not been terminated were recorded at the present value of the future contractual commitments for the base rents, taxes and maintenance. As of December 31, 2014, the future lease obligations are discounted at annual rates ranging from 6.0% to 9.0%.

NOTE 16 FAIR VALUE MEASUREMENTS

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts business. The inputs used to develop these fair value measurements are established in a hierarchy, which ranks the quality and reliability of the information used to determine the fair values. The fair value

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 16 FAIR VALUE MEASUREMENTS (Continued)

classification is based on levels of inputs. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Recurring Fair Value Measurements. The following table summarizes the fair value hierarchy of the Company's financial assets carried at fair value on a recurring basis as of December 31, 2014:

		Fair Value Measurements at December 31, 2014 Using		
(In thousands)	**Total Carrying Value at December 31, 2014**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Other long-term assets:				
Money market mutual funds	$ 224	$ 224	$	$
Equity securities, available-for-sale:				
RealD Inc. common stock	14,429	14,429		
Mutual fund large U.S. equity	2,879	2,879		
Mutual fund small/mid U.S. equity	1,558	1,558		
Mutual fund international	717	717		
Mutual fund balance	760	760		
Mutual fund fixed income	541	541		
Total assets at fair value	$ 21,108	$ 21,108	$	$

The following table summarizes the fair value hierarchy of the Company's financial assets carried at fair value on a recurring basis as of December 31, 2013:

		Fair Value Measurements at December 31, 2013 Using		
(In thousands)	**Total Carrying Value at December 31, 2013**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Other long-term assets:				
Money market mutual funds	$ 84	$ 84	$	$
Equity securities, available-for-sale:				
RealD Inc. common stock	10,442	10,442		
Mutual fund large U.S. equity	2,563	2,563		
Mutual fund small/mid U.S. equity	982	982		

Mutual fund international		503		503				
Mutual fund balance		456		456				
Mutual fund fixed income		351		351				
Total assets at fair value	$	15,381	$	15,381	$		$	

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 16 FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques. The Company's money market mutual funds are invested in funds that seek to preserve principal, are highly liquid, and therefore are recorded on the balance sheet at the principal amounts deposited, which equals fair value. The equity securities, available-for-sale, primarily consist of common stock and mutual funds invested in equity, fixed income, and international funds and are measured at fair value using quoted market prices. See Note 18 Accumulated Other Comprehensive Income (Loss) for the unrealized gain on equity securities recorded in accumulated other comprehensive income.

Nonrecurring Fair Value Measurements. The following table summarizes the fair value hierarchy of the Company's assets that were measured at fair value on a nonrecurring basis at December 31, 2014:

		Fair Value Measurements at December 31, 2014 Using			
(In thousands)	**Total Carrying Value at December 31, 2014**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total Losses**
Property, net:					
Property owned, net	$ 2,342	$	$	$ 2,342	$ 3,149

In accordance with the provisions of the impairment of long-lived assets subsections of ASC 360-10, long-lived assets held and used that were considered impaired were written down to their fair value at December 31, 2014 of $3,149,000. During calendar 2013, the Company recognized non-cash impairment losses of $1,370,000 related to a marketable equity security when it was determined that its decline in value was other than temporary. During the successor period of August 31, 2012 through December 31, 2012, the Company did not record any nonrecurring fair value measurements. See Note 2 Merger, for information regarding the Company's assets and liabilities that were measured at fair value on a nonrecurring basis due to the Merger on August 30, 2012.

Other Fair Value Measurement Disclosures. The Company is required to disclose the fair value of financial instruments that are not recognized at fair value in the statement of financial position for which it is practicable to estimate that value:

		Fair Value Measurements at December 31, 2014 Using		
(In thousands)	**Total Carrying Value at December 31, 2014**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Current Maturities of Corporate Borrowings	$ 15,873	$	$ 14,390	$ 1,389
Corporate Borrowings	1,775,132		1,765,678	5,555

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 16 FAIR VALUE MEASUREMENTS (Continued)

		Fair Value Measurements at December 31, 2013 Using		
(In thousands)	Total Carrying Value at December 31, 2013	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current Maturities of Corporate Borrowings	$ 9,139	$	$ 7,779	$ 1,389
Corporate Borrowings	2,069,672		2,090,332	6,944

Valuation Technique. Quoted market prices and observable market based inputs were used to estimate fair value for level 2 inputs. The level 3 fair value measurement represents the transaction price of the corporate borrowings under market conditions.

NOTE 17 OPERATING SEGMENT

The Company reports information about operating segments in accordance with ASC 280-10, *Segment Reporting*, which requires financial information to be reported based on the way management organizes segments within a company for making operating decisions and evaluating performance. The Company has identified one reportable segment for its theatrical exhibition operations.

Information about the Company's revenues from continuing operations and assets by geographic area is as follows:

Revenues (In thousands)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013	From Inception August 31, 2012 through December 31, 2012	March 30, 2012 through August 30, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
United States	$ 2,688,230	$ 2,741,717	$ 808,378	$ 1,202,179
Other	7,160	7,711	3,114	3,893
Total revenues	$ 2,695,390	$ 2,749,428	$ 811,492	$ 1,206,072

Long-term assets, net (In thousands)	December 31, 2014	December 31, 2013
	(Successor)	(Successor)
United States	$ 4,253,750	$ 4,202,347
Other	243	854
Total long-term assets(1)	$ 4,253,993	$ 4,203,201

(1) Long-term assets are comprised of property, intangible assets, goodwill, deferred income tax assets and other long-term assets.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 18 ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in accumulated other comprehensive income by component, net of tax:

(In thousands)	Foreign Currency	Pension and Other Benefits (recorded in General and Administrative: Other)	Unrealized Gains on Marketable Securities (recorded in Investment Expense (Income))	Unrealized Gain from Equity Method Investees' Cash Flow Hedge (recorded in Equity in Earnings of Non-consolidated Entities)	Total
					(Successor)
Balance, December 31, 2013	$ (351)	$ 20,967	$ 1,216	$ 2,372	$ 24,204
Other comprehensive income (loss) before reclassifications	978	(13,543)	2,627	(59)	(9,997)
Amounts reclassified from accumulated other comprehensive income		(1,860)	(31)	528	(1,363)
Net other comprehensive income (loss)	978	(15,403)	2,596	469	(11,360)
Balance, December 31, 2014	$ 627	$ 5,564	$ 3,812	$ 2,841	$ 12,844
Allocated tax (expense) benefit 2014	$ (625)	$ 9,846	$ (1,657)	$ (300)	$ 7,264

(In thousands)	Foreign Currency	Pension and Other Benefits (recorded in General and Administrative: Other)	Unrealized Gains on Marketable Securities (recorded in Investment Expense (Income))	Unrealized Gain from Equity Method Investees' Cash Flow Hedge (recorded in Equity in Earnings of Non-consolidated Entities)	Total
					(Successor)
Balance, December 31, 2012	$ (530)	$ 7,264	$ 1,913	$ 797	$ 9,444

Other comprehensive income (loss) before reclassifications	179	13,781	(1,622)	2,085	14,423
Amounts reclassified from accumulated other comprehensive income		(78)	925	(510)	337
Net other comprehensive income (loss)	179	13,703	(697)	1,575	14,760
Balance, December 31, 2013	$ (351)	$ 20,967	$ 1,216	$ 2,372	$ 24,204
Allocated tax (expense) benefit 2013	$	$ 15,224	$ (1,081)	$ 1,389	$ 15,532

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 19 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Holdings is a holding company that conducts substantially all of its business operations through its subsidiaries.

There are significant restrictions on Holdings' ability to obtain funds from any of its subsidiaries through dividends, loans or advances. Accordingly, these condensed financial statements have been presented on a "parent-only" basis. Under a parent-only presentation, Holdings' investments in its consolidated subsidiaries are presented under the equity method of accounting. These parent-only financial statements should be read in conjunction with Holdings' audited consolidated financial statements.

AMC ENTERTAINMENT HOLDINGS, INC.

CONDENSED STATEMENTS OF OPERATIONS PARENT ONLY

(In thousands)	Calendar 2014 12 Months Ended December 31, 2014 (Successor)	Calendar 2013 12 Months Ended December 31, 2013 (Successor)	Transition Period From Inception August 31, 2012 Through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
Operating costs and expenses				
General and administrative:				
Merger, acquisition and transaction costs	$	$	$	$ 4,245
Other				(2)
Operating costs and expenses				4,243
Other expense (income)				
Equity in (earnings) loss of AMC Entertainment Inc.	(64,080)	(364,400)	42,670	(94,400)
Other expense				
Interest expense:				
Corporate borrowings				
Investment expense (income)				
Total other expense (income)	(64,080)	(364,400)	42,670	(94,400)
Earnings (loss) before income taxes	64,080	364,400	(42,670)	90,157
Income tax provision				
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 19 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS PARENT ONLY

(In thousands, except share data)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
ASSETS		
Current assets:		
Cash and equivalents	$ 2,051	$ 2,143
Total current assets	2,051	2,143
Goodwill	(2,143)	(2,143)
Deferred tax asset	27	
Investment in AMC Entertainment Inc.	1,514,223	1,508,939
Total assets	$ 1,514,158	$ 1,508,939
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total liabilities	$	$
Class A common stock (temporary equity) ($.01 par value, 173,150 shares issued and 136,381 shares outstanding as of December 31, 2014; 173,150 shares issued and 140,466 shares outstanding as of December 31, 2013)	1,426	1,469
Stockholders' equity:		
Class A common stock ($.01 par value, 524,173,073 shares authorized; 21,423,839 shares issued and outstanding as of December 31, 2014; 21,412,804 shares issued and outstanding as of December 31, 2013)	214	214
Class B common stock ($.01 par value, 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of December 31, 2014 and December 31, 2013)	758	758
Additional paid-in capital	1,172,515	1,161,152
Treasury stock (36,769 shares as of December 31, 2014 and 32,684 shares as of December 31, 2013, at cost)	(680)	(588)
Accumulated other comprehensive income	12,844	24,204
Accumulated earnings	327,081	321,730
Total stockholders' equity	1,512,732	1,507,470
Total liabilities and stockholders' equity	$ 1,514,158	$ 1,508,939

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 19 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

AMC ENTERTAINMENT HOLDINGS, INC.

CONDENSED STATEMENTS OF CASH FLOWS PARENT ONLY

(In thousands)	Calendar 2014 12 Months Ended December 31, 2014 (Successor)	Calendar 2013 12 Months Ended December 31, 2013 (Successor)	Transition Period From Inception August 31, 2012 through December 31, 2012 (Successor)	March 30, 2012 through August 30, 2012 (Predecessor)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS				
Cash flows from operating activities:				
Net earnings (loss)	$ 64,080	$ 364,400	$ (42,670)	$ 90,157
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:				
Deferred income taxes	27			
Equity in in (earnings) loss of AMC Entertainment Inc.	(64,080)	(364,400)	42,670	(94,400)
Net change in operating activities:				
Receivables and other assets				1,118
Accrued expenses and other liabilities	(27)			
Net cash used in operating activities				(3,125)
Cash flows from investing activities:				
Net cash provided by investing activities				
Cash flows from financing activities:				
Purchase of treasury stock	(92)			
Net cash used in financing activities	(92)			
Net decrease in cash and equivalents	(92)			(3,125)
Cash and equivalents at beginning of period	2,143	2,143	2,143	5,268
Cash and equivalents at end of period	$ 2,051	$ 2,143	$ 2,143	$ 2,143

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AMC ENTERTAINMENT HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 19 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

AMC ENTERTAINMENT HOLDINGS, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY PARENT ONLY

usands, except share and re data)	Class A-1 Voting Common Stock Shares	Class A-1 Voting Common Stock Amount	Class A-2 Voting Common Stock Shares	Class A-2 Voting Common Stock Amount	Class N Nonvoting Common Stock Shares	Class N Nonvoting Common Stock Amount	Class L-1 Voting Common Stock Shares	Class L-1 Voting Common Stock Amount	Class L-2 Voting Common Stock Shares	Class L-2 Voting Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	T Stock Ec
essor															
e March 29, 2012	382,475.00000	$ 4	382,475.00000	$ 4	2,021.01696	$	256,085.61252	$ 3	256,085.61252	$ 3	$ 673,325	$ (2,596)	$ (20,203)	$ (492,939)	$ 1
nings														90,157	9
ehensive earnings													9,034		
ased compensation											830				
e August 30, 2012	382,475.00000	$ 4	382,475.00000	$ 4	2,021.01696	$	256,085.61252	$ 3	256,085.61252	$ 3	$ 674,155	$ (2,596)	$ (11,169)	$ (402,782)	$ 2

	Class A Voting Common Stock Shares	Class A Voting Common Stock Amount	Class B Voting Common Stock Shares	Class B Voting Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
Successor									
Balance August 30, 2012									
Net loss		$		$	$	$	$	$ (42,670)	$ (42,670)
Other comprehensive income							9,444		9,444
Merger consideration			66,252,108	662	699,338				700,000
Capital contributions			9,574,819	96	99,904				100,000
Balance December 31, 2012			75,826,927	758	799,242		9,444	(42,670)	766,774
Net earnings								364,400	364,400
Other comprehensive income							14,760		14,760
Net proceeds from IPO	21,052,632	211			355,088				355,299
Stock-based compensation	360,172	3			6,480				6,483
Purchase shares for treasury					342	(588)			(246)
Balance December 31, 2013	21,412,804	214	75,826,927	758	1,161,152	(588)	24,204	321,730	1,507,470
Net earnings								64,080	64,080
Other comprehensive loss							(11,360)		(11,360)
Dividends declared					27			(58,729)	(58,702)
Stock-based compensation	11,035				11,293				11,293
Purchase shares for treasury					43	(92)			(49)
Balance December 31, 2014	21,423,839	$ 214	75,826,927	$ 758	$ 1,172,515	$ (680)	$ 12,844	$ 327,081	$ 1,512,732

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 20 RELATED PARTY TRANSACTIONS

Amended and Restated Fee Agreement

Prior to the Merger, upon the consummation of a change of control transaction or an IPO, each of the Sponsors were entitled to receive, in lieu of quarterly payments of the annual management fee, a fee equal to the net present value of the aggregate annual management fee that would have been payable to the Sponsors during the remainder of the term of the fee agreement (assuming a twelve year term from the date of the original fee agreement), calculated using the treasury rate having a final maturity date that is closest to the twelfth anniversary of the date of the original fee agreement date. The Sponsors waived their right to the payment described above that was triggered by the Merger. As a result of the Merger, the Company ceased paying the annual management fee of $5,000,000 to the Sponsors.

Control Arrangement

Wanda, through its stock ownership, has the ability to control the Company's affairs and policies and the election of directors and appointment of management. See Note 10 Stockholders' Equity for related party transactions with Wanda.

Non Consolidated Affiliates

See Note 7 Investments for transactions with non-consolidated affiliates.

NOTE 21 SUBSEQUENT EVENTS

On February 3, 2015, Holdings' Board of Directors declared a cash dividend in the amount of $0.20 per share of Class A and Class B common stock, payable on March 23, 2015 to stockholders of record on March 9, 2015.

On January 12, 2015, the Compensation Committee and all of the Board of Directors of AMC Entertainment Holdings, Inc. adopted resolutions to terminate the AMC Postretirement Medical Plan with a targeted effective date of March 31, 2015. On January 23, 2015, the Company notified eligible associates that their retiree medical coverage under the plan will terminate after March 31, 2015. Payments to eligible associates will be in the amount of approximately $4,300,000 with a targeted payment date of March 31, 2015. The Company anticipates it will record gains including unrecognized prior service credits and actuarial gains recorded in accumulated other comprehensive income related to the termination and settlement of the plan during the first quarter of 2015.

NOTE 22 EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings from continuing operations by the weighted-average number of common shares outstanding. Diluted earnings per share includes the effects of contingently issuable RSUs and PSUs, if dilutive.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 22 EARNINGS PER SHARE (Continued)

The following table sets forth the computation of basic and diluted earnings from continuing operations per common share:

(In thousands)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)	From Inception August 31, 2012 Through December 31, 2012 (Successor)	March 30, 2012 Through August 30, 2012 (Predecessor)
Numerator:				
Earnings (loss) from continuing operations	$ 63,767	$ 363,104	$ (41,982)	$ 55,004
Denominator (shares in thousands):				
Weighted average shares for basic earnings (loss) per common share	97,506	76,527	74,988	63,335
Common equivalent shares for restricted stock units	194			
Common equivalent shares for stock options				380
Shares for diluted earnings per common share	97,700	76,527	74,988	63,715
Basic earnings (loss) from continuing operations per common share	$ 0.65	$ 4.74	$ (0.56)	$ 0.87
Diluted earnings (loss) from continuing operations per common share	$ 0.65	$ 4.74	$ (0.56)	$ 0.86

Vested RSUs have dividend rights identical to the Company's Class A and Class B common stock and are treated as outstanding shares for purposes of computing basic and diluted earnings per share. Unvested RSUs and unvested PSUs are subject to performance conditions and are included in diluted earnings per share, if dilutive, using the treasury stock method based on the number of shares, if any, that would be issuable under the terms of the Company's 2013 Equity Incentive Plan if the end of the reporting period were the end of the contingency period.

There were no outstanding options to purchase common shares during the Successor period.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 23 SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS BY QUARTER

(In thousands)	3 Months Ended March 31, 2014	3 Months Ended March 31, 2013	3 Months Ended June 30, 2014	3 Months Ended June 30, 2013	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013	3 Months Ended December 31, 2014	3 Months Ended December 31, 2013	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)	(Successor)
Revenues										
Admissions	$ 409,020	$ 382,884	$ 478,667	$ 515,306	$ 417,448	$ 466,988	$ 460,253	$ 482,149	$ 1,765,388	$ 1,847,327
Food and beverage	181,764	167,937	211,597	219,477	189,065	201,612	215,309	197,886	797,735	786,912
Other revenue	31,974	26,981	36,309	27,882	27,391	27,384	36,593	32,942	132,267	115,189
Total revenues	622,758	577,802	726,573	762,665	633,904	695,984	712,155	712,977	2,695,390	2,749,428
Operating Costs and Expenses										
Film exhibition costs	212,100	191,324	257,220	285,395	220,608	242,006	244,318	258,187	934,246	976,912
Food and beverage costs	25,123	23,198	30,341	30,550	27,209	26,284	29,318	27,293	111,991	107,325
Operating expense	179,693	164,210	189,283	187,219	177,949	182,630	186,413	192,582	733,338	726,641
Rent	114,944	113,806	113,861	113,542	112,258	111,865	114,176	112,615	455,239	451,828
General and administrative:										
Merger, acquisition and transactions costs	362	947	572	706	78	299	149	931	1,161	2,883
Other(1)	18,220	16,313	15,149	17,034	12,961	26,450	18,543	37,491	64,873	97,288
Depreciation and amortization	54,777	48,462	51,750	50,370	54,327	48,603	55,467	50,102	216,321	197,537
Impairment of long-lived assets							3,149		3,149	
Operating costs and expenses	605,219	558,260	658,176	684,816	605,390	638,137	651,533	679,201	2,520,318	2,560,414
Operating income (loss)	17,539	19,542	68,397	77,849	28,514	57,847	60,622	33,776	175,072	189,014
Other expense (income)										
Other expense (income)(2)	(4,229)		(4,157)	(294)	(11)	110	53	(1,231)	(8,344)	(1,415)
Interest expense:										
Corporate borrowings	29,658	33,173	27,989	32,310	26,897	32,221	26,528	32,259	111,072	129,963
Capital and financing lease obligations	2,525	2,671	2,486	2,637	2,448	2,606	2,408	2,350	9,867	10,264
Equity in (earnings) losses of non-consolidated entities(3)	5,384	(546)	(9,597)	(23,274)	(13,087)	(14,323)	(9,315)	(9,292)	(26,615)	(47,435)
Investment expense (income)	(7,857)	(3,619)	172	282	181	(69)	(641)	1,322	(8,145)	(2,084)
Total other expense	25,481	31,679	16,893	11,661	16,428	20,545	19,033	25,408	77,835	89,293
Earnings (loss) from continuing operations before income taxes	(7,942)	(12,137)	51,504	66,188	12,086	37,302	41,589	8,368	97,237	99,721
Income tax provision (benefit)(4)	(3,100)	3,100	20,090	4,330	4,710	3,430	11,770	(274,243)	33,470	(263,383)

Earnings (loss) from continuing operations	(4,842)	(15,237)	31,414	61,858	7,376	33,872	29,819	282,611	63,767	363,104
Earnings (loss) from discontinued operations, net of income taxes(5)	334	4,979	(21)	(282)		(407)		(2,994)	313	1,296
Net earnings (loss)	$ (4,508)	$ (10,258)	$ 31,393	$ 61,576	$ 7,376	$ 33,465	$ 29,819	$ 279,617	$ 64,080	$ 364,400

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Periods Ended December 31, 2014, December 31, 2013, and December 2012

NOTE 23 SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS BY QUARTER (Continued)

(In thousands, except per share data)	3 Months Ended March 31, 2014 (Successor)	3 Months Ended March 31, 2013 (Successor)	3 Months Ended June 30, 2014 (Successor)	3 Months Ended June 30, 2013 (Successor)	3 Months Ended September 30, 2014 (Successor)	3 Months Ended September 30, 2013 (Successor)	3 Months Ended December 31, 2014 (Successor)	3 Months Ended December 31, 2013 (Successor)	12 Months Ended December 31, 2014 (Successor)	12 Months Ended December 31, 2013 (Successor)
Basic earnings (loss) per share:										
Earnings (loss) from continuing operations	$ (0.05)	$ (0.20)	$ 0.32	$ 0.81	$ 0.08	$ 0.45	$ 0.31	$ 3.62	$ 0.65	$ 4.74
Earnings (loss) from discontinued operations		0.07				(0.01)		(0.04)	0.01	0.02
Basic earnings (loss) per share	$ (0.05)	$ (0.13)	$ 0.32	$ 0.81	$ 0.08	$ 0.44	$ 0.31	$ 3.58	$ 0.66	$ 4.76
Diluted earnings (loss) per share:										
Earnings (loss) from continuing operations	$ (0.05)	$ (0.20)	$ 0.32	$ 0.81	$ 0.08	$ 0.45	$ 0.30	$ 3.62	$ 0.65	$ 4.74
Earnings (loss) from discontinued operations		0.07				(0.01)		(0.04)	0.01	0.02
Diluted earnings (loss) per share	$ (0.05)	$ (0.13)	$ 0.32	$ 0.81	$ 0.08	$ 0.44	$ 0.30	$ 3.58	$ 0.66	$ 4.76
Average shares outstanding										
Basic	97,390	76,000	97,507	76,000	97,506	76,000	97,506	78,092	97,506	76,527
Diluted	97,390	76,000	97,628	76,000	97,628	76,000	97,865	78,092	97,700	76,527

(1) During the twelve months ended December 31, 2014, other general and administrative expense decreased compared to the twelve months ended December 31, 2013, primarily due to decreases related to a discontinued cash-based management profit sharing plan, annual incentive compensation expense related to declines in operating performance, net periodic benefit costs for the pension and postretirement medical plans, legal expenses, expenses related to abandoned projects, and theatre support center rent.

(2) Other income for the twelve months ended December 31, 2014 was primarily due to a gain on extinguishment of indebtedness related to the cash tender offer and redemption of the Notes due 2019 of $8,544,000, partially offset by other expenses of $158,000.

(3) The decrease in equity in earnings of non-consolidated entities during the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013, was primarily due to increases in equity in losses from Open Road Releasing, LLC and decreases in equity in earnings from NCM, partially offset by increases in equity in earnings from DCIP. See Note 7 Investments for additional information

(4)

During the twelve months ended December 31, 2013, the Company reversed its recorded valuation allowance for deferred tax assets. The Company generated sufficient earnings in the United States federal and state tax jurisdictions where it had recorded valuation allowances to conclude that it did not need valuation allowances in these tax jurisdictions. This reversal is reflected as a non cash income tax benefit recorded during the twelve months ended December 31, 2013. See Note 11 Income Taxes for additional information.

(5)

During the twelve months ended December 31, 2013, the Company received $4,666,000 for a sales price adjustment from the sale of theatres located in Canada. The sales price adjustment was related to tax attributes of the theatres sold in Canada which were not determinable or probable of collection at the date of the sale. The earnings from discontinued operations were partially offset by income taxes, legal and professional fees, and contractual repairs and maintenance expenses.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of
National CineMedia, LLC
Centennial, Colorado

We have audited the accompanying balance sheets of National CineMedia, LLC as of January 1, 2015 and December 26, 2013, and the related statements of income, comprehensive income, members' equity/ (deficit), and cash flows for the years ended January 1, 2015, December 26, 2013 and December 27, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of National CineMedia, LLC as of January 1, 2015 and December 26, 2013, and the results of its operations and its cash flows for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Denver, Colorado
March 9, 2015

NATIONAL CINEMEDIA, LLC

BALANCE SHEETS

(In millions)

	January 1, 2015	December 26, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10.2	$ 13.3
Receivables, net of allowance of $4.3 and $5.7, respectively	116.5	120.4
Prepaid expenses	3.3	2.9
Prepaid administrative fees to managing member	0.7	0.8
Current portion of notes receivable founding members	4.2	4.2
Total current assets	134.9	141.6
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of $72.9 and $69.5, respectively	22.4	25.6
Intangible assets, net of accumulated amortization of $69.3 and $48.7, respectively	488.6	492.0
Debt issuance costs, net of accumulated amortization of $17.8 and $15.0, respectively	15.5	17.7
Long-term notes receivable, net of current portion founding members	16.6	20.8
Other investments (including $1.3 and $1.1 with related parties, respectively)	2.5	1.1
Other assets	0.6	0.4
Total non-current assets	546.2	557.6
TOTAL ASSETS	$ 681.1	$ 699.2
LIABILITIES AND MEMBERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	34.9	30.1
Amounts due to managing member	23.6	24.6
Accrued expenses	19.0	19.4
Accrued payroll and related expenses	9.0	11.5
Accounts payable (including $1.0 and $0.8 to related party affiliates, respectively)	11.5	18.1
Deferred revenue	8.5	4.7
Current portion of long-term debt		14.0
Total current liabilities	106.5	122.4
NON-CURRENT LIABILITIES:		
Long-term debt	892.0	876.0
Total non-current liabilities	892.0	876.0
Total liabilities	998.5	998.4
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
MEMBERS' DEFICIT (including accumulated other comprehensive loss of $1.6 and $11.6 million, respectively)	(317.4)	(299.2)
TOTAL LIABILITIES AND EQUITY/DEFICIT	$ 681.1	$ 699.2

Refer to accompanying notes to financial statements.

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NATIONAL CINEMEDIA, LLC

STATEMENTS OF INCOME

(In millions)

	Years Ended January 1, 2015	December 26, 2013	December 27, 2012
REVENUE:			
Advertising (including revenue from founding members of $38.7, $41.6 and $39.9, respectively)	$ 394.0	$ 426.3	$ 409.5
Fathom Events		36.5	39.3
Total	394.0	462.8	448.8
OPERATING EXPENSES:			
Advertising operating costs (including $3.7, $3.6 and $4.2 to related parties, respectively)	26.4	29.0	31.3
Fathom Events operating costs (including $0.0, $5.3 and $5.9 to founding members, respectively)		25.5	29.0
Network costs	18.3	18.7	18.9
Theatre access fees founding members	70.6	69.4	64.5
Selling and marketing costs (including $0.9, $1.4 and $1.1 to founding members, respectively)	57.6	61.5	60.5
Administrative and other costs	19.3	20.1	20.3
Administrative fee managing member	10.2	10.0	12.1
Depreciation and amortization	32.4	26.6	20.4
Total	234.8	260.8	257.0
OPERATING INCOME	159.2	202.0	191.8
NON-OPERATING EXPENSES:			
Interest on borrowings	52.6	51.6	56.7
Interest income	(1.3)	(0.1)	
Change in derivative fair value			(3.0)
Amortization of terminated derivatives	10.0	10.3	4.0
Impairment of investment		0.8	
Loss on swap terminations			26.7
Gain on sale of Fathom Events to founding members		(25.4)	
Other non-operating expense	0.8	1.2	5.8
Total	62.1	38.4	90.2
INCOME BEFORE INCOME TAXES	97.1	163.6	101.6
Income tax expense	0.8	0.7	0.6
NET INCOME	$ 96.3	$ 162.9	$ 101.0

Refer to accompanying notes to financial statements.

NATIONAL CINEMEDIA, LLC

STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years Ended January 1, 2015	December 26, 2013	December 27, 2012
NET INCOME, NET OF TAX OF $0.8, $0.7 AND $0.6, RESPECTIVELY	$ 96.3	$ 162.9	$ 101.0
OTHER COMPREHENSIVE INCOME:			
Amortization of terminated derivatives	10.0	10.3	4.0
Net unrealized gain on cash flow hedges			31.1
COMPREHENSIVE INCOME	$ 106.3	$ 173.2	$ 136.1

Refer to accompanying notes to financial statements.

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NATIONAL CINEMEDIA, LLC

STATEMENTS OF MEMBERS' EQUITY/ (DEFICIT)

(In millions, except unit amounts)

	Units	Amount
Balance December 29, 2011	110,814,569	$ (527.5)
Capital contribution from managing member	551,654	2.3
Distribution to managing member		(72.7)
Distribution to founding members		(76.8)
Units issued for purchase of intangible asset	651,612	10.1
Comprehensive income		136.1
Share-based compensation expense/capitalized		4.3
Balance December 27, 2012	112,017,835	$ (524.2)
Capital contribution from managing member	1,732,878	20.3
Distribution to managing member		(89.5)
Distribution to founding members		(103.9)
Units issued for purchase of intangible asset	13,224,092	221.6
Comprehensive income		173.2
Share-based compensation expense/capitalized		3.3
Balance December 26, 2013	126,974,805	$ (299.2)
Capital contribution from managing member	231,789	0.8
Distribution to managing member		(67.0)
Distribution to founding members		(79.4)
Units issued for purchase of intangible asset	1,087,911	16.4
Comprehensive income		106.3
Share-based compensation expense/capitalized		4.7
Balance January 1, 2015	128,294,505	$ (317.4)

Refer to accompanying notes to financial statements.

NATIONAL CINEMEDIA, LLC

STATEMENTS OF CASH FLOWS

(In millions)

	Years Ended January 1, 2015	December 26, 2013	December 27, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 96.3	$ 162.9	$ 101.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32.4	26.6	20.4
Non-cash share-based compensation	4.6	3.2	4.3
Net unrealized gain on hedging transactions			(3.0)
Impairment of investment		0.8	
Amortization of terminated derivatives	10.0	10.3	4.0
Amortization of debt issuance costs	2.8	2.8	2.4
Equity in earnings of non-consolidated entities	(0.2)		
Write-off of debt issuance costs and other non-operating items		1.2	5.9
Loss on swap terminations			26.7
Gain on sale of Fathom Events		(26.0)	
Payment for swap terminations			(63.4)
Changes in operating assets and liabilities:			
Receivables, net	2.7	(22.0)	(2.5)
Accounts payable and accrued expenses	(9.1)	6.9	3.5
Amounts due to founding members and managing member	0.8	3.5	(5.0)
Other, net	3.1	(1.7)	2.9
Net cash provided by operating activities	143.4	168.5	97.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(8.7)	(10.1)	(10.4)
Payment from founding members for intangible assets			0.2
Purchases of intangible assets from network affiliates	(3.0)	(8.9)	(7.2)
Proceeds from note receivable founding members	4.2		
Net cash used in investing activities	(7.5)	(19.0)	(17.4)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	138.0	59.0	546.0
Repayments of borrowings	(136.0)	(48.0)	(461.0)
Payment of debt issuance costs	(0.6)	(3.4)	(14.0)
Founding member integration payments	2.1	2.1	
Distributions to founding members and managing member	(143.3)	(176.6)	(151.9)
Unit settlement for share-based compensation	0.8	20.3	2.3
Net cash used in financing activities	(139.0)	(146.6)	(78.6)
CHANGE IN CASH AND CASH EQUIVALENTS	(3.1)	2.9	1.2
CASH AND CASH EQUIVALENTS:			
Beginning of period	13.3	10.4	9.2
End of period	$ 10.2	$ 13.3	$ 10.4

Refer to accompanying notes to financial statements.

NATIONAL CINEMEDIA, LLC

STATEMENTS OF CASH FLOWS (Continued)

(In millions)

	Years Ended January 1, 2015	December 26, 2013	December 27, 2012
Supplemental disclosure of non-cash financing and investing activity:			
Purchase of an intangible asset with NCM LLC equity	$ 16.4	$ 221.6	$ 10.1
Accrued distributions to founding members and managing member	$ 60.6	$ 57.5	$ 40.7
Operating segment sold under notes receivable	$	$ 25.0	$
Increase in cost and equity method investments	$ 1.2	$ 0.3	$ 0.6
Write-off of property and equipment included in accrued expenses	$ (0.4)	$	$
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 49.9	$ 49.3	$ 50.7
Cash paid for income taxes, net of refunds	$	$ 0.1	$ 0.6

Refer to accompanying notes to financial statements.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

National CineMedia, LLC ("NCM LLC", "the Company" or "we") commenced operations on April 1, 2005 and is owned by National CineMedia, Inc. ("NCM, Inc.", "manager" or "managing member"), American Multi-Cinema, Inc. and AMC ShowPlace Theatres, Inc. ("AMC"), wholly owned subsidiaries of AMC Entertainment, Inc. ("AMCE"), Regal Cinemas, Inc. and Regal CineMedia Holdings, LLC, wholly owned subsidiaries of Regal Entertainment Group ("Regal") and Cinemark Media, Inc. and Cinemark USA, Inc., wholly owned subsidiaries of Cinemark Holdings, Inc. ("Cinemark"). NCM LLC operates the largest digital in-theatre network in North America, allowing NCM LLC to sell advertising (the "Services") under long-term exhibitor services agreements ("ESAs") with AMC, Regal and Cinemark. AMC, Regal and Cinemark and their affiliates are referred to in this document as "founding members". NCM LLC also provides the Services to certain third-party theatre circuits under long-term network affiliate agreements referred to in this document as "network affiliates", which have terms from three to twenty years.

As of January 1, 2015, the Company had 128,294,505 common membership units outstanding, of which 58,750,926 (45.8%) were owned by NCM, Inc., 25,792,942 (20.1%) were owned by Regal, 24,556,136 (19.1%) were owned by Cinemark, and 19,194,501 (15.0%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis.

Recent Transactions

On December 26, 2013, the Company sold its Fathom Events business to a newly formed limited liability company owned 32% by each of the founding members and 4% by NCM LLC, as described further in Note 2 *Divestiture*.

On May 5, 2014, NCM, Inc. entered into the Merger Agreement to merge with Screenvision for $375 million, consisting of $225 million in cash and $150 million of NCM, Inc. common stock (9,900,990 shares based on a price of $15.15 per share). The merger consideration is subject to adjustment based upon Screenvision's Adjusted EBITDA for the twelve months ended April 30, 2014, which resulted in no adjustment and is subject to adjustment based upon Screenvision's positive working capital at closing up to a maximum of $10 million. On November 3, 2014, the DOJ filed the DOJ Action. A trial date has been scheduled for April 13, 2015. Following the merger, NCM, Inc. will evaluate whether to contribute the Screenvision assets to NCM LLC. Although it is under no obligation to do so, upon approval of NCM, Inc.'s Board of Directors and the founding members, NCM, Inc. may contribute Screenvision assets and NCM, Inc. debt to NCM LLC in exchange for 9,900,990 NCM LLC membership units. NCM, Inc. has secured a commitment from a group of financial institutions for a $250 million term loan to finance the $225 million portion of the merger consideration that will be paid in cash, along with fees and expenses incurred in connection with the term loan and the merger. In addition, NCM LLC amended its senior secured credit facility to allow for the contribution of the Screenvision assets and NCM, Inc. debt to NCM LLC following the closing of the merger. The Commitment Letter and NCM LLC senior secured credit facility amendments expire on April 1, 2015. The Company is working with the merger financing bank group to extend the merger financing commitments to accommodate the litigation process.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Company has prepared its financial statements and related notes of NCM LLC in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

As a result of the various related-party agreements discussed in Note 7 *Related Party Transactions*, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties.

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

Significant Accounting Policies

Accounting Period The Company has a 52-week or 53-week fiscal year ending on the first Thursday after December 25. Fiscal year 2014 contained 53 weeks. Fiscal years 2013 and 2012 contained 52 weeks. Throughout this document, the fiscal years are referred to as set forth below:

Fiscal Year Ended	**Reference in this Document**
January 1, 2015	2014
December 26, 2013	2013
December 27, 2012	2012

Segment Reporting Advertising is the principal business activity of the Company and is the Company's only reportable segment under the requirements of ASC 280 S*egment Reporting*. Fathom Events (prior to its sale) was an operating segment under ASC 280. The Company does not evaluate its segments on a fully allocated cost basis, nor does the Company track segment assets separately. As such, the results are not indicative of what segment results of operations would have been had it been operated on a fully allocated cost basis. The Company cautions that it would be inappropriate to assume that unallocated operating costs are incurred proportional to segment revenue or any directly identifiable segment expenses. Refer to Note 14 *Segment Reporting.*

Revenue Recognition The Company derives revenue principally from the advertising business, which includes on-screen and lobby network (LEN) advertising and lobby promotions and advertising on entertainment websites and mobile applications owned by the Company and other companies. Revenue is recognized when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price is fixed and determinable and collectability is reasonably assured. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

On-screen advertising consists of national and local advertising. National advertising is sold on a cost per thousand ("CPM") basis, while local and regional advertising is sold on a per-screen, per-week

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

basis. The Company recognizes national advertising as impressions (or theatre attendees) are delivered and recognizes local on-screen advertising revenue during the period in which the advertising airs. The Company recognizes revenue derived from lobby network and promotions when the advertising is displayed in theatre lobbies and recognizes revenue from branded entertainment websites and mobile applications when the online or mobile impressions are served. The Company may make contractual guarantees to deliver a specified number of impressions to view the customers' advertising. If those contracted number of impressions are not delivered, the Company will run additional advertising to deliver the contracted impressions at a later date. The deferred portion of the revenue associated with the undelivered impressions is referred to as a make-good provision. In rare cases, the Company will make a cash refund of the portion of the contract related to the undelivered impressions. The Company defers the revenue associated with the make-good until the advertising airs to the theatre attendance specified in the advertising contract. The make-good provision is recorded within accrued expenses in the Balance Sheets. The Company records deferred revenue when cash payments are received, or invoices are issued, in advance of revenue being earned and is classified as a current liability as it is expected to be earned within the next twelve months. Fathom Events revenue was recognized in the period in which the event was held.

Barter Transactions The Company enters into barter transactions that exchange advertising program time for products and services used principally for selling and marketing activities. The Company records barter transactions at the estimated fair value of the advertising exchanged based on fair value received for similar advertising from cash paying customers. Revenues for advertising barter transactions are recognized when advertising is provided, and products and services received are charged to expense when used. The Company limits the use of such barter transactions to necessary items and services for which it would otherwise have paid cash. Any timing differences between the delivery of the bartered revenue and the use of the bartered expense products and services are recorded through accounts receivable. Revenue from barter transactions for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 was $1.3 million, $1.9 million and $3.0 million, respectively. Expense recorded from barter transactions for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 was $1.2 million, $2.9 million and $1.3 million, respectively.

Operating Costs Advertising-related operating costs primarily include personnel and other costs related to advertising fulfillment, payments due to unaffiliated theatre circuits under the network affiliate agreements, and to a lesser extent, production costs of non-digital advertising.

Fathom Events operating costs include revenue share under the ESAs to the founding members and revenue share to affiliate theatres under separate agreements, payments to event content producers and other direct costs of the meeting or event, including equipment rental, catering and movie tickets acquired primarily from the founding members.

Payment to the founding members of a theatre access fee is comprised of a payment per theatre attendee, a payment per digital screen and a payment per digital cinema projector equipped in the theatres, all of which escalate over time. Refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this document.

Network costs include personnel, satellite bandwidth, repairs, and other costs of maintaining and operating the digital network and preparing advertising and other content for transmission across the

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

digital network. These costs were not specifically allocated between the advertising business and the Fathom Events business (prior to the sale of Fathom Events).

Cash and Cash Equivalents All highly liquid debt instruments and investments purchased with an original maturity of three months or less are classified as cash equivalents and are considered available-for-sale securities. There are cash balances in a bank in excess of the federally insured limits or in the form of a money market demand account with a major financial institution.

Restricted Cash As of January 1, 2015 and December 26, 2013, other non-current assets included restricted cash of $0.3 million, which secures a letter of credit used as a lease deposit on the Company's New York office.

Concentration of Credit Risk and Significant Customers Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. The collectability risk with respect to national and regional advertising is reduced by transacting with founding members or large, national advertising agencies who have strong reputations in the advertising industry and clients with stable financial positions. The Company has smaller contracts with thousands of local clients that are not individually significant. As of January 1, 2015 and December 26, 2013, there were no advertising agency groups or individual customers through which the Company sources national advertising revenue representing more than 10% of the Company's outstanding gross receivable balance. During the years ended January 1, 2015, December 26, 2013 and December 27, 2012, there were no customers that accounted for more than 10% of revenue.

Receivables consisted of the following (in millions):

	As of	
	January 1, 2015	December 26, 2013
Trade accounts	$ 119.4	$ 124.5
Other	1.4	1.6
Less: Allowance for doubtful accounts	(4.3)	(5.7)
Total	$ 116.5	$ 120.4

Long-lived Assets Property and equipment is stated at cost, net of accumulated depreciation or amortization. Generally, the equipment associated with the digital network of the founding member theatres is owned by the founding members, while the equipment associated with network affiliate theatres is owned by the Company. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are expensed as incurred. The Company records depreciation and amortization using the straight-line method over the following estimated useful lives:

Equipment	4 - 10 years
Computer hardware and software	3 - 5 years
Leasehold improvements	Lesser of lease term or asset

Software and website development costs developed or obtained for internal use are accounted for in accordance with ASC 350 *Internal Use Software* and ASC 350 W*ebsite Development Costs*. The subtopics require the capitalization of certain costs incurred in developing or obtaining software for internal use. The majority of software costs related primarily to the Company's inventory management systems and digital network distribution system (DCS) and website development costs, which are included in equipment, are depreciated over three to five years. As of January 1, 2015 and December 26, 2013, the Company had a net book value of $9.5 million and $10.9 million, respectively, of capitalized software and website development costs. Approximately $6.5 million, $6.1 million and $4.1 million was recorded for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively, in depreciation expense related to software and website development. For the years ended January 1, 2015, December 26, 2013 and December 27, 2012, the Company recorded $1.7 million, $1.8 million and $0.8 million in research and development expense, respectively.

The Company assesses impairment of long-lived assets pursuant with ASC 360 *Property, Plant and Equipment.* This includes determining if certain triggering events have occurred that could affect the value of an asset. The Company has not recorded impairment charges related to long-lived assets.

Intangible assets Intangible assets consist of contractual rights to provide its services within the theatres of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. Intangible assets are tested for impairment at least annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. In its impairment testing, the Company estimates the fair value of its ESAs or network affiliate agreements by determining the estimated future cash flows associated with the ESAs or network affiliate agreements. If the estimated fair value is less than the carrying value, the intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating long-term cash flow forecasts. The Company has not recorded impairment charges related to intangible assets.

Amounts Due to/from Founding Members Amounts due to/from founding members include amounts due for the theatre access fee, offset by a receivable for advertising time purchased by the founding members on behalf of their beverage concessionaire, revenue share earned for Fathom Events plus any amounts outstanding under other contractually obligated payments. Payments to or received from the founding members against outstanding balances are made monthly. Available cash distributions are made quarterly.

Amounts Due to Managing Member Amounts due to the managing member include amounts due under the NCM LLC operating agreement and other contractually obligated payments. Payments to or received from the managing member against outstanding balances are made monthly.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes NCM LLC is not a taxable entity for federal income tax purposes. Accordingly, NCM LLC does not directly pay federal income tax. NCM LLC's taxable income or loss, which may vary substantially from the net income or loss reported in the Statements of Income, is includable in the federal income tax returns of each founding member and the managing member. NCM LLC is, however, a taxable entity under certain state jurisdictions. Further, in some state instances, NCM LLC may be required to remit composite withholding tax based on its results on behalf of its founding members and managing member.

NCM LLC's fiscal year 2007 and 2008 tax returns were under examination by the Internal Revenue Service ("IRS"). On September 10, 2013, NCM LLC and NCM, Inc., in its capacity as tax matters partner for NCM LLC, received a "No Adjustments Letter" from the IRS which stated that the IRS completed its review of the NCM LLC tax returns for the fiscal years ended 2007 and 2008 and did not propose any adjustments to those tax returns. NCM, Inc. had previously contested adjustments proposed by the IRS through the administrative appeals process. The Company had not recorded any adjustment to its financial statements for this matter and as such there was no effect on the Company's financial statements for the year ended December 26, 2013 related to the closure of these audits.

Debt Issuance Costs In relation to the issuance of outstanding debt discussed in Note 8 *Borrowings*, there is a balance of $15.5 million and $17.7 million in deferred financing costs as of January 1, 2015 and December 26, 2013, respectively. The debt issuance costs are being amortized on a straight-line basis over the terms of the underlying obligation and are included in interest on borrowings, which approximates the effective interest method.

The changes in debt issuance costs are as follows (in millions):

	Years Ended		
	January 1, 2015	**December 26, 2013**	**December 27, 2012**
Beginning balance	$ 17.7	$ 18.3	$ 12.6
Debt issuance payments	0.6	3.4	14.0
Amortization of debt issuance costs	(2.8)	(2.8)	(2.4)
Write-off of debt issuance costs		(1.2)	(5.9)
Ending balance	$ 15.5	$ 17.7	$ 18.3

Other Investments Other investments consisted of the following (in millions):

	As of	
	January 1, 2015	**December 26, 2013**
Investment in AC JV, LLC(1)	$ 1.3	$ 1.1
Other investments(2)	1.2	
Total	$ 2.5	$ 1.1

(1) Refer to Note 7 *Related Party Transactions*.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) During 2014, the Company received equity securities in some privately held companies as consideration for advertising contracts. The equity securities were accounted for under the cost method and represent an ownership of less than 20%. The Company does not exert significant influence of these companies' operating or financial activities.

The Company reviews investments accounted for under the cost and equity methods for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable. In order to determine whether the carrying value of investments may have experienced an "other-than-temporary" decline in value necessitating the write-down of the recorded investment, the Company considers various factors including the investees financial condition and quality of assets, the length of time the investee has been operating, the severity and nature of losses sustained in current and prior years, qualifications in accountant's reports due to liquidity or going concern issues, investee announcements of adverse changes, downgrading of investee debt, regulatory actions, loss of principal customer, negative operating cash flows or working capital deficiencies and the record of an impairment charge by the investee for goodwill, intangible or long-lived assets. Once a determination is made that an other-than-temporary impairment exists, the Company writes down its investment to fair value. During the years ended January 1, 2015, December 26, 2013 and December 27, 2012, the Company recorded other-than-temporary impairment charges of $0.0 million, $0.8 million and $0.0 million. The impairment charge during 2013 wrote the investment to a remaining fair value of $0.0 million.

Share-Based Compensation In 2012, NCM, Inc. issued stock options, restricted stock and restricted stock units. In 2013 and 2014, NCM, Inc. only issued restricted stock and restricted stock units. Restricted stock and restricted stock units vest upon the achievement of NCM, Inc. performance measures and service conditions or only service conditions. Compensation expense of restricted stock that vests upon the achievement of NCM, Inc. performance measures is based on management's financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares expected to vest. Ultimately, NCM, Inc. adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Dividends are accrued when declared on unvested restricted stock that is expected to vest and are only paid with respect to shares that actually vest.

Compensation cost of stock options was based on the estimated grant date fair value using the Black-Scholes option pricing model, which requires that NCM, Inc. make estimates of various factors. Under the fair value recognition provisions of ASC 718 *Compensation Stock Compensation*, the Company recognizes share-based compensation net of an estimated forfeiture rate, and therefore only recognizes compensation cost for those shares expected to vest over the requisite service period of the award. Refer to Note 9 *Share-Based Compensation* for more information.

Fair Value Measurements Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Derivative Instruments The Company is exposed to various financial and market risks including changes in interest rates that exist as part of its ongoing operations. In 2012, NCM LLC utilized certain interest rate swaps to manage these risks. In accordance with ASC 815 *Derivatives and Hedging,* the effective portion of changes in the fair value of a derivative that was designated as a cash flow hedge was recorded in Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffectiveness associated with designated cash flow hedges, as well as, any change in the fair value of a derivative that is not designated as a hedge, was recorded immediately in the Statements of Income. For more information, refer to Note 13 *Derivative Instruments and Hedging Activities*.

Recent Accounting Pronouncements

In March 2014, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue 13-D, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period* ("EITF 13-D"). Under EITF 13-D, a performance target that can be achieved after the requisite service period should be treated as a performance condition that affects vesting, rather than a condition that affects grant date fair value. Compensation cost is recognized over the requisite service period if it is probable that the performance condition will be achieved. If necessary, compensation cost is subsequently adjusted, to reflect those awards that ultimately vest. EITF 13-D will be effective, on a prospective basis, for the Company during its first quarter of 2016, with early adoption permitted. The adoption of this standard is not anticipated to have a material impact on the Company's audited financial statements or notes thereto.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This guidance will be effective beginning in fiscal year 2017 and early adoption is not permitted. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its audited financial statements or notes thereto, as well as, which transition method it intends to use.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Presentation of Financial Statements Going Concern* ("ASU 2014-15"). ASU 2014-15 requires that management evaluate at each annual and interim reporting period whether there is a substantial doubt about an entity's ability to continue as a going concern within one year of the date that the financial statements are issued. ASU 2014-15 will be effective for fiscal years and interim periods beginning after December 15, 2016 and early application is permitted. The Company does not expect that the application of ASU 2014-15 will have an impact on the audited financial statements or notes thereto.

In November 2014, the FASB issued ASU 2014-17, *Business Combinations (Topic 805): Pushdown Accounting* ("ASU 2014-17"). The amendments in ASU 2014-17 provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity may elect to apply pushdown accounting in its separate financial statements upon a change-in-control event in which an acquirer obtains control of the acquired entity. The amendments in ASU 2014-17 were effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle. The adoption of ASU 2014-17 did not have any impact on the audited financial statements or notes thereto.

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

2. DIVESTITURE

On December 26, 2013, the Company sold its Fathom Events business to a newly formed limited liability company (AC JV, LLC) owned 32% by each of the founding members and 4% by NCM LLC. In consideration for the sale, the Company received a total of $25.0 million in promissory notes from the founding members (one-third or approximately $8.3 million from each founding member). The notes receivable bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing. Due to the related party nature of the transaction, the Company formed a committee of independent directors that hired a separate legal counsel and an investment banking firm who advised the committee and rendered an opinion as to the fairness of the transaction. The Company deconsolidated Fathom Events and recognized a gain on the sale of approximately $26.0 million during the year ended December 26, 2013. The gain was measured as the difference between (a) the net fair value of the retained noncontrolling investment and the consideration received for the sale and (b) the carrying value of Fathom Events net assets (approximately $0.1 million). The Company recorded approximately $0.6 million of expenses related to the sale, which were recorded as a reduction to the gain on the sale. Approximately $1.1 million of the gain recognized related to the re-measurement of the Company's retained 4% interest in AC JV, LLC. The fair value of the Company's retained noncontrolling investment of $1.1 million was determined by applying the Company's ownership percentage to the fair value of AC JV, LLC, which was valued using comparative market multiples. Under the terms of the agreement, the assets and liabilities related to Fathom events held prior to the

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

2. DIVESTITURE (Continued)

sale were not assumed by the buyer and those pertaining to Fathom events held post-closing were transferred to the buyer.

Future minimum principal payments under the notes receivable as of January 1, 2015 are approximately as follows (in millions):

Year	Minimum Principal Payments	
2015	$	4.2
2016		4.2
2017		4.2
2018		4.1
2019		4.1
Total	$	20.8

On December 26, 2013, NCM LLC amended and restated its existing ESAs with each of the founding members to remove those provisions addressing the rights and obligations related to the digital programming services of the Fathom Events business. These rights and obligations were conveyed to AC JV, LLC in connection with the sale. In connection with the sale, the Company entered into a transition services agreement to provide certain corporate overhead services for a fee and reimbursement for the use of facilities and certain services including creative, technical event management and event management for the newly formed limited liability company for a period of nine months following the closing. In addition, the Company entered into a services agreement with a term coinciding with the ESAs, which grants the newly formed limited liability company advertising on-screen and on the LEN and a pre-feature program prior to Fathom events reasonably consistent with what was previously dedicated to Fathom. In addition, the services agreement provides that the Company will assist with event sponsorship sales in return for a share of the sponsorship revenue. The Company has also agreed to provide creative and media production services for a fee. For more information, refer to Note 7 *Related Party Transactions*.

Due to the Company's continuing equity method investment in the newly formed limited liability company, the operations of Fathom Events and the gain on the sale were recorded in continuing operations on the Statements of Income. Refer to Note 7 *Related Party Transactions* for further discussion of the investment.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation (in millions):

	As of January 1, 2015	As of December 26, 2013
Equipment, computer hardware and software	$ 89.4	$ 90.2
Leasehold improvements	3.6	3.6
Less: Accumulated depreciation	(72.9)	(69.5)
Subtotal	20.1	24.3
Construction in progress	2.3	1.3
Total property and equipment	$ 22.4	$ 25.6

For the years ended January 1, 2015, December 26, 2013, and December 27, 2012, the Company recorded depreciation expense of $11.1 million, $10.4 million, and $8.7 million, respectively.

4. INTANGIBLE ASSETS

The Company's intangible assets consist of contractual rights to provide its services within the theatres of the founding members and network affiliates. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. The Company's intangible assets with its founding members are recorded at the fair market value of NCM, Inc.'s publicly traded stock as of the date on which the common membership units were issued. The Company's common membership units are fully convertible into NCM, Inc.'s common stock. The Company also records intangible assets for upfront fees paid to network affiliates upon commencement of a network affiliate agreement. Pursuant to ASC 350-10 *Intangibles Goodwill and Other*, the Company's intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs or the term of the contract with the network affiliate. If common membership units are issued to a founding member for newly acquired theatres that are subject to an existing on-screen advertising agreement with an alternative provider, the amortization of the intangible asset commences after the existing agreement expires and the Company can utilize the theatres for all of its services. In addition, if common membership units are issued to a founding member for theatres under an existing on-screen consulting agreement with an alternative provider, NCM LLC may receive payments from the founding member pursuant to the ESAs on a quarterly basis in arrears in accordance with certain run-out provisions ("integration payments"). Integration payments approximate the advertising cash flow that the Company would have generated if it had exclusive access to sell advertising in the theatres with pre-existing advertising agreements. The integration payments are recorded as a reduction to net intangible assets, and not as part of operating income.

In accordance with the Company's Common Unit Adjustment Agreement with its founding members, on an annual basis the Company determines the amount of common membership units to be issued to or returned by the founding members based on theatre additions or dispositions during the previous year. In addition, the Company's Common Unit Adjustment Agreement requires that a Common Unit Adjustment occur for a specific founding member if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent Common Unit Adjustment,

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

4. INTANGIBLE ASSETS (Continued)

results in an attendance increase or decrease of two percent or more in the total annual attendance of all founding members as of the last adjustment date.

The following is a summary of the Company's intangible assets (in millions):

	As of December 26, 2013	Additions(1)	Amortization	Integration Payments(3)	As of January 1, 2015
Gross carrying amount	$ 540.7	$ 19.4	$	$ (2.2)	$ 557.9
Accumulated amortization	(48.7)		(20.6)		(69.3)
Total intangible assets,	$ 492.0	$ 19.4	$ (20.6)	$ (2.2)	$ 488.6

	As of December 27, 2012	Additions(2)	Amortization	Integration Payments(3)	As of December 26, 2013
Gross carrying amount	$ 312.8	$ 230.7	$	$ (2.8)	$ 540.7
Accumulated amortization	(32.5)		(16.2)		(48.7)
Total intangible assets,	$ 280.3	$ 230.7	$ (16.2)	$ (2.8)	$ 492.0

(1) During the first quarter of 2014, the Company issued 1,087,911 common membership units to its founding members for the rights to exclusive access to net new theatre screens and attendees added by the founding members to NCM LLC's network during 2013. The Company recorded a net intangible asset of $16.4 million in the first quarter of 2014 as a result of the Common Unit Adjustment.

During 2014, the Company purchased intangible assets for $3.0 million associated with network affiliate agreements.

(2) During the first quarter of 2013, NCM LLC issued 4,536,014 common membership units to its founding members for the rights to exclusive access to net new theatre screens and attendees added by the founding members to NCM LLC's network during 2012. The Company recorded a net intangible asset of $69.0 million in the first quarter of 2013 as a result of the common unit adjustment.

In June 2013, NCM LLC issued 5,315,837 common membership units to Cinemark for attendees added in connection with Cinemark's acquisition of Rave Cinemas and one other newly built theatre. NCM LLC recorded a net intangible asset of approximately $91.2 million for this Common Unit Adjustment.

In November 2013, NCM LLC issued 3,372,241 common membership units to Regal for attendees added in connection with Regal's acquisition of Hollywood Theatres and three other newly built theatres. NCM LLC recorded a net intangible asset of approximately

$61.6 million for this Common Unit Adjustment.

During 2013, the Company purchased intangible assets for $8.9 million associated with network affiliate agreements.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

4. INTANGIBLE ASSETS (Continued)

(3) Rave had pre-existing advertising agreements for some of the theatres it owned prior to its acquisition by Cinemark, as well as, prior to the acquisition of certain Rave theatres by AMC in December 2012. As a result, AMC and Cinemark will make integration payments over the remaining term of those agreements. During the year ended January 1, 2015 and December 26, 2013, the Company recorded a reduction to net intangible assets of $2.2 million and $2.8 million, respectively, related to integration payments due from AMC and Cinemark. During the year ended January 1, 2015 and December 26, 2013, the founding members paid $2.1 million and $2.1 million, respectively, in integration payments.

As of January 1, 2015 and December 26, 2013, the Company's intangible assets related to the founding members, net of accumulated amortization was $458.3 million and $463.4 million, respectively with weighted average remaining lives of 22.2 years and 23.0 years as of January 1, 2015 and December 26, 2013, respectively.

As of January 1, 2015 and December 26, 2013, the Company's intangible assets related to the network affiliates, net of accumulated amortization was $30.3 million and $28.6 million, respectively with weighted average remaining lives of 14.9 years and 15.8 years as of January 1, 2015 and December 26, 2013, respectively.

For the years ended January 1, 2015, December 26, 2013 and December 27, 2012 the Company recorded amortization expense of $20.6 million, $16.2 million and $11.7 million, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows (in millions):

Year	Amortization
2015	$ 21.2
2016	$ 21.3
2017	$ 21.3
2018	$ 21.7
2019	$ 23.4

5. ACCRUED EXPENSES

The following is a summary of the Company's accrued expenses (in millions):

	As of January 1, 2015	As of December 26, 2013
Make-good reserve	$ 2.0	$ 1.8
Accrued interest	12.6	12.7
Deferred rent	2.4	2.6
Other accrued expenses	2.0	2.3
Total accrued expenses	$ 19.0	$ 19.4

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

6. MEMBERS' DEFICIT

NCM LLC's founding members received all proceeds from NCM, Inc.'s IPO and related issuances of debt, except for amounts needed to pay out-of-pocket costs of the financings and other expenses. The ESAs with the founding members were amended and restated in conjunction with the IPO under which NCM LLC became the exclusive provider of advertising services to the founding members for a 30-year term. In conformity with accounting guidance of the SEC concerning monetary consideration paid to promoters, such as the founding members, in exchange for property conveyed by the promoters, the excess over predecessor cost was treated as a special distribution. Because the founding members had no cost basis in the ESAs, nearly all payments to the founding members with the proceeds of the IPO and related debt, have been accounted for as distributions. The distributions by NCM LLC to the founding members made at the date of the IPO resulted in a members' deficit.

7. RELATED PARTY TRANSACTIONS

Founding Member and Managing Member Transactions In connection with NCM, Inc.'s IPO, the Company entered into several agreements to define and regulate the relationships among NCM LLC, NCM, Inc. and the founding members. They include the following:

ESAs. Under the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members' theatres (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members). The advertising services include the on-screen advertising of the FirstLook pre-show, use of the LEN and lobby promotions. Further, some advertising in the FirstLook pre-show is sold to the founding members to be used to satisfy the founding members' on-screen advertising commitments under their beverage concessionaire agreements. In consideration for access to the founding members' theatre attendees for on-screen advertising and use of the founding members' theatres for the LEN and lobby promotions, the founding members receive a monthly theatre access fee.

Common Unit Adjustment Agreement. The common unit adjustment agreement provides a mechanism for adjusting membership units held by the founding members based on increases or decreases in the number of screens operated by each founding member.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

Following is a summary of the transactions between the Company and the founding members (in millions):

		Years Ended	
Included in the Statements of Income:	**January 1, 2015**	**December 26, 2013**	**December 27, 2012**
Revenue:			
Beverage concessionaire revenue (included in advertising revenue)(1)	$ 38.4	$ 41.4	$ 39.7
Advertising inventory revenue (included in advertising revenue)(2)	0.3	0.2	0.2
Operating expenses:			
Theatre access fee(3)	70.6	69.4	64.5
Revenue share from Fathom Events (included in Fathom Events operating costs)(4)		5.1	5.5
Purchase of movie tickets and concession products and rental of theatre space (included in Fathom Events operating costs)(5)		0.2	0.4
Purchase of movie tickets and concession products and rental of theatre space (included in selling and marketing costs)(6)	0.9	1.4	1.1
Purchase of movie tickets and concession products (included in advertising operating costs)(6)		0.2	
Purchase of movie tickets and concession products and rental of theatre space (included in other administrative and other costs)	0.1		
Administrative fee managing member(7)	10.2	10.0	12.1
Non-operating expenses:			
Gain on sale of Fathom Events(8)		25.4	
Interest income from notes receivable (included in interest income)(8)	1.2		

(1) For the years ended January 1, 2015, December 26, 2013 and December 27, 2012, the founding members purchased 60 seconds of on-screen advertising time (with a right to purchase up to 90 seconds) from the Company to satisfy their obligations under their beverage concessionaire agreements at a specified 30 second equivalent CPM.

(2) The value of such purchases is calculated by reference to the Company's advertising rate card.

(3) Comprised of payments per theatre attendee, payments per digital screen with respect to the founding member theatres included in the Company's network and payments for access to higher quality digital cinema equipment.

(4) Prior to the sale of Fathom Events on December 26, 2013, these payments are at rates (percentage of event revenue) included in the ESAs based on the nature of the event.

(5) Prior to the sale of Fathom Events on December 26, 2013, these were used primarily for marketing resale to Fathom Events customers.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

(6)
Used primarily for marketing to the Company's advertising clients.

(7)
Pursuant to the Management Services Agreement between NCM, Inc. and NCM LLC, NCM, Inc. provides certain specific management services to NCM LLC, including the services of the President and Chief Executive Officer, President of Sales and Marketing, Interim Co-Chief Financial Officers, Executive Vice President and Chief Operations Officer and Chief Technology Officer and Executive Vice President and General Counsel. In exchange for these services, NCM LLC reimburses NCM, Inc. for compensation paid to the officers (including share based compensation) and other expenses of the officers and for certain out-of-pocket costs.

(8)
Refer to discussion of Fathom sale in Note 2 *Divestiture*.

Included in the Balance Sheets:	**As of January 1, 2015**	**As of December 26, 2013**
Current portion of note receivable founding members(1)	$ 4.2	$ 4.2
Long-term portion of note receivable founding members(1)	16.6	20.8
Investment in AC JV, LLC(2)	1.3	1.1
Prepaid administrative fees to managing member(3)	0.7	0.8
Common unit adjustments and integration payments, net of amortization (included in intangible assets)	458.3	463.4

(1)
Refer to discussion of Fathom sale in Note 2 *Divestiture.*

(2)
The Company accounts for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 323-30, *Investments Equity Method and Joint Ventures* ("ASC 323-30") because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 323-30 requires the use of equity method accounting unless the Company's interest is so minor that it would have virtually no influence over partnership operating and financial policies. The Company concluded that its interest was more than minor under the accounting guidance despite the fact that NCM LLC does not have a representative on AC JV, LLC's Board of Directors or any voting, consent or blocking rights with respect to the governance or operations of AC JV, LLC.

(3)
The payments for estimated management services related to employment are made one month in advance. NCM LLC also provides administrative and support services to NCM, Inc. such as office facilities, equipment, supplies, payroll and accounting and financial reporting at no charge. Based on the limited activities of NCM, Inc. as a standalone entity, the Company does not believe such unreimbursed costs are significant.

At the date of NCM, Inc.'s IPO, NCM LLC was granted a perpetual, royalty-free license from the founding members to use certain proprietary software that existed at the time for the delivery of digital advertising and other content through the DCN to screens in the U.S. NCM LLC has made improvements to this software since NCM, Inc.'s IPO date and the Company owns those improvements, except for improvements that were developed jointly by NCM LLC and the founding members, if any.

Pursuant to the terms of the NCM LLC Operating Agreement in place since the completion of NCM, Inc.'s IPO, the Company is required to make mandatory distributions on a proportionate basis

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

to its members of available cash, as defined in the NCM LLC Operating Agreement, on a quarterly basis in arrears. Mandatory distributions for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 are as follows (in millions):

	Years Ended		
	January 1, 2015	December 26, 2013	December 27, 2012
AMC	$ 21.9	$ 29.8	$ 23.1
Cinemark	28.0	36.9	24.2
Regal	29.5	37.1	29.5
Total founding members	79.4	103.8	76.8
NCM, Inc.	67.0	89.6	72.8
Total	$ 146.4	$ 193.4	$ 149.6

The mandatory distributions of available cash by the Company to its founding members for the quarter ended January 1, 2015 of $32.9 million, is included in amounts due to founding members in the Balance Sheets as of January 1, 2015 and will be made in the first quarter of 2015. The mandatory distributions of available cash by NCM LLC to its managing member for the quarter ended January 1, 2015 of $27.7 million is included in amounts due to managing member on the Balance Sheets as of January 1, 2015 and will be made in the first quarter of 2015.

Amounts due to founding members as of January 1, 2015 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	$ 0.8	0.8	1.2	$ 2.8
Cost and other reimbursement	(0.6)	(0.2)		(0.8)
Distributions payable to founding members	9.1	11.6	12.2	32.9
Total	$ 9.3	$ 12.2	$ 13.4	$ 34.9

Amounts due to founding members as of December 26, 2013 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	$ 0.6	0.7	1.1	$ 2.4
Cost and other reimbursement	(2.0)	(0.7)	(0.6)	(3.3)
Distributions payable to founding members	8.7	10.9	11.4	31.0
Total	$ 7.3	$ 10.9	$ 11.9	$ 30.1

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

Amounts due to/from managing member were comprised of the following (in millions):

	As of January 1, 2015	As of December 26, 2013
Distributions payable	$ 27.7	$ 26.5
Cost and other reimbursement	(4.1)	(1.9)
Total	$ 23.6	$ 24.6

Common Unit Membership Redemption The NCM LLC Operating Agreement provides a redemption right of the founding members to exchange common membership units of NCM LLC for shares of NCM, Inc.'s common stock on a one-for-one basis, or at NCM, Inc.'s option, a cash payment equal to the market price of one share of NCM, Inc. common stock. During the third quarter of 2013, Regal exercised the redemption right of an aggregate 2,300,000 common membership units for a like number of shares of common stock. Such redemptions took place immediately prior to the closing of an underwritten public offering and the closing of an overallotment option. NCM, Inc. did not receive any proceeds from the sale of its common stock by Regal.

AC JV, LLC Transactions Following is a summary of the transactions between NCM LLC and AC JV, LLC (in millions):

	Years Ended	
Included in the Statements of Income:	**January 1, 2015**	**December 26, 2013**
Transition services (included in network costs)(1)	$ 0.2	$
Equity in earnings of non-consolidated entities (included in other non-operating expense)	0.2	

(1) In connection with the sale of Fathom Events, NCM LLC entered into a transition services agreement to provide certain corporate overhead services for a fee and reimbursement for the use of facilities and certain services including creative, technical event management and event management for the newly formed limited liability company for a period of nine months following the closing. These fees received by NCM LLC are included as an offset to network costs in the audited Statements of Income.

Related Party Affiliates The Company enters into network affiliate agreements with network affiliates for NCM LLC to provide in-theatre advertising at theatre locations that are owned by companies that are affiliates of certain of the founding members or directors of NCM, Inc. Related party affiliate agreements are entered into at terms that are similar to those of the Company's other network affiliates.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of advertising operating costs in the Statements of Income between the Company and its related party affiliates (in millions):

	Years Ended		
Related Party Affiliate	**January 1, 2015**	**December 26, 2013**	**December 27, 2012**
Starplex(1)	$ 3.5	$ 2.9	$ 3.2
Other	0.2	0.5	1.0
Total	$ 3.7	$ 3.4	$ 4.2

The following is a summary of the accounts payable balance between the Company and its related party affiliates included in the Balance Sheets (in millions):

Related Party Affiliate	**January 1, 2015**	**December 26, 2013**
Starplex(1)	$ 0.9	$ 0.7
Other	0.1	0.1
Total	$ 1.0	$ 0.8

(1) Starplex Operating L.P. ("Starplex") is an affiliate of one of NCM, Inc.'s former directors, who served on the board of directors during 2014.

Other Transactions The Company has an agreement with an interactive media company to sell some of its online inventory. One of NCM, Inc.'s directors is also a director of this media company. During the years ended January 1, 2015 and December 26, 2013, this company generated approximately $0.3 million and $0.6 million, respectively, in revenue for NCM LLC and there was approximately $0.3 million and $0.6 million, respectively, of accounts receivable due from this company as of January 1, 2015 and December 26, 2013.

NCM LLC has an agreement with AEG Live, an affiliate of The Anschutz Corporation, for AEG Live to showcase musical artists in the *FirstLook* pre-show. The Anschutz Corporation is a wholly-owned subsidiary of the Anschutz Company, which is the controlling stockholder of Regal. During the year ended January 1, 2015, NCM LLC received approximately $0.7 million in revenue from AEG Live and as of January 1, 2015, had $0.4 million of accounts receivable from AEG Live.

NCM LLC provides on-screen advertising free of charge to a charity associated with the Anschutz Corporation. There were no amounts recorded in the audited financial statements during the years ended January 1, 2015 or December 26, 2013 for these services.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

8. BORROWINGS

The following table summarizes the Company's total outstanding debt as of January 1, 2015 and December 26, 2013 and the significant terms of its borrowing arrangements:

	Outstanding Balance as of			
Borrowings ($ in millions)	**January 1, 2015**	**December 26,**	**Maturity Date**	**Interest Rate**
Revolving Credit Facility	$ 22.0	$ 20.0	November 26, 2019	(1)
Term Loans	270.0	270.0	November 26, 2019	(1)
Senior Unsecured Notes	200.0	200.0	July 15, 2021	7.875%
Senior Secured Notes	400.0	400.0	April 15, 2022	6.000%
Total	$ 892.0	$ 890.0		
Less: current portion of long-term debt		(14.0)		
Long-term debt, less current portion	$ 892.0	$ 876.0		

(1) The interest rates on the revolving credit facility and term loan are described below.

Senior Secured Credit Facility As of January 1, 2015, the Company's senior secured credit facility consisted of a $135.0 million revolving credit facility and a $270.0 million term loan. On June 18, 2014, the Company entered into an incremental amendment of its senior secured credit facility whereby the revolving credit facility was increased by $25.0 million. In addition, on July 2, 2014, the Company entered into an amendment of its senior secured credit facility whereby the maturity date was extended by two years to November 26, 2019, which corresponds to the maturity date of the $270 million term loans. The amendment also contains Conditional Amendments to the senior secured credit facility that will only be effective upon the contribution of Screenvision assets and NCM, Inc. debt to NCM LLC. Although it is under no obligation to do so, upon approval of NCM, Inc.'s Board of Directors and the founding members, NCM, Inc. may contribute the Screenvision assets and the new NCM, Inc. debt facility to NCM LLC in exchange for NCM LLC common membership units. To allow for this potential contribution to NCM LLC, the Conditional Amendments include an increase in the amount of incremental senior secured indebtedness permitted by the Amended Credit Facility from $160 million to $250 million. If the Screenvision contribution to NCM LLC does not occur by April 1, 2015, the Conditional Amendments will not become effective and lender consent for the Conditional Amendments will be immediately and automatically revoked, unless extended. Refer to discussion of the NCM, Inc. Commitment letter below for further details. The obligations under the senior secured credit facility are secured by a lien on substantially all of the assets of NCM LLC.

Revolving Credit Facility The revolving credit facility portion of the total borrowings is available, subject to certain conditions, for general corporate purposes of the Company in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit.

As of January 1, 2015, the Company's total availability under the $135.0 million revolving credit facility was $113.0 million. The unused line fee is 0.50% per annum. Borrowings under the revolving credit facility bear interest at the Company's option of either the LIBOR index plus an applicable margin or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

8. BORROWINGS (Continued)

secured credit facility) plus an applicable margin. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents, over a non-GAAP measure defined in the senior secured credit facility). The applicable margins on the revolving credit facility are the LIBOR index plus 2.00% or the base rate plus 1.00%. The weighted-average interest rate on the outstanding balance on the revolving credit facility as of January 1, 2015 was 2.17%. On December 31, 2014, $14.0 million of the revolving credit facility matured and NCM LLC paid the balance in full, along with any accrued and unpaid fees and interest. The maturity date applicable to the remaining revolving credit facility principal is November 26, 2019.

Term Loans In connection with the amendment of its senior secured credit facility on May 2, 2013, the interest rate on the term loans decreased by 50 basis points to a rate at NCM LLC's option of either the LIBOR index plus 2.75% or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior secured credit facility) plus 1.75%. The weighted-average interest rate on the term loans as of January 1, 2015 was 2.92%. Interest on the term loans is currently paid monthly.

The senior secured credit facility contains a number of covenants and financial ratio requirements, with which the Company was in compliance at January 1, 2015, including maintaining a consolidated net senior secured leverage ratio of 6.5 times on a quarterly basis. NCM LLC is permitted to make quarterly dividend payments and other payments based on leverage ratios for NCM LLC and its subsidiaries so long as no default or event of default has occurred and continues to occur. The quarterly dividend payments and other distributions are made even if consolidated net senior secured leverage ratio is less than or equal to 6.5 times. In addition, there are no borrower distribution restrictions as long as the Company's consolidated net senior secured leverage ratio is below 6.5 times and the Company is in compliance with its debt covenants. If there are limitations on the restricted payments, the Company may not declare or pay any dividends, or make any payments on account of NCM LLC, or set aside assets for the retirement or other acquisition of capital stock of the borrower or any subsidiaries, or make any other distribution for obligations of NCM LLC. When these restrictions are effective, the Company may still pay the services fee and reimbursable costs pursuant to terms of the management agreement. NCM LLC can also make payments pursuant to the tax receivable agreement in the amount, and at the time necessary to satisfy the contractual obligations with respect to the actual cash tax benefits payable to the founding members. As of January 1, 2015, the Company's consolidated net senior secured leverage ratio was 3.4 times (versus the covenant of 6.5 times).

Senior Unsecured Notes due 2021 On July 5, 2011, the Company completed a private placement of $200.0 million in aggregate principal amount of 7.875% Senior Unsecured Notes for which the registered exchange offering was completed on September 22, 2011. The Senior Unsecured Notes pay interest semi-annually in arrears on January 15 and July 15 of each year, which commenced January 15, 2012. The notes are subordinated to all existing and future secured debt, including indebtedness under the Company's existing senior secured credit facility and the Senior Secured Notes defined below. The Senior Unsecured Notes contain certain non-maintenance covenants with which the Company was in compliance as of January 1, 2015.

Senior Secured Notes due 2022 On April 27, 2012, the Company completed a private placement of $400.0 million in aggregate principal amount of 6.00% Senior Secured Notes for which the registered exchange offering was completed on November 26, 2012. The Senior Secured Notes pay interest

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

8. BORROWINGS (Continued)

semi-annually in arrears on April 15 and October 15 of each year, which commenced October 15, 2012. The Senior Secured Notes are senior secured obligations of NCM LLC, rank the same as the senior secured credit facility, subject to certain exceptions, and share in the same collateral that secures the obligations under the senior secured credit facility. The Senior Secured Notes contain certain non-maintenance covenants with which the Company was in compliance as of January 1, 2015.

NCM, Inc. Commitment Letter On July 2, 2014, in contemplation of the Merger with Screenvision, NCM, Inc. entered into the Commitment Letter with certain existing NCM LLC revolving credit facility lenders. Under the Commitment Letter, subject to certain conditions, the lenders committed to make a term loan in an aggregate principal amount of $250 million to fund the Screenvision merger and related expenses. This term loan is expected to finance the $225 million portion of the merger consideration that will be paid in cash, along with fees and expenses incurred in connection with the term loan and the Merger. The term loan will mature on the second anniversary of the funding of the term loan. NCM, Inc. has the right to contribute the Screenvision assets and the $250 million loan to NCM LLC, at which point, the Conditional Amendments to the amended senior secured credit facility described above would become effective. On November 3, 2014, the DOJ filed the DOJ Action. A trial date has been scheduled for April 13, 2015. The Commitment Letter and NCM LLC senior secured credit facility amendments expire on April 1, 2015. The Company is working with the merger financing bank group to extend the merger financing commitments to accommodate the litigation process.

Future Maturities of Borrowings The scheduled annual maturities on the Senior Secured Credit Facility and Senior Secured and Senior Unsecured Notes as of January 1, 2015 are as follows (in millions):

Year	Amount
2015	$
2016	
2017	
2018	
2019	292.0
Thereafter	600.0
Total	$ 892.0

9. SHARE-BASED COMPENSATION

The NCM, Inc. 2007 Equity Incentive Plan, as amended (the "Equity Incentive Plan"), reserves 12,974,589 shares of common stock available for issuance or delivery under the Equity Incentive Plan of which 4,126,037 remain available for future grants as of January 1, 2015. The management services agreement provides that the Company may participate in the Equity Incentive Plan. The types of awards that may be granted under the Equity Incentive Plan include stock options, stock appreciation rights, restricted stock, restricted stock units or other stock based awards. Stock options awarded under the Equity Incentive Plan are granted with an exercise price equal to the closing market price of NCM, Inc. common stock on the date NCM, Inc.'s board of directors approves the grant. Upon vesting of the restricted stock awards or exercise of options, NCM LLC will issue common membership units to NCM, Inc. equal to the number of shares of NCM, Inc.'s common stock represented by such awards.

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

9. SHARE-BASED COMPENSATION (Continued)

Options and restricted stock vest annually over a three or five-year period and options have either 10-year or 15-year contractual terms. A forfeiture rate of 5% was estimated to reflect the potential separation of employees. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the Equity Incentive Plan. In addition, certain restricted stock awards include performance vesting conditions, which permit vesting to the extent that the Company achieves specified non-GAAP targets at the end of the measurement period. The length of the measurement period is two to three years. Restricted stock units granted to non-employee directors vest after approximately one year.

Compensation Cost The Company recognized $7.7 million, $5.9 million and $9.0 million for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively, of share-based compensation expense and $0.1 million, $0.1 million and $0.2 million was capitalized during the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively. Share-based compensation costs are included in network operations, selling and marketing, administrative expense and administrative fee managing member in the accompanying audited financial statements. These costs represent both non-cash charges and cash charges paid through the administrative fee with the managing member. The amount of share-based compensation costs that were non-cash were approximately $4.6 million, $3.2 million and $4.3 million for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively.

No compensation expense was recorded for the 2012 non-vested restricted stock grants subject to performance conditions as the grants were not expected to vest due to the projected underperformance against the specified non-GAAP targets as of January 1, 2015. As of January 1, 2015, unrecognized compensation cost related to unvested options was approximately $0.1 million, which will be recognized over a weighted average remaining period of 0.5 years. As of January 1, 2015, unrecognized compensation cost related to restricted stock and restricted stock units was approximately $12.5 million, which will be recognized over a weighted average remaining period of 1.9 years.

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

9. SHARE-BASED COMPENSATION (Continued)

Stock Options A summary of option award activity under the Equity Incentive Plan as of January 1, 2015, and changes during the year then ended are presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 26, 2013	3,056,582	$ 17.02		
Granted				
Exercised	(57,499)	13.91		
Forfeited	(92,831)	16.50		
Expired				
Antidilution adjustments made to outstanding options in connection with a special dividend(1)	98,589	16.49		
Outstanding as of January 1, 2015	3,004,841	$ 16.53	5.7	$ 1.1
Exercisable as of January 1, 2015	2,839,945	$ 16.74	5.7	$ 0.8
Vested and expected to vest as of January 1, 2015	3,004,548	$ 16.53	5.7	$ 1.1

(1) In connection with NCM, Inc.'s March 2014 special cash dividend of $0.50 per share and pursuant to the antidilution adjustment terms of the Company's Equity Incentive Plan, the exercise price and the number of shares of common stock subject to options held by NCM, Inc.'s employees were adjusted to prevent dilution and restore their economic value that existed immediately before the special dividend. The antidilution adjustments made with respect to such options resulted in a decrease in the range of exercise prices from $5.35 - $24.68 per share to $5.18 - $23.90 per share and an increase in the aggregate number of shares issuable upon exercise of such options by 98,589 shares, or 3.3%, of previously outstanding options. The number of shares authorized under the Equity Incentive Plan increased by an equivalent number of shares. There were no accounting consequences for the changes made to reduce the exercise prices and increase the number of underlying options as a result of the special cash dividend because the aggregate fair values of the awards immediately before and after the modifications were the same.

The weighted average grant date fair value of granted options was $4.08 per share for the year ended December 27, 2012. The intrinsic value of options exercised during the year was $0.2 million, $6.1 million and $1.4 million for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively. The total fair value of awards vested during the years ended January 1, 2015, December 26, 2013 and December 27, 2012 was $2.2 million, $4.9 million and $7.8 million, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing valuation model that uses the assumptions noted in the table below. Expected volatilities are based on implied volatilities from traded options on NCM, Inc.'s stock, historical volatility of NCM, Inc.'s stock, and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

9. SHARE-BASED COMPENSATION (Continued)

based on the U.S. Treasury yield curve in effect at the time of grant. The following assumptions were used in the valuation of the options for the years ended January 1, 2015, December 26, 2013 and December 27, 2012:

	Years Ended		
	January 1, 2015	**December 26, 2013**	**December 27, 2012**
Expected term (in years)	(1)	(1)	6.0
Risk free interest rate	(1)	(1)	0.8% - 1.1%
Expected volatility	(1)	(1)	53.2% - 54.6%
Dividend yield	(1)	(1)	5.5%

(1) The Company did not grant stock options during the years ended January 1, 2015 and December 26, 2013.

Restricted Stock and Restricted Stock Units Under the non-vested stock program, common stock of the Company may be granted at no cost to officers, independent directors and employees, subject to requisite service and/or meeting financial performance targets, and as such restrictions lapse, the award vests in that proportion. The participants are entitled to cash dividends and to vote their respective shares (in the case of restricted stock), although the sale and transfer of such shares is prohibited and the shares are subject to forfeiture during the restricted period. Additionally, the accrued cash dividends for 2012, 2013 and 2014 grants are subject to forfeiture during the restricted period should the underlying shares not vest.

The weighted average grant date fair value of non-vested stock was $19.18, $15.17 and $13.23 for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively. The total fair value of awards vested was $3.6 million, $7.5 million and $6.9 million during the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively.

As of January 1, 2015, the total number of restricted stock and restricted stock units that are ultimately expected to vest, after consideration of expected forfeitures and estimated vesting of performance-based restricted stock is 1,166,813.

A summary of restricted stock award and restricted stock unit activity under the Equity Incentive Plan as of January 1, 2015, and changes during the year then ended are presented below:

	Number of Restricted Shares and Restricted Stock Units	**Weighted Average Grant-Date Fair Value**
Non-vested balance as of December 26, 2013	2,074,866	$ 14.91
Granted	919,050	19.18
Vested	(257,390)	13.97
Forfeited	(580,530)	16.54
Non-vested balance as of January 1, 2015	2,155,996	$ 16.40

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE BENEFIT PLANS

The Company sponsors the NCM 401(k) Profit Sharing Plan (the "Plan") under Section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all full-time employees. The Plan provides that participants may contribute up to 20% of their compensation, subject to Internal Revenue Service limitations. Employee contributions are invested in various investment funds based upon election made by the employee. The Company made discretionary contributions of $1.0 million, $1.0 million and $1.0 million during the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively.

11. COMMITMENTS AND CONTINGENCIES

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

On November 3, 2014, the DOJ filed, in the U.S. district court for the Southern District of New York, the DOJ Action seeking to enjoin the proposed merger between NCM, Inc. and Screenvision. The DOJ claims that the proposed merger would eliminate competition in the market for pre-show services and eliminate competition between NCM, Inc. and Screenvision for advertisers. On November 3, 2014, the DOJ filed the DOJ Action. A trial date has been scheduled for April 13, 2015. A merger termination payment is discussed below.

Operating Commitments The Company leases office facilities for its headquarters in Centennial, Colorado and also in various cities for its sales and marketing and software development personnel. Total lease expense for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, was $2.2 million, $2.3 million and $2.3 million, respectively.

Future minimum lease payments under noncancelable operating leases as of January 1, 2015 are as follows (in millions):

Year	Minimum Lease Payments
2015	$ 2.5
2016	2.6
2017	2.0
2018	1.7
2019	1.7
Thereafter	2.5
Total	$ 13.0

Minimum Revenue Guarantees As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate theatre chains, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. The amount and term varies for each network affiliate, but terms range from three to 20 years, prior to any renewal periods of which some are at the option of the Company. During October 2014, the Company offered to all of its

NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

network affiliates an extension of their existing agreements by five years, with the per-attendee guarantee and other terms remaining the same as those on the last year of their original term. None of these agreements have yet been signed. As of January 1, 2015, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is $37.0 million over the remaining terms of the network affiliate agreements, which calculation does not include any potential extensions offered subsequent to January 1, 2015. As of January 1, 2015, the Company had an inconsequential amount of liabilities recorded for these obligations and as of December 26, 2013, the Company had no liabilities recorded for these obligations, as such guarantees are less than the expected share of revenue paid to the affiliate.

Merger Termination Payment As described above, on May 5, 2014, NCM, Inc. entered into the Merger Agreement to merge with Screenvision, and on November 3, 2014, the DOJ filed a lawsuit seeking to enjoin the proposed merger. If prior to May 5, 2015 (or 90 days thereafter if extended by NCM, Inc. or Screenvision), certain conditions to the merger are not fulfilled, the merger is prohibited by law or a final non-appealable government order, or if NCM Inc. materially breaches its representations or covenants such that the closing conditions in the Merger Agreement cannot be satisfied, Screenvision may be able to terminate the Merger Agreement and, upon termination, NCM, Inc. may be required to pay a termination fee of approximately $28.8 million. The Company would indemnify NCM, Inc. If Screenvision or its affiliates materially breach their representations or covenants such that the closing conditions in the Merger Agreement cannot be satisfied, they will be required to pay NCM, Inc. a termination fee of $10 million, and if Screenvision is subsequently sold within one year of the termination, an additional amount equal to the amount by which the sale proceeds are greater than $385 million will be paid to NCM, Inc. up to a maximum of $28.8 million (including the $10 million). As of January 1, 2015, the Company did not have a liability recorded for this termination fee. Further, NCM LLC would indemnify NCM, Inc. for the merger-related administrative costs incurred related to the merger (approximately $7.5 million as of January 1, 2015). As of January 1, 2015, the Company did not have a liability recorded for these fees.

12. FAIR VALUE MEASUREMENTS

Non-Recurring Measurements Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These assets include long-lived assets, intangible assets, cost and equity method investments, notes receivable and borrowings.

Long-Lived Assets, Intangible Assets, Other Investments and Notes Receivable As described in *Note 1 Basis of Presentation and Summary of Significant Accounting Policies*, the Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets, investments accounted for under the cost or equity method and notes receivable for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

As of January 1, 2015 and December 26, 2013, the Company had other investments of $2.5 million and $1.1 million, respectively. The fair value of these investments has not been estimated as of January 1, 2015 as there were no identified events or changes in the circumstances that had a significant adverse effect on the fair value of the investments and it is not practicable to do so because

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

12. FAIR VALUE MEASUREMENTS (Continued)

the equity securities are not in publicly traded companies. Refer to Note 1 *Basis of Presentation and Summary of Significant Accounting Policies* for more details. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

As of January 1, 2015, the Company had notes receivable totaling $20.8 million from its founding members related to the sale of Fathom Events, as described in *Note 2 Divestiture*. These notes were valued using comparative market multiples. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. The notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs.

Borrowings The carrying amount of the revolving credit facility is considered a reasonable estimate of fair value due to its floating-rate terms. The estimated fair values of the Company's financial instruments where carrying values do not approximate fair value are as follows (in millions):

	As of January 1, 2015		As of December 26, 2013	
	Carrying Value	Fair Value(1)	Carrying Value	Fair Value(1)
Term Loans	$ 270.0	$ 257.9	$ 270.0	$ 269.5
Senior Unsecured Notes	200.0	210.8	200.0	220.4
Senior Secured Notes	400.0	400.8	400.0	414.0

(1) The Company has estimated the fair value on an average of at least two non-binding broker quotes and the Company's analysis. If the Company were to measure the borrowings in the above table at fair value on the balance sheet they would be classified as Level 2.

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 2012, the Company terminated interest rate swap agreements that were used to hedge its interest rate risk associated with its term loans. Following the termination of the swap agreements, the variable interest rate on the Company's $270.0 million term loans are unhedged and as of January 1, 2015 and December 26, 2013, the Company did not have any outstanding derivative assets or liabilities.

During the year ended December 27, 2012, the Company paid breakage fees of $63.4 million which represented the settlement of the Company's loss position on its interest rate swap agreements. The swaps were terminated with the Company in a loss position and therefore, the Company paid its counterparties the outstanding amounts due based upon the fair market value on that date. The Company accounted for the $63.4 million in payments by recording a loss on swap terminations of $26.7 million in the Statements of Income, which related to swaps that hedged the interest payments on debt that was paid off during the Company's refinancing. Since those future interest payments were no longer probable of occurring, the Company discontinued hedge accounting and immediately reclassified the balance in AOCI of $26.7 million into earnings in accordance with ASC 815 *Derivatives and Hedging* ("ASC 815"). The remainder of the breakage fees, or $36.7 million, was for swaps in which the underlying debt remained outstanding. The balance in AOCI related to these swaps was fixed and is being amortized into earnings over the remaining life of the original interest rate swap agreement, or

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

February 13, 2015, as long as the debt remains outstanding. The Company considered the guidance in ASC 815 which states that amounts in AOCI shall be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. As of January 1, 2015, there was approximately $1.6 million outstanding related to these discontinued cash flow hedges which continues to be reported in AOCI, which the Company estimates will be amortized to earnings in the first quarter of 2015.

During the years ended December 26, 2013 and December 27, 2012, the Company also recorded changes in the fair value and amortization of AOCI related to an interest rate swap on its term loan in which the Company discontinued cash flow hedge accounting in 2008 due to the bankruptcy of its counterparty.

The effect of derivative instruments in cash flow hedge relationships on the audited financial statements for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 were as follows (in millions):

	Unrealized Gain Recognized in NCM LLC's Other Comprehensive Income (Pre-tax)			Realized Loss Recognized in Interest on Borrowings (Pre-tax)		
	Years Ended			Years Ended		
	January 1, 2015	December 26, 2013	December 27, 2012	January 1, 2015	December 26, 2013	December 27, 2012
Interest Rate Swaps	$ 10.0	$ 10.3	$ 26.0	$	$	$ (9.1)

The effect of derivatives not designated as hedging instruments under ASC 815 on the audited financial statements for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 were as follows (in millions):

		Gain (Loss) Recognized in Non-Operating Expenses (Pre-tax)		
		Years Ended		
Derivative Instruments not Designated as Hedging Instruments	Income Statement Location	January 1, 2015	December 26, 2013	December 27, 2012
Realized loss on derivative instruments	Interest on borrowings	$	$	$ (5.1)
Gain from change in fair value on cash flow hedges	Change in derivative fair value			3.0
Amortization of AOCI on discontinued cash flow hedges	Amortization of terminated derivatives	(10.0)	(10.3)	(4.0)
Total		$ (10.0)	$ (10.3)	$ (6.1)

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The changes in AOCI by component for the year ended January 1, 2015 were as follows (in millions):

	Year Ended January 1, 2015	Year Ended December 26, 2013	Income Statement Location
Balance at beginning of period	$ (11.6)	$ (21.9)	
Amounts reclassified from AOCI:			
Amortization on discontinued cash flow hedges	10.0	10.3	Amortization of terminated derivatives
Total amounts reclassified from AOCI	10.0	10.3	
Net other comprehensive income	10.0	10.3	
Balance at end of period	$ (1.6)	$ (11.6)	

14. SEGMENT REPORTING

Advertising revenue accounted for 100.0%, 92.1% and 91.2%, of revenue for the years ended January 1, 2015, December 26, 2013 and December 27, 2012, respectively. The following tables present revenue less directly identifiable expenses to arrive at income before income taxes for the advertising reportable segment, the combined Fathom Events operating segments (disposed on December 26, 2013), and network, administrative and unallocated costs. Refer to Note 1 *Basis of Presentation and Summary of Significant Accounting Policies*.

	Year Ended January 1, 2015 (in millions)			
	Advertising	Fathom Events(1)	Network, Administrative and Unallocated Costs	Total
Revenue	$ 394.0	$	$	$ 394.0
Operating costs	97.0		18.3	115.3
Selling and marketing costs	54.8		2.8	57.6
Administrative and other costs	2.8		26.7	29.5
Depreciation and amortization			32.4	32.4
Interest and other non-operating costs			62.1	62.1
Income (loss) before income taxes	$ 239.4	$	$ (142.3)	$ 97.1

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

14. SEGMENT REPORTING (Continued)

	Year Ended December 26, 2013(in millions)			
	Advertising	Fathom Events(1)	Network, Administrative and Unallocated Costs	Total
Revenue	$ 426.3	$ 36.5	$	$ 462.8
Operating costs	98.4	25.5	18.7	142.6
Selling and marketing costs	56.1	3.6	1.8	61.5
Administrative and other costs	2.9	0.9	26.3	30.1
Depreciation and amortization			26.6	26.6
Interest and other non-operating costs			38.4	38.4
Income (loss) before income taxes	$ 268.9	$ 6.5	$ (111.8)	$ 163.6

	Year Ended December 27, 2012 (in millions)			
	Advertising	Fathom Events(1)	Network, Administrative and Unallocated Costs	Total
Revenue	$ 409.5	$ 39.3	$	$ 448.8
Operating costs	95.8	29.0	18.9	143.7
Selling and marketing costs	53.9	4.2	2.4	60.5
Administrative and other costs	2.6	0.8	29.0	32.4
Depreciation and amortization			20.4	20.4
Interest and other non-operating costs			90.2	90.2
Income (loss) before income taxes	$ 257.2	$ 5.3	$ (160.9)	$ 101.6

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

	Years Ended		
	January 1, 2015	December 26, 2013	December 27, 2012
National advertising revenue	$ 258.8	$ 295.0	$ 288.7
Local and regional advertising revenue	96.8	89.9	81.1
Founding member advertising revenue from beverage concessionaire agreements	38.4	41.4	39.7
Fathom Consumer revenue(1)		34.4	34.2
Fathom Business revenue(1)		2.1	5.1
Total revenue	$ 394.0	$ 462.8	$ 448.8

(1) Fathom Events was sold on December 26, 2013 as discussed in Note 7 *Related Party Transactions.*

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NATIONAL CINEMEDIA, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

15. VALUATION AND QUALIFYING ACCOUNTS

The Company's valuation allowance for doubtful accounts for the years ended January 1, 2015, December 26, 2013 and December 27, 2012 were as follows (in millions):

	Years Ended		
	January 1, 2015	**December 26, 2013**	**December 27, 2012**
ALLOWANCE FOR DOUBTFUL ACCOUNTS:			
Balance at beginning of period	$ 5.7	$ 4.5	$ 4.3
Provision for bad debt	(0.1)	2.1	1.2
Write-offs, net	(1.3)	(0.9)	(1.0)
Balance at end of period	$ 4.3	$ 5.7	$ 4.5

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents selected information from the Company's unaudited quarterly Statements of Income for the years ended January 1, 2015 and December 26, 2013 (in millions):

2014	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenue	$ 70.2	$ 99.9	$ 100.8	$ 123.1
Operating expenses	57.4	57.9	58.1	61.4
Operating income	12.8	42.0	42.7	61.7
Net (loss) income	(2.8)	26.4	27.0	45.7

2013	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenue	$ 82.2	$ 122.8	$ 135.1	$ 122.7
Operating expenses	60.6	64.8	67.7	67.7
Operating income	21.6	58.0	67.4	55.0
Net income(1)	5.6	41.1	51.8	64.4

(1) During the fourth quarter of 2013, the Company recorded a gain of $25.4 million related to the sale of Fathom Events. Refer to Note 2 *Divestiture*.

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Independent Auditors' Report

The Board of Directors
Open Road Releasing, LLC:

We have audited the accompanying consolidated financial statements of Open Road Releasing, LLC and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in members' deficit, and cash flows for each of the years in the three-year period ended December 31, 2014 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Road Releasing, LLC and its subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Los Angeles, California
March 6, 2015

OPEN ROAD RELEASING, LLC

Consolidated Balance Sheets

December 31, 2014 and 2013

(Dollar amounts in thousands)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 10,415	$ 5,771
Restricted cash	2,560	23,996
Accounts receivable, net of allowance for doubtful accounts	30,584	30,020
Prepaid expenses and other	939	644
Total current assets	44,498	60,431
Property and equipment, net	405	494
Film costs, net	9,373	6,660
Other assets	95	130
Deferred financing cost, net	2,387	3,057
Total assets	$ 56,758	$ 70,772

	2014	2013
Liabilities and Members' Deficit		
Current liabilities:		
Accounts payable	$ 7,972	$ 4,041
Accrued expenses	33,108	48,489
Notes payable	23,000	17,000
Total current liabilities	64,080	69,530
Long-term liabilities:		
Accrued residuals and participations long term	6,734	9,774
Deferred compensation	3,785	4,467
Deferred revenue	12,063	1,677
Total liabilities	86,662	85,448
Members' deficit	(29,904)	(14,676)
Total liabilities and members' deficit	$ 56,758	$ 70,772

See accompanying notes to consolidated financial statements.

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OPEN ROAD RELEASING, LLC

Consolidated Statements of Operations

Years ended December 31, 2014, 2013 and 2012

(Dollar amounts in thousands)

	2014	2013	2012
Revenues	$ 175,374	$ 140,350	$ 117,960
Direct costs:			
Distribution and marketing costs	117,717	91,362	117,466
Participations, residuals, and other costs	59,014	25,263	22,884
Total direct costs	176,731	116,625	140,350
Gross profit (loss)	(1,357)	23,725	(22,390)
Operating expenses:			
General and administrative	11,746	11,469	10,054
Depreciation and amortization	242	197	147
Total operating expenses	11,988	11,666	10,201
Operating income (loss)	(13,345)	12,059	(32,591)
Interest expense	1,883	2,337	2,143
Net income (loss)	$ (15,228)	$ 9,722	$ (34,734)

See accompanying notes to consolidated financial statements.

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OPEN ROAD RELEASING, LLC

Consolidated Statements of Changes in Members' Deficit

Years ended December 31, 2014, 2013 and 2012

(Dollar amounts in thousands)

Balance as of December 31, 2011	$	10,336
Net loss		(34,734)
Balance as of December 31, 2012	$	(24,398)
Net income		9,722
Balance as of December 31, 2013		(14,676)
Net loss		(15,228)
Balance as of December 31, 2014	$	(29,904)

See accompanying notes to consolidated financial statements.

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OPEN ROAD RELEASING, LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2014, 2013 and 2012

(Dollar amounts in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	$ (15,228)	$ 9,722	$ (34,734)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	242	197	147
Amortization of minimum guarantees	7,153	6,758	6,847
Bad debt	21		
Amortization of deferred financing cost	669	892	1,062
Amortization on administration agent fees	125	125	125
Changes in operating assets and liabilities:			
Accounts receivable	(589)	(17,969)	(11,799)
Deposits and other	35	35	35
Prepaid expenses and other	(419)	(492)	(76)
Minimum guarantees on films	(9,866)	(9,286)	(10,279)
Accounts payable	3,931	(1,172)	4,197
Accrued expenses	(20,464)	10,982	43,168
Deferred compensation	1,412	2,584	1,883
Deferred revenue	10,386	1,677	
Net cash provided by (used in) operating activities	(22,592)	4,053	576
Cash flows from investing activity:			
Purchase of property and equipment	(150)	(200)	(34)
Net cash used in investing activity	(150)	(200)	(34)
Cash flows from financing activities:			
Borrowing from credit facility	33,000	25,000	31,700
Repayments to credit facility	(27,000)	(28,000)	(11,700)
Principal payments under capital lease obligation	(50)	(86)	(86)
Deferred financing cost		(1,383)	
Administrative agent fees		(125)	(125)
Decrease (increase) in restricted cash	21,436	(2,906)	(20,904)
Net cash provided by (used in) financing activities	27,386	(7,500)	(1,115)
Net increase (decrease) in cash and cash equivalents	4,644	(3,647)	(573)
Cash and cash equivalents at beginning of year	5,771	9,418	9,991
Cash and cash equivalents at end of year	$ 10,415	$ 5,771	$ 9,418

	2014	2013	2012
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, excluding deferred financing costs	$ 812	$ 1,098	$ 903

See accompanying notes to consolidated financial statements.

(1) Organization and Operations

The accompanying financial statements include the consolidated accounts of Open Road Releasing, LLC (the Company), formerly, REGAMC, LLC, and its wholly owned subsidiary Open Road Films, LLC (Open Road Films), formerly, REGAMC Releasing, LLC.

The Company was incorporated on December 20, 2010 in the state of Delaware as a limited liability company (LLC). The Company is governed by the terms of its Limited Liability Company Agreement (the Operating Agreement). The Company is an independent distributor of motion pictures to exhibitors in the United States and certain territories. The Company licenses motion pictures in ancillary markets, principally to home entertainment, subscription and transactional video on demand, free television, and non-theatrical.

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents and Restricted Cash

The Company considers money market accounts and other highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash consists of advances held in distribution bank accounts for marketing and distribution costs to be paid on behalf of third parties.

(b) Film Costs

Film costs include unamortized costs of acquisition for motion pictures, including minimum guarantees.

Film costs are amortized using the individual-film-forecast method, whereby these costs are amortized and participation and residual costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue expected to be recognized from the sale of the films at the beginning of the current year. Ultimate revenue includes estimates of sales and license fees following the date of initial release.

Film costs are stated at the lower of unamortized cost and fair value. The valuation is reviewed, on a title-by-title basis, when an event or change in circumstance indicates that the fair value is less than unamortized cost. Fair value is determined using management's future revenue and cost estimates. Distribution and marketing expenses are expensed as incurred.

(c) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from two to five years.

(d) Participations and Residuals Payable

Participations payable, included in accrued expenses, consist of amounts due under contractual arrangements for producers, participants, and promoted content distribution obligations to founding members under the Operating Agreement. Residuals payable consist of amounts due to talent for the reuse of the talent's work in media subsequent to initial exploitation. These costs are accrued using the individual-film-forecast method. The Company expects that approximately $25.4 million of accrued participations and residuals as of December 31, 2014 will be paid within one year and are included in accrued expenses.

(2) Summary of Significant Accounting Policies (Continued)

(e) Revenue Recognition and Trade Receivable

Revenue from the sale or licensing of films is recognized when all of the following criteria have been met: a) persuasive evidence of a sales or licensing arrangement with a customer exists; b) the film is complete and has been delivered or is available for immediate and unconditional delivery; c) the license period of the arrangement has begun; d) the arrangement fee is fixed or determinable; and e) collection of the arrangement fee is reasonably assured. Each film is distributed theatrically to major and independent exhibitors of motion pictures in the United States and certain territories. Home entertainment, subscription and transactional video on demand, free television, and non-theatrical distribution of each film are generally effected through one of the major film distribution, pay subscription, or television broadcasting companies in the United States. Fees from the licensing or sale of film rights are recognized in revenue when all of the aforementioned conditions are met. For variable license fees, the Company recognizes revenue as the customer exploits the film, based on available information, assuming the other revenue recognition criteria are met. For multiple media rights contracts where the contract provides for media holdbacks (defined as contractual media release restrictions), the license fee is allocated to the various media based on management's assessment of the relative fair value of the rights to exploit each media and is recognized as each holdback is released. Amounts due from distributors in excess of the minimum guarantees, if any, are recognized in revenue when such amounts are reported by distributors. Amounts received or contractually due prior to the film's availability are recorded as deferred revenue. Accounts receivable are recorded at invoiced amount and do not bear interest.

(f) Commitment Fees

The Company has entered into a credit facility, which requires quarterly payments of commitment fees on the unused facility amount (note 5). Commitment fees of $454 thousand, $571 thousand, and $732 thousand are included in interest expense in the accompanying consolidated statements of operations for the years ended December 31, 2014, 2013, and 2012, respectively.

(g) Income Taxes

The Company is a nontaxable flow through entity for income tax purposes, and substantially all federal and state income taxes are recorded by its members, except for a minimum annual tax and a limited liability company fee in the state of California. Accordingly, the Company does not provide for income taxes. The Company may incur certain state and local taxes imposed by states and localities in which the Company conducts business, which are included in direct costs and general and administrative expenses in the accompanying consolidated statements of operations.

(h) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(i) Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, and accounts receivable. The Company places its cash investments with high-quality financial institutions. Management believes that

(2) Summary of Significant Accounting Policies (Continued)

credit risk related to the Company's accounts receivable is limited due to the creditworthiness of its customers.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date, as well as the reported amounts of revenue and expenses during the reporting period. The most significant estimates made by the Company's management in the preparation of the financial statements relate to: ultimate revenue, costs, and fair value for minimum guarantees on films. The actual results could differ significantly from those estimates.

(k) Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses, and notes payable. The carrying amounts of these instruments approximate fair value due to their short-term maturities.

(3) Film Costs

Film costs, at December 31, 2014 and 2013 consist of the following (in thousands):

	2014	2013
Minimum guarantees:		
Films released	$ 29,331	$ 20,265
Films not released	800	
Total film costs	30,131	20,265
Accumulated amortization	(20,758)	(13,605)
Total minimum guarantee, net	$ 9,373	$ 6,660

Amortization of minimum guarantees is included in participations, residuals, and other costs on the consolidated statements of operations. The Company expects approximately 63% of unamortized minimum guarantees at December 31, 2014 will be amortized during 2015 and 77% of unamortized minimum guarantees for released films will be amortized within three years from the date of the balance sheet. The Company will reach an amortization level of 80% within four years from the date of the balance sheet.

(4) Property and Equipment

Property and equipment at December 31, 2014 and 2013 consist of the following (in thousands):

	2014	2013
Furniture and office equipment	$ 347	$ 337
Computer and software equipment	932	469
Leasehold improvements	49	47
	1,328	853
Accumulated depreciation	(923)	(359)
	$ 405	$ 494

(5) Senior Revolving Credit Facility

On August 22, 2013, the Company amended and restated the existing senior secured revolving credit facility (the Credit Facility) with a syndicate of four banks permitting borrowings up to $100 million and a maturity in August 2018. Amounts borrowed under the Credit Facility either carry interest at one-, two-, three-, or six-month LIBOR plus 3.25%, or are base rate loans, which bear fluctuating interest rates per annum equal to the highest of the federal funds rate plus 0.5%, the Bank of America prime rate, or the Eurodollar rate plus 1.0%. The Credit Facility also carries a fee of 0.50% per annum on the unused borrowings, which are calculated and payable quarterly. The Company may borrow against the Credit Facility to the extent of the available borrowing base, as defined. The borrowing base primarily comprises ten-year remaining ultimate revenue and expense estimates, based on contracted distribution rights to motion pictures. Additionally, as part of the borrowing base calculation, there is a discounting calculation and tiered advance rates applied to future net remaining cash flows. There was approximately $36.7 million available under the Credit Facility at December 31, 2014.

On December 31, 2014, there were four outstanding obligations under the Credit Facility totaling $23 million. The obligations carry interest and maturity dates as follows:

Loan amount (in thousands)	Interest rate	Maturity Date
$ 8,000	3.41080%	January 15, 2015
8,000	3.41950%	January 29, 2015
2,000	3.41875%	January 30, 2015
5,000	3.18750%	January 30, 2015
$ 23,000		

The maturity dates may be converted to new obligations for similar or longer maturity periods. On December 31, 2013, there were two outstanding obligations under the Credit Facility totaling $17 million. The amounts outstanding under the Credit Facility are secured by substantially all of the Company's assets.

Deferred financing costs represent costs incurred in connection with the establishment of the Company's Credit Facility. Deferred financing costs are amortized using the straight-line method over the expected term of the facility of four years. Deferred financing costs were $2.4 million, net of accumulated amortization of $941 thousand as of December 31, 2014 and were $3.1 million, net of accumulated amortization of $270 thousand as of December 31, 2013. Amortization of deferred financing cost of $671 thousand, $889 thousand, and $1,062 thousand for the years ended December 31,

(5) Senior Revolving Credit Facility (Continued)

2014, 2013, and 2012, respectively, is included in interest expense in the accompanying consolidated statements of operations.

The Credit Facility agreement includes covenants that the Company must comply with on a quarterly or annual basis, including a film performance test and annual limits on selling, general, and administrative expenses. The Company was in compliance with all covenants as of December 31, 2014. In January 2015, the Company converted the maturity dates into new obligations with a maturity period of one month.

(6) Commitments and Contingencies

At December 31, 2014, the Company had outstanding commitments to pay minimum guarantees and advances on films in the amount of $6.8 million in 2015.

The Company leases corporate offices in Los Angeles, California, under a seven-year operating lease expiring in 2018.

Total rental expense from the operating lease was $363 thousand, $339 thousand and $311 thousand for the years ended December 31, 2014, 2013, and 2012 respectively.

In August 2011, the Company entered into a three-year capital lease for the acquisition of its theatrical distribution software system. The capital lease obligation expired in July 2014 and the Company now pays service fees which are billed and paid on a monthly basis.

The total future minimum annual payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) at December 31, 2014 are presented below (in thousands):

	Operating leases	
2015	$	465
2016		480
2017		495
2018		294
2019		
Total minimum payments	$	1,734

(7) Members' Deficit

The members will not be personally liable for any debt, obligation, or liability of the Company solely by reason of being members of the Company.

(8) Deferred Compensation

The Company has a deferred compensation plan with key executives. Amounts due will be paid in the years 2015, 2016, 2017 and 2018 based on the Company's performance, as defined in the employment agreements. The Company recorded expense of $1.2 million, $2.4 million and $1.8 million for the years ended December 31, 2014, 2013 and 2012 and has a liability of $5.9 million and $4.5 million at December 31, 2014 and 2013, respectively. The Company will continue to estimate the liability and compensation expense in future years.

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(9) Related-Party Transactions

The Company recognized revenue in the amount of $25.8 million, $25.4 million, and $24.9 million from its members for the years ended December 31, 2014, 2013 and 2012 respectively. The Company had $1.6 million and $4.2 million in outstanding accounts receivable at December 31, 2014 and 2013, respectively, from its members. At December 31, 2014, the Company has recorded direct costs of $4.7 million and a $5.8 million liability to its members related to a promoted content distribution obligation as defined in the Company's Operating Agreement. At December 31, 2013, the Company has recorded direct costs of $5.3 million and a $5.4 million liability to its members related to a promoted content distribution obligation. At December 31, 2012, the Company has recorded direct costs of $4.2 million liability to its members related to a promoted content distribution obligation. The Company paid $4.3 million, $4.0 million, and $222 thousand in 2014, 2013, and 2012, respectively, under that agreement. Furthermore, the Company paid $399 thousand, $292 thousand, and $520 thousand in marketing costs to its members for the years ended December 31, 2014, 2013, and 2012, respectively.

(10) Subsequent Events

In February 2015, the Company converted the maturity dates of all loans disclosed in footnote 5 into new obligations with a maturity date of March 17, 2015 for one of the loans and a maturity date of March 31, 2015 for the remaining loans.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through March 6, 2015, the date the accompanying financial statements were available to be issued.

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Independent Auditor's Report

The Members
Digital Cinema Implementation Partners, LLC

We have audited the accompanying consolidated financial statements of Digital Cinema Implementation Partners, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, members' equity and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Digital Cinema Implementation Partners, LLC and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ COHNREZNICK LLP

Roseland, New Jersey
February 18, 2015

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

CONSOLIDATED BALANCE SHEETS

($ in thousands)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 15,610	$ 106,000
Accounts receivable, net	37,379	34,111
Other current assets	240	242
Total current assets	53,229	140,353
Property and equipment, net	836,932	880,532
Deferred financing costs, net	6,622	15,473
Deferred warranty reimbursement costs, net	149,096	171,859
Restricted cash	6,904	8,852
Derivative assets	2,586	5,101
Other noncurrent assets	42,277	42,700
Total assets	$ 1,097,646	$ 1,264,870
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,218	$ 6,396
Current maturities of long-term debt		17,000
Warranty reimbursement liability, current	16,818	11,523
Total current liabilities	24,036	34,919
Warranty reimbursement liability (excluding current)	201,249	216,935
Long-term debt (excluding current)	620,000	811,198
Other noncurrent liabilities	33	58
Total liabilities	845,318	1,063,110
Commitments		
Members' equity	252,328	201,760
Total liabilities and members' equity	$ 1,097,646	$ 1,264,870

See Notes to Consolidated Financial Statements.

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

($ in thousands)

	Years Ended December 31,		
	2014	**2013**	**2012**
REVENUES			
Virtual print fees	$ 174,769	$ 172,176	$ 158,327
Exhibitor lease fees	14,783	14,441	13,114
Alternative content fees	1,364	811	955
Peak period payments	1,483	569	343
Management fees	2,628	2,185	2,149
Subtotal, operating revenues	195,027	190,182	174,888
Warranty reimbursement costs	(23,885)	(23,480)	(23,371)
Exhibitor lease, step-up rent adjustment	(418)	15,957	14,500
Net operating revenues	170,724	182,659	166,017
OPERATING EXPENSES			
General and administrative	8,371	6,620	9,796
Depreciation and amortization	60,397	59,804	53,558
Total operating expenses	68,768	66,424	63,354
Operating income	101,956	116,235	102,663
INTEREST EXPENSE			
Interest expense	31,305	52,443	58,574
Paid-in-kind interest	(13)	1,472	5,459
Amortization of deferred financing costs	2,869	4,776	7,198
Derivative (gain)		(2,490)	(5,161)
Total interest expense	34,161	56,201	66,070
OTHER INCOME (EXPENSE)			
Interest income	12	12	5
Gain (loss) on sale of assets	(129)	191	(43)
Loss on refinancing	(5,982)	(11,145)	
Other income	54	80	197
Total other income (expense)	(6,045)	(10,862)	159
Income before taxes	61,750	49,172	36,752
Income tax expense	456	213	
Net income	61,294	48,959	36,752
OTHER COMPREHENSIVE INCOME (LOSS)			
Gain (loss) on interest rate swap contracts	(2,515)	5,101	

Comprehensive income	$ 58,779	$ 54,060	$ 36,752

See Notes to Consolidated Financial Statements.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

($ in thousands)

	Years Ended December 31, 2014	2013	2012
Balance, beginning of year	$ 201,760	$ 139,586	$ 90,047
Capital contributions	6,789	8,114	12,787
Distributions to Members	(15,000)		
Net income	61,294	48,959	36,752
Balance before other comprehensive income (loss)	254,843	196,659	139,586
Other comprehensive income (loss) gain (loss) on derivatives	(2,515)	5,101	
Balance, end of year	$ 252,328	$ 201,760	$ 139,586

See Notes to Consolidated Financial Statements.

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)

	Years Ended December 31, 2014	2013	2012
Operating activities:			
Net income	$ 61,294	$ 48,959	$ 36,752
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	60,397	59,804	53,558
Amortization of deferred warranty reimbursement costs	23,885	23,480	23,371
Amortization of deferred financing costs	2,869	4,776	7,198
Derivative (gain)		(2,490)	(5,161)
(Gain) loss on sale of assets	129	(191)	43
Loss on refinancing	5,982	11,145	
Paid-in-kind interest	(13)	1,472	5,459
Changes in operating assets and liabilities:			
Accounts receivable	(3,268)	2,842	(6,977)
Other current and noncurrent assets	425	(15,951)	(14,557)
Accounts payable and accrued liabilities	707	(2,078)	2,432
Warranty reimbursement liability	(8,199)	(4,778)	(2,428)
Payment of prior period warranty reimbursement liability	(2,272)	(1,361)	(528)
Derivative liabilities		(26,929)	
Other noncurrent liabilities	(25)	(18)	34
Net cash provided by operating activities	141,911	98,682	99,196
Investing activities:			
Purchase of property and equipment	(17,401)	(39,168)	(160,320)
Payment of prior period property and equipment	(2,407)	(17,299)	(26,341)
Sale of property and equipment	1,955	1,616	298
Restricted cash	1,948	2,543	2,875
Net cash used in investing activities	(15,905)	(52,308)	(183,488)
Financing activities:			
Increase in long-term debt	30,000	680,000	90,000
Paydown of long-term debt	(238,185)	(641,150)	(2,200)
Capital contributions from Members	6,789	8,114	12,787
Distributions to Members	(15,000)		
Deferred financing costs		(6,499)	
Net cash provided by (used in) financing activities	(216,396)	40,465	100,587
Net increase (decrease) in cash and cash equivalents	(90,390)	86,839	16,295
Cash and cash equivalents, beginning of year	106,000	19,161	2,866
Cash and cash equivalents, end of year	$ 15,610	$ 106,000	$ 19,161

Supplemental schedule of non-cash investing and financing activities:			
Additiones to property and equipment included in accounts payable and accrued liabilities	$ 1,480	$ 2,407	$ 17,378

Warranty reimbursement payable in accounts payable and accrued liabilities	$	3,314	$	2,272	$	1,361
Deferred warranty asset and warranty reimbursement obligation	$	1,122	$	4,988	$	(6,035)

See Notes to Consolidated Financial Statements.

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Digital Cinema Implementation Partners, LLC, ("DCIP", and together with its consolidated wholly-owned subsidiaries, the "Company") was formed as a Delaware limited liability company on February 12, 2007 for the purpose of raising third-party capital to purchase and deploy digital cinema projection equipment ("Digital Systems") in theatres located throughout the United States and Canada. The Company is headquartered in New Jersey and has offices in Colorado and Minnesota. The Company is owned by its founding members American Multi-Cinema, Inc. ("AMC"), Cinemark Media, Inc. ("Cinemark") and Regal/DCIP Holdings, LLC ("Regal") (collectively, the "Founding Members").

On March 10, 2010, the Company completed an initial financing transaction for the deployment of Digital Systems utilizing its subsidiary entities Kasima, LLC ("Kasima"), Kasima Holdings, LLC ("Holdings") and Kasima Parent Holdings, LLC ("Parent") to execute its business plan. Kasima is a wholly-owned subsidiary of Holdings, Holdings is a wholly-owned subsidiary of Parent and Parent is a wholly-owned subsidiary of DCIP. As part of the initial financing transaction, Parent entered into a note purchase agreement with a third-party investment fund. On March 31, 2011, the Company obtained the incremental financing necessary to complete its planned deployment of Digital Systems and on May 17, 2013, the Company refinanced all of its outstanding senior secured debt, extending the term of that debt and lowering its effective interest rate. On March 31, 2014, Parent repaid, in full, the outstanding notes under the note purchase agreement. See Note 3 for a more detailed description of these financing transactions.

Digital Systems are purchased by Kasima and leased to each Founding Member or one of its affiliates (each such entity, an "Exhibitor") pursuant to the terms of a Master Equipment Lease Agreement ("ELA"). Kasima facilitates the installation of the leased Digital Systems into each Exhibitor's theatres pursuant to the terms of an Installation Agreement. The Exhibitor is responsible for the ongoing maintenance and insurance of the Digital Systems. The Company has also entered into (and assigned to Kasima) long-term Digital Cinema Deployment Agreements ("DCDAs") with six major motion picture studios ("Major Studios") pursuant to which Kasima receives a virtual print fee ("VPF") each time the studio books a film or certain other content on the Digital Systems. Other content distributors have entered into DCDAs or shorter term agreements with the Company that provide for the payment of VPFs to Kasima for bookings of the distributor's content on a Digital System.

On June 20, 2011, DCIP and Canadian Digital Cinema Partnership ("CDCP") entered into a long-term management services agreement (an "MSA" and with respect to CDCP, the "CDCP MSA") to manage a similar deployment of Digital Systems in Canada and to perform certain other specified services for CDCP related thereto (see Note 2). CDCP is a Canadian limited partnership formed by Cineplex Entertainment LP ("Cineplex") and Empire Theatres Ltd. ("Empire") to facilitate the purchase and deployment of Digital Systems to their theatres in Canada. On April 1, 2012, DCIP entered into a long-term MSA with Cinemark USA, Inc., a Texas corporation and an affiliate of Cinemark, to manage deployment of Digital Systems to theatres operated by its affiliates in Latin America (the "CNI MSA"). On September 1, 2014, DCIP entered into a long-term MSA with AC JV, LLC ("Fathom Events"), an affiliate of the Exhibitors, to provide it with management services.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of DCIP and its subsidiaries. Intercompany accounts have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company's most significant estimates relate to depreciation and recoverability of property and equipment, amortization, the valuation of derivative agreements and the reimbursement liability concerning equipment warranty and replacement costs under the ELAs. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions.

Cash and cash equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount of the Company's cash equivalents approximates fair value due to the short maturities of these investments and consists primarily of money market funds and other overnight investments. The Company maintains bank accounts with major banks, which from time to time may exceed the Federal Deposit Insurance Corporation's insured limits. The Company periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Concentration of credit risk

For the years ended December 31, 2014, 2013 and 2012, the Company had five customers that represented 56%, 55% and 56%, respectively, of operating revenues and at December 31, 2014 and 2013, five customers that represented 61% and 66%, respectively, of net accounts receivable. These customers are each parties to DCDAs. None of the Company's other customers individually represented more than 10% of operating revenues or accounts receivable at December 31, 2014 or 2013, or for the years ended December 31, 2014, 2013 and 2012.

The Company has credit risk associated with certain accounts receivable, which consists primarily of amounts owed by the Major Studios and other digital content distributors. The Company actively monitors the status of its accounts receivable and has mechanisms in place to minimize the potential for incurring material accounts receivable credit losses. At December 31, 2014 and 2013, management has determined that there is no requirement for an allowance for doubtful accounts.

Concentration of suppliers

The Company currently purchases Digital System components from a limited number of suppliers. In 2014, four suppliers represented 85% of the amount spent by the Company on Digital System

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

component purchases, and in 2013 and 2012, two suppliers represented 68% and 81%, respectively, of the amount spent by the Company on Digital System component purchases.

Concentration in foreign countries

The Company originally leased Digital Systems to AMC (pursuant to its ELA) for theatres located in Canada and receives revenues from CDCP pursuant to the CDCP MSA. In 2013, AMC sold the last of its Canadian theatres and, as a result, the Company no longer leases Digital Systems to AMC in Canada. The revenue previously earned from these operations was paid to the Company in U.S. dollars. For the years ended December 31, 2014, 2013 and 2012, revenues earned from Canadian sources totaled $1,776,000, $1,784,000 and $2,494,000, respectively. The carrying value of equipment deployed in Canada at December 31, 2014 and 2013 was zero. Revenue earned by the Company under the CNI MSA for theatres located in Latin America was $794,000 and $412,000 for the years ended December 31, 2014 and 2013, respectively. The Company did not earn revenue under the CNI MSA during the year ended December 31, 2012.

Fair value and credit risk

All current assets and liabilities are carried at cost, which approximates fair value due to the short-term maturities of those instruments. The Company's Credit Facility (see Note 7) is comprised of floating rate instruments and management believes fair value approximates carrying value.

Property and equipment, net

Property and equipment, net, is stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer equipment and software	3 - 5 years
Leasehold improvements	5 years
Digital cinema projection equipment	17.5 years
Furniture and fixtures	7 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the assets. Certain costs of computer software developed or obtained for internal use are capitalized and amortized on a straight-line basis over three to five years. Costs for general and administrative expenses, overhead, maintenance and training, as well as the cost of software coding that does not add functionality to existing systems, are expensed as incurred. Upon the sale or other disposition of any property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and the gain or loss on disposal is included in the consolidated statements of operations and comprehensive income.

Deferred financing costs, net

Deferred financing costs are amortized on an interest method basis for the Credit Facility and a straight-line basis for the Note Facility, described in Note 7 (prior to its retirement on March 31, 2014), both by a charge to interest expense over the terms of the respective financing agreements.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Accumulated amortization of deferred financing costs at December 31, 2014 and 2013 totaled $4,507,000 and $24,004,000, respectively.

Fair value measurements

The Company accounts for and reports the fair value of certain assets and liabilities. The Company applies fair value accounting for financial assets and liabilities that are recognized or disclosed at fair value in its consolidated financial statements.

The Company utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by the Financial Accounting Standards Board Accounting Standards Codification ("ASC"):

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The following table sets forth, by level, the fair value measurements of the Company's consolidated financial assets ($ in thousands):

Fair Value Measurements

	December 31, 2014	Level 1	Level 2	Level 3
Fair value of Interest Rate Swap	$ 2,586(1)	$	$ 2,586	$

(1) Reported in derivative assets on the consolidated balance sheets.

The fair value of the Company's asset under its Interest Rate Swap (as defined below) is based upon observable market-based inputs that reflect the present values of the difference between estimated future fixed rate payments and future variable receipts and, therefore, is classified within Level 2. The Level 2 fair value of the Company's Interest Rate Swap at December 31, 2013 was $5,101.

Accounting for derivatives

In March 2010, the Company executed (and in March 2011 amended) an interest rate swap agreement (as amended, the "Initial Swap") and an interest rate cap agreement (the "Initial Cap") to limit the Company's exposure to changes in interest rates. In May 2013, the Company terminated and made settlement payments in respect of the Initial Swap and Initial Cap (see Note 7) and executed new interest rate swap agreements (the "Interest Rate Swap"). Derivative financial instruments such as the Initial Swap, the Initial Cap and the current Interest Rate Swap are recorded at fair value. Changes in the fair value of derivative financial instruments are either recognized in accumulated other comprehensive income (loss) (a component of member's equity) or in the consolidated statements of operations and comprehensive income depending on whether the derivative is being used to hedge changes in cash flows or fair value. The Company determined that the Initial Swap and Initial Cap were not effective hedging transactions; therefore, the changes in market value of the Initial Swap and

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Initial Cap were recorded as a component of interest expense in the consolidated statements of operations and comprehensive income. The Company has determined that the Interest Rate Swap is an effective cash flow hedging instrument and, as a result, changes in the fair value of the Interest Rate Swap are recognized in other comprehensive income (loss).

Income taxes

The Company is a limited liability company and, as such, is treated as a partnership for federal and state income tax purposes. Accordingly, as a partnership for tax purposes, the Company is not a taxable entity for federal income taxes and is not subject to significant state income taxes. However, the Company does pay certain state taxes based on revenue that are reported as income tax expense on the consolidated statements of operations and comprehensive income. Income or loss of the Company as a limited liability company is reported to and included in the individual income tax returns of its members. Tax years ended on or about December 31, 2014, 2013, 2012 and 2011 remain open to examination by federal and state taxing authorities with regard to the allocation of income or losses by the Company to its members.

Impairment of long-lived assets

The Company reviews the recoverability of its long-lived assets when events or conditions exist that indicate a possible impairment. The assessment for recoverability is based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future undiscounted net cash flows. If the total of expected future undiscounted net cash flows is less than the total carrying value of an asset, the asset is deemed not to be recoverable and possibly impaired. The Company then estimates the fair value of the asset to determine whether an impairment loss should be recognized. An impairment loss will be recognized if the carrying value of the asset exceeds its fair value. Fair value is determined by computing the expected future discounted cash flows. No impairment charges were recorded for the years ended December 31, 2014, 2013 or 2012.

Revenue recognition

The majority of the Company's revenues are VPFs from Major Studios under the DCDAs. The Company earns VPF revenue when movies and certain other content distributed by Major Studios and other content distributors are booked and exhibited on screens utilizing the Company's Digital Systems. VPFs are earned and payable based on a fee schedule outlined in the DCDAs and other VPF agreements. The VPF revenue is recognized in the period in which it is earned, generally the first time the content is booked and exhibited in the theatre auditorium for which a Digital System has been installed.

The DCDAs with the Major Studios require the payment of VPFs for a period that ends on the earlier to occur of (i) the tenth anniversary of the "mean deployment date" for all Digital Systems scheduled to be deployed over a period of up to five years, or (ii) the date the Company achieves "cost recoupment", each as defined in the DCDAs. Cost recoupment occurs when revenues attributable to the Digital Systems exceed the costs associated with their purchase (including financing), deployment, administration and other allowed amounts, all as defined in the DCDAs.

In addition to VPF revenue, the Company also earns a fee each time certain digital content other than feature films (e.g., concerts, sporting events and opera performances) is booked and exhibited on

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

a Digital System. The Company refers to fees derived on a per-exhibition basis from these alternative forms of digital content as alternative content fees ("ACFs"). ACFs may be paid by the distributor of the alternative content pursuant to an agreement with the Company or by the Exhibitor showing the content pursuant to its ELA. ACF revenue is recognized in the period in which the alternative content is exhibited.

Lease revenues in respect of the Digital Systems and certain other rental and usage fees are earned by the Company in accordance with the terms of the ELAs. All amounts due to the Company under these agreements are recognized as revenue when earned and any unearned amounts are recorded as deferred revenue. The initial lease term for each piece of equipment deployed under the ELAs begins on the date the equipment is placed in service and continues for 12 years, with the first and last month incurring one-half of the monthly lease payment otherwise due.

The Company generates multiple revenue streams from the leased Digital Systems under the ELAs as follows:

> Lease fees are payable by the Exhibitors monthly and prior to March 31, 2014 were comprised of a fixed base lease rate plus a "step-up" rate component for all equipment (regardless of lease commencement date) that was to occur on October 1, 2016. The Company recognized lease revenue from these fees on a straight-line method making an allowance for the step-up in rent that was to occur. On March 31, 2014, the ELAs were amended to remove the scheduled step-up lease payments. The accumulated effects of the amendments are being amortized on a straight-line basis as a reduction in revenue over the remaining terms of the ELAs.
>
> Subject to certain minimum revenue tests in the ELAs, additional rent ("Additional Rent") may be due in respect of complexes ("Additional Rent Complexes") that are not 100% converted to digital within four weeks of the initial deployment of a Digital System in the complex by the Company. Additional Rent, if any, is calculated and recognized on a monthly basis, but billed and paid semi-annually.
>
> Contingent rent may be due under the ELAs if total revenues in respect of the Digital Systems deployed thereunder (calculated quarterly on a rolling last twelve month basis) fail to meet certain minimum revenue thresholds. The minimum revenue thresholds were prorated for the initial four quarters of the ELAs. Contingent rent, if any, is calculated and recognized monthly, but billed and paid quarterly.
>
> Peak period payments are due under the ELAs when the leased Digital Systems are taken out of service by an Exhibitor for one or more consecutive defined "peak periods" (generally a weekend) as a result of relocation, damage or a complex closing. Peak period payments, if any, are recognized, billed and paid monthly.

In accordance with the ELAs the Exhibitors are required to acquire extended warranties with respect to the leased Digital Systems covering the period from the expiration of the initial included manufacturer's warranty through the date of repayment of the Credit Facility and Note Facility (each as defined in Note 7) (the "Warranty End Date"), but in no event later than 12 years from the effective date of the ELAs. Following the Warranty End Date, the Exhibitors may choose to continue extended warranty coverage through the expiration of the DCDAs (the "DCDA End Date"). The DCDA End Date will occur on the earlier of (i) the tenth anniversary of the "mean deployment date" of the

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Digital Systems or (ii) the date the Company achieves "cost recoupment", each as defined in the DCDAs. The Company expects that the Exhibitors will maintain extended warranty coverage through the DCDA End Date. Pursuant to the ELAs, the Company is required to reimburse the Exhibitor for the costs of the extended warranties (and/or equipment replacement costs) subject to quarterly caps set forth in the ELAs. This contractual obligation by the Company to incur costs at a future date for the extended warranties or replacement costs when the leased equipment is purchased creates a liability at the purchase date and a contra revenue adjustment in respect of revenues derived under the ELAs that is recognized on a straight-line basis over the term of the lease.

The Company also earns revenues in respect of the services DCIP provides under the MSAs. The revenues are earned ratably as the services are performed under the agreement.

Subsequent events

The Company has evaluated subsequent events through February 18, 2015, which is the date the consolidated financial statements were available to be issued.

Note 3 Financing Transactions

On March 10, 2010, the Company completed a financing transaction to enable the purchase, deployment and leasing of Digital Systems for approximately 10,000 movie theatre screens operated by the Exhibitors in the United States and Canada over the subsequent three to five years. On March 31, 2011, the Company completed an incremental financing transaction to enable the purchase, deployment and leasing of Digital Systems for approximately 4,700 additional movie theatre screens operated by the Exhibitors in the United States and Canada. On May 17, 2013, the Company refinanced all of its outstanding senior secured debt, extending the term of that debt, and lowering its effective interest rate.

The financing transaction completed in March 2010 consisted of a $79,472,000 equity contribution to DCIP from the Founding Members (subsequently contributed as equity to Kasima), a $135,000,000 long-term promissory note commitment (the Note Facility described in Note 7) to Parent from an investor group and a $445,000,000 senior secured loan commitment (the Initial Credit Facility described in Note 7) to Kasima from a group of commercial banks. The equity contribution from the Founding Members consisted of $50,724,000 of previously installed Digital Systems and $28,748,000 of cash. The financing transaction completed in March 2011 consisted of a $220,000,000 incremental senior secured term loan (the Incremental Term Loan described in Note 7) to Kasima from a group of commercial banks and institutional investors. The refinancing transaction completed in May 2013 consisted of a $755,000,000 senior secured loan commitment (the Credit Facility described in Note 7) to Kasima from a group of commercial banks and institutional investors.

Note 4 Consolidated Balance Sheet Components

Restricted cash

The Company had restricted cash of $6,904,000 and $8,852,000 at December 31, 2014 and 2013, respectively, in the form of an interest reserve escrow account related to the Credit Facility (see Note 7) and an excess cost escrow account for the funding of Digital Systems in excess of costs caps established in the related credit agreement.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 Consolidated Balance Sheet Components (Continued)

Accounts receivable, net

Accounts receivable, net consists of the following ($ in thousands):

	December 31, 2014	December 31, 2013
Accounts receivable	$ 38,527	$ 35,315
Accrued revenue	93	30
Deferred revenue(1)	(1,241)	(1,234)
Total accounts receivable, net	$ 37,379	$ 34,111

(1)
Deferred revenue consists of unearned amounts billed but not collected at December 31, 2014 and 2013.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following ($ in thousands):

	December 31, 2014	December 31, 2013
Warranty reimbursement payable	$ 3,314	$ 2,272
Accrued bonus and compensation	2,123	1,386
Accrued equipment purchases leased to others	966	1,823
Accounts payable	502	618
Accrued taxes payable	148	112
Accrued interest payable	65	132
Other accrued liabilities	56	53
Accrued equipment purchases, not deployed	44	
Total accounts payable and accrued liabilities	$ 7,218	$ 6,396

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DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Property and Equipment, net

Property and equipment, net consists of the following ($ in thousands):

	December 31,	
	2014	2013
Equipment leased to others(1)	$ 1,047,147	$ 1,031,302
Equipment, not deployed	1,731	1,821
Computer equipment and software	5,908	5,553
Leasehold improvements	402	394
Furniture and fixtures	262	258
Total property and equipment	1,055,450	1,039,328
Less accumulated depreciation and amortization	(218,518)	(158,796)
Property and equipment, net	$ 836,932	$ 880,532

(1) At December 31, 2014 and 2013, the approximate cost and carrying value of equipment leased to others was $1,047,000 and $1,031,000 and $834,000 and $877,000, respectively.

Note 6 Exhibitor Lease Fees

The Company earns lease revenues and other fees through the lease of Digital Systems to the Exhibitors in accordance with the ELAs described in Note 2. The aggregate future minimum lease revenues due under non-cancellable equipment lease agreements that have initial or remaining terms in excess of one year as of December 31, 2014 are as follows ($ in thousands):

Year ending December 31,	Amount
2015	$ 14,903
2016	14,903
2017	14,903
2018	14,903
2019	14,903
Thereafter	51,095
Total	$ 125,610

Revenues earned under the ELAs for the years ended December 31, 2014, 2013 and 2012 totaled $16,368,000, $15,252,000 and $13,649,000, respectively.

Note 7 Long-term Debt

Credit facilities

On March 10, 2010, DCIP, Holdings and Kasima entered into a credit agreement with JPMorgan Chase Bank, N.A. as Administrative Agent and a group of lenders which agreed to provide Kasima a $110 million revolving line of credit ("Initial Revolver") and a $335 million delayed draw term loan ("Initial Term Loan"). On March 31, 2011, this credit agreement was amended and restated to include a $220 million incremental term loan (the "Incremental Term Loan" and together with the Initial Revolver and the Initial Term Loan, the "Initial Credit Facility"). Borrowings under the Initial Credit

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Long-term Debt (Continued)

Facility were used (i) to fund the purchase and installation of Digital Systems by Kasima, (ii) to reimburse the Company for its permitted operating expenses associated with management services it provides to Kasima and Holdings pursuant to the MSA, (iii) to fund payment of fees, interest and expenses payable under the Initial Credit Facility, (iv) to fund permitted distributions in respect of the Parent Notes and (v) for other permitted operating expenses of Kasima and Holdings including interest reserve requirements, closing costs and upfront fees associated with the Initial Credit Facility. All costs of the Digital Systems exceeding established caps were funded by capital contributions from the Founding Members.

The net proceeds from the Incremental Term Loan ($205 million) were used to prepay a portion of the Initial Term Loan and the Company's existing lenders agreed to increase their lending commitments by the amount prepaid and to extend the date of their Initial Term Loan commitments from March 10, 2012 to September 30, 2012. The Incremental Term Loan was fully drawn at closing on March 31, 2011. The Initial Revolver was available following the availability of the Initial Term Loan and subject to certain conditions through March 10, 2015, the maturity date (the "Original Maturity Date") of the Initial Term Loan and Initial Revolver. The maturity date of the Incremental Term Loan was March 31, 2017 (the "Incremental Maturity Date"). At December 31, 2012, the Initial Revolver was fully drawn, subject to hold-back provisions contained in the Initial Credit Facility. Each Initial Term Loan, Incremental Term Loan and Initial Revolver borrowing bore interest, at the option of Kasima, at either the Adjusted LIBO Rate or the Alternate Base Rate, each as defined in the Initial Credit Facility, plus the defined Applicable Rate, which was 2.50% in the case of borrowings based on the Alternate Base Rate and 3.75% for borrowings based on the Adjusted LIBO Rate. The Incremental Term Loan was further subject to an Adjusted LIBO Rate floor of 1.25%. The commitment fee on undrawn amounts in respect of the Initial Term Loan was 1.25% per annum and in respect of the Initial Revolver was 0.50% per annum.

On May 17, 2013, DCIP, Holdings and Kasima entered into a credit agreement with Barclays Bank PLC as Administrative Agent and a group of lenders which agreed to provide Kasima a $75 million revolving line of credit ("Revolver") and a $680 million term loan ("Term Loan B" and together with the Revolver, the "Credit Facility"). The Term Loan B was fully funded at the closing of the Credit Facility. Proceeds from the Term Loan B were used to repay all amounts outstanding under the Initial Credit Facility and to pay fees, transaction costs and other expenses incurred in connection with such repayment (including settlement payments associated with the termination of the Initial Swap and Initial Cap contracts) and the establishment of the Credit Facility. Proceeds from borrowings under the Revolver, which is currently undrawn, may be used for (i) the payment of operating expenses of Holdings and Kasima (including, without limitation, permitted payments to DCIP under the MSA in respect of services provided thereunder to the Company and Parent, payments under the Interest Rate Swap, the expenses of maintaining a credit rating, Administrative Agent fees and costs, expenses incurred under control agreements and other security documents and prepayments in respect of defined Excess Cash Flow), (ii) to the extent permitted, the payment of defined Restricted Payments, including in respect of interest on, and to fund the repayment of, the Parent Notes, (iii) defined Tax Distributions and (iv) any other working capital and general corporate purposes of the Company. All costs of Digital Systems exceeding established caps must be funded by capital contributions from the Founding Members. Each borrowing under the Revolver must be at least $20 million and in $5 million increments.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Long-term Debt (Continued)

The Revolver is available, subject to certain conditions, through May 17, 2018, its maturity date. The maturity date of the Term Loan B is May 17, 2021 (the "Term Loan B Maturity Date"). At December 31, 2014, the Revolver was undrawn. The Revolver and Term Loan B borrowings each bear interest, at the option of Kasima, at either the Adjusted LIBO Rate or the Alternate Base Rate, each as defined in the Credit Facility, plus the defined Applicable Rate, which is 1.50% in the case of borrowings based on the Alternate Base Rate and 2.50% for borrowings based on the Adjusted LIBO Rate. The Term Loan B is further subject to an Adjusted LIBO Rate floor of .75%. The commitment fee on undrawn amounts in respect of the Revolver is 0.50% per annum.

The Term Loan B amortizes at 1.25% of its original principal amount per annum, payable in quarterly increments of $8.5 million commencing on September 30, 2014 with the remaining balance, including any unpaid interest and fees, payable on the Term Loan B Maturity Date. Prepayments of the Term Loan B reduce future mandatory amortization payments on a dollar-for-dollar basis. Commencing with the defined Test Date in respect of the fiscal year ended December 31, 2014 and annually on each Test Date thereafter, Kasima will prepay Term Loan B borrowings in an aggregate amount equal to 100% of defined Excess Cash Flow (generally the amount by which Cash Flow from Operations exceeds Consolidated Fixed Charges, each as defined, for the prior fiscal year); provided, however, that commencing with the Test Date in respect of the fiscal year ending December 31, 2017, any prepayments made in respect of Excess Cash Flow will be first used to prepay any outstanding borrowings under the Revolver and to permanently reduce the commitments thereunder. Kasima may at any time terminate or permanently reduce commitments under the Credit Facility without premium or penalty in $5 million increments of not less than $20 million.

The "Borrower" under the Credit Facility is Kasima and the Credit Facility is guaranteed by Holdings and each direct or indirect subsidiary of Holdings other than the Borrower. The Credit Facility is secured by a first priority lien on all of the assets of the Company (with certain negotiated exclusions), including contract rights, cash and securities accounts and the Digital Systems on Exhibitors' premises.

Under the Credit Facility, the Borrower is required to maintain compliance with certain financial covenants. Material covenants included an interest coverage ratio, minimum average revenues per deployed screen, and capital expenditure limitations. At December 31, 2014, the Borrower was in compliance with all of its Credit Facility covenants.

On March 10, 2010, Parent entered into a Note Purchase Agreement with Wilmington Trust Company as Parent Note Agent pursuant to which a group of mezzanine debt funds (the "Noteholders") affiliated with Highbridge Mezzanine Partners agreed to purchase, subject to certain conditions, notes (the "Parent Notes") issued by Parent due March 10, 2025 (the "Note Maturity Date") totaling $135 million (the "Note Facility"). The first purchase of Parent Notes occurred on March 10, 2010 in the amount of $52.5 million. The second purchase of Parent Notes occurred on May 14, 2010 in the amount of $28.8 million. The final purchase of Parent Notes occurred on April 6, 2011 in the amount of $53.7 million. The proceeds of the Note Facility are being and will be used for the purposes described for the Credit Facility above. The Company provides management services to Parent and is reimbursed for its out-of-pocket expenses up to a cap set forth in a management services agreement between the Company and Parent. All net proceeds of the Note Facility are being and will be contributed as equity to Holdings and then to Kasima, by each of Parent and Holdings, respectively. The Parent Notes issued bear interest at 15.12% per annum, of which 12.0% (the "Current Yield") is

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Long-term Debt (Continued)

paid in cash quarterly subject to restrictions set forth in the Credit Facility. Accrued and unpaid interest ("PIK Interest") is added to the outstanding principal balance of Parent Notes on each Current Yield payment date. All outstanding Parent Notes together with any PIK Interest are due on the Note Maturity Date. The Company repaid the Parent Notes in full on March 31, 2014.

The Company's long-term debt at December 31, 2014 and 2013 consisted of the following ($ in thousands):

Instrument	Maturity Date	Interest Rate(2)	Carrying Amount 2014	Carrying Amount 2013
Term Loan B	5/17/2021	3.25%	$ 620,000	$ 680,000
Parent Notes(1)				148,198
Total Long-term Debt			$ 620,000	$ 828,198

(1) Parent Notes include PIK Interest of $13,198 at December 31, 2013.

(2) Interest rates in effect at December 31, 2014. At December 31, 2013, Parent Notes and Term Loan B interest rates were 15.12% and 3.25% respectively.

The Company's aggregate maturities of long-term debt are as follows ($ in thousands):

Years ending December 31,	Amount
2015	$
2016	25,000
2017	34,000
2018	34,000
2019	34,000
Thereafter	493,000
Total	$ 620,000

Interest expense on long-term debt was $31,292,000, $53,915,000 and $64,033,000 for the years ended December 31, 2014, 2013 and 2012, respectively, consisting of cash interest of $31,305,000, $52,443,000 and $58,574,000, respectively, and PIK Interest of ($13,000), $1,472,000 and $5,459,000, respectively.

Derivatives

The Initial Swap and Initial Cap contracts were entered into for interest expense cost protection from rising variable interest rates and were associated with the Company's Initial Term Loan and Initial Revolver, which had a maturity date of March 10, 2015, and its Incremental Term Loan, which had a maturity date of March 31, 2017. The Initial Swap and Initial Cap contracts were terminated on May 17, 2013 as part of the refinancing of the Initial Credit Facility described above and a settlement payment of $26,929,000 was made in respect thereof.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Long-term Debt (Continued)

The Interest Rate Swap contracts were entered into for interest expense cost protection from rising variable interest rates and are associated with the Company's Term Loan B which matures on May 17, 2021. Under the Interest Rate Swap contracts, the Company receives current market LIBO Rate interest payments, subject to an interest rate floor for the Term Loan B of 0.75% per annum, and pays a fixed rate of 1.29% calculated on the same notional principal amount (the "Notional Swap Amount") which changes for each fiscal quarter commencing as of the quarter ended June 30, 2013 and terminating on the contract expiration date of December 31, 2019. The Notional Swap Amount for the quarterly period ended December 31, 2014 was $507,292,000 and the then-current market LIBO Rate interest was 0.54% per annum. The protection afforded by the Interest Rate Swap extends until December 31, 2019 and the Notional Swap Amount decreases quarterly beginning September 30, 2014.

Note 8 Retirement Plan

The Company maintains a defined contribution plan for eligible employees under Section 401(k) of the Internal Revenue Code. The Company's plan provides for eligible employees to contribute up to 80% of eligible compensation with a Company contribution of 4% of eligible wages for 2014 and 2013 and a match of 50% of the first 6% of employee contributions for 2012 and prior years. All employees are eligible to participate in the plan upon hire. The Company's contributions to the plan totaled $138,000, $130,000 and $48,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 9 Commitments

Operating leases

The Company has leased facilities in the states of New Jersey, Colorado and Minnesota. The aggregate future minimum lease payments under non-cancellable operating leases that have initial or remaining terms in excess of one year as of December 31, 2014 are as follows ($ in thousands):

Year Ending December 31,	Amount
2015	$ 171
2016	168
2017	120
2018	9
2019	
Total	$ 468

Rent expense for operating leases for the years ended December 31, 2014, 2013 and 2012 totaled $167,000, $142,000 and $213,000, respectively.

Employment agreements

The Company has employment agreements with two of its key executives setting forth key compensation terms (generally annual salary plus a defined bonus) and providing each executive with a severance benefit in the case the executive's employment is terminated without cause or the executive resigns with good reason, each as defined.

DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Related Party Transactions

At December 31, 2014, all of the Company's Digital Systems are leased to the Exhibitors under the ELAs. For the years ended December 31, 2014, 2013 and 2012, revenues earned from the Exhibitors totaled $16,368,000, $15,252,000 and $13,649,000, respectively. Net accounts receivable due from the Exhibitors totaled $2,456,000 and $1,054,000 at December 31, 2014 and 2013, respectively, and will be settled in cash. Payments under the ELAs are generally due on the fifth day of the month after billing. At times, the Company purchases digital equipment from the Exhibitors at cost subject to caps established in the ELAs. For the years ended December 31, 2014 and 2013, the Company had no liability for reimbursement of equipment purchases due to the Exhibitors. The $218,067,000 warranty reimbursement liability represents a liability to reimburse the Exhibitors for the extended equipment warranty and other replacement costs (as defined in the ELAs) as cash payments that began in 2011 and continues through the DCDA End Date (see Note 2). Warranty reimbursements earned for the years ended December 31, 2014, 2013 and 2012 totaled $11,513,000, $7,051,000 and $3,789,000, respectively. Cash reimbursement payments for the years ended December 31, 2014, 2013 and 2012 totaled $10,471,000, $6,141,000 and $2,956,000, and payables totaled $3,314,000 and $2,272,000 as of December 31, 2014 and 2013, respectively.

In 2014, 2013 and 2012, the Exhibitors terminated their ELAs with respect to an aggregate of 35, six and 23 Digital Systems, respectively. Pursuant to the terms of the ELAs, the Exhibitors were required to purchase these Digital Systems from the Company at a defined Termination Amount per Digital System. In 2014, 2013 and 2012, total Termination Amounts paid by the Exhibitors in the aggregate were $1,955,000, $1,616,000 and $298,000, respectively, resulting in a gain (loss) on sale to the Company of ($129,000), $191,000 and ($43,000), in 2014, 2013, and 2012 respectively.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that material information required to be disclosed in its filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that material information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have evaluated these disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K and have determined that such disclosure controls and procedures were effective.

(b) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 12a-15(f) of the Exchange Act. With management's participation, an evaluation of the effectiveness of internal control over financial reporting was conducted as of December 31, 2014, based on the framework and criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2014. The effectiveness of our internal control over financial reporting has been audited by KPMG, LLP, an independent registered public accounting firm, as stated in their attestation report in Item 8 of Part II of this Annual Report on Form 10-K.

(c) Changes in internal control over financial reporting.

The Company implemented a new sales audit and film payable system during the last quarter ended December 31, 2014. This implementation allowed for the retirement of a legacy system and provides efficiency in the day-to-day functions of reviewing box office sales and accruing and paying film payables. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published an updated *Internal Control Integrated Framework (2013)* and related illustrative documents. The Company adopted the new framework in 2014.

To comply with the requirements of Section 404 of the Sarbanes Oxley Act of 2002, the Company designed and implemented a structured and comprehensive assessment process to evaluate its internal control over financial reporting across the enterprise. The assessment of the effectiveness of the company's internal control over financial reporting was based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

For information with respect to the executive officers of the Company, see "Executive Officers" included as a separate item at the end of Part I of this Report.

We have a Code of Business Conduct and Ethics that applies to all of our associates, including our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. These standards are designed to deter wrongdoing and to promote honest and ethical conduct. The Code of Business Conduct and Ethics, which address the subject areas covered by the SEC's rules, may be obtained free of charge through our website: www.amctheatres.com under "Corporate Info" / "Investor Relations" / "Governance Documents." Any amendment to, or waiver from, any provision of the Code of Business Conduct and Ethics required to be disclosed with respect to any senior executive or financial officer shall be posted on this website. The information contained on our website is not part of this Report on Form 10-K.

All other information called for by this item is hereby incorporated herein by reference to the relevant portions of our definitive proxy statement on Schedule 14A in connection with our 2015 Annual Meeting of Stockholders, to be filed within 120 days after December 31, 2014 (the "Proxy Statement").

Item 11. Executive Compensation.

The information called for by this item is hereby incorporated herein by references to the relevant portions of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this item is hereby incorporated herein by references to the relevant portions of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information called for by this item is hereby incorporated herein by references to the relevant portions of the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information called for by this item is hereby incorporated herein by references to the relevant portions of the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)

(1) The following financial statements are included in Part II Item 8.:

(a)

(2) Financial Statement Schedules All schedules have been omitted because the necessary information is included in the Notes to the Consolidated Financial Statements.

(b)

Exhibits

A list of exhibits required to be filed as part of this report on Form 10-K is set forth in the Exhibit Index, which immediately precedes such exhibits.

(c)

Separate Financial Statements of Subsidiaries Not Consolidated

The following financial statements of National CineMedia, LLC are as follows:

The following financial statements of Digital Cinema Implementation Partners, LLC are as follows:

The following financial statements of Open Road Releasing, LLC are as follows:

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 HOLDINGS, INC.

By: /s/ CHRIS A. COX

Chris A. Cox
Senior Vice President and
Chief Accounting Officer

Date: March 10, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ LIN ZHANG Lin Zhang	Chairman of the Board	March 10, 2015
/s/ GERARDO I. LOPEZ Gerardo I. Lopez	Chief Executive Officer, Director and President (principal executive officer)	March 10, 2015
/s/ ANTHONY J. SAICH Anthony J. Saich	Director	March 10, 2015
/s/ CHAOHUI LIU Chaohui Liu	Director	March 10, 2015
/s/ NING YE Ning Ye	Director	March 10, 2015
/s/ LLOYD HILL Lloyd Hill	Director	March 10, 2015
/s/ JIAN WANG Jian Wang	Director	March 10, 2015
/s/ KATHLEEN PAWLUS Kathleen Pawlus	Director	March 10, 2015

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/s/ HOWARD KOCH, JR. Howard Koch, Jr.	Director	March 10, 2015
/s/ CRAIG R. RAMSEY Craig R. Ramsey	Executive Vice President and Chief Financial Officer (principal financial officer)	March 10, 2015
/s/ CHRIS A. COX Chris A. Cox	Senior Vice President and Chief Accounting Officer (principal accounting officer)	March 10, 2015

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated May 21, 2012, by and among AMC Entertainment Holdings, Inc., Dalian Wanda Group Co., Ltd. and, solely with respect to certain sections, the stockholder representative referenced therein (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
3.1	Third Amended and Restated Certificate of Incorporation of AMC Entertainment Holdings, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-33892) filed on December 23, 2013, as amended).
3.2	Third Amended and Restated Bylaws of AMC Entertainment Holdings, Inc. (incorporated by reference from Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on November 22, 2013, as amended).
4.1(a)	Credit Agreement, dated April 30, 2013, by and among AMC Entertainment Inc., the lenders and the issuers party thereto, Citicorp North America, Inc., as agent, and the other agents and arrangers party thereto (incorporated by reference from Exhibit 10.1 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on May 3, 2013).
4.1(b)	Guaranty, dated as of April 30, 2013, by AMC Entertainment Inc. and each of the other Guarantors party thereto in favor of the Guaranteed Parties named therein (incorporated by reference from Exhibit 10.2 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on May 3, 2013).
4.1(c)	Pledge and Security Agreement, dated as of April 30, 2013, by AMC Entertainment Inc. and each of the other Grantors party thereto in favor of Citicorp North America, Inc., as agent for the Secured Parties (incorporated by reference from Exhibit 10.3 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on May 3, 2013).
4.2(a)	Indenture, dated December 15, 2010, respecting AMC Entertainment Inc.'s 9.75% Senior Subordinated Notes due 2020, between AMC Entertainment Inc., the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference from Exhibit 4.1 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on December 17, 2010).
4.2(b)	First Supplemental Indenture, dated as of April 27, 2012, respecting AMC Entertainment Inc.'s 9.75% Senior Subordinated Notes due 2020 (incorporated by reference from Exhibit 4.11(b) to AMC Entertainment Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-168105) filed on July 6, 2012, as amended).
4.2(c)	Second Supplemental Indenture, dated as of June 21, 2012, respecting AMC Entertainment Inc.'s 9.75% Senior Subordinated Notes due 2020 (incorporated by reference from Exhibit 4.2 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on June 22, 2012).
4.2(d)	Third Supplemental Indenture, dated as of January 15, 2014, respecting AMC Entertainment Inc.'s 9.75% Senior Subordinated Notes due 2020, between AMC Entertainment Inc. and U.S. Bank National Association, as trustee (incorporated by reference from Exhibit 4.4(d) to the Company's Form 10-K (File No. 1-33892) filed on March 3, 2014).

Exhibit Number	Description
4.3	Indenture, dated as of February 7, 2014, respecting AMC Entertainment Inc.'s 5.875% Senior Subordinated Notes due 2022, among AMC Entertainment Inc. and U.S. Bank National Association, as Trustee (incorporated by reference from Exhibit 4.1 to AMCE's Current Report on Form 8-K (File No. 1-8747) filed on February 10, 2014).
***10.1	Management Stockholders Agreement of AMC Entertainment Holdings, Inc., dated August 30, 2012, by and among AMC Entertainment Holdings, Inc., Dalian Wanda Group Co., Ltd. and the management stockholders of AMC Entertainment Holdings, Inc. party thereto (incorporated by reference from Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
*10.1(a)***	Amendment No. 1 to the Management Stockholders Agreement of AMC Entertainment Holdings, Inc., dated December 17, 2013, by and among AMC Entertainment Holdings, Inc., Dalian Wanda Group Co., Ltd. and the management stockholders of AMC Entertainment Holdings, Inc. party thereto.
***10.2(a)	Defined Benefit Retirement Income Plan for Certain Employees of American Multi-Cinema, Inc., as Amended and Restated, effective December 31, 2006, and as Frozen, effective December 31, 2006 (incorporated by reference from Exhibit 10.15(a) to AMCE's Form 10-K (File No. 1-8747) filed June 18, 2007).
***10.2(b)	American Multi-Cinema, Inc. Supplemental Executive Retirement Plan, as Amended and Restated, generally effective January 1, 2006, and as Frozen, effective December 31, 2006 (incorporated by reference from Exhibit 10.15(b) to AMCE's Form 10-K (File No. 1-8747) filed June 18, 2007).
***10.3	AMC Non-Qualified Deferred Compensation Plan, as Amended and Restated, effective January 1, 2005 (incorporated by reference from Exhibit 10.22 to AMCE's Form 10-K (File No. 1-08747) filed June 18, 2007).
***10.4	Employment Agreement between AMC Entertainment Inc., American Multi-Cinema, Inc. and John D. McDonald which commenced July 1, 2001. (incorporated by reference from Exhibit 10.29 to Amendment No. 1 to the AMCE's Form 10-K (File No. 1-8747) filed on July 27, 2001).
***10.5	Employment Agreement between AMC Entertainment Inc., American Multi-Cinema, Inc. and Craig R. Ramsey which commenced on July 1, 2001. (incorporated by reference from Exhibit 10.36 to AMCE's Form 10-Q (File No. 1-8747) filed on August 12, 2002).
10.6	Amended and Restated Exhibitor Services Agreement dated as of February 13, 2007 and Amended and Restated as of December 26, 2013, by and between National CineMedia, LLC and American Multi-Cinema, Inc. (Portions omitted pursuant to request for confidential treatment and filed separately with the Commission.) (incorporated by reference from Exhibit 10.2.4 to National CineMedia, Inc.'s Form 10-K (File No. 1-33296) filed February 21, 2014).
10.7	Third Amended and Restated Limited Liability Company Operating Agreement, dated February 13, 2007 between American Multi-Cinema, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc. (incorporated by reference from Exhibit 10.3 to the AMCE's Current Report on Form 8-K (File No. 1-8747) filed February 20, 2007).

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Exhibit Number	Description
10.7(a)	First Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated as of March 16, 2009, by and among American Multi-Cinema, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc. (incorporated by reference from Exhibit 10.1.1 to National CineMedia, Inc.'s Form 10-Q (File No. 1-33296) filed August 7, 2009).
10.7(b)	Second Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated as of August 6, 2010, by and among American Multi-Cinema, Inc., AMC Showplace Theatres, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc. (incorporated by reference from Exhibit 10.1 to National CineMedia, Inc.'s Form 8-K (File No. 1-33296) filed August 10, 2010).
10.7(c)	Third Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated September 3, 2013, by and among American Multi-Cinema, Inc., AMC ShowPlace Theatres, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC, Regal Cinemas, Inc. and National CineMedia, Inc. (incorporated by reference from Exhibit 10.23.5 to National CineMedia, Inc.'s Form 10-K (File No. 1-33296) filed February 22, 2013).
***10.8	Employment Agreement, dated as of November 6, 2002, by and among Kevin M. Connor, AMC Entertainment Inc. and American Multi-Cinema, Inc. (incorporated by reference from Exhibit 10.49 to AMCE's Form 10-K (File No. 1-8747) filed on June 18, 2007).
***10.9	Employment Agreement, dated as of November 24, 2009, by and between Stephen A. Colanero and AMC Entertainment Inc. (incorporated by reference from Exhibit 10.48 to AMCE's Form 10-K (File No. 1-8747) filed on June 3, 2011).
***10.10	Employment Agreement, dated as of July 1, 2001, by and between Mark A. McDonald and AMC Entertainment Inc. (incorporated by reference from Exhibit 10.48 to AMCE's Form 10-K (File No. 1-8747) filed on June 18, 2008).
***10.11	Employment Agreement, dated as of August 18, 2010, by and between Elizabeth Frank and AMC Entertainment Inc. (incorporated by reference from Exhibit 10.65 to AMCE's Form 10-K (File No. 1-8747) filed on March 13, 2013).
***10.12	Management Subscription Agreement, dated as of May 21, 2012, by and among AMC Entertainment Holdings, Inc. and Gerardo I. Lopez (incorporated by reference from Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
***10.13	Management Subscription Agreement, dated as of May 21, 2012, by and among AMC Entertainment Holdings, Inc. and Craig R. Ramsey (incorporated by reference from Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
***10.14	Management Subscription Agreement, dated as of May 21, 2012, by and among AMC Entertainment Holdings, Inc. and Elizabeth Frank (incorporated by reference from Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).

Exhibit Number	Description
***10.15	Management Subscription Agreement, dated as of May 21, 2012, by and among AMC Entertainment Holdings, Inc. and John D. McDonald (incorporated by reference from Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
***10.16	Management Subscription Agreement, dated as of May 21, 2012, by and among AMC Entertainment Holdings, Inc. and Mark A. McDonald (incorporated by reference from Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on October 8, 2013, as amended).
*10.17	Registration Rights Agreement dated December 23, 2013 by and among AMC Entertainment Holdings, Inc. and Dalian Wanda Group Co., LTD.
10.18	Form of Indemnification Agreement by and between AMC Entertainment Holdings, Inc. and its Directors and Executive Officers (incorporated by reference from Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on November 22, 2013, as amended).
***10.19	Employment Agreement, dated as of December 2, 2013, by and among AMC Entertainment Inc. and Gerardo I. Lopez (incorporated by reference from Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on December 3, 2013, as amended).
***10.20	Form of Stock Award Agreement (incorporated by reference from Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on November 27, 2013, as amended).
***10.21	Form of Performance Stock Unit Award Agreement (incorporated by reference from Exhibit 10.30 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on November 27, 2013, as amended).
*10.22	Form of Performance Stock Unit Award Notice and Agreement.
*10.23	Form of Restricted Stock Unit Award Notice and Agreement for individuals covered by Section 162(m) of the Internal Revenue Code.
*10.24	Form of Restricted Stock Unit Award Notice and Agreement.
10.25	Tax Payment Agreement dated October 15, 2013 among Wanda America Investment Holding Co. Ltd, AMC Entertainment Holdings, Inc. and American Multi-Cinema Inc. (incorporated by reference from Exhibit 10.33 to the Company's Form 10-K (File No. 1-33892) filed on March 3, 2014).
***10.26	Non-employee Director Compensation Program (incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q (File No. 1-33892) filed on November 7, 2014).
***10.27	AMC Entertainment Holdings, Inc. 2013 Equity Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q (File No. 1-33892) filed on November 7, 2014).
*10.27(a)***	AMC Entertainment Holdings, Inc. Clarifying Amendment to 2013 Equity Incentive Plan.
*10.28***	Employment Agreement, dated as of November 1, 2014, by and among AMC Entertainment Inc. and Christina Sternberg.

Exhibit Number	Description
*10.29	Annual Incentive Compensation Program.
*21	Subsidiaries of AMC Entertainment Holdings, Inc.
*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm, as to AMC Entertainment Holdings, Inc.'s consolidated financial statements as of December 31, 2014 and for each of the periods ended December 31, 2014, December 31, 2013 and December 31, 2012.
*23.2	Consent of Deloitte & Touche LLP as to National CineMedia, LLC's financial statements.
*23.3	Consent of CohnReznick LLP, Independent Auditor as to Digital Cinema Implementation Partners, LLC's financial statements.
*23.4	Consent of KPMG, Independent Registered Public Accounting Firm, as to Open Road Releasing, LLC's financial statements.
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*32.1	Section 906 Certifications of Gerardo I. Lopez (Chief Executive Officer) and Craig R. Ramsey (Chief Financial Officer) furnished in accordance with Securities Act Release 33-8212.
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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Filed herewith.

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Submitted electronically with this Report.

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Management contract, compensatory plan or arrangement.