

Cinemark Holdings, Inc.  
Form 10-Q  
May 06, 2014  
[Table of Contents](#)

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

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2014**

**Commission File Number: 001-33401**

**CINEMARK HOLDINGS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**20-5490327**  
**(I.R.S. Employer**  
**Identification No.)**

**3900 Dallas Parkway**  
**Suite 500**  
**Plano, Texas**  
**(Address of principal executive offices)**

**75093**  
**(Zip Code)**

**Registrant's telephone number, including area code: (972) 665-1000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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). Yes ☒ 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 ☒ Accelerated filer ☐  
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐  
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2014, 115,382,538 shares of common stock were issued and outstanding.

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013 (unaudited)</u>	<b>4</b>
<u>Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013 (unaudited)</u>	<b>5</b>
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013 (unaudited)</u>	<b>6</b>
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 (unaudited)</u>	<b>7</b>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<b>8</b>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<b>23</b>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<b>32</b>
Item 4. <u>Controls and Procedures</u>	<b>33</b>
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	<b>34</b>
Item 1A. <u>Risk Factors</u>	<b>34</b>
Item 6. <u>Exhibits</u>	<b>35</b>
<b><u>SIGNATURES</u></b>	<b>36</b>

**Table of Contents**

**Cautionary Statement Regarding Forward-Looking Statements**

Certain matters within this Quarterly Report on Form 10Q include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements may include our current expectations, assumptions, estimates and projections about our business and our industry. They may include statements relating to future revenues, expenses and profitability, the future development and expected growth of our business, projected capital expenditures, attendance at movies generally or in any of the markets in which we operate, the number or diversity of popular movies released and our ability to successfully license and exhibit popular films, national and international growth in our industry, competition from other exhibitors and alternative forms of entertainment and determinations in lawsuits in which we are defendants. Forward-looking statements can be identified by the use of words such as may, should, could, estimates, predicts, potential, continue, anticipates, believes, plans, expects, future and in expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. For a description of the risk factors, please review the Risk Factors section or other sections in the Company's Annual Report on Form 10-K filed February 28, 2014 and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such risk factors. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share and per share data, unaudited)**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 562,703	\$ 599,929
Inventories	11,687	13,735
Accounts receivable	74,930	81,519
Current income tax receivable	1,874	669
Current deferred tax asset	16,753	18,807
Prepaid expenses and other	12,387	14,940
Total current assets	680,334	729,599
Theatre properties and equipment	2,447,876	2,402,796
Less: accumulated depreciation and amortization	1,012,775	975,606
Theatre properties and equipment, net	1,435,101	1,427,190
Other assets		
Goodwill	1,284,665	1,288,090
Intangible assets net	353,410	356,144
Investment in NCM	180,392	178,853
Investments in and advances to affiliates	67,050	59,657
Long-term deferred tax asset	319	330
Deferred charges and other assets net	87,607	104,300
Total other assets	1,973,443	1,987,374
<b>Total assets</b>	<b>\$ 4,088,878</b>	<b>\$ 4,144,163</b>
<b>Liabilities and equity</b>		
Current liabilities		
Current portion of long-term debt	\$ 9,124	\$ 9,856
Current portion of capital lease obligations	14,612	13,847
Current income tax payable	35,444	22,081
Current liability for uncertain tax positions	963	963
Accounts payable and accrued expenses	293,195	348,965

Edgar Filing: Cinemark Holdings, Inc. - Form 10-Q

Total current liabilities	353,338	395,712
Long-term liabilities		
Long-term debt, less current portion	1,821,194	1,822,944
Capital lease obligations, less current portion	203,272	202,509
Long-term deferred tax liability	131,528	148,746
Long-term liability for uncertain tax positions	19,661	19,167
Deferred lease expenses	45,168	43,552
Deferred revenue NCM	340,904	334,429
Other long-term liabilities	73,746	74,687
Total long-term liabilities	2,635,473	2,646,034
Commitments and contingencies (see Note 19)		
Equity		
Cinemark Holdings, Inc.'s stockholders' equity:		
Common stock, \$0.001 par value: 300,000,000 shares authorized, 119,719,108 shares issued and 115,689,880 shares outstanding at March 31, 2014 and 119,077,473 shares issued and 115,382,538 shares outstanding at December 31, 2013	120	119
Additional paid-in-capital	1,086,456	1,079,304
Treasury stock, 4,029,228 and 3,694,935 shares, at cost, at March 31, 2014 and December 31, 2013, respectively	(61,722)	(51,946)
Retained earnings	154,191	147,764
Accumulated other comprehensive loss	(88,232)	(81,819)
Total Cinemark Holdings, Inc.'s stockholders' equity	1,090,813	1,093,422
Noncontrolling interests	9,254	8,995
Total equity	1,100,067	1,102,417
<b>Total liabilities and equity</b>	<b>\$ 4,088,878</b>	<b>\$ 4,144,163</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data, unaudited)

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Admissions	\$ 380,914	\$ 349,414
Concession	193,023	172,396
Other	28,343	25,963
<b>Total revenues</b>	<b>602,280</b>	<b>547,773</b>
<b>Cost of operations</b>		
Film rentals and advertising	200,657	179,992
Concession supplies	30,053	28,000
Salaries and wages	64,351	58,469
Facility lease expense	78,357	69,618
Utilities and other	75,932	68,752
General and administrative expenses	39,372	37,779
Depreciation and amortization	42,496	39,032
Impairment of long-lived assets	354	844
(Gain) loss on sale of assets and other	2,853	(342)
<b>Total cost of operations</b>	<b>534,425</b>	<b>482,144</b>
<b>Operating income</b>	<b>67,855</b>	<b>65,629</b>
<b>Other income (expense)</b>		
Interest expense	(28,480)	(32,606)
Interest income	1,014	803
Foreign currency exchange gain	3,052	1,330
Distributions from NCM	9,497	6,103
Equity in income of affiliates	3,620	2,421
<b>Total other expense</b>	<b>(11,297)</b>	<b>(21,949)</b>
<b>Income before income taxes</b>	<b>56,558</b>	<b>43,680</b>
Income taxes	20,862	10,618
<b>Net income</b>	<b>\$ 35,696</b>	<b>\$ 33,062</b>
Less: Net income attributable to noncontrolling interests	253	468
<b>Net income attributable to Cinemark Holdings, Inc.</b>	<b>\$ 35,443</b>	<b>\$ 32,594</b>

**Weighted average shares outstanding**

Basic	114,182	113,447
Diluted	114,610	113,979
<b>Earnings per share attributable to Cinemark Holdings, Inc. s common stockholders</b>		
Basic	\$ 0.31	\$ 0.28
Diluted	\$ 0.31	\$ 0.28
Dividends declared per common share	\$ 0.25	\$ 0.21

The accompanying notes are an integral part of the condensed consolidated financial statements.



Table of Contents

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands, unaudited)

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Net income</b>	\$ 35,696	\$ 33,062
<b>Other comprehensive income (loss), net of tax</b>		
Unrealized gain due to fair value adjustments on interest rate swap agreements, net of settlements, net of taxes of \$368 and \$428	497	776
Unrealized gain due to fair value adjustments on available-for-sale securities, net of taxes of \$1,192 and \$833	2,023	1,356
Other comprehensive income of equity method investments	262	
Foreign currency translation adjustments	(9,189)	1,586
<b>Total other comprehensive income (loss), net of tax</b>	<b>(6,407)</b>	<b>3,718</b>
<b>Total comprehensive income, net of tax</b>	<b>29,289</b>	<b>36,780</b>
<b>Comprehensive income attributable to noncontrolling interests</b>	<b>(259)</b>	<b>(512)</b>
<b>Comprehensive income attributable to Cinemark Holdings, Inc.</b>	<b>\$ 29,030</b>	<b>\$ 36,268</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands, unaudited)

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Net income	\$ 35,696	\$ 33,062
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	41,724	38,070
Amortization of intangible and other assets and favorable/unfavorable leases	772	962
Amortization of long-term prepaid rents	378	650
Amortization of debt issue costs	1,311	1,386
Amortization of deferred revenues, deferred lease incentives and other	(3,288)	(2,552)
Amortization of bond discount		247
Impairment of long-lived assets	354	844
Share based awards compensation expense	3,523	3,450
(Gain) loss on sale of assets and other	2,853	(342)
Deferred lease expenses	1,599	890
Deferred income tax expenses	(16,436)	(19,165)
Equity in income of affiliates	(3,620)	(2,421)
Distributions from equity investees	7,328	2,290
Changes in assets and liabilities and other	(10,317)	(14,784)
Net cash provided by operating activities	61,877	42,587
<b>Investing activities</b>		
Additions to theatre properties and equipment	(52,806)	(36,889)
Proceeds from sale of theatre properties and equipment and other	51	8,006
Investment in joint ventures and other	(946)	(2,312)
Net cash used for investing activities	(53,701)	(31,195)
<b>Financing activities</b>		
Proceeds from stock option exercises	112	6
Payroll taxes paid as a result of restricted stock withholdings	(9,776)	(3,254)
Dividends paid to stockholders	(28,845)	(24,148)
Repayments of long-term debt	(2,457)	(2,381)
Payments on capital leases	(3,989)	(2,645)
Other	3,518	3,341
Net cash used for financing activities	(41,437)	(29,081)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(3,965)	(672)
<b>Decrease in cash and cash equivalents</b>	(37,226)	(18,361)
<b>Cash and cash equivalents:</b>		

Beginning of period	599,929	742,664
End of period	\$ 562,703	\$ 724,303

Supplemental information (see Note 16)

The accompanying notes are an integral part of the condensed consolidated financial statements.

---

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In thousands, except share and per share data

**1. The Company and Basis of Presentation**

Cinemark Holdings, Inc. and subsidiaries (the "Company") is a leader in the motion picture exhibition industry, with theatres in the United States ( "U.S. "), Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. The Company also managed additional theatres in the U.S., Brazil, and Colombia during the three months ended March 31, 2014.

The accompanying condensed consolidated balance sheet as of December 31, 2013, which was derived from audited financial statements, and the unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( "U.S. GAAP" ) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. Majority-owned subsidiaries that the Company has control of are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method. Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2013, included in the Annual Report on Form 10-K filed February 28, 2014 by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act" ). Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results to be achieved for the full year.

**2. New Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board ( "FASB" ) issued Accounting Standards Update 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ( "ASU 2014-08" ). The update changes the criteria for reporting discontinued operations and enhancing convergence of the FASB's and International Accounting Standard Board's (IASB) reporting requirements for discontinued operations. ASU 2014-08 is effective for a) all disposals or classifications as held for sale of components of an entity that occur within annual periods beginning on or after December 15, 2014 and interim periods within those years and b) all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within the annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for

disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We do not expect the adoption of ASU 2014-08 to have a significant impact on our condensed consolidated financial statements.

Table of Contents

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

**3. Earnings Per Share**

The Company considers its unvested restricted stock awards, which contain non-forfeitable rights to dividends, participating securities, and includes such participating securities in its computation of earnings per share pursuant to the two-class method. Basic earnings per share for the two classes of stock (common stock and unvested restricted stock) is calculated by dividing net income by the weighted average number of shares of common stock and unvested restricted stock outstanding during the reporting period. Diluted earnings per share is calculated using the weighted average number of shares of common stock plus the potentially dilutive effect of common equivalent shares outstanding determined under both the two class method and the treasury stock method.

The following table presents computations of basic and diluted earnings per share under the two-class method:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Numerator:</b>		
Net income attributable to Cinemark Holdings, Inc.	\$ 35,443	\$ 32,594
Earnings allocated to participating share-based awards <sup>(1)</sup>	(211)	(318)
Net income attributable to common stockholders	\$ 35,232	\$ 32,276
<b>Denominator (shares in thousands):</b>		
Basic weighted average common stock outstanding	114,182	113,447
Common equivalent shares for stock options		15
Common equivalent shares for restricted stock units	428	517
Diluted	114,610	113,979
Basic earnings per share attributable to common stockholders	\$ 0.31	\$ 0.28
Diluted earnings per share attributable to common stockholders	\$ 0.31	\$ 0.28

<sup>(1)</sup> For the three months ended March 31, 2014 and 2013, a weighted average of approximately 689 and 1,128 shares of unvested restricted stock, respectively, were considered participating securities.

#### **4. Fair Value of Long-Term Debt**

The Company estimates the fair value of its long-term debt primarily using quoted market prices, which fall under Level 2 of the U.S. GAAP fair value hierarchy as defined by FASB Accounting Standards Codification ( ASC ) Topic 820-10-35, *Fair Value Measurement*. The carrying value of the Company's long-term debt was \$1,830,318 and \$1,832,800 as of March 31, 2014 and December 31, 2013, respectively. The fair value of the Company's long-term debt was \$1,827,254 and \$1,815,879 as of March 31, 2014 and December 31, 2013, respectively.

#### **5. Acquisitions and Dispositions**

##### *Acquisition of Rave Theatres*

On May 29, 2013, the Company acquired 32 theatres with 483 screens from Rave Real Property Holdco, LLC and certain of its subsidiaries, Rave Cinemas, LLC and RC Processing, LLC (collectively Rave ) in an asset purchase for approximately \$236,875 in cash plus the assumption of certain liabilities (the Rave Acquisition ). The acquisition resulted in an expansion of the Company's domestic theatre base into one new state and seven new markets. The transaction was subject to antitrust approval by the Department of Justice or Federal Trade Commission. The Department of Justice required the Company to agree to divest of three of the newly-acquired theatres, which occurred during August 2013 (see discussion below).

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

The transaction was accounted for by applying the acquisition method. The following table represents the fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date:

Theatre properties and equipment	\$ 102,977
Tradename	25,000
Favorable leases	17,587
Goodwill	186,418
Unfavorable leases	(30,718)
Deferred revenue	(6,634)
Capital lease liabilities	(61,651)
Other assets, net of other liabilities	3,896
<b>Total</b>	<b>\$ 236,875</b>

The weighted average amortization period for the intangible assets acquired was approximately 14 years as of the acquisition date. The goodwill is fully deductible for tax purposes.

The following unaudited pro forma information summarizes our results of operations as if the Rave Acquisition had occurred as of January 1, 2013:

	<b>Three Months Ended March 31, 2013</b>
Total revenues	\$ 600,611
Income before income taxes	\$ 47,412

The Company acquired two additional theatres with 30 screens during April 2013 in two separate transactions for an aggregate purchase price of approximately \$22,372 in cash plus the assumption of certain liabilities. The transactions were accounted for by applying the acquisition method. The following table represents the aggregate fair values of identifiable assets acquired and the liabilities assumed as of the acquisition date:

Theatre properties and equipment	\$ 17,524
Goodwill	17,409
Capital lease liability	(12,173)



Deferred revenue	(388)
<b>Total</b>	<b>\$ 22,372</b>

### *Disposition of Mexico Subsidiaries*

During February 2013, the Company entered into a stock purchase agreement with Grupo Cinemex, S.A. De C.V. pursuant to which the Company would sell its Mexican subsidiaries, which consisted of 31 theatres and 290 screens. The transaction was subject to approval by the Mexican Federal Competition Commission (the Competition Commission). During November 2013, the Competition Committee approved the sale and the transaction closed on November 15, 2013. The sales price, which was paid in Mexican pesos, was approximately \$126,167, based on the exchange rate at November 15, 2013.

### *Disposition of Three Rave Theatres*

In conjunction with the Rave Acquisition, the Company was required to divest of three theatres pursuant to a Hold Separate Agreement with the Department of Justice. On July 17, 2013, the Company entered into a definitive agreement to sell these three theatres to Carmike Cinemas, Inc. The transaction was approved by the Department of Justice and closed on August 16, 2013.

Table of Contents

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

**6. Equity**

Below is a summary of changes in stockholders' equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the three months ended March 31, 2014 and 2013:

	<b>Cinemark Holdings, Inc. Stockholders Equity</b>	<b>Noncontrolling Interests</b>	<b>Total Equity</b>
Balance at January 1, 2014	\$ 1,093,422	\$ 8,995	\$ 1,102,417
Share based awards compensation expense	3,523		3,523
Stock withholdings related to share based awards that vested during the three months ended March 31, 2014	(9,776)		(9,776)
Exercise of stock options	112		112
Tax benefit related to share based awards vesting	3,518		3,518
Dividends paid to stockholders <sup>(1)</sup>	(28,845)		(28,845)
Dividends accrued on unvested restricted stock unit awards <sup>(1)</sup>	(171)		(171)
Net income	35,443	253	35,696
Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of \$368	497		497
Fair value adjustments on available-for-sale securities, net of taxes of \$1,192	2,023		2,023
Other comprehensive income in equity method investees	262		262
Foreign currency translation adjustments	(9,195)	6	(9,189)
Balance at March 31, 2014	\$ 1,090,813	\$ 9,254	\$ 1,100,067

	<b>Cinemark Holdings, Inc. Stockholders Equity</b>	<b>Noncontrolling Interests</b>	<b>Total Equity</b>
Balance at January 1, 2013	\$ 1,084,065	\$ 10,919	\$ 1,094,984

Edgar Filing: Cinemark Holdings, Inc. - Form 10-Q

Share based awards compensation expense	3,450		3,450
Stock withholdings related to share based awards that vested during the three months ended March 31, 2013	(3,254)		(3,254)
Exercise of stock options	6		6
Tax benefit related to share based awards vesting	3,452		3,452
Dividends paid to stockholders <sup>(2)</sup>	(24,148)		(24,148)
Dividends accrued on unvested restricted stock unit awards <sup>(2)</sup>	(177)		(177)
Dividends paid to noncontrolling interests		(110)	(110)
Net income	32,594	468	33,062
Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of \$428	776		776
Fair value adjustments on available-for-sale securities, net of taxes of \$833	1,356		1,356
Foreign currency translation adjustments	1,542	44	1,586
Balance at March 31, 2013	\$ 1,099,662	\$ 11,321	\$ 1,110,983

- (1) On February 14, 2014, the Company's board of directors declared a cash dividend for the fourth quarter of 2013 in the amount of \$0.25 per share of common stock payable to stockholders of record on March 4, 2014. The dividend was paid on March 19, 2014.
- (2) On February 12, 2013, the Company's board of directors declared a cash dividend for the fourth quarter of 2012 in the amount of \$0.21 per share of common stock payable to stockholders of record on March 4, 2013. The dividend was paid on March 15, 2013.

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In thousands, except share and per share data

**7. Investment in National CineMedia**

The Company has an investment in National CineMedia, LLC ( NCM ). NCM operates a digital in-theatre network in the U.S. for providing cinema advertising and non-film events. Upon joining NCM, the Company entered into an Exhibitor Services Agreement with NCM ( ESA ), pursuant to which NCM provides advertising, promotion and event services to our theatres. As described further in Note 6 to the Company's financial statements as included in its 2013 Annual Report on Form 10-K, on February 13, 2007, National CineMedia, Inc. ( NCM, Inc. ), an entity that serves as the sole manager of NCM, completed an initial public offering ( IPO ) of its common stock. In connection with the NCM Inc. initial public offering, the Company amended its operating agreement and the ESA. Following the NCM, Inc. IPO, the Company does not recognize undistributed equity in the earnings on its original NCM membership units (referred to herein as the Company's Tranche 1 Investment) until NCM's future net earnings, less distributions received, surpass the amount of the excess distribution. The Company recognizes equity in earnings on its Tranche 1 Investment only to the extent it receives cash distributions from NCM. The Company recognizes cash distributions it receives from NCM on its Tranche 1 Investment as a component of earnings as Distributions from NCM. The Company believes that the accounting model provided by ASC 323-10-35-22 for recognition of equity investee losses in excess of an investor's basis is analogous to the accounting for equity income subsequent to recognizing an excess distribution.

Below is a summary of activity with NCM included in the Company's condensed consolidated financial statements:

	<b>Investment in NCM</b>	<b>Deferred Revenue</b>	<b>Distributions from NCM</b>	<b>Equity in Earnings</b>	<b>Other Comprehensive Revenue</b>	<b>Other Comprehensive Income</b>	<b>Cash Received</b>
Balance as of January 1, 2014	\$ 178,853	\$ (334,429)					
Receipt of common units due to annual common unit adjustment	8,216	(8,216)	\$	\$	\$	\$	\$
Revenues earned under ESA (1)					(2,296)		2,296
Receipt of excess cash distributions	(4,943)		(5,987)				10,930
Receipt under tax receivable agreement	(2,385)		(3,510)				5,895
Equity in earnings	432			(432)			
Equity in other comprehensive income	219					(219)	
Amortization of deferred revenue		1,741			(1,741)		

Balance as of and for the period ended March 31, 2014	\$ 180,392	\$ (340,904)	\$ (9,497)	\$ (432)	\$ (4,037)	\$ (219)	\$ 19,121
--	------------	--------------	------------	----------	------------	----------	-----------

- (1) Amount includes the per patron and per digital screen theatre access fees due to the Company, net of amounts due to NCM for on-screen advertising time provided to the Company's beverage concessionaire of approximately \$2,746.

During the three months ended March 31, 2014 and 2013, the Company recorded equity earnings of approximately \$432 and \$866, respectively.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCM, Inc. and the Company, AMC Entertainment, Inc. ( "AMC" ) and Regal Entertainment Group ( "Regal" ), annual adjustments to the common membership units are made primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each Founding Member. As further discussed in Note 6 to the Company's financial statements as included in its 2013 Annual Report on Form 10-K, the common units received are recorded at fair value as an increase in the Company's investment in NCM with an offset to deferred revenue. The deferred revenue is amortized over the remaining term of the ESA. During March 2014, NCM performed its annual common unit adjustment calculation under the Common Unit Adjustment Agreement. As a result of the calculation, the Company received an additional 557,631 common units of NCM, each of which is convertible into one share of NCM, Inc. common stock. The Company recorded the additional common units received at fair value with a corresponding adjustment to deferred revenue of approximately \$8,216. The deferred revenue will be recognized over the remaining term of the ESA, which is approximately 22 years.

As of March 31, 2014, the Company owned a total of 24,556,136 common units of NCM, representing an ownership interest of approximately 19%.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

Below is summary financial information for NCM for the three months ended March 27, 2014 and March 28, 2013.

	<b>Three Months Ended</b>	
	<b>March 27, 2014</b>	<b>March 28, 2013</b>
Gross revenues	\$ 70,215	\$ 82,219
Operating income	\$ 12,767	\$ 21,635
Net earnings (loss)	\$ (2,764)	\$ 5,625

**8. Investment in Digital Cinema Implementation Partners**

On February 12, 2007, the Company, AMC and Regal entered into a joint venture known as Digital Cinema Implementation Partners LLC ( "DCIP" ) to facilitate the implementation of digital cinema in the Company's theatres and to establish agreements with major motion picture studios for the financing of digital cinema. On March 10, 2010, the Company signed a master equipment lease agreement and other related agreements (collectively the "agreements" ) with Kasima LLC ( "Kasima" ), which is an indirect subsidiary of DCIP and a related party to the Company. As of March 31, 2014, the Company had a 33% voting interest in DCIP and a 24.3% economic interest in DCIP.

The Company has a variable interest in Kasima through the terms of its master equipment lease agreement; however, the Company has determined that it is not the primary beneficiary of Kasima, as the Company does not have the ability to direct the activities of Kasima that most significantly impact Kasima's economic performance. The Company accounts for its investment in DCIP and its subsidiaries under the equity method of accounting. During the three months ended March 31, 2014 and 2013, the Company recorded equity income of approximately \$3,294 and \$1,552, respectively, relating to this investment.

Below is a summary of changes in the Company's investment in DCIP for the three months ended March 31, 2014:

	<b>Investment in DCIP</b>
Balance as of January 1, 2014	\$ 38,033
Cash contributions	946
Equity in income	3,294
Equity in other comprehensive income	43
Balance as of March 31, 2014	\$ 42,316

The digital projection systems that are leased from Kasima are under an operating lease with an initial term of twelve years that contains ten one-year fair value renewal options. The equipment lease agreement also contains a fair value purchase option. Under the equipment lease agreement, which was amended effective March 31, 2014, the Company pays minimum annual rent of one thousand dollars per digital projection system. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the Agreements. Certain of the other rent payments are subject to either a monthly or an annual maximum. As of March 31, 2014, the Company had 3,631 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company recorded equipment lease expense of approximately \$2,045 and \$1,966 during the three months ended March 31, 2014 and 2013, respectively, which is included in utilities and other costs on the condensed consolidated statements of income.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

Below is summary financial information for DCIP for the three months ended March 31, 2014 and 2013.

	<b>Three Months Ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Revenues	\$ 42,688	\$ 43,055
Operating income	\$ 24,304	\$ 26,641
Net income	\$ 5,528	\$ 11,808

**9. Investment in Marketable Securities RealD, Inc.**

The Company owns 1,222,780 shares of RealD, Inc. ( RealD ) and accounts for its investment in RealD as a marketable security. The Company has determined that its RealD shares are available-for-sale securities in accordance with ASC Topic 320-10-35-1, therefore unrealized holding gains and losses are reported as a component of accumulated other comprehensive loss until realized.

As of March 31, 2014, the estimated fair value of the Company's investment in RealD was \$13,658, which is based on the closing price of RealD's common stock on March 31, 2014, and falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. During the three months ended March 31, 2014, the Company recorded an unrealized holding gain of approximately \$3,215, before taxes, as a component of accumulated other comprehensive loss on the condensed consolidated balance sheet.

Below is a summary of changes in the Company's investment in RealD for the three months ended March 31, 2014:

	<b>Investment in RealD</b>
Balance as of January 1, 2014	\$ 10,443
Unrealized holding gain	3,215
Balance as of March 31, 2014	\$ 13,658

**10. Treasury Stock and Share Based Awards**

*Treasury Stock* Treasury stock represents shares of common stock repurchased or withheld by the Company and not yet retired. The Company has applied the cost method in recording its treasury shares. Below is a summary of the Company's treasury stock activity for the three months ended March 31, 2014:



	<b>Number of Treasury Shares</b>	<b>Cost</b>
Balance at January 1, 2014	3,694,935	\$ 51,946
Restricted stock withholdings <sup>(1)</sup>	333,507	9,776
Restricted stock forfeitures	786	
Balance at March 31, 2014	4,029,228	\$ 61,722

- <sup>(1)</sup> The Company withheld restricted shares as a result of the election by certain employees to satisfy their tax liabilities upon vesting in restricted stock and restricted stock units. The Company determined the number of shares to be withheld based upon market values ranging from \$28.84 to \$30.75 per share.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

As of March 31, 2014, the Company had no plans to retire any shares of treasury stock.

*Stock Options* During the three months ended March 31, 2014, 14,584 stock options were exercised at a weighted average exercise price of \$7.63 and a total intrinsic value of \$296. The Company recognized a tax benefit of approximately \$124 related to the stock option exercises. As of March 31, 2014, there were no stock options outstanding.

*Restricted Stock* During the three months ended March 31, 2014, the Company granted 234,813 shares of restricted stock to employees. The fair value of the restricted stock granted was determined based on the market value of the Company's common stock on the date of grant, which was \$28.54 per share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock awards. Certain of the restricted stock granted to employees vests over two years based on continued service and the remaining restricted stock granted to employees vests over four years based on continued service. The recipients of restricted stock are entitled to receive dividends and to vote their respective shares, however, the sale and transfer of the restricted shares is prohibited during the restriction period.

Below is a summary of restricted stock activity for the three months ended March 31, 2014:

	<b>Shares of Restricted Stock</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at January 1, 2014	1,260,913	\$ 21.85
Granted	234,813	\$ 28.54
Vested	(586,955)	\$ 20.04
Forfeited	(786)	\$ 23.36
Outstanding at March 31, 2014	907,985	\$ 24.75
Unvested restricted stock at March 31, 2014	907,985	\$ 24.75

The Company receives an income tax deduction upon vesting of the restricted stock awards. The total fair value of shares that vested during the three months ended March 31, 2014 was \$17,466. The Company recognized a tax benefit of approximately \$6,645 during the three months ended March 31, 2014 related to these vested shares.

The Company recorded compensation expense of \$2,616 and \$2,588 related to restricted stock awards during the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, the estimated remaining unrecognized

compensation expense related to restricted stock awards was \$18,397 and the weighted average period over which this remaining compensation expense will be recognized is approximately two years.

*Restricted Stock Units* During the three months ended March 31, 2014, the Company granted restricted stock units representing 197,515 hypothetical shares of common stock to employees. The restricted stock units vest based on a combination of financial performance factors and continued service. The financial performance factors are based on an implied equity value concept that determines an internal rate of return ( IRR ) during the two fiscal year periods ending December 31, 2015 based on a formula utilizing a multiple of Adjusted EBITDA subject to certain specified adjustments as defined in the restricted stock unit award agreement. The financial performance factors for the restricted stock units have a threshold, target and maximum level of payment opportunity and vest on a prorata basis according to the IRR achieved by the Company during the performance period. If the IRR for the two year period is at least 8.5%, which is the threshold, one-third of the restricted stock units vest. If the IRR for the two year period is at least 10.5%, which is the target, two-thirds of the restricted stock units vest. If the IRR for the two year period is at least 12.5%, which is the maximum, 100% of the restricted stock units vest. Grantees are eligible to receive a ratable portion of the common stock issuable if the IRR is within the targets previously noted. All payouts of restricted stock units that vest will be subject to an additional two year service requirement and will be paid in the form of common stock if the participant continues to provide services through March 2018, which is the fourth anniversary of the grant date. Restricted stock unit award participants are eligible to receive dividend equivalent payments if and at the time the restricted stock unit awards vest.

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In thousands, except share and per share data

Below is a table summarizing the potential number of shares that could vest under restricted stock unit awards granted during the three months ended March 31, 2014 at each of the three target levels of financial performance (excluding forfeiture assumptions):

	<b>Number of Shares Vesting</b>	<b>Value at Grant</b>
at IRR of at least 8.5%	65,832	\$ 1,879
at IRR of at least 10.5%	131,683	\$ 3,758
at IRR of at least 12.5%	197,515	\$ 5,637

Due to the fact that the IRR for the two year performance period could not be determined at the time of grant, the Company estimated that the most likely outcome is the achievement of the mid-point IRR level. The fair value of the restricted stock unit awards was determined based on the market value of the Company's common stock on the date of grant, which was \$28.54 per share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock unit awards. If during the service period, additional information becomes available to lead the Company to believe a different IRR level will be achieved for the two year performance period, the Company will reassess the number of units that will vest for the grant and adjust its compensation expense accordingly on a prospective basis over the remaining service period.

The Company recorded compensation expense of \$907 and \$862 related to restricted stock unit awards during the three months ended March 31, 2014 and 2013, respectively.

During the three months ended March 31, 2014, 392,238 restricted stock unit awards vested. Upon vesting, each restricted stock unit was converted into one share of the Company's common stock. The fair value of the restricted stock unit awards that vested during the three months ended March 31, 2014 was approximately \$11,194. The Company recognized a tax benefit of approximately \$4,751 during the three months ended March 31, 2014 related to these vested awards.

As of March 31, 2014, the estimated remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was \$6,777. The weighted average period over which this remaining compensation expense will be recognized is approximately two years. As of March 31, 2014, the Company had restricted stock units outstanding that represented a total of 607,806 hypothetical shares of common stock, net of actual cumulative forfeitures of 11,498 units, assuming the maximum IRR level is achieved for each of the grants.

**11. Interest Rate Swap Agreements**

The Company is currently a party to three interest rate swap agreements that are used to hedge interest rate risk associated with the variable interest rates on the Company's term loan debt and qualify for cash flow hedge accounting. The fair values of the interest rate swaps are recorded on the Company's condensed consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of accumulated other comprehensive loss and the ineffective portion reported in earnings. The changes in fair values are reclassified from accumulated other comprehensive loss into earnings in the same period that the hedged items affect earnings.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparties to the interest rate swap agreements and the fixed rates that the Company is obligated to pay under these agreements. Therefore, the Company's measurements use significant unobservable inputs, which fall in Level 3 of the U.S. GAAP hierarchy as defined by FASB ASC Topic 820-10-35. There were no changes in valuation techniques during the period and no transfers in or out of Level 3. See Note 14 for a summary of unrealized gains or losses recorded in accumulated other comprehensive loss and earnings.

Table of Contents

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

Below is a summary of the Company's current interest rate swap agreements designated as cash flow hedges as of March 31, 2014:

Nominal Amount	Effective Date	Pay Rate	Receive Rate	Expiration Date	Current Liability <sup>(1)</sup>	Long-Term Liability <sup>(2)</sup>	Estimated Total Fair Value at March 31, 2014
\$ 175,000	December 2010	1.3975%	1-Month LIBOR	September 2015	\$ 2,020	\$ 847	\$ 2,867
\$ 175,000	December 2010	1.4000%	1-Month LIBOR	September 2015	2,040	851	2,891
\$ 100,000	November 2011	1.7150%	1-Month LIBOR	April 2016	1,485	1,067	2,552
\$ 450,000					\$ 5,545	\$ 2,765	\$ 8,310

(1) Included in accounts payable and accrued expenses on the condensed consolidated balance sheet as of March 31, 2014.

(2) Included in other long-term liabilities on the condensed consolidated balance sheet as of March 31, 2014.

The changes in accumulated other comprehensive loss, net of taxes, related to the Company's interest rate swap agreements for the three months ended March 31, 2014 and 2013 were as follows:

		Interest Rate Swaps	
		2014	2013
Beginning balances	January 1	\$ (5,716)	\$ (8,867)
Other comprehensive loss before reclassifications, net of taxes of \$506 and \$409		(979)	(636)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of taxes of \$874 and \$837		1,476	1,412
Net other comprehensive income		\$ 497	\$ 776
Ending balances	March 31	\$ (5,219)	\$ (8,091)

**12. Goodwill and Other Intangible Assets**

The Company's goodwill was as follows:

	<b>U.S. Operating Segment</b>	<b>International Operating Segment</b>	<b>Total</b>
Balance at January 1, 2014 <sup>(1)</sup>	\$ 1,150,471	\$ 137,619	\$ 1,288,090
Foreign currency translation adjustments		(3,425)	(3,425)
Balance at March 31, 2014 <sup>(1)</sup>	\$ 1,150,471	\$ 134,194	\$ 1,284,665

<sup>(1)</sup> Balances are presented net of accumulated impairment losses of \$214,031 for the U.S. operating segment and \$27,622 for the international operating segment.

The Company evaluates goodwill for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill might exceed its estimated fair value. The Company evaluates goodwill for impairment at the reporting unit level and has allocated goodwill to the reporting unit based on an estimate of its relative fair value. The Company considers the reporting unit to be each of its eighteen regions in the U.S. and each of its eight countries internationally (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are considered one reporting unit). Goodwill impairment is evaluated using a two-step approach requiring the Company to compute the fair value of a reporting unit and compare it with its carrying value. If the carrying value of the reporting unit exceeds the estimated fair value, a second step is performed to measure the potential goodwill impairment. Significant judgment is involved in estimating cash flows and fair value. Management's estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was eight times for the evaluation performed during the fourth quarter of 2013.

Table of Contents

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

No events or changes in circumstances occurred during the three months ended March 31, 2014 that indicated the carrying value of goodwill might exceed its estimated fair value.

Intangible assets consisted of the following:

	<b>Balance at January 1, 2014</b>	<b>Amortization</b>	<b>Other <sup>(1)</sup></b>	<b>Balance at March 31, 2014</b>
<i>Intangible assets with finite lives:</i>				
Gross carrying amount	\$ 101,617	\$	\$ (1,171)	\$ 100,446
Accumulated amortization	(46,297)	(1,629)		(47,926)
Total net intangible assets with finite lives	\$ 55,320	\$ (1,629)	\$ (1,171)	\$ 52,520
<i>Intangible assets with indefinite lives:</i>				
Tradename	300,824		66	300,890
Total intangible assets net	\$ 356,144	\$ (1,629)	\$ (1,105)	\$ 353,410

<sup>(1)</sup> Consists primarily of foreign currency translation adjustments.

Estimated aggregate future amortization expense for intangible assets is as follows:

For the nine months ended December 31, 2014	\$ 4,598
For the twelve months ended December 31, 2015	5,988
For the twelve months ended December 31, 2016	5,876
For the twelve months ended December 31, 2017	5,319
For the twelve months ended December 31, 2018	4,402
Thereafter	26,337
<b>Total</b>	<b>\$ 52,520</b>



### **13. Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment indicators on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable.

The Company considers actual theatre level cash flows, budgeted theatre level cash flows, theatre property and equipment carrying values, amortizing intangible asset carrying values, the age of a recently built theatre, competitive theatres in the marketplace, the impact of recent ticket price changes, available lease renewal options and other factors considered relevant in its assessment of impairment of individual theatre assets. Long-lived assets are evaluated for impairment on an individual theatre basis, which the Company believes is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods for leased properties and a period of approximately twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset's carrying value, the Company then compares the carrying value of the asset group (theatre) with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group (theatre), the asset group (theatre) is written down to its estimated fair value. Significant judgment is involved in estimating cash flows and fair value. Management's estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was six and a half times for the evaluations performed during the three months ended March 31, 2014 and 2013. As of March 31, 2014, the estimated aggregate fair value of the long-lived assets impaired during the three months ended March 31, 2014 was approximately \$726.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

The long-lived asset impairment charges recorded during each of the periods presented are specific to theatres that were directly and individually impacted by increased competition, adverse changes in market demographics or adverse changes in the development or the conditions of the areas surrounding the theatre.

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
United States theatre properties	\$ 354	\$ 119
International theatre properties		725
Impairment of long-lived assets	\$ 354	\$ 844

**14. Fair Value Measurements**

The Company determines fair value measurements in accordance with FASB ASC Topic 820, which establishes a fair value hierarchy under which an asset or liability is categorized based on the lowest level of input significant to its fair value measurement. The levels of input defined by FASB ASC Topic 820 are as follows:

Level 1 quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2 other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 unobservable and should be used to measure fair value to the extent that observable inputs are not available.

Below is a summary of assets and liabilities measured at fair value on a recurring basis by the Company under FASB ASC Topic 820 as of March 31, 2014:

<b>Description</b>	<b>Carrying Value</b>	<b>Fair Value</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Interest rate swap liabilities current (see Note 11)	\$ (5,545)	\$	\$	\$ (5,545)
Interest rate swap liabilities long-term (see Note 11)	\$ (2,765)	\$	\$	\$ (2,765)
Investment in RealD (see Note 9)	\$ 13,658	\$ 13,658	\$	\$

Edgar Filing: Cinemark Holdings, Inc. - Form 10-Q

Below is a summary of assets and liabilities measured at fair value on a recurring basis by the Company under FASB ASC Topic 820 as of December 31, 2013:

Description	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Interest rate swap liabilities current (see Note 11)	\$ (5,367)	\$	\$	\$ (5,367)
Interest rate swap liabilities long term (see Note 11)	\$ (3,809)	\$	\$	\$ (3,809)
Investment in RealD (see Note 9)	\$ 10,443	\$ 10,443	\$	\$

Below is a reconciliation of the beginning and ending balance for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

		Liabilities	
		2014	2013
Beginning balances	January 1	\$ 9,176	\$ 14,192
Total (gain) loss included in accumulated other comprehensive loss		610	208
Settlements		(1,476)	(1,412)
Ending balances	March 31	\$ 8,310	\$ 12,988

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In thousands, except share and per share data

The Company also uses the income approach for fair value measurements on a nonrecurring basis in the impairment evaluations of its long-lived assets (see Note 12 and Note 13). Additionally, the Company uses the market approach to estimate the fair value of its long-term debt (see Note 4). There were no changes in valuation techniques during the period. There were no transfers in or out of Level 1, Level 2 or Level 3 during the three months ended March 31, 2014.

**15. Foreign Currency Translation**

The accumulated other comprehensive loss account in stockholders' equity of \$88,232 and \$81,819 at March 31, 2014 and December 31, 2013, respectively, includes cumulative foreign currency adjustments of \$88,142 and \$78,947, respectively, from translating the financial statements of the Company's international subsidiaries, and also includes the change in fair values of the Company's interest rate swap agreements that are designated as hedges and the change in fair value of the Company's available-for-sale securities.

All foreign countries where the Company has operations are non-highly inflationary and the local currency is the same as the functional currency in all of the locations. Thus, any fluctuation in the currency results in a cumulative foreign currency translation adjustment recorded to accumulated other comprehensive loss.

Below is a summary of the impact of translating the March 31, 2014 financial statements of certain of the Company's international subsidiaries:

<b>Country</b>	<b>Exchange Rate as of</b>		<b>Total Assets at March 31, 2014</b>	<b>Other</b>
	<b>March 31, 2014</b>	<b>December 31, 2013</b>		<b>Comprehensive Income (Loss) for The Three Months Ended March 31, 2014</b>
Brazil	2.27	2.36	\$ 337,831	\$ 9,833
Argentina	8.05	6.52	\$ 99,896	(15,446)
Chile	550.20	525.55	\$ 51,029	(1,757)
All other				(1,825)
				\$ (9,195)

**16. Supplemental Cash Flow Information**

The following is provided as supplemental information to the condensed consolidated statements of cash flows:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Cash paid for interest	\$ 11,615	\$ 11,019
Cash paid for income taxes, net of refunds received	\$ 18,074	\$ 16,692
<b>Noncash investing and financing activities:</b>		
Change in accounts payable and accrued expenses for the acquisition of theatre properties and equipment <sup>(1)</sup>	\$ (3,792)	\$ (2,050)
Theatre properties acquired under capital lease	\$ 4,012	\$ 6,985
Change in fair market values of interest rate swap agreements, net of taxes	\$ (497)	\$ (776)
Investment in NCM receipt of common units (see Note 7)	\$ 8,216	\$ 8,869
Dividends accrued on unvested restricted stock unit awards	\$ (171)	\$ (177)
Change in fair market value of available-for-sale securities, net of taxes (see Note 9)	\$ 2,023	\$ 1,356

- <sup>(1)</sup> Additions to theatre properties and equipment included in accounts payable as of March 31, 2014 and December 31, 2013 were \$8,218 and \$12,010, respectively.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

**17. Segments**

The Company manages its international market and its U.S. market as separate reportable operating segments, with the international segment consisting of operations in Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. Each segment's revenue is derived from admissions and concession sales and other ancillary revenues, primarily screen advertising. The measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, as defined in the reconciliation table below. The Company does not report asset information by segment because that information is not used to evaluate the performance of or allocate resources between segments.

Below is a breakdown of selected financial information by reportable operating segment:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>Revenues</u></b>		
U.S.	\$ 444,920	\$ 366,363
International	160,192	184,193
Eliminations	(2,832)	(2,783)
<b>Total revenues</b>	<b>\$ 602,280</b>	<b>\$ 547,773</b>
<b><u>Adjusted EBITDA</u></b>		
U.S.	\$ 93,540	\$ 80,078
International	35,015	36,178
<b>Total Adjusted EBITDA</b>	<b>\$ 128,555</b>	<b>\$ 116,256</b>
<b><u>Capital expenditures</u></b>		
U.S.	\$ 30,312	\$ 6,156
International	22,494	30,733
<b>Total capital expenditures</b>	<b>\$ 52,806</b>	<b>\$ 36,889</b>

The following table sets forth a reconciliation of net income to Adjusted EBITDA:

**Three Months Ended**

	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net income	\$ 35,696	\$ 33,062
Add (deduct):		
Income taxes	20,862	10,618
Interest expense <sup>(1)</sup>	28,480	32,606
Other income <sup>(2)</sup>	(7,686)	(4,554)
Depreciation and amortization	42,496	39,032
Impairment of long-lived assets	354	844
(Gain) loss on sale of assets and other	2,853	(342)
Deferred lease expenses	1,599	890
Amortization of long-term prepaid rents	378	650
Share based awards compensation expense	3,523	3,450
Adjusted EBITDA	\$ 128,555	\$ 116,256

(1) Includes amortization of debt issue costs.

(2) Includes interest income, foreign currency exchange gain and equity in income of affiliates and excludes distributions from NCM. Distributions from NCM are reported entirely within the U.S. operating segment.

**Table of Contents**

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

*Financial Information About Geographic Areas*

Below is a breakdown of selected financial information by geographic area:

<b>Revenues</b>	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
U.S.	\$ 444,920	\$ 366,363
Brazil	75,399	82,117
Other international countries	84,793	102,076
Eliminations	(2,832)	(2,783)
<b>Total</b>	<b>\$ 602,280</b>	<b>\$ 547,773</b>

  

<b>Theatre Properties and Equipment-net</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
U.S.	\$ 1,057,365	\$ 1,062,471
Brazil	221,082	201,492
Other international countries	156,654	163,227
<b>Total</b>	<b>\$ 1,435,101</b>	<b>\$ 1,427,190</b>

**18. Related Party Transactions**

The Company manages theatres for Laredo Theatre, Ltd. ( Laredo ). The Company is the sole general partner and owns 75% of the limited partnership interests of Laredo. Lone Star Theatres, Inc. owns the remaining 25% of the limited partnership interests in Laredo and is 100% owned by Mr. David Roberts, Lee Roy Mitchell's son-in-law. Lee Roy Mitchell is the Company's Chairman of the Board of Directors and directly and indirectly owns approximately 9% of the Company's common stock. Under the agreement, management fees are paid by Laredo to the Company at a rate of 5% of annual theatre revenues up to \$50,000 and 3% of annual theatre revenues in excess of \$50,000. The Company recorded \$113 and \$118 of management fee revenues during the three months ended March 31, 2014 and 2013, respectively. All such amounts are included in the Company's condensed consolidated financial statements with the intercompany amounts eliminated in consolidation.

The Company leases 18 theatres and one parking facility from Syufy Enterprises, LP ( Syufy ) or affiliates of Syufy. Raymond Syufy is one of the Company's directors and is an officer of the general partner of Syufy. Of these 19 leases,



16 have fixed minimum annual rent. The three leases without minimum annual rent have rent based upon a specified percentage of gross sales as defined in the lease with no minimum annual rent. For the three months ended March 31, 2014 and 2013, the Company paid total rent of approximately \$5,765 and \$5,809, respectively, to Syufy.

## **19. Commitments and Contingencies**

From time to time, the Company is involved in various legal proceedings arising from the ordinary course of its business operations, such as personal injury claims, employment matters, landlord-tenant disputes, patent claims and contractual disputes, some of which are covered by insurance. The Company believes its potential liability with respect to proceedings currently pending is not material, individually or in the aggregate, to the Company's financial position, results of operations and cash flows.

## **20. Subsequent Event NCM, Inc. Announces Acquisition of Screenvision, LLC**

On May 5, 2014, NCM, Inc., the sole manager of NCM, announced that it has entered into an agreement to acquire Screenvision, LLC for \$375,000, consisting of cash and NCM, Inc. common stock. The transaction is subject to regulatory approval and other customary closing conditions.

## **Table of Contents**

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

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes and schedules included elsewhere in this report.

We are a leader in the motion picture exhibition industry, with theatres in the U.S., Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. As of March 31, 2014, we managed our business under two reportable operating segments – U.S. markets and international markets. See Note 17 to our condensed consolidated financial statements.

We generate revenues primarily from box office receipts and concession sales with additional revenues from screen advertising sales and other revenue streams, such as vendor marketing promotions, meeting rentals and electronic video games located in some of our theatres. Our contracts with NCM have assisted us in expanding our offerings to domestic advertisers and broadening ancillary revenue sources such as digital video monitor advertising and third party branding. Historically, we have also offered alternative entertainment, such as live and pre-recorded sports programs, concert events, the MET opera and other special presentations in our theatres through our relationship with NCM. We are continuing to offer this entertainment through our recently formed joint venture, AC JV, LLC. Our Flix Media initiative has allowed us to expand our screen advertising within our international circuit and to other international exhibitors. Films leading the box office during the three months ended March 31, 2014 included the carryover of *Frozen*, *The LEGO® Movie*, *Ride Along*, *Lone Survivor*, *Divergent* and *300: Rise of an Empire* among other films. Films currently scheduled for release during the remainder of 2014 include sequels such as *Hunger Games: Mockingjay Part I*, *Hobbit: The Battle of the Five Armies*, *Transformers: Age of Extinction*, *Amazing Spider-Man 2*, *How to Train Your Dragon 2*, *X Men: Days of Future Past*, *Dawn of the Planet of the Apes*, *Rio 2* and *Captain America: The Winter Soldier* and new films such as *Maleficent*, *Guardians of the Galaxy* and *Interstellar*, among other films.

Film rental costs are variable in nature and fluctuate with our admissions revenues. Film rental costs as a percentage of revenues are generally higher for periods in which more blockbuster films are released. Film rental costs can also vary based on the length of a film's run. Film rental rates are generally negotiated on a film-by-film and theatre-by-theatre basis. Advertising costs, which are expensed as incurred, are primarily fixed at the theatre level as daily movie directories placed in newspapers represent the largest component of advertising costs. The monthly cost of these advertisements is based on, among other things, the size of the directory and the frequency and size of the newspaper's circulation.

Concession supplies expense is variable in nature and fluctuates with our concession revenues. We purchase concession supplies to replace units sold. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain volume rates.

Although salaries and wages include a fixed cost component (i.e. the minimum staffing costs to operate a theatre facility during non-peak periods), salaries and wages move in relation to revenues as theatre staffing is adjusted to respond to changes in attendance. In some international locations, staffing levels are also subject to local regulations.

Facility lease expense is primarily a fixed cost at the theatre level as most of our facility leases require a fixed monthly minimum rent payment. Certain of our leases are subject to percentage rent only while others are subject to percentage rent in addition to their fixed monthly rent if a target annual revenue level is achieved. Facility lease expense as a percentage of revenues is also affected by the number of theatres under operating leases, the number of theatres under capital leases and the number of fee-owned theatres.

Utilities and other costs include certain costs that have both fixed and variable components such as utilities, property taxes, janitorial costs, repairs and maintenance and security services.

**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, certain operating data and the percentage of revenues represented by certain items reflected in our condensed consolidated statements of income. On May 29, 2013, we completed the Rave Acquisition, which consisted of 32 theatres with 483 screens. The results of operations for these theatres are reflected as of the date of acquisition. On November 15, 2013, we sold our Mexico theatres, which included 31 theatres and 290 screens. See Note 5 to our condensed consolidated financial statements for discussion of these transactions.

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating data (in millions):</b>		
Revenues		
Admissions	\$ 380.9	\$ 349.4
Concession	193.0	172.4
Other	28.4	26.0
Total revenues	\$ 602.3	\$ 547.8
Cost of operations		
Film rentals and advertising	200.7	180.0
Concession supplies	30.0	28.0
Salaries and wages	64.4	58.5
Facility lease expense	78.4	69.6
Utilities and other	75.9	68.8
General and administrative expenses	39.3	37.8
Depreciation and amortization	42.5	39.0
Impairment of long-lived assets	0.4	0.8
(Gain) loss on sale of assets and other	2.8	(0.3)
Total cost of operations	534.4	482.2
Operating income	\$ 67.9	\$ 65.6
<b>Operating data as a percentage of total revenues:</b>		
Revenues		
Admissions	63.3%	63.8%
Concession	32.0%	31.5%
Other	4.7%	4.7%
Total revenues	100%	100.0%
Cost of operations <sup>(1)</sup>		
Film rentals and advertising	52.7%	51.5%
Concession supplies	15.5%	16.2%
Salaries and wages	10.7%	10.7%

Edgar Filing: Cinemark Holdings, Inc. - Form 10-Q

Facility lease expense	13.0%	12.7%
Utilities and other	12.6%	12.6%
General and administrative expenses	6.5%	6.9%
Depreciation and amortization	7.1%	7.1%
Impairment of long-lived assets	0.1%	0.1%
(Gain) loss on sale of assets and other	0.5%	(0.1)%
Total cost of operations	88.7%	88.0%
Operating income	11.3%	12.0%
Average screen count (month end average)	5,585	5,249
Revenues per average screen (dollars)	\$ 107,839	\$ 104,368

- (1) All costs are expressed as a percentage of total revenues, except film rentals and advertising, which are expressed as a percentage of admissions revenues and concession supplies, which are expressed as a percentage of concession revenues.

**Table of Contents*****Three Months Ended March 31, 2014 Versus March 31, 2013***

**Revenues.** Total revenues increased \$54.5 million to \$602.3 million for the three months ended March 31, 2014 ( first quarter of 2014 ) from \$547.8 million for the three months ended March 31, 2013 ( first quarter of 2013 ), representing a 9.9% increase. The table below, presented by reportable operating segment, summarizes our year-over-year revenue performance and certain key performance indicators that impact our revenues.

	<b>U.S. Operating Segment Three Months Ended March 31,</b>			<b>International Operating Segment Three Months Ended March 31,</b>			<b>Consolidated Three Months Ended March 31,</b>		
			<b>%</b>			<b>%</b>			<b>%</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Admissions revenues <sup>(1)</sup>	\$ 282.7	\$ 234.6	20.5%	\$ 98.2	\$ 114.8	(14.5)%	\$ 380.9	\$ 349.4	9.0%
Concession revenues <sup>(1)</sup>	\$ 145.5	\$ 118.0	23.3%	\$ 47.5	\$ 54.4	(12.7)%	\$ 193.0	\$ 172.4	11.9%
Other revenues <sup>(1)(2)</sup>	\$ 13.9	\$ 11.0	26.4%	\$ 14.5	\$ 15.0	(3.3)%	\$ 28.4	\$ 26.0	9.2%
Total revenues <sup>(1)(2)</sup>	\$ 442.1	\$ 363.6	21.6%	\$ 160.2	\$ 184.2	(13.0)%	\$ 602.3	\$ 547.8	9.9%
Attendance <sup>(1)</sup>	40.6	34.7	17.0%	20.9	22.7	(7.9)%	61.5	57.4	7.1%

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 17 of our condensed consolidated financial statements.

**U.S.** The increase in admissions revenues of \$48.1 million was attributable to a 17.0% increase in attendance and a 3.0% increase in average ticket price from \$6.76 for the first quarter of 2013 to \$6.96 for the first quarter of 2014. The increase in concession revenues of \$27.5 million was attributable to the 17.0% increase in attendance and a 5.3% increase in concession revenues per patron from \$3.40 for the first quarter of 2013 to \$3.58 for the first quarter of 2014. Our revenues and attendance for the first quarter of 2014 benefited from the inclusion of the Rave theatres acquired on May 29, 2013 (see Note 5 to the condensed consolidated financial statements). The increase in attendance was also partly due to the success of the films released during the first quarter of 2014, including *The LEGO® Movie*, which grossed over \$250 million domestically, and the carryover of *Frozen*, which was released during late November 2013. The increase in average ticket price was primarily due to the pricing at the acquired theatres and price increases. The increase in concession revenues per patron was primarily due to incremental sales and price increases. The increase in other revenues was primarily attributable to the 17.0% increase in attendance, which resulted in increases in screen advertising, video game and other promotional revenues.

**International.** Decreases in revenues and attendance were primarily due to the sale of our Mexico theatres, which occurred during November 2013, partially offset by the impact of new theatres opened in certain of our other international countries. Admissions revenues decreased \$16.6 million, concession revenues decreased \$6.9 million and attendance decreased 7.9%. Admissions revenues were also impacted by a 7.1% decrease in average

ticket price from \$5.06 for the first quarter of 2013 to \$4.70 for the first quarter of 2014. Concession revenues were also impacted by a 5.4% decrease in concession revenues per patron from \$2.40 for the first quarter of 2013 to \$2.27 for the first quarter of 2014. The decreases in average ticket price and concession revenues per patron were due to the impact of unfavorable exchange rates in certain countries in which we operate, which was slightly offset by local currency price increases.

*Cost of Operations.* The table below summarizes certain of our year-over-year theatre operating costs by reportable operating segment (in millions).

	<b>U.S. Operating Segment</b>		<b>International Operating Segment</b>		<b>Consolidated</b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>March 31,</b>		<b>March 31,</b>		<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Film rentals and advertising	\$ 154.0	\$ 124.6	\$ 46.7	\$ 55.4	\$ 200.7	\$ 180.0
Concession supplies	20.2	15.8	9.8	12.2	30.0	28.0
Salaries and wages	48.6	39.7	15.8	18.8	64.4	58.5
Facility lease expense	59.3	46.9	19.1	22.7	78.4	69.6
Utilities and other	53.8	42.8	22.1	26.0	75.9	68.8

**Table of Contents**

U.S. Film rentals and advertising costs were \$154.0 million, or 54.5% of admissions revenues, for the first quarter of 2014 compared to \$124.6 million, or 53.1% of admissions revenues, for the first quarter of 2013. The increase in film rentals and advertising costs of \$29.4 million was due to the \$48.1 million increase in admissions revenues and an increase in the film rentals and advertising rate. The increase in the film rentals and advertising rate was primarily due to a heavier weighting of the top five films during the first quarter of 2014 compared to the first quarter of 2013. Concession supplies expense was \$20.2 million, or 13.9% of concession revenues, for the first quarter of 2014 compared to \$15.8 million, or 13.4% of concession revenues, for the first quarter of 2013. The increase in the concession supplies rate was primarily due to increases in inventory procurement costs on certain concession products and the impact of special concession promotions that help drive incremental concession sales.

Salaries and wages increased to \$48.6 million for the first quarter of 2014 from \$39.7 million for the first quarter of 2013 primarily due to increased staffing levels related to the 17.0% increase in attendance. Facility lease expense increased to \$59.3 million for the first quarter of 2014 from \$46.9 million for the first quarter of 2013 primarily due to new and acquired theatres. Utilities and other costs increased to \$53.8 million for the first quarter of 2014 from \$42.8 million for the first quarter of 2013 with increases in utility costs, property taxes and repairs and maintenance expenses. All of the above-mentioned theatre operating costs were impacted by the inclusion of the Rave theatres acquired on May 29, 2013.

International. Film rentals and advertising costs were \$46.7 million, or 47.6% of admissions revenues, for the first quarter of 2014 compared to \$55.4 million, or 48.3% of admissions revenues, for the first quarter of 2013. Concession supplies expense was \$9.8 million, or 20.6% of concession revenues, for the first quarter of 2014 compared to \$12.2 million, or 22.4% of concession revenues, for the first quarter of 2013. The decrease in the film rentals and advertising rate for the first quarter of 2014 was primarily due to increased virtual print fees that we earn from studios on films played in our international theatres. The decrease in the concession supplies rate was primarily due to concession sales price increases.

Salaries and wages decreased to \$15.8 million for the first quarter of 2014 from \$18.8 million for the first quarter of 2013. Facility lease expense decreased to \$19.1 million for the first quarter of 2014 from \$22.7 million for the first quarter of 2013. Utilities and other costs decreased to \$22.1 million for the first quarter of 2014 from \$26.0 million for the first quarter of 2013. All of the above-mentioned theatre operating costs were impacted by the sale of our Mexico theatres during November 2013 and changes in exchange rates in certain countries in which we operate.

*General and Administrative Expenses.* General and administrative expenses increased to \$39.3 million for the first quarter of 2014 from \$37.8 million for the first quarter of 2013. The increase was primarily due to increased salaries and incentive compensation expense of approximately \$2.3 million and increased professional fees of approximately \$1.5 million, partially offset by the impact of the sale of our Mexican subsidiaries during November 2013.

*Depreciation and Amortization.* Depreciation and amortization expense was \$42.5 million during the first quarter of 2014 compared to \$39.0 million during the first quarter of 2013. The increase was primarily due to new theatres, including the Rave theatres acquired during May 2013.

*Impairment of Long-Lived Assets.* We recorded asset impairment charges on assets held and used of \$0.4 million during the first quarter of 2014 compared to \$0.8 million during the first quarter of 2013. The long-lived asset impairment charges recorded during each of the periods presented were specific to theatres that were directly and individually impacted by increased competition, adverse changes in market demographics or adverse changes in the development or the conditions of the areas surrounding the theatre. Impairment charges for the first quarter of 2014 consisted of U.S. theatre properties, impacting five of our twenty-six reporting units. See Note 13 to our condensed



consolidated financial statements.

*(Gain) Loss on Sale of Assets and Other.* We recorded a loss on sale of assets and other of \$2.8 million during the first quarter of 2014 compared to a gain of \$0.3 million during the first quarter of 2013. The loss recorded during the first quarter of 2014 is primarily due to the replacement of certain theatre assets during the period.

*Interest Expense.* Interest costs incurred, including amortization of debt issue costs, were \$28.5 million during the first quarter of 2014 compared to \$32.6 million during the first quarter of 2013. The decrease was primarily due to the issuance of our 4.875% Senior Notes on May 24, 2013 that were used to pay off the former 8.625% Senior Notes.

*Distributions from NCM.* We recorded distributions from NCM of \$9.5 million during the first quarter of 2014 compared to \$6.1 million during the first quarter of 2013, which were in excess of the carrying value of our Tranche 1 investment. See Note 7 to our condensed consolidated financial statements.

**Table of Contents**

*Equity in Income of Affiliates.* We recorded equity in income of affiliates of \$3.6 million during the first quarter of 2014 compared to \$2.4 million during the first quarter of 2013. The equity in income of affiliates recorded during the first quarter of 2014 primarily consisted of income of approximately \$3.2 million related to our equity investment in DCIP (see Note 8 to our condensed consolidated financial statements) and income of approximately \$0.4 million related to our equity investment in NCM (see Note 7 to our condensed consolidated financial statements). The equity in income of affiliates recorded during the first quarter of 2013 primarily consisted of income of approximately \$1.5 million related to our equity investment in DCIP and income of approximately \$0.9 million related to our equity investment in NCM.

*Income Taxes.* Income tax expense of \$20.9 million was recorded for the first quarter of 2014 compared to \$10.6 million for the first quarter of 2013. The effective tax rate was approximately 36.9% for the first quarter of 2014 compared to 24.3% for the first quarter of 2013. Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates and are adjusted for the effects of significant, infrequent or unusual items (i.e. discrete items) occurring during the interim period. As a result, the interim rate may vary significantly from the normalized annual rate. The effective tax rate for the three months ended March 31, 2013 reflected the impact of items related to our Mexico subsidiaries.

**Liquidity and Capital Resources***Operating Activities*

We primarily collect our revenues in cash, mainly through box office receipts and the sale of concessions. In addition, nearly all of our theatres provide the patron a choice of using a credit card, debit card or advanced-sale type certificates such as a gift card, in place of cash. Because our revenues are received in cash prior to the payment of related expenses, we have an operating float and historically have not required traditional working capital financing. Cash provided by operating activities was \$61.9 million for the three months ended March 31, 2014 compared to \$42.6 million for the three months ended March 31, 2013.

*Investing Activities*

Our investing activities have been principally related to the development and acquisition of theatres. New theatre openings and acquisitions historically have been financed with internally generated cash and by debt financing, including borrowings under our amended senior secured credit facility. Cash used for investing activities was \$53.7 million for the three months ended March 31, 2014 compared to \$31.2 million for the three months ended March 31, 2013.

Capital expenditures for the three months ended March 31, 2014 and 2013 were as follows (in millions):

<b>Period</b>	<b>New Theatres</b>	<b>Existing Theatres</b>	<b>Total</b>
Three Months Ended March 31, 2014	\$ 27.4	\$ 25.4	\$ 52.8
Three Months Ended March 31, 2013	\$ 15.9	\$ 21.0	\$ 36.9

We continue to invest in our U.S. theatre circuit, which consisted of 4,459 screens at March 31, 2014. During the three months ended March 31, 2014, we built one new theatre with 12 screens and closed two theatres with 10 screens. At March 31, 2014, we had signed commitments to open seven new theatres with 78 screens in domestic markets during the remainder of 2014 and open six new theatres with 74 screens subsequent to 2014. We estimate the remaining

capital expenditures for the development of these 152 domestic screens will be approximately \$84 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

We also continue to invest in our international theatre circuit, which consisted of 1,136 screens at March 31, 2014. During the three months ended March 31, 2014, we built five new theatres with 32 screens and closed two screens. At March 31, 2014, we had signed commitments to open eight new theatres and 54 screens in international markets during the remainder of 2014 and open four new theatres and 33 screens subsequent to 2014. We estimate the remaining capital expenditures for the development of these 87 international screens will be approximately \$63 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

**Table of Contents**

We plan to fund capital expenditures for our continued development with cash flow from operations, borrowings under our amended senior secured credit facility, and proceeds from debt issuances, sale leaseback transactions and/or sales of excess real estate.

*Financing Activities*

Cash used for financing activities was \$41.4 million for the three months ended March 31, 2014 compared to \$29.1 million for the three months ended March 31, 2013.

We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions as discussed below, future prospects for earnings and cash flows, as well as other relevant factors.

We may from time to time, subject to compliance with our debt instruments, purchase our debt securities on the open market depending upon the availability and prices of such securities. Long-term debt consisted of the following as of March 31, 2014 (in millions):

Cinemark, USA, Inc. term loan	\$ 691.2
Cinemark USA, Inc. 4.875% senior notes due 2023	530.0
Cinemark USA, Inc. 5.125% senior notes due 2022	400.0
Cinemark USA, Inc. 7.375% senior subordinated notes due 2021	200.0
Other	9.1
 Total long-term debt	 \$ 1,830.3
Less current portion	(9.1)
 Long-term debt, less current portion	 \$ 1,821.2

As of March 31, 2014, Cinemark USA, Inc. had \$100.0 million in available borrowing capacity on our revolving credit line.

*Contractual Obligations*

There have been no material changes in our contractual obligations previously disclosed in *Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended December 31, 2013 filed February 28, 2014.

*Off-Balance Sheet Arrangements*

Other than the operating leases and purchase commitments disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 filed February 28, 2014, we do not have any off-balance sheet arrangements.

*Cinemark USA, Inc. 4.875% Senior Notes*

On May 24, 2013, Cinemark USA, Inc. issued \$530.0 million aggregate principal amount of 4.875% senior notes due 2023, at par value, (the *4.875% Senior Notes*). Proceeds, after payment of fees, were used to finance a redemption of

the 8.625% Senior Notes due 2019 discussed below. Interest on the 4.875% Senior Notes is payable on June 1 and December 1 of each year, beginning December 1, 2013. The 4.875% Senior Notes mature on June 1, 2023.

The 4.875% Senior Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by certain of Cinemark USA, Inc.'s subsidiaries that guarantee, assume or become liable with respect to any of Cinemark USA, Inc.'s or a guarantor's debt. The 4.875% Senior Notes and the guarantees are senior unsecured obligations and rank equally in right of payment with all of Cinemark USA, Inc.'s and its guarantor's existing and future senior unsecured debt and senior in right of payment to all of Cinemark USA, Inc.'s and its guarantor's existing and future senior subordinated debt. The 4.875% Senior Notes and the guarantees are effectively subordinated to all of Cinemark USA, Inc.'s and its guarantor's existing and future secured debt to the extent of the value of the assets securing such debt, including all borrowings under Cinemark USA, Inc.'s amended senior secured credit facility. The 4.875% Senior Notes and the guarantees are structurally subordinated to all existing and future debt and other liabilities of Cinemark USA, Inc.'s subsidiaries that do not guarantee the 4.875% Senior Notes.

**Table of Contents**

The indenture to the 4.875% Senior Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of March 31, 2014, Cinemark USA, Inc. could have distributed up to approximately \$1,471.5 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the 4.875% Senior Notes, subject to its available cash and other borrowing restrictions outlined in the indenture. Upon a change of control, as defined in the indenture governing the 4.875% Senior Notes, Cinemark USA, Inc. would be required to make an offer to repurchase the 4.875% Senior Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture governing the 4.875% Senior Notes allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1 and our actual ratio as of March 31, 2014 was approximately 6.5 to 1.

Prior to June 1, 2018, Cinemark USA, Inc. may redeem all or any part of the 4.875% Senior Notes at its option at 100% of the principal amount plus a make-whole premium plus accrued and unpaid interest on the 4.875% Senior Notes to the date of redemption. After June 1, 2018, Cinemark USA, Inc. may redeem the 4.875% Senior Notes in whole or in part at redemption prices specified in the indenture. In addition, prior to June 1, 2016, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the 4.875% Senior Notes from the net proceeds of certain equity offerings at the redemption price set forth in the indenture.

On June 26, 2013, Cinemark USA, Inc. and its guarantor subsidiaries filed a registration statement with the Securities and Exchange Commission, or the Commission, pursuant to which Cinemark USA, Inc. offered to exchange the 4.875% Senior Notes for substantially identical notes registered under the Securities Act of 1933, as amended, that do not contain terms restricting the transfer thereof or providing for registration rights. The registration statement was declared effective by the Commission on July 9, 2013. On August 7, 2013, Cinemark USA, Inc. completed the exchange of registered 4.875% Senior Notes for all of the outstanding 4.875% Senior Notes. The registered 4.875% Senior Notes, issued in the exchange, do not have transfer restrictions.

*Amended Senior Secured Credit Facility*

On December 18, 2012, Cinemark USA, Inc. amended and restated its senior secured credit facility to include a seven year \$700.0 million term loan and a five year \$100.0 million revolving credit line (the Amended Senior Secured Credit Facility). The proceeds from the Amended Senior Secured Credit Facility, combined with a portion of the proceeds from the issuance of the 5.125% Senior Notes discussed below, were used to refinance Cinemark USA, Inc.'s former senior secured credit facility. The term loan under the Amended Senior Secured Credit Facility matures in December 2019. The revolving credit line matures in December 2017. Quarterly principal payments in the amount of \$1.75 million are due on the term loan through September 2019 with the remaining principal of \$652.8 million due on December 18, 2019.

Interest on the term loan accrues at Cinemark USA, Inc.'s option at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin of 2.0% per annum, or (B) a eurodollar rate plus a margin of 3.0% per annum. Interest on the revolving credit line accrues, at Cinemark USA, Inc.'s option, at: (A) a base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5 and (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 1.00% to 1.75% per annum, or (B) a eurodollar rate plus a margin that ranges from 2.00% to 2.75% per annum. The margin of the revolving credit

line is determined by the consolidated net senior secured leverage ratio as defined in the credit agreement.

Cinemark USA, Inc.'s obligations under the Amended Senior Secured Credit Facility are guaranteed by Cinemark Holdings, Inc. and certain of Cinemark USA, Inc.'s domestic subsidiaries and are secured by mortgages on certain fee and leasehold properties and security interests in substantially all of Cinemark USA, Inc.'s and the guarantors' personal property, including, without limitation, pledges of all of Cinemark USA, Inc.'s capital stock, all of the capital stock of certain of Cinemark USA, Inc.'s domestic subsidiaries and 65% of the voting stock of certain of its foreign subsidiaries.

The Amended Senior Secured Credit Facility contains usual and customary negative covenants for agreements of this type, including, but not limited to, restrictions on Cinemark USA, Inc.'s ability, and in certain instances, its subsidiaries' and Cinemark Holdings, Inc.'s ability, to consolidate or merge or liquidate, wind up or dissolve; substantially change the nature of its business; sell, transfer or dispose of assets; create or incur indebtedness; create liens; pay dividends, and repurchase stock; and make capital expenditures and investments. If Cinemark USA, Inc. has borrowings outstanding on the revolving credit line, it is required to satisfy a consolidated net senior secured leverage ratio covenant as determined in accordance with the Amended Senior Secured Credit Facility.

**Table of Contents**

The dividend restriction contained in the Amended Senior Secured Credit Facility prevents the Company and any of its subsidiaries from paying a dividend or otherwise distributing cash to its stockholders unless (1) the Company is not in default, and the distribution would not cause Cinemark USA, Inc. to be in default, under the Amended Senior Secured Credit Facility; and (2) the aggregate amount of certain dividends, distributions, investments, redemptions and capital expenditures made since December 18, 2012, including dividends declared by the board of directors, is less than the sum of (a) the aggregate amount of cash and cash equivalents received by Cinemark Holdings, Inc. or Cinemark USA, Inc. as common equity since December 18, 2012, (b) Cinemark USA, Inc.'s consolidated EBITDA minus 1.75 times its consolidated interest expense, each as defined in the Amended Senior Secured Credit Facility, and (c) certain other defined amounts. As of March 31, 2014, Cinemark USA, Inc. could have distributed up to approximately \$1,586.1 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the Amended Senior Secured Credit Facility, subject to its available cash and other borrowing restrictions outlined in the agreement.

At March 31, 2014, there was \$691.2 million outstanding under the term loan and no borrowings outstanding under the revolving credit line. Cinemark USA, Inc. had \$100.0 million in available borrowing capacity on the revolving credit line. The average interest rate on outstanding term loan borrowings under the Amended Senior Secured Credit Facility at March 31, 2014 was approximately 4.0% per annum.

*Cinemark USA, Inc. 5.125% Senior Notes*

On December 18, 2012, Cinemark USA, Inc. issued \$400.0 million aggregate principal amount of 5.125% senior notes due 2022, at par value (the "5.125% Senior Notes"). A portion of the proceeds were used to refinance a portion of the former senior secured credit facility and to fund the purchase price for the Rave Acquisition (see Note 5 to the condensed consolidated financial statements). Interest on the 5.125% Senior Notes is payable on June 15 and December 15 of each year, beginning June 15, 2013. The 5.125% Senior Notes mature on December 15, 2022.

The 5.125% Senior Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by certain of Cinemark USA, Inc.'s subsidiaries that guarantee, assume or become liable with respect to any of Cinemark USA, Inc.'s or a guarantor's debt. The 5.125% Senior Notes and the guarantees are senior unsecured obligations and rank equally in right of payment with all of Cinemark USA, Inc.'s and its guarantor's existing and future senior unsecured debt and senior in right of payment to all of Cinemark USA, Inc.'s and its guarantor's existing and future subordinated debt. The 5.125% Senior Notes and the guarantees are effectively subordinated to all of Cinemark USA, Inc.'s and its guarantor's existing and future secured debt to the extent of the value of the assets securing such debt, including all borrowings under Cinemark USA, Inc.'s amended senior secured credit facility. The 5.125% Senior Notes and the guarantees are structurally subordinated to all existing and future debt and other liabilities of Cinemark USA, Inc.'s subsidiaries that do not guarantee the 5.125% Senior Notes.

The indenture to the 5.125% Senior Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of March 31, 2014, Cinemark USA, Inc. could have distributed up to approximately \$1,474.3 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the 5.125% Senior Notes, subject to its available cash and other borrowing restrictions outlined in the indenture. Upon a change of control, as defined in the indenture governing the 5.125% Senior Notes, Cinemark USA, Inc. would be required to make an offer to repurchase the 5.125% Senior Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture governing the 5.125% Senior Notes allows



Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1 and our actual ratio as of March 31, 2014 was approximately 6.8 to 1.

## **Table of Contents**

Prior to December 15, 2017, Cinemark USA, Inc. may redeem all or any part of the 5.125% Senior Notes at its option at 100% of the principal amount plus a make-whole premium. After December 15, 2017, Cinemark USA, Inc. may redeem the 5.125% Senior Notes in whole or in part at redemption prices described in the 5.125% Senior Notes. In addition, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the 5.125% Senior Notes from the net proceeds of certain equity offerings at the redemption price set forth in the 5.125% Senior Notes.

On April 16, 2013, Cinemark USA, Inc. and its guarantor subsidiaries filed a registration statement with the Commission, pursuant to which Cinemark USA, Inc. offered to exchange the 5.125% Senior Notes for identical notes registered under the Securities Act. The registration statement was declared effective by the Commission on April 25, 2013. On May 23, 2013 Cinemark USA, Inc. completed the exchange of registered 5.125% Senior Notes for all of the outstanding 5.125% Senior Notes. The registered 5.125% Senior Notes, issued in the exchange, do not have transfer restrictions.

### *Cinemark USA, Inc. 7.375% Senior Subordinated Notes*

On June 3, 2011, Cinemark USA, Inc. issued \$200.0 million aggregate principal amount of 7.375% senior subordinated notes due 2021, at par value (the "Senior Subordinated Notes"). The proceeds, after payment of fees, were primarily used to fund the prepayment of the remaining \$157.2 million of Cinemark USA, Inc.'s unextended portion of term loan debt under its former senior secured credit facility. Interest on the Senior Subordinated Notes is payable on June 15 and December 15 of each year. The Senior Subordinated Notes mature on June 15, 2021.

The Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several senior subordinated unsecured basis by certain of Cinemark USA, Inc.'s subsidiaries that guarantee, assume or become liable with respect to any of Cinemark USA, Inc.'s or a guarantor's other debt. The Senior Subordinated Notes and the guarantees are senior subordinated unsecured obligations and rank equally in right of payment with all of Cinemark USA, Inc.'s and a guarantor's future senior subordinated indebtedness; are subordinate in right of payment to all of Cinemark USA, Inc.'s and a guarantor's existing and future senior indebtedness, whether secured or unsecured, including Cinemark USA, Inc.'s obligations under its Amended Senior Secured Credit Facility, its 5.125% Senior Notes and 4.875% Senior Notes; and structurally subordinate to all existing and future indebtedness and other liabilities of Cinemark USA, Inc.'s non-guarantor subsidiaries.

The indenture to the Senior Subordinated Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of March 31, 2014, Cinemark USA, Inc. could have distributed up to approximately \$1,465.1 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the Senior Subordinated Notes, subject to its available cash and other borrowing restrictions outlined in the indenture governing the Senior Subordinated Notes. Upon a change of control, as defined in the indenture, Cinemark USA, Inc. would be required to make an offer to repurchase the Senior Subordinated Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1, and our actual ratio as of March 31, 2014 was approximately 6.5 to 1.

Prior to June 15, 2016, Cinemark USA, Inc. may redeem all or any part of the Senior Subordinated Notes at its option at 100% of the principal amount plus a make-whole premium plus accrued and unpaid interest on the senior

subordinated notes to the date of redemption. After June 15, 2016, Cinemark USA, Inc. may redeem the Senior Subordinated Notes in whole or in part at redemption prices specified in the indenture. In addition, prior to June 15, 2014, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the Senior Subordinated Notes from the net proceeds of certain equity offerings at the redemption price set forth in the indenture.

Cinemark USA, Inc. and its guarantor subsidiaries filed a registration statement with the Commission on July 27, 2011 pursuant to which Cinemark USA, Inc. offered to exchange the Senior Subordinated Notes for substantially similar registered Senior Subordinated Notes. The registration statement became effective August 4, 2011, and approximately \$199.5 million of the notes were exchanged on September 7, 2011. The registered Senior Subordinated Notes, issued in the exchange, do not have transfer restrictions. Approximately \$0.5 million of the Senior Subordinated Notes were not exchanged as of March 31, 2014.

## **Table of Contents**

### *Cinemark USA, Inc. 8.625% Senior Notes*

On June 29, 2009, Cinemark USA, Inc. issued \$470.0 million aggregate principal amount of 8.625% senior notes due 2019 (the 8.625% Senior Notes ), with an original issue discount of \$11.5 million, resulting in proceeds of approximately \$458.5 million. The proceeds were primarily used to fund the repurchase of the then remaining outstanding \$419.4 million aggregate principal amount at maturity of Cinemark, Inc.'s 9.75% senior discount notes.

On June 24, 2013, Cinemark USA, Inc. redeemed its 8.625% Senior Notes at 112.035% of the principal amount, inclusive of a make-whole premium, plus accrued and unpaid interest, utilizing the proceeds from the issuance of the 4.875% Senior Notes discussed above.

### *Covenant Compliance*

As of March 31, 2014, we believe we were in full compliance with all agreements, including all related covenants, governing our outstanding debt.

### **Seasonality**

Our revenues have historically been seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, the most successful motion pictures have been released during the summer, extending from May to July, and during the holiday season, extending from early November through year-end. The unexpected emergence of a hit film during other periods can alter this seasonality trend. The timing of such film releases can have a significant effect on our results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or for the same period in the following year.

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

We have exposure to financial market risks, including changes in interest rates, foreign currency exchange rates and other relevant market prices.

### **Interest Rate Risk**

We are currently party to variable rate debt facilities. An increase or decrease in interest rates would affect our interest expense relating to our variable rate debt facilities. At March 31, 2014, there was an aggregate of approximately \$241.3 million of variable rate debt outstanding under these facilities, which excludes \$450.0 million of Cinemark USA, Inc.'s term loan debt that is hedged with the Company's interest rate swap agreements in effect as of March 31, 2014 as discussed below. Based on the interest rates in effect on the variable rate debt outstanding at March 31, 2014, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately \$2.4 million.

Our interest rate swap agreements qualify for cash flow hedge accounting. The fair values of the interest rate swaps are recorded on our condensed consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of accumulated other comprehensive loss and the ineffective portion reported in earnings.

Below is a summary of our interest rate swap agreements as of March 31, 2014:

**Nominal**

**Amount**

<b>(in millions)</b>	<b>Effective Date</b>	<b>Pay Rate</b>	<b>Receive Rate</b>	<b>Expiration Date</b>
\$ 175.0	December 2010	1.3975%	1-month LIBOR	September 2015
\$ 175.0	December 2010	1.4000%	1-month LIBOR	September 2015
\$ 100.0	November 2011	1.7150%	1-month LIBOR	April 2016

\$ 450.0

**Table of Contents**

The table below provides information about our fixed rate and variable rate long-term debt agreements as of March 31, 2014:

	Expected Maturity for the Twelve-Month Periods Ending March 31, (in millions)						Total	Fair Value	Average Interest Rate
	2015	2016	2017	2018	2019	Thereafter			
Fixed rate <sup>(1)</sup>	\$ 2.1	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1,581.3	\$ 1,589.0	\$ 1,586.3	5.1%
Variable rate	7.0	7.0	7.0	7.0	7.0	206.3	241.3	240.9	3.2%
Total debt	\$ 9.1	\$ 8.4	\$ 8.4	\$ 8.4	\$ 8.4	\$ 1,787.6	\$ 1,830.3	\$ 1,827.3	

<sup>(1)</sup> Includes \$450.0 million of the Cinemark USA, Inc. term loan, which represents the debt hedged with the Company's interest rate swap agreements in effect as of March 31, 2014 discussed above.

**Foreign Currency Exchange Rate Risk**

There have been no material changes in foreign currency exchange rate risk previously disclosed in Quantitative and Qualitative Disclosures About Market Risk in the Company's Annual Report on Form 10-K filed February 28, 2014.

**Item 4. Controls and Procedures****Evaluation of the Effectiveness of Disclosure Controls and Procedures**

As of March 31, 2014, we carried out an evaluation required by the Securities Exchange Act of 1934, as amended (the Exchange Act), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2014, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 that occurred during the quarter ended March 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

There have been no material changes from legal proceedings previously reported under Business Legal Proceedings in the Company's Annual Report on Form 10-K filed February 28, 2014.

**Item 1A. Risk Factors**

There have been no material changes from risk factors previously disclosed in Risk Factors in the Company's Annual Report on Form 10-K filed February 28, 2014.

**Table of Contents**

**Item 6. Exhibits**

- \*31.1 Certification of Tim Warner, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*31.2 Certification of Robert Copple, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*32.1 Certification of Tim Warner, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
- \*32.2 Certification of Robert Copple, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
- \*101 Financial Statements from the quarterly report on Form 10-Q of Cinemark Holdings, Inc. for the quarter ended March 31, 2014, filed May 6, 2014, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements tagged as detailed text.

\* filed herewith.



**Table of Contents**

**SIGNATURES**

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

**CINEMARK HOLDINGS, INC.**

Registrant

**DATE:** May 6, 2014

/s/ Tim Warner  
Tim Warner  
Chief Executive Officer

/s/ Robert Copple  
Robert Copple  
Chief Financial Officer

**Table of Contents**

**EXHIBIT INDEX**

- \*31.1 Certification of Tim Warner, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*31.2 Certification of Robert Copple, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*32.1 Certification of Tim Warner, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
- \*32.2 Certification of Robert Copple, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
- \*101 Financial Statements from the quarterly report on Form 10-Q of Cinemark Holdings, Inc. for the quarter ended March 31, 2014, filed May 6, 2014, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements tagged as detailed text.

\* filed herewith.