

Cinemark Holdings, Inc.
Form 10-Q
November 05, 2015
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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 September 30, 2015

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 October 31, 2015, 115,927,798 shares of common stock were issued and outstanding.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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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 27, 2015 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)**

| | September 30, 2015 | December 31, 2014 |
|--|-------------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 502,914 | \$ 638,869 |
| Inventories | 13,236 | 13,419 |
| Accounts receivable | 86,119 | 47,917 |
| Current income tax receivable | 2,562 | 19,350 |
| Current deferred tax asset | 9,279 | 10,518 |
| Prepaid expenses and other | 17,007 | 10,937 |
| Total current assets | 631,117 | 741,010 |
| Theatre properties and equipment | 2,612,286 | 2,549,092 |
| Less accumulated depreciation and amortization | 1,151,268 | 1,098,280 |
| Theatre properties and equipment, net | 1,461,018 | 1,450,812 |
| Other assets | | |
| Goodwill | 1,252,290 | 1,277,383 |
| Intangible assets - net | 341,764 | 348,024 |
| Investment in NCM | 186,663 | 178,939 |
| Investments in and advances to affiliates | 89,059 | 77,658 |
| Deferred charges and other assets - net | 82,345 | 78,154 |
| Total other assets | 1,952,121 | 1,960,158 |
| Total assets | \$ 4,044,256 | \$ 4,151,980 |
| Liabilities and equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 8,412 | \$ 8,423 |
| Current portion of capital lease obligations | 18,322 | 16,494 |
| Current income tax payable | 8,582 | 6,396 |
| Current liability for uncertain tax positions | 8,548 | 7,283 |
| Accounts payable and accrued expenses | 307,673 | 375,811 |

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| | | |
|--|---------------------|---------------------|
| Total current liabilities | 351,537 | 414,407 |
| Long-term liabilities | | |
| Long-term debt, less current portion | 1,809,306 | 1,814,574 |
| Capital lease obligations, less current portion | 197,590 | 201,978 |
| Long-term deferred tax liability | 128,119 | 140,973 |
| Long-term liability for uncertain tax positions | 7,625 | 8,410 |
| Deferred lease expenses | 43,418 | 46,003 |
| Deferred revenue - NCM | 344,313 | 335,219 |
| Other long-term liabilities | 66,242 | 67,287 |
| Total long-term liabilities | 2,596,613 | 2,614,444 |
| Commitments and contingencies (see Note 17) | | |
| Equity | | |
| Cinemark Holdings, Inc.'s stockholders' equity: | | |
| Common stock, \$0.001 par value: 300,000,000 shares authorized, 120,107,563 shares issued and 115,927,798 shares outstanding at September 30, 2015 and 119,757,582 shares issued and 115,700,447 shares outstanding at December 31, 2014 | 120 | 120 |
| Additional paid-in-capital | 1,107,307 | 1,095,040 |
| Treasury stock, 4,179,765 and 4,057,135 shares, at cost, at September 30, 2015 and December 31, 2014, respectively | (66,577) | (61,807) |
| Retained earnings | 296,157 | 224,219 |
| Accumulated other comprehensive loss | (252,276) | (144,772) |
| Total Cinemark Holdings, Inc.'s stockholders' equity | 1,084,731 | 1,112,800 |
| Noncontrolling interests | 11,375 | 10,329 |
| Total equity | 1,096,106 | 1,123,129 |
| Total liabilities and equity | \$ 4,044,256 | \$ 4,151,980 |

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

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

(in thousands, except per share data, unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|------------------|---------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | |
| Admissions | \$ 432,136 | \$ 402,832 | \$ 1,335,761 | \$ 1,239,472 |
| Concession | 230,233 | 211,131 | 704,190 | 630,571 |
| Other | 37,687 | 32,940 | 105,435 | 97,003 |
| Total revenues | 700,056 | 646,903 | 2,145,386 | 1,967,046 |
| Cost of operations | | | | |
| Film rentals and advertising | 236,415 | 215,565 | 737,377 | 665,420 |
| Concession supplies | 36,039 | 33,473 | 109,445 | 98,862 |
| Salaries and wages | 76,510 | 67,903 | 222,261 | 202,196 |
| Facility lease expense | 80,604 | 80,567 | 242,612 | 239,571 |
| Utilities and other | 84,586 | 79,477 | 245,081 | 233,979 |
| General and administrative expenses | 39,099 | 35,803 | 116,301 | 114,892 |
| Depreciation and amortization | 47,543 | 44,731 | 139,444 | 131,108 |
| Impairment of long-lived assets | 633 | 4,510 | 4,955 | 5,294 |
| (Gain) loss on sale of assets and other | (500) | 2,590 | 3,852 | 8,719 |
| Total cost of operations | 600,929 | 564,619 | 1,821,328 | 1,700,041 |
| Operating income | 99,127 | 82,284 | 324,058 | 267,005 |
| Other income (expense) | | | | |
| Interest expense | (28,419) | (28,335) | (84,930) | (85,101) |
| Interest income | 2,389 | 1,543 | 6,783 | 3,587 |
| Foreign currency exchange loss | (11,935) | (5,235) | (18,702) | (358) |
| Loss on amendment to debt agreement | | | (925) | |
| Distributions from NCM | 4,601 | 3,481 | 13,100 | 14,158 |
| Equity in income of affiliates | 11,047 | 10,328 | 20,372 | 17,548 |
| Total other expense | (22,317) | (18,218) | (64,302) | (50,166) |
| Income before income taxes | 76,810 | 64,066 | 259,756 | 216,839 |
| Less: Income taxes | 30,109 | 25,534 | 99,263 | 70,477 |
| Net income | \$ 46,701 | \$ 38,532 | \$ 160,493 | \$ 146,362 |
| Less: Net income attributable to noncontrolling interests | 362 | 403 | 1,375 | 1,059 |

| | | | | | | | | |
|---|----|---------|----|---------|----|---------|----|---------|
| Net income attributable to Cinemark Holdings, Inc. | \$ | 46,339 | \$ | 38,129 | \$ | 159,118 | \$ | 145,303 |
| Weighted average shares outstanding | | | | | | | | |
| Basic | | 115,164 | | 114,814 | | 115,051 | | 114,596 |
| Diluted | | 115,356 | | 115,021 | | 115,279 | | 114,901 |
| Earnings per share attributable to Cinemark Holdings, Inc. s common stockholders | | | | | | | | |
| Basic | \$ | 0.40 | \$ | 0.33 | \$ | 1.37 | \$ | 1.25 |
| Diluted | \$ | 0.40 | \$ | 0.33 | \$ | 1.37 | \$ | 1.25 |
| Dividends declared per common share | \$ | 0.25 | \$ | 0.25 | \$ | 0.75 | \$ | 0.75 |

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 (LOSS)****(In thousands, unaudited)**

| | Three months ended September 30, | | Three months ended September 30, | |
|---|---|-------------------|---|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$ 46,701 | \$ 38,532 | \$ 160,493 | \$ 146,362 |
| Other comprehensive income (loss), net of tax | | | | |
| Unrealized gain due to fair value adjustments on interest rate swap agreements, net of settlements, net of taxes of \$454, \$529, \$1,412 and \$1,287 | 767 | 892 | 2,379 | 2,050 |
| Unrealized gain (loss) due to fair value adjustments on available-for-sale securities, net of taxes of \$1,234, \$1,542, \$998 and \$374 | (2,092) | (2,603) | (1,680) | 641 |
| Other comprehensive income (loss) in equity method investments | (72) | 466 | (3,010) | 862 |
| Foreign currency translation adjustments | (59,181) | (38,278) | (105,228) | (39,121) |
| Total other comprehensive loss, net of tax | (60,578) | (39,523) | (107,539) | (35,568) |
| Total comprehensive income (loss), net of tax | (13,877) | (991) | 52,954 | 110,794 |
| Comprehensive income attributable to noncontrolling interests | (327) | (392) | (1,340) | (1,056) |
| Comprehensive income (loss) attributable to Cinemark Holdings, Inc. | \$ (14,204) | \$ (1,383) | \$ 51,614 | \$ 109,738 |

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

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

(in thousands, unaudited)

| | Nine months ended September 30, | |
|---|--|-------------|
| | 2015 | 2014 |
| Operating activities | | |
| Net income | \$ 160,493 | \$ 146,362 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 137,683 | 129,183 |
| Amortization of intangible and other assets and favorable/unfavorable leases | 1,761 | 1,925 |
| Amortization of long-term prepaid rents | 1,901 | 1,785 |
| Amortization of debt issue costs | 3,876 | 3,934 |
| Amortization of deferred revenues, deferred lease incentives and other | (11,959) | (10,198) |
| Impairment of long-lived assets | 4,955 | 5,294 |
| Share based awards compensation expense | 9,850 | 9,564 |
| Loss on sale of assets and other | 3,852 | 8,719 |
| Deferred lease expenses | (1,809) | 2,016 |
| Equity in income of affiliates | (20,372) | (17,548) |
| Deferred income tax expenses | (9,570) | (20,976) |
| Distributions from equity investees | 12,679 | 11,374 |
| Changes in assets and liabilities and other | (67,003) | (48,285) |
| Net cash provided by operating activities | 226,337 | 223,149 |
| Investing activities | | |
| Additions to theatre properties and equipment and other | (232,351) | (156,168) |
| Acquisition of theatre in Brazil | (2,651) | |
| Proceeds from sale of theatre properties and equipment and other | 6,283 | 1,973 |
| Investment in joint ventures and other | (3,180) | (1,925) |
| Net cash used for investing activities | (231,899) | (156,120) |
| Financing activities | | |
| Proceeds from stock option exercises | | 112 |
| Payroll taxes paid as a result of restricted stock withholdings | (4,770) | (9,776) |
| Dividends paid to stockholders | (86,882) | (86,700) |
| Repayments of long-term debt | (5,274) | (6,702) |
| Payment of debt issue costs | (6,957) | |
| Payments on capital leases | (12,201) | (10,293) |
| Other | 2,123 | 3,349 |
| Net cash used for financing activities | (113,961) | (110,010) |
| Effect of exchange rate changes on cash and cash equivalents | (16,432) | (10,283) |

| | | |
|--|------------|------------|
| Decrease in cash and cash equivalents | (135,955) | (53,264) |
| Cash and cash equivalents: | | |
| Beginning of period | 638,869 | 599,929 |
| End of period | \$ 502,914 | \$ 546,665 |

Supplemental information (see Note 14)

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

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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) operates 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, Bolivia and Curacao.

The accompanying condensed consolidated balance sheet as of December 31, 2014, 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, 2014, included in the Annual Report on Form 10-K filed February 27, 2015 by the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act). Operating results for the nine months ended September 30, 2015 are not necessarily indicative of the results to be achieved for the full year.

2. New Accounting Pronouncements

In January 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, (ASU 2015-01). ASU 2015-01 eliminates the concept of an extraordinary item from GAAP. With this update, there is no longer a need to segregate extraordinary items from the results of ordinary operations, separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or disclose income taxes and earnings per share data applicable to an extraordinary item. However, presentation and disclosure requirements for items that are unusual in nature and occur infrequently still apply. ASU 2015-01 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company has elected to early adopt ASU 2015-01, which had no impact on its condensed consolidated financial

statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, (ASU 2015-02). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with certain VIEs. ASU 2015-02 also provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2015-02 on its condensed consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company plans to adopt this ASU effective January 1, 2016 and will revise its presentation of debt issuance costs at that time.

In April 2015, the FASB issued Accounting Standards Update 2015-05, *Intangibles—Goodwill and Other—Internal Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in Cloud Computing Arrangement*, (ASU 2015-05). ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. In addition, the guidance in this Update supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. ASU 2015-05 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company has elected to early adopt ASU 2015-05, which had no impact on its condensed consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, (ASU 2015-11). ASU 2015-11 affects reporting entities that measure inventory using first-in, first-out (FIFO) or average cost. Specifically, ASU 2015-11 requires that inventory be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company does not expect ASU 2015-11 to have an impact on its condensed consolidated financial statements.

In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, (ASU 2015-14). ASU 2015-14 defers the effective date of Accounting Standards Update 2014-09: *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09). The guidance in ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of ASU 2014-09, as amended by ASU 2015-14, on its condensed consolidated financial statements.

In August 2015, the FASB issued Accounting Standards Update 2015-15, *Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, (ASU 2015-15). ASU 2015-15 adds clarification to the guidance presented in ASU 2015-03, as that guidance did not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The Company plans to adopt this ASU effective January 1, 2016 along with the original guidance in

ASU 2015-03 and will revise its presentation of debt issuance costs at that time.

In September 2015, the FASB issued Accounting Standards Update 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, (ASU 2015-16). ASU 2015-16 was issued to simplify the accounting for adjustments made to provisional amounts recognized in a business combination and eliminates the requirement to retrospectively account for such adjustments. ASU 2015-16 requires an entity to present separately on the face of the income statement, or disclose in the notes, amounts recorded in current period earnings that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company does not expect ASU 2015-16 to have a significant impact on its condensed consolidated financial statements.

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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:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2015 | |
|---|--|-----------|---|------------|
| | 2014 | | 2014 | |
| Numerator: | | | | |
| Net income attributable to Cinemark Holdings, Inc. | \$ 46,339 | \$ 38,129 | \$ 159,118 | \$ 145,303 |
| Earnings allocated to participating share based awards ⁽¹⁾ | (304) | (293) | (938) | (1,004) |
| Net income attributable to common stockholders | \$ 46,035 | \$ 37,836 | \$ 158,180 | \$ 144,299 |
| Denominator (shares in thousands): | | | | |
| Basic weighted average common stock outstanding | 115,164 | 114,814 | 115,051 | 114,596 |
| Common equivalent shares for restricted stock units | 192 | 207 | 228 | 305 |
| Diluted | 115,356 | 115,021 | 115,279 | 114,901 |
| Basic earnings per share attributable to common stockholders | \$ 0.40 | \$ 0.33 | \$ 1.37 | \$ 1.25 |
| Diluted earnings per share attributable to common stockholders | \$ 0.40 | \$ 0.33 | \$ 1.37 | \$ 1.25 |

- (1) For the three months ended September 30, 2015 and 2014, a weighted average of approximately 762 and 888 shares of unvested restricted stock, respectively, were considered participating securities. For the nine months ended September 30, 2015 and 2014, a weighted average of approximately 684 and 801 shares of unvested restricted stock, respectively, were considered participating securities.

4. Long Term Debt Activity

Amended Senior Secured Credit Facility

On May 8, 2015, Cinemark USA, Inc., our wholly-owned subsidiary, amended its senior secured credit facility (Amended and Restated Credit Agreement), to extend the maturity of the \$700,000 term loan from December 2019 to May 2022. Quarterly principal payments in the amount of \$1,750 are due on the term loan through March 31, 2022, with the remaining principal of \$635,250 due on May 8, 2022. The Company incurred debt issue costs of approximately \$6,875 in connection with the amendment, which are reflected in deferred charges and other assets-net on the condensed consolidated balance sheet as of September 30, 2015. In addition, the Company incurred approximately \$925 in legal and other fees that are reflected as loss on amendment to debt agreement on the condensed consolidated statement of income for the nine months ended September 30, 2015.

Fair Value of Long-Term Debt

The Company estimates the fair value of its long-term debt using the market approach, which utilizes quoted market prices that 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 \$1,817,718 and \$1,822,997 as of September 30, 2015 and December 31, 2014, respectively. The fair value of the Company's long-term debt was \$1,797,284 and \$1,790,987 as of September 30, 2015 and December 31, 2014, respectively.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

5. Equity

Below is a summary of changes in stockholders' equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the nine months ended September 30, 2015 and 2014:

| | Cinemark Holdings, Inc. Stockholders Equity | Noncontrolling Interests | Total Equity |
|---|--|-------------------------------------|-------------------------|
| Balance at January 1, 2015 | \$ 1,112,800 | \$ 10,329 | \$ 1,123,129 |
| Share based awards compensation expense | 9,850 | | 9,850 |
| Stock withholdings related to share based awards that vested during the nine months ended September 30, 2015 | (4,770) | | (4,770) |
| Tax benefit related to share based awards vesting and dividends paid on unvested stock | 2,417 | | 2,417 |
| Dividends paid to stockholders ⁽¹⁾ | (86,882) | | (86,882) |
| Dividends accrued on unvested restricted stock unit awards ⁽¹⁾ | (298) | | (298) |
| Dividends paid to noncontrolling interests | | (294) | (294) |
| Net income | 159,118 | 1,375 | 160,493 |
| Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of \$1,412 | 2,379 | | 2,379 |
| Fair value adjustments on available-for-sale securities, net of taxes of \$998 | (1,680) | | (1,680) |
| Other comprehensive loss in equity method investees | (3,010) | | (3,010) |
| Foreign currency translation adjustments | (105,193) | (35) | (105,228) |
| Balance at September 30, 2015 | \$ 1,084,731 | \$ 11,375 | \$ 1,096,106 |

⁽¹⁾ Below is a summary of dividends paid to stockholders during the nine months ended September 30, 2015:

Declaration

| Date | Record Date | Date Paid | Amount per Share of Common Stock | Total Amount Paid |
|-------------|--------------------|------------------|---|--------------------------|
| 02/17/15 | 03/04/15 | 03/19/15 | \$ 0.25 | \$ 28,923 |
| 05/18/15 | 06/05/15 | 06/19/15 | \$ 0.25 | 28,977 |
| 08/20/15 | 08/31/15 | 09/11/15 | \$ 0.25 | 28,982 |
| Total | | | \$ 0.75 | \$ 86,882 |

| | Cinemark Holdings, Inc. Stockholders Equity | Noncontrolling Interests | Total Equity |
|---|--|---------------------------------|---------------------|
| Balance at January 1, 2014 | \$ 1,093,422 | \$ 8,995 | \$ 1,102,417 |
| Share based awards compensation expense | 9,564 | | 9,564 |
| Stock withholdings related to share based awards that vested during the nine months ended September 30, 2014 | (9,776) | | (9,776) |
| Exercise of stock options | 112 | | 112 |
| Tax benefit related to share based awards vesting and dividends paid on unvested stock | 3,569 | | 3,569 |
| Dividends paid to stockholders ⁽¹⁾ | (86,700) | | (86,700) |
| Dividends accrued on unvested restricted stock unit awards ⁽¹⁾ | (377) | | (377) |
| Dividends paid to noncontrolling interests | | (221) | (221) |
| Net income | 145,303 | 1,059 | 146,362 |
| Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of \$1,287 | 2,050 | | 2,050 |
| Fair value adjustments on available-for-sale securities, net of taxes of \$374 | 641 | | 641 |
| Other comprehensive income in equity method investments | 862 | | 862 |
| Foreign currency translation adjustments | (39,118) | (3) | (39,121) |
| Balance at September 30, 2014 | \$ 1,119,552 | \$ 9,830 | \$ 1,129,382 |

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In thousands, except share and per share data

(1) Below is a summary of dividends paid to stockholders during the nine months ended September 30, 2014:

| Declaration | | | Amount per | |
|--------------------|--------------------|------------------|------------------------------|--------------------------|
| Date | Record Date | Date Paid | Share of Common Stock | Total Amount Paid |
| 02/14/14 | 03/04/14 | 03/19/14 | \$ 0.25 | \$ 28,845 |
| 05/22/14 | 06/06/14 | 06/20/14 | \$ 0.25 | 28,926 |
| 08/13/14 | 08/28/14 | 09/12/14 | \$ 0.25 | 28,929 |
| Total | | | \$ 0.75 | \$ 86,700 |

6. 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. 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 2014 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:

| | Investment in NCM | Deferred Revenue | Distributions from NCM | Equity in Earnings | Other Revenue | Other Comprehensive Loss | Cash Received |
|-------------------------------|--------------------------|-------------------------|-------------------------------|---------------------------|----------------------|---------------------------------|----------------------|
| Balance as of January 1, 2015 | \$ 178,939 | \$ (335,219) | | | | | |

| | | | | | | | |
|--|------------|--------------|-------------|------------|-------------|----------|-----------|
| Receipt of common units due to annual common unit adjustment | 15,421 | (15,421) | \$ | \$ | \$ | \$ | \$ |
| Revenues earned under ESA ⁽¹⁾ | | | | | (8,478) | | 8,478 |
| Receipt of excess cash distributions | (9,763) | | (10,859) | | | | 20,622 |
| Receipt under tax receivable agreement | (1,872) | | (2,241) | | | | 4,113 |
| Equity in earnings | 6,672 | | | (6,672) | | | |
| Equity in other comprehensive income | (2,734) | | | | | 2,734 | |
| Amortization of deferred revenue | | 6,327 | | | (6,327) | | |
| Balance as of and for the nine month period ended September 30, 2015 | \$ 186,663 | \$ (344,313) | \$ (13,100) | \$ (6,672) | \$ (14,805) | \$ 2,734 | \$ 33,213 |

⁽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 \$7,338.

On May 5, 2014, NCM, Inc. announced that it had entered into a merger agreement to acquire Screenvision, LLC. On November 3, 2014, the U.S. Department of Justice (DOJ) filed an antitrust lawsuit seeking to enjoin the proposed merger between NCM, Inc. and Screenvision, LLC. On March 16, 2015, NCM, Inc. announced that it had agreed with Screenvision, LLC to terminate the merger agreement. The termination of the merger agreement resulted in a \$26.8 million termination payment to Screenvision by NCM, Inc. NCM indemnified NCM, Inc. for the termination fee. The impact of the termination payment and related merger costs resulted in NCM not making an excess cash distribution to its shareholders during the second quarter of 2015.

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During the three months ended September 30, 2015 and 2014, the Company recorded equity in earnings of approximately \$6,263 and \$5,389, respectively. During the nine months ended September 30, 2015 and 2014, the Company recorded equity in earnings of approximately \$6,672 and \$5,746, 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 2014 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 2015, 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 1,074,910 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 \$15,421. The deferred revenue will be recognized over the remaining term of the ESA, which is approximately 21 years.

As of September 30, 2015, the Company owned a total of 25,631,046 common units of NCM, representing an ownership interest of approximately 20%.

Below is summary financial information for NCM for the three and nine months ended September 25, 2014 and the three and six months ended July 2, 2015 (the financial information for the period ended October 1, 2015 is not yet available):

| | Three Months Ended July 2, 2015 | Six Months Ended July 2, 2015 | Three Months Ended September 25, 2014 | Nine Months Ended September 25, 2014 |
|------------------|--|--|--|---|
| Gross revenues | \$ 121,532 | \$ 198,399 | \$ 100,738 | \$ 270,911 |
| Operating income | \$ 16,658 | \$ 31,276 | \$ 42,858 | \$ 97,756 |
| Net earnings | \$ 42,404 | \$ 3,675 | \$ 26,909 | \$ 50,612 |

7. Other Investments

The Company had the following other investments at September 30, 2015:

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| | |
|---|------------------|
| Digital Cinema Implementation Partners LLC (DCIP), equity method investment | \$ 65,188 |
| RealD, Inc. (RealD), investment in marketable security | 11,751 |
| AC JV, LLC, equity method investment | 8,923 |
| Digital Cinema Distribution Coalition (DCDC), equity method investment | 2,562 |
| Other | 635 |
| Total | \$ 89,059 |

Below is a summary of activity for each of the investments for the nine months ended September 30, 2015:

| | DCIP | RealD | AC JV, LLC | DCDC | Other | Total |
|--|------------------|------------------|---------------------------|-----------------|---------------|------------------|
| Balance at January 1, 2015 | \$ 51,277 | \$ 14,429 | \$ 7,899 | \$ 2,438 | \$ 1,615 | \$ 77,658 |
| Cash contributions, net of cash distributions received | 1,635 | | | | | 1,635 |
| Equity in income | 12,552 | | 1,024 | 124 | | 13,700 |
| Equity in comprehensive loss | (276) | | | | | (276) |
| Unrealized holding loss | | (2,678) | | | | (2,678) |
| Sale of investment in Taiwan ⁽¹⁾ | | | | | (1,383) | (1,383) |
| Other | | | | | 403 | 403 |
| Balance at September 30, 2015 | \$ 65,188 | \$ 11,751 | \$ 8,923 | \$ 2,562 | \$ 635 | \$ 89,059 |

- ⁽¹⁾ The Company sold its investment in a Taiwan joint venture for approximately \$2,634, resulting in a gain of \$1,251, which is included in (gain) loss on sale of assets and other for the three and nine months ended September 30, 2015.

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Digital Cinema Implementation Partners LLC

On February 12, 2007, the Company, AMC and Regal entered into a joint venture known as 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. Upon signing the Agreements, the Company contributed the majority of its U.S. digital projection systems to DCIP, which DCIP then contributed to Kasima. 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. As of September 30, 2015, the Company had a 33% voting interest in DCIP and a 24.3% economic interest in DCIP. The Company accounts for its investment in DCIP and its subsidiaries under the equity method of accounting.

Below is summary financial information for DCIP for the three and nine months ended September 30, 2015 and 2014.

| | Three Months Ended September 30, | | One Months Ended September 30, | |
|------------------|---|-------------|---------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$ 43,129 | \$ 41,600 | \$ 123,731 | \$ 127,684 |
| Operating income | \$ 26,178 | \$ 24,913 | \$ 72,945 | \$ 75,917 |
| Net income | \$ 20,189 | \$ 17,759 | \$ 54,153 | \$ 42,352 |

As of September 30, 2015, the Company had 3,750 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company made equipment lease payments of approximately \$3,133 and \$3,005 during the nine months ended September 30, 2015 and 2014, respectively, which are included in utilities and other costs on the condensed consolidated statements of income.

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RealD, Inc.

The Company licenses 3-D systems from RealD. The Company owns 1,222,780 shares of 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 September 30, 2015, the estimated fair value of the Company's investment in RealD was \$11,751, which is based on the closing price of RealD's common stock on September 30, 2015, and falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. The Company paid licensing fees of \$11,054 and \$12,897 during the nine months ended September 30, 2015 and 2014, respectively, which are included in utilities and other costs on the condensed consolidated statements of income.

AC JV, LLC

During December 2013, the Company, Regal, AMC (the AC Founding Members) and NCM entered into a series of agreements that resulted in the formation of AC JV, LLC (AC), a new joint venture that now owns Fathom Events (consisting of Fathom Events and Fathom Consumer Events) formerly operated by NCM. The Fathom Events business focuses on the marketing and distribution of live and pre-recorded entertainment programming to various theatre operators to provide additional programs to augment their feature film schedule. The Fathom Consumer Events business includes live and pre-recorded concerts featuring contemporary music, opera and symphony, DVD product releases and marketing events, theatrical premieres, Broadway plays, live sporting events and other special events. The Company paid event fees of \$9,031 and \$0 for the nine months ended September 30, 2015 and 2014, respectively, which are included in film rentals and advertising costs on the condensed consolidated statements of income.

AC was formed by the AC Founding Members and NCM. NCM, under a contribution agreement, contributed the assets associated with its Fathom Events division to AC in exchange for 97% ownership of the Class A Units of AC. Under a separate contribution agreement, the Founding Members each contributed cash of approximately \$268 to AC in exchange for 1% of the Class A Units of AC. Subsequently, NCM and the Founding Members entered into a Membership Interest Purchase Agreement, under which NCM sold each of the Founding Members 31% of its Class A Units in AC, the aggregate value of which was determined to be \$25,000, in exchange for a six-year Promissory Note. Each of the Founding Members' Promissory Notes were originally for \$8,333, bear interest at 5% per annum and require annual principal and interest payments, with the first of such payments made during December 2014.

Digital Cinema Distribution Coalition

Digital Cinema Distribution Coalition, LLC (DCDC) is a joint venture among the Company, Universal, Warner Bros., AMC and Regal. DCDC operates a satellite distribution network that distributes all digital content to U.S. theatres via satellite. The Company has an approximate 14.6% ownership in DCDC. The Company paid approximately \$542 and \$589 during the nine months ended September 30, 2015 and 2014, respectively, related to content delivery services

provided by DCDC. These fees are included in film rentals and advertising costs on the condensed consolidated statements of income.

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8. 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 nine months ended September 30, 2015:

| | Number of Treasury Shares | Cost |
|--|------------------------------------|-----------|
| Balance at January 1, 2015 | 4,057,135 | \$ 61,807 |
| Restricted stock withholdings ⁽¹⁾ | 108,472 | 4,770 |
| Restricted stock forfeitures | 14,158 | |
| Balance at September 30, 2015 | 4,179,765 | \$ 66,577 |

⁽¹⁾ 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 \$35.44 to \$44.67 per share.

As of September 30, 2015, the Company had no plans to retire any shares of treasury stock.

Restricted Stock During the nine months ended September 30, 2015, the Company granted 226,212 shares of restricted stock to directors and employees. The fair value of the restricted stock granted was determined based on the market value of the Company's common stock on the dates of grant, which ranged from \$40.75 to \$43.28 per share. The Company assumed forfeiture rates ranging from 0% to 10% for the restricted stock awards. Restricted stock granted to the Company's directors vests over one year. Restricted stock granted to employees vests over service periods that range from one year to four years. 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 nine months ended September 30, 2015:

| Shares of Restricted Stock | Weighted Average Grant Date |
|----------------------------------|-----------------------------------|
|----------------------------------|-----------------------------------|

| | | Fair Value |
|---|-----------|-------------------|
| Outstanding at January 1, 2015 | 878,897 | \$ 24.92 |
| Granted | 226,212 | \$ 42.79 |
| Vested | (328,532) | \$ 23.71 |
| Forfeited | (14,158) | \$ 25.93 |
| Outstanding at September 30, 2015 | 762,419 | \$ 30.74 |
| Unvested restricted stock at September 30, 2015 | 762,419 | \$ 30.74 |

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2015 | 2014 |
| Compensation expense recognized during the period | \$ 7,142 | \$ 7,264 |
| Fair value of restricted shares that vested during the period | \$ 10,291 | \$ 18,571 |
| Income tax deduction upon vesting of restricted stock awards | \$ 3,823 | \$ 7,109 |

As of September 30, 2015, the estimated remaining unrecognized compensation expense related to restricted stock awards was \$14,356 and the weighted average period over which this remaining compensation expense will be recognized is approximately two years.

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Restricted Stock Units During the nine months ended September 30, 2015, the Company granted restricted stock units representing 142,922 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, 2016 based on a formula utilizing a multiple of Adjusted EBITDA subject to certain specified adjustments as specified by the Compensation Committee prior to the grant date. 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 7.5%, which is the threshold, one-third of the restricted stock units vest. If the IRR for the two-year period is at least 9.5%, which is the target, two-thirds of the restricted stock units vest. If the IRR for the two-year period is at least 11.5%, 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 2019, which is the fourth anniversary of the grant date. Restricted stock unit award participants are eligible to receive dividend equivalent payments from the grant date if, and at the time that, the restricted stock unit awards vest.

Below is a table summarizing the potential number of shares that could vest under restricted stock unit awards granted during the nine months ended September 30, 2015 at each of the three target levels of financial performance (excluding forfeiture assumptions):

| | Number of Shares Vesting | Value at Grant |
|--------------------------|---|---------------------------|
| at IRR of at least 7.5% | 47,640 | \$ 2,057 |
| at IRR of at least 9.5% | 95,282 | \$ 4,115 |
| at IRR of at least 11.5% | 142,922 | \$ 6,173 |

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 dates of grant, which ranged from \$40.75 to \$43.28 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.

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2015 | 2014 |
| Number of restricted stock unit awards that vested during the period | 123,769 | 392,238 |
| Fair value of restricted stock unit awards that vested during the period | \$ 5,483 | \$ 11,312 |
| Accumulated dividends paid upon vesting of restricted stock unit awards | \$ 442 | \$ 1,341 |
| Income tax benefit recognized upon vesting of restricted stock unit awards | \$ 2,303 | \$ 4,751 |
| Compensation expense recognized during the period | \$ 2,708 | \$ 2,300 |

As of September 30, 2015, the estimated remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was \$6,040. The weighted average period over which this remaining compensation expense will be recognized is approximately two years. As of September 30, 2015, the Company had restricted stock units outstanding that represented a total of 544,081 hypothetical shares of common stock, net of actual cumulative forfeitures of 19,934 units, assuming an IRR of 11.1% was reached for the 2012 grant and the maximum IRR level is achieved for each of the 2013, 2014, and 2015 grants.

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9. Interest Rate Swap Agreements

The Company is currently a party to one interest rate swap agreement that is 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 value of the interest rate swap is recorded on the Company's condensed consolidated balance sheet as an asset or liability with the effective portion of the interest rate swap's 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 item affects 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 its swap counterparty and the fixed rate that the Company is obligated to pay under the agreement. 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 12 for a summary of unrealized gains or losses recorded in accumulated other comprehensive loss and earnings.

Below is a summary of the Company's current interest rate swap agreement designated as a cash flow hedge as of September 30, 2015:

| Nominal | Effective | | | Expiration | Estimated Total |
|----------------|------------------|-----------------|---------------------|-------------------|---------------------------|
| Amount | Date | Pay Rate | Receive Rate | Date | Fair Value at |
| | | | | | September 30, |
| | | | | | 2015⁽¹⁾ |
| \$100,000 | November 2011 | 1.7150% | 1-Month LIBOR | April 2016 | \$781 |

⁽¹⁾ Included in accounts payable and accrued expenses on the condensed consolidated balance sheet as of September 30, 2015.

The Company was previously a party to two interest rate swap agreements that expired in September 2015.

The changes in accumulated other comprehensive loss, net of taxes, related to the Company's interest rate swap agreements for the three and nine months ended September 30, 2015 and 2014 were as follows:

| | | Interest Rate | |
|--------------------|--------|----------------------|-------------|
| | | Swaps | |
| | | 2015 | 2014 |
| Beginning balances | July 1 | \$ (1,258) | \$ (4,558) |

| | | |
|--|----------|------------|
| Other comprehensive loss before reclassifications, net of taxes | (679) | (641) |
| Amounts reclassified from accumulated other comprehensive loss to interest expense, net of taxes | 1,446 | 1,533 |
| Net other comprehensive income | 767 | 892 |
| Ending balances- September 30 | \$ (491) | \$ (3,666) |

| | | Interest Rate Swaps | |
|--|--------------|----------------------------|-------------|
| | | 2015 | 2014 |
| Beginning balances | January 1 | \$ (2,870) | \$ (5,716) |
| Other comprehensive loss before reclassifications, net of taxes | | (2,028) | (2,468) |
| Amounts reclassified from accumulated other comprehensive loss to interest expense, net of taxes | | 4,407 | 4,518 |
| Net other comprehensive income | | 2,379 | 2,050 |
| Ending balances | September 30 | \$ (491) | \$ (3,666) |

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10. Goodwill and Other Intangible Assets

The Company's goodwill was as follows:

| | U.S. Operating Segment | International Operating Segment | Total |
|--|---------------------------------------|--|--------------|
| Balance at January 1, 2015 ⁽¹⁾ | \$ 1,156,556 | \$ 120,827 | \$ 1,277,383 |
| Acquisition of Brazil theatre | | 356 | 356 |
| Foreign currency translation adjustments | | (25,449) | (25,449) |
| Balance at September 30, 2015 ⁽¹⁾ | \$ 1,156,556 | \$ 95,734 | \$ 1,252,290 |

⁽¹⁾ 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 nineteen regions in the U.S. and seven countries internationally (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are considered one reporting unit). Goodwill impairment has historically been 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 2014.

No events or changes in circumstances occurred during the nine months ended September 30, 2015 that indicated the carrying value of goodwill might exceed its estimated fair value.

Intangible assets consisted of the following:

| | Balance at January 1, 2015 | Amortization | Other (1) | Balance at September 30, 2015 |
|---|---|---------------------|----------------------|--|
| <i>Intangible assets with finite lives:</i> | | | | |
| Gross carrying amount | \$ 99,922 | \$ | \$ 730 | \$ 100,652 |
| Accumulated amortization | (52,232) | (4,313) | (1,758) | (58,303) |
| Total net intangible assets with finite lives | \$ 47,690 | (4,313) | (1,028) | \$ 42,349 |
| <i>Intangible assets with indefinite lives:</i> | | | | |
| Tradename | 300,334 | | (919) | 299,415 |
| Total intangible assets net | \$ 348,024 | \$ (4,313) | \$ (1,947) | \$ 341,764 |

(1) Includes write-off of intangible assets for closed theatres, write-off of a vendor contract intangible asset, impairment of a favorable lease and foreign currency translation adjustments.

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

| | |
|---|-----------|
| For the three months ended December 31, 2015 | \$ 1,319 |
| For the twelve months ended December 31, 2016 | 5,560 |
| For the twelve months ended December 31, 2017 | 5,027 |
| For the twelve months ended December 31, 2018 | 4,901 |
| For the twelve months ended December 31, 2019 | 4,002 |
| Thereafter | 21,540 |
| Total | \$ 42,349 |

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

In thousands, except share and per share data

11. 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 theatre's useful life correlates with the available remaining lease period, which includes the probability of renewal periods, for leased properties and the lesser of twenty years or the building's remaining useful life 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 with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group, the asset group 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 nine months ended September 30, 2015 and 2014. As of September 30, 2015, the estimated aggregate fair value of the long-lived assets impaired during the nine months ended September 30, 2015 was approximately \$1,801.

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.

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| U.S. theatre properties | \$ 633 | \$ 4,510 | \$ 3,963 | \$ 5,294 |
| U.S. intangible assets | | | 992 | |
| Impairment of long-lived assets | \$ 633 | \$ 4,510 | \$ 4,955 | \$ 5,294 |

12. 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.

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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 September 30, 2015:

| Description | Carrying Value | Fair Value | | |
|---|----------------|------------|---------|----------|
| | | Level 1 | Level 2 | Level 3 |
| Interest rate swap liability current (see Note 9) | \$ (781) | \$ | \$ | \$ (781) |
| Investment in RealD (see Note 7) | \$ 11,751 | \$ 11,751 | \$ | \$ |

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, 2014:

| Description | Carrying Value | Fair Value | | |
|---|----------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 |
| Interest rate swap liabilities current (see Note 9) | \$ (4,255) | \$ | \$ | \$ (4,255) |
| Interest rate swap liabilities long term (see Note 9) | \$ (317) | \$ | \$ | \$ (317) |
| Investment in RealD (see Note 7) | \$ 14,429 | \$ 14,429 | \$ | \$ |

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 | |
|---|-------------|----------|
| | 2015 | 2014 |
| Beginning balances - January 1 | \$ 4,572 | \$ 9,176 |
| Total loss included in accumulated other comprehensive loss | 616 | 1,180 |
| Settlements | (4,407) | (4,518) |
| Ending balances September 30 | \$ 781 | \$ 5,838 |

The Company also uses the market approach for fair value measurements on a nonrecurring basis in the impairment evaluations of its long-lived assets (see Note 10 and Note 11). 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 and there were no transfers in or out of Level 1, Level 2 or Level 3 during the nine months ended September 30, 2015.

13. Foreign Currency Translation

The accumulated other comprehensive loss account in stockholders' equity of \$252,276 and \$144,772 at September 30, 2015 and December 31, 2014, respectively, includes cumulative foreign currency adjustments of \$253,123 and \$147,930, 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.

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Below is a summary of the impact of translating the September 30, 2015 financial statements of the Company's international subsidiaries:

| Country | Exchange Rate as of | | Other Comprehensive Loss for The Nine Months Ended September 30, 2015 |
|-----------|---------------------|-------------------|--|
| | September 30, 2015 | December 31, 2014 | |
| Brazil | 4.10 | 2.69 | \$ (80,333) |
| Colombia | 3,121.9 | 2,392.4 | (7,777) |
| Argentina | 9.42 | 8.55 | (7,530) |
| Chile | 704.65 | 606.23 | (6,153) |
| All other | | | (3,400) |
| | | | \$ (105,193) |

14. Supplemental Cash Flow Information

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| | 2015 | 2014 |
| Cash paid for interest | \$ 65,439 | \$ 65,487 |
| Cash paid for income taxes, net of refunds received | \$ 80,723 | \$ 99,636 |
| Noncash investing and financing activities: | | |
| Change in accounts payable and accrued expenses for the acquisition of theatre properties and equipment ⁽¹⁾ | \$ (1,072) | \$ (934) |
| Theatre properties acquired under capital lease | \$ 20,914 | \$ 10,419 |
| Investment in NCM receipt of common units (see Note 6) | \$ 15,421 | \$ 8,216 |
| Dividends accrued on unvested restricted stock unit awards | \$ (298) | \$ (377) |

- (1) Additions to theatre properties and equipment included in accounts payable as of September 30, 2015 and December 31, 2014 were \$14,307 and \$13,235, respectively.

15. 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, Bolivia and Curacao. 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.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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In thousands, except share and per share data

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Revenues</u> | | | | |
| U.S. | \$ 509,330 | \$ 463,854 | \$ 1,576,107 | \$ 1,433,259 |
| International | 194,497 | 186,428 | 580,335 | 543,501 |
| Eliminations | (3,771) | (3,379) | (11,056) | (9,714) |
| Total revenues | \$ 700,056 | \$ 646,903 | \$ 2,145,386 | \$ 1,967,046 |
| <u>Adjusted EBITDA</u>⁽¹⁾ | | | | |
| U.S. | \$ 108,689 | \$ 99,519 | \$ 359,400 | \$ 313,930 |
| International | 46,088 | 42,220 | 135,951 | 125,719 |
| Total Adjusted EBITDA | \$ 154,777 | \$ 141,739 | \$ 495,351 | \$ 439,649 |
| <u>Capital expenditures</u> | | | | |
| U.S. | \$ 48,868 | \$ 36,325 | \$ 167,082 | \$ 97,120 |
| International | 27,771 | 17,280 | 65,269 | 59,048 |
| Total capital expenditures | \$ 76,639 | \$ 53,605 | \$ 232,351 | \$ 156,168 |

⁽¹⁾ Distributions from NCM are reported entirely within the U.S. operating segment.
The following table sets forth a reconciliation of net income to Adjusted EBITDA:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------|---|-------------|--|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$ 46,701 | \$ 38,532 | \$ 160,493 | \$ 146,362 |
| Add (deduct): | | | | |
| Income taxes | 30,109 | 25,534 | 99,263 | 70,477 |
| Interest expense ⁽¹⁾ | 28,419 | 28,335 | 84,930 | 85,101 |

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| | | | | |
|---|------------|------------|------------|------------|
| Loss on amendment to debt agreement | | | 925 | |
| Other income ⁽²⁾ | (1,501) | (6,636) | (8,453) | (20,777) |
| Depreciation and amortization | 47,543 | 44,731 | 139,444 | 131,108 |
| Impairment of long-lived assets | 633 | 4,510 | 4,955 | 5,294 |
| (Gain) loss on sale of assets and other | (500) | 2,590 | 3,852 | 8,719 |
| Deferred lease expenses | (521) | 168 | (1,809) | 2,016 |
| Amortization of long-term prepaid rents | 519 | 1,000 | 1,901 | 1,785 |
| Share based awards compensation expense | 3,375 | 2,975 | 9,850 | 9,564 |
| Adjusted EBITDA | \$ 154,777 | \$ 141,739 | \$ 495,351 | \$ 439,649 |

(1) Includes amortization of debt issue costs.

(2) Includes interest income, foreign currency exchange loss and equity in income of affiliates and excludes distributions from NCM.

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Financial Information About Geographic Areas

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

| Revenues | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------|---|-------------------|--|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| U.S. | \$ 509,330 | \$ 463,854 | \$ 1,576,107 | \$ 1,433,259 |
| Brazil | 68,340 | 83,521 | 230,953 | 256,421 |
| Other international countries | 126,157 | 102,907 | 349,382 | 287,080 |
| Eliminations | (3,771) | (3,379) | (11,056) | (9,714) |
| Total | \$ 700,056 | \$ 646,903 | \$ 2,145,386 | \$ 1,967,046 |

| Theatre Properties and Equipment-net | September 30, | December 31, |
|---|----------------------|---------------------|
| | 2015 | 2014 |
| U.S. | \$ 1,158,146 | \$ 1,094,076 |
| Brazil | 150,146 | 204,107 |
| Other international countries | 152,726 | 152,629 |
| Total | \$ 1,461,018 | \$ 1,450,812 |

16. 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. The Company recorded \$448 and \$429 of management fee revenues during the nine months ended September 30, 2015 and 2014, respectively. All such amounts are included in the Company's condensed consolidated financial statements with the intercompany amounts eliminated in consolidation.

The Company leases 15 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 16 leases,

14 have fixed minimum annual rent. The two leases without minimum annual rent have rent based upon a specified percentage of gross sales as defined in the lease. For the nine months ended September 30, 2015 and 2014, the Company paid total rent of approximately \$16,708 and \$17,316, respectively, to Syufy.

17. Commitments and Contingencies

Joseph Amey, et al. v. Cinemark USA, Inc., Case No. 3:13cv05669, In the United States District Court for the Northern District of California, San Francisco Division. The case presents putative class action claims for damages and attorney's fees arising from employee wage and hour claims under California law for alleged meal period, rest break, reporting time pay, unpaid wages, pay upon termination, and wage statements violations. The claims are also asserted as a representative action under the California Private Attorney General Act (PAGA). The Company denies the claims, denies that class certification is appropriate and denies that a PAGA representative action is appropriate, and is vigorously defending against the claims. The Company denies any violation of law and plans to vigorously defend against all claims. The Court recently determined that class certification is not appropriate and determined that a PAGA representative action is not appropriate. The Company is unable to predict the outcome of the litigation or the range of potential loss, if any; however, the Company believes that its potential liability with respect to such proceeding is not material, in the aggregate, to its financial position, results of operations and cash flows. Accordingly, the Company has not established a reserve for loss in connection with this proceeding.

The Company received a Civil Investigative Demand (CID) from the Antitrust Division of the United States Department of Justice. The CID relates to an investigation under Sections 1 and 2 of the Sherman Act. The Company

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also received CIDs from the Antitrust Section of the Office of the Attorney General of the State of Ohio and later from other states regarding similar inquiries under state antitrust laws. The CIDs request the Company to answer interrogatories, and produce documents, or both, related to the investigation of matters including film clearances, potential coordination and/or communication with other major theatre circuits and related joint ventures. The Company intends to fully cooperate with all federal and state government agencies. Although the Company does not believe that it has violated any federal or state antitrust or competition laws, it cannot predict the ultimate scope, duration or outcome of these investigations.

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.

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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, Bolivia and Curacao. As of September 30, 2015, we managed our business under two reportable operating segments—U.S. markets and international markets. See Note 15 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 relationship with NCM has assisted us in expanding our offerings to domestic advertisers and broadening ancillary revenue sources such as digital video monitor advertising. Our Flix Media initiative has allowed us to expand screen advertising within our international circuit and to other international exhibitors. We also offer alternative entertainment, such as live and pre-recorded sports programs, concert events, the Metropolitan Opera, in-theatre gaming and other special events in our theatres through our recently formed Fathom joint venture, AC JV, LLC.

Films leading the box office for the nine months ended September 30, 2015 included *Jurassic World*, *Avengers: Age of Ultron*, *Inside Out*, *Furious 7*, *American Sniper*, *Minions*, *Cinderella*, *Mission: Impossible—Rogue Nation*, *Pitch Perfect 2*, *Ant-Man*, *Home*, *Fifty Shades of Grey*, *The SpongeBob Movie: Sponge Out of Water*, *Straight Outta Compton*, *San Andreas*, *Mad Max: Fury Road*, *The Divergent Series: Insurgent*, *Kingsman: The Secret Service*, *Spy*, and *Trainwreck*. Films currently scheduled for wide-release during the remainder of 2015 include *Star Wars: The Force Awakens*, *Hunger Games: Mockingjay Part II*, the 24th *James Bond* film *Spectre*, *The Martian* and *The Good Dinosaur*, 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. 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.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Operating data (in millions): | | | | |
| Revenues | | | | |
| Admissions | \$ 432.2 | \$ 402.9 | \$ 1,335.8 | \$ 1,239.5 |
| Concession | 230.2 | 211.1 | 704.2 | 630.6 |
| Other | 37.7 | 32.9 | 105.4 | 97.0 |
| Total revenues | \$ 700.1 | \$ 646.9 | \$ 2,145.4 | \$ 1,967.1 |
| Cost of operations | | | | |
| Film rentals and advertising | 236.4 | 215.5 | 737.4 | 665.4 |
| Concession supplies | 36.0 | 33.5 | 109.4 | 98.9 |
| Salaries and wages | 76.6 | 67.9 | 222.3 | 202.2 |
| Facility lease expense | 80.6 | 80.6 | 242.6 | 239.6 |
| Utilities and other | 84.6 | 79.5 | 245.1 | 234.0 |
| General and administrative expenses | 39.1 | 35.8 | 116.3 | 114.9 |
| Depreciation and amortization | 47.5 | 44.7 | 139.4 | 131.1 |
| Impairment of long-lived assets | 0.6 | 4.5 | 4.9 | 5.3 |
| (Gain) loss on sale of assets and other | (0.5) | 2.6 | 3.9 | 8.7 |
| Total cost of operations | 600.9 | 564.6 | 1,821.3 | 1,700.1 |
| Operating income | \$ 99.2 | \$ 82.3 | \$ 324.1 | \$ 267.0 |
| Operating data as a percentage of total revenues: | | | | |
| Revenues | | | | |
| Admissions | 61.7% | 62.3% | 62.3% | 63.0% |
| Concession | 32.9% | 32.6% | 32.8% | 32.1% |
| Other | 5.4% | 5.1% | 4.9% | 4.9% |
| Total revenues | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of operations ⁽¹⁾ | | | | |
| Film rentals and advertising | 54.7% | 53.5% | 55.2% | 53.7% |
| Concession supplies | 15.6% | 15.9% | 15.5% | 15.7% |
| Salaries and wages | 10.9% | 10.5% | 10.4% | 10.3% |
| Facility lease expense | 11.5% | 12.5% | 11.3% | 12.2% |
| Utilities and other | 12.1% | 12.3% | 11.4% | 11.9% |
| General and administrative expenses | 5.6% | 5.5% | 5.4% | 5.8% |

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| | | | | |
|--|------------|------------|------------|------------|
| Depreciation and amortization | 6.8% | 6.9% | 6.5% | 6.7% |
| Impairment of long-lived assets | 0.1% | 0.7% | 0.2% | 0.3% |
| (Gain) loss on sale of assets and other | (0.1)% | 0.4% | 0.2% | 0.4% |
| Total cost of operations | 85.8% | 87.3% | 84.9% | 86.4% |
| Operating income | 14.2% | 12.7% | 15.1% | 13.6% |
| Average screen count (month end average) | 5,743 | 5,622 | 5,710 | 5,602 |
| Revenues per average screen (dollars) | \$ 121,066 | \$ 115,066 | \$ 375,724 | \$ 351,133 |

- (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 September 30, 2015 versus September 30, 2014**

Revenues. Total revenues increased \$53.2 million to \$700.1 million for the three months ended September 30, 2015 (third quarter of 2015) from \$646.9 million for the three months ended September 30, 2014 (third quarter of 2014), representing an 8.2% 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.

| | U.S. Operating Segment Three Months Ended September 30, | | | International Operating Segment Three Months Ended September 30, | | | Consolidated Three Months Ended September 30, | | |
|------------------------------------|---|----------|--------|--|----------|--------|---|----------|--------|
| | | | % | | | % | | | % |
| | 2015 | 2014 | Change | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Admissions revenues ⁽¹⁾ | \$ 318.6 | \$ 290.5 | 9.7% | \$ 113.6 | \$ 112.4 | 1.1% | \$ 432.2 | \$ 402.9 | 7.3% |
| Concession revenues ⁽¹⁾ | \$ 168.5 | \$ 155.3 | 8.5% | \$ 61.7 | \$ 55.8 | 10.6% | \$ 230.2 | \$ 211.1 | 9.0% |
| Other revenues ⁽¹⁾⁽²⁾ | \$ 18.5 | \$ 14.7 | 25.9% | \$ 19.2 | \$ 18.2 | 5.5% | \$ 37.7 | \$ 32.9 | 14.6% |
| Total revenues ⁽¹⁾⁽²⁾ | \$ 505.6 | \$ 460.5 | 9.8% | \$ 194.5 | \$ 186.4 | 4.3% | \$ 700.1 | \$ 646.9 | 8.2% |
| Attendance ⁽¹⁾ | 43.8 | 42.8 | 2.3% | 27.2 | 23.4 | 16.2% | 71.0 | 66.2 | 7.3% |

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 15 of our condensed consolidated financial statements.

U.S. Admissions revenues increased \$28.1 million due to a 2.3% increase in attendance and a 7.1% increase in average ticket price from \$6.79 for the third quarter of 2014 to \$7.27 for the third quarter of 2015. The increase in attendance was due to the solid slate of films released during the third quarter of 2015 and new theatres. The increase in average ticket price was primarily due to price increases and ticket type mix. Concession revenues increased \$13.2 million due to a 6.1% increase in concession revenues per patron, from \$3.63 for the third quarter of 2014 to \$3.85 for the third quarter of 2015, and the 2.3% increase in attendance. The increase in concession revenues per patron was primarily due to incremental sales and price increases. Other revenues increased primarily due to increases in screen advertising revenues.

International. Admissions revenues increased due to a 16.2% increase in attendance, partially offset by a 12.9% decrease in average ticket price from \$4.80 for the third quarter of 2014 to \$4.18 for the third quarter of 2015. Concession revenues increased \$5.9 million due to the 16.2% increase in attendance, partially offset by a 4.6% decrease in concession revenues per patron from \$2.38 for the third quarter of 2014 to \$2.27 for the third quarter of 2015. The increase in attendance was due to the solid slate of films released during the third quarter of 2015 and new theatres. The decrease in average ticket price and concession revenues per patron was due to the unfavorable impact of foreign currency exchange rates in certain countries in which we operate, partially offset by price increases.

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

| | U.S. Operating Segment | | International Operating Segment | | Consolidated | |
|------------------------------|-------------------------------|-------------|--|-------------|---------------------------|-------------|
| | Three Months Ended | | Three Months Ended | | Three Months Ended | |
| | September 30, | | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Film rentals and advertising | \$ 180.1 | \$ 161.1 | \$ 56.3 | \$ 54.4 | \$ 236.4 | \$ 215.5 |
| Concession supplies | 22.9 | 20.9 | 13.1 | 12.6 | 36.0 | 33.5 |
| Salaries and wages | 57.1 | 49.3 | 19.5 | 18.6 | 76.6 | 67.9 |
| Facility lease expense | 59.8 | 58.4 | 20.8 | 22.2 | 80.6 | 80.6 |
| Utilities and other | 59.1 | 55.8 | 25.5 | 23.7 | 84.6 | 79.5 |

U.S. Film rentals and advertising costs were \$180.1 million, or 56.5% of admissions revenues, for the third quarter of 2015 compared to \$161.1 million, or 55.5% of admissions revenues, for the third quarter of 2014. The increase in the film rentals and advertising rate was primarily due to the solid slate of films released during the third quarter of 2015, as generally films that generate higher box office receipts have higher film rental rates, and increased film presentation costs. Concession supplies expense was \$22.9 million, or 13.6% of concession revenues, for the third quarter of 2015 compared to \$20.9 million, or 13.5% of concession revenues, for the third quarter of 2014.

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Salaries and wages increased to \$57.1 million for the third quarter of 2015 from \$49.3 million for the third quarter of 2014 primarily due to increased staffing levels to support the increased attendance, new theatres and increases in minimum wages. Facility lease expense increased to \$59.8 million for the third quarter of 2015 from \$58.4 million for the third quarter of 2014 due to new theatres. Utilities and other costs increased to \$59.1 million for the third quarter of 2015 from \$55.8 million for the third quarter of 2014 due to new theatres and increases in utilities expenses, property taxes, and repairs and maintenance expenses.

International. Film rentals and advertising costs were \$56.3 million, or 49.6% of admissions revenues, for the third quarter of 2015 compared to \$54.4 million, or 48.4% of admissions revenues, for the third quarter of 2014. The increase in the film rentals and advertising rate was primarily due to the solid slate of films released during the third quarter of 2015. Concession supplies expense was \$13.1 million, or 21.2% of concession revenues, for the third quarter of 2015 compared to \$12.6 million, or 22.6% of concession revenues, for the third quarter of 2014. The decrease in the concession supplies rate was primarily due to the impact of sales price increases. Salaries and wages increased to \$19.5 million for the third quarter of 2015 from \$18.6 million for the third quarter of 2014 primarily due to increased staffing levels to support the increased attendance, new theatres and increased wage rates. Facility lease expense decreased to \$20.8 million for the third quarter of 2015 from \$22.2 million for the third quarter of 2014. Utilities and other costs increased to \$25.5 million for the third quarter of 2015 from \$23.7 million for the third quarter of 2014, primarily due to new theatres and increases in repairs and maintenance expenses. All of the above-mentioned theatre operating costs were also impacted by changes in foreign currency exchange rates in certain countries in which we operate.

General and Administrative Expenses. General and administrative expenses increased to \$39.1 million for the third quarter of 2015 from \$35.8 million for the third quarter of 2014. The increase was primarily due to increased salaries and incentive compensation expense, partially offset by the impact of foreign currency exchange rates in certain countries in which we operate.

Depreciation and Amortization. Depreciation and amortization expense was \$47.5 million during the third quarter of 2015 compared to \$44.7 million during the third quarter of 2014. The increase was primarily due to depreciation expense related to new theatres.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of \$0.6 million during the third quarter of 2015 compared to \$4.5 million during the third quarter of 2014. 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 third quarter of 2015 consisted of U.S. theatre properties, impacting two of our twenty-seven reporting units. See Note 11 to our condensed consolidated financial statements.

(Gain) Loss on Sale of Assets and Other. We recorded a gain on sale of assets and other of \$0.5 million during the third quarter of 2015 compared to a loss of \$2.6 million during the third quarter of 2014. The gain recorded during the third quarter of 2015 was primarily due to a gain on the sale of an investment in a Taiwan joint venture and a gain on the sale of a land parcel in the U.S., partially offset by costs resulting from the replacement of certain theatre assets. The loss recorded during the third quarter of 2014 was primarily due to the replacement of certain theatre assets and lease termination charges recorded for theatre closures.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, were \$28.4 million during the third quarter of 2015 compared to \$28.3 million during the third quarter of 2014.

Distributions from NCM. We recorded a distribution from NCM of \$4.6 million during the third quarter of 2015 compared to \$3.5 million during the third quarter of 2014, which were in excess of the carrying value of our Tranche 1 investment. See Note 6 to our condensed consolidated financial statements.

Equity in Income of Affiliates. We recorded equity in income of affiliates of \$11.0 million during the third quarter of 2015 compared to \$10.3 million during the third quarter of 2014. See Notes 6 and 7 to our condensed consolidated financial statements for information about our equity investments.

Income Taxes. Income tax expense of \$30.1 million was recorded for the third quarter of 2015 compared to \$25.5 million recorded for the third quarter of 2014. The effective tax rate was approximately 39.2% for the third quarter of

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2015 compared to 39.9% for the third quarter of 2014. 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.

Nine months ended September 30, 2015 versus September 30, 2014

Revenues. Total revenues increased \$178.3 million to \$2,145.4 million for the nine months ended September 30, 2015 (the 2015 period) from \$1,967.1 million for the nine months ended September 30, 2014 (the 2014 period), representing a 9.1% 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.

| | U.S. Operating Segment Nine Months Ended September 30, | | | International Operating Segment Nine Months Ended September 30, | | | Consolidated Nine Months Ended September 30, | | |
|------------------------------------|---|-------------|---------------------|--|-------------|---------------------|---|-------------|---------------------|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Admissions revenues ⁽¹⁾ | \$ 990.0 | \$ 907.9 | 9.0% | \$ 345.8 | \$ 331.6 | 4.3% | \$ 1,335.8 | \$ 1,239.5 | 7.8% |
| Concession revenues ⁽¹⁾ | \$ 523.1 | \$ 471.4 | 11.0% | \$ 181.1 | \$ 159.2 | 13.8% | \$ 704.2 | \$ 630.6 | 11.7% |
| Other revenues ⁽¹⁾ | \$ 52.0 | \$ 44.3 | 17.4% | \$ 53.4 | \$ 52.7 | 1.3% | \$ 105.4 | \$ 97.0 | 8.7% |
| Total revenues ⁽¹⁾ | \$ 1,565.1 | \$ 1,423.6 | 9.9% | \$ 580.3 | \$ 543.5 | 6.8% | \$ 2,145.4 | \$ 1,967.1 | 9.1% |
| Attendance ⁽¹⁾ | 134.3 | 129.9 | 3.4% | 78.9 | 68.3 | 15.5% | 213.2 | 198.2 | 7.6% |

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 15 of our condensed consolidated financial statements.

U.S. Admissions revenues increased \$82.1 million due to a 3.4% increase in attendance and a 5.4% increase in average ticket price from \$6.99 for the 2014 period to \$7.37 for the 2015 period. The increase in attendance was due to the solid slate of films released during the 2015 period and new theatres. The increase in average ticket price was primarily due to price increases and ticket type mix. Concession revenues increased \$51.7 million due to the 3.4% increase in attendance and a 7.4% increase in concession revenues per patron, from \$3.63 for the 2014 period to \$3.90 for the 2015 period. The increase in concession revenues per patron was primarily due to incremental sales and price increases. Other revenues increased primarily due to increases in screen advertising revenues.

International. Admissions revenues increased \$14.2 million due to a 15.5% increase in attendance, partially offset by a 9.9% decrease in average ticket price from \$4.86 for the 2014 period to \$4.38 for the 2015 period. Concession revenues increased \$21.9 million due to the 15.5% increase in attendance, partially offset by a 1.3%

decrease in concession revenues per patron from \$2.33 for the 2014 period to \$2.30 for the 2015 period. The increase in attendance was due to the solid slate of films released during the 2015 period and new theatres. The decrease in average ticket price and concession revenues per patron was primarily due to the unfavorable impact of foreign currency exchange rates in certain countries in which we operate, partially offset by price increases. *Cost of Operations.* The table below summarizes certain of our year-over-year theatre operating costs by reportable operating segment (in millions).

| | U.S. Operating Segment | | International Operating Segment | | Consolidated | |
|------------------------------|------------------------|----------|---------------------------------|----------|-------------------|----------|
| | Nine Months Ended | | Nine Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Film rentals and advertising | \$ 567.5 | \$ 505.5 | \$ 169.9 | \$ 159.9 | \$ 737.4 | \$ 665.4 |
| Concession supplies | 70.3 | 64.4 | 39.1 | 34.5 | 109.4 | 98.9 |
| Salaries and wages | 165.4 | 149.8 | 56.9 | 52.4 | 222.3 | 202.2 |
| Facility lease expense | 179.1 | 176.2 | 63.5 | 63.4 | 242.6 | 239.6 |
| Utilities and other | 170.6 | 164.7 | 74.5 | 69.3 | 245.1 | 234.0 |

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U.S. Film rentals and advertising costs were \$567.5 million, or 57.3% of admissions revenues for the 2015 period compared to \$505.5 million, or 55.7% of admissions revenues for the 2014 period. The increase in the film rentals and advertising rate was primarily due to the higher concentration of blockbuster films leading to stronger box office performance during the 2015 period and increased film presentation costs. The 2015 period included such blockbuster releases as *Jurassic World*, *The Avengers: Age of Ultron*, *Furious 7*, *American Sniper*, *Inside Out* and *Minions*, which grossed in excess of \$650 million, \$450 million, \$350 million, \$350 million, \$350 million and \$325 million, respectively. Concession supplies expense was \$70.3 million, or 13.4% of concession revenues, for the 2015 period compared to \$64.4 million, or 13.7% of concession revenues, for the 2014 period.

Salaries and wages increased to \$165.4 million for the 2015 period from \$149.8 million for the 2014 period primarily due to new theatres, increased staffing levels to support the increased attendance and increases in minimum wages. Facility lease expense increased to \$179.1 million for the 2015 period from \$176.2 million for the 2014 period primarily due to new theatres and increased percentage rent expense due to increased revenues. Utilities and other costs increased to \$170.6 million for the 2015 period from \$164.7 million for the 2014 period primarily due to new theatres and increases in property taxes, insurance costs and security expenses.

International. Film rentals and advertising costs were \$169.9 million, or 49.1% of admissions revenues, for the 2015 period compared to \$159.9 million, or 48.2% of admissions revenues, for the 2014 period. The increase in the film rentals and advertising rate was due to the higher concentration of blockbuster films and higher box office performance during the 2015 period. Concession supplies expense was \$39.1 million, or 21.6% of concession revenues, for the 2015 period compared to \$34.5 million, or 21.7% of concession revenues, for the 2014 period.

Salaries and wages increased to \$56.9 million for the 2015 period from \$52.4 million for the 2014 period due to new theatres and increased staffing levels to support the increased attendance and increased wage rates. Facility lease expense increased to \$63.5 million for the 2015 period from \$63.4 million for the 2014 period as a result of increased percentage rent expense due to increased revenues and new theatres. Utilities and other costs increased to \$74.5 million for the 2015 period from \$69.3 million for the 2014 period due to increases in repairs and maintenance expenses, utility expenses and new theatres. All of the above-mentioned theatre operating costs were also impacted by changes in foreign currency exchanges rates in certain countries in which we operate.

General and Administrative Expenses. General and administrative expenses increased to \$116.3 million for the 2015 period from \$114.9 million for the 2014 period. The increase was primarily due to increases in salaries and incentive compensation expense, partially offset by the impact of changes in foreign currency exchange rates in certain countries in which we operate.

Depreciation and Amortization. Depreciation and amortization expense was \$139.4 million for the 2015 period compared to \$131.1 million for the 2014 period. The increase was primarily due to depreciation expense related to new theatres.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of \$4.9 million for the 2015 period compared to \$5.3 million for the 2014 period. 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 2015 period consisted of U.S. theatre properties, impacting five of our twenty-seven reporting units, and intangible assets associated with these theatres. See Note 11 to our condensed consolidated financial statements.

Loss on Sale of Assets and Other. We recorded a loss on sale of assets and other of \$3.9 million during the 2015 period compared to \$8.7 million during the 2014 period. The loss recorded during the 2015 period included lease termination costs, contract termination costs and the retirement of assets due to theatre remodels and closures, partially offset by gains related to lease amendments that resulted in a reduction of certain capital lease liabilities, the sale of an investment in a Taiwan joint venture, and the sale of a land parcel in the U.S. The loss recorded during the 2014 period was primarily due to the replacement of certain theatre assets and lease termination charges recorded for theatre closures.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, were \$84.9 million for the 2015 period compared to \$85.1 million for the 2014 period.

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Distributions from NCM. We recorded distributions from NCM of \$13.1 million during the 2015 period and \$14.2 million during the 2014 period, which were in excess of the carrying value of our Tranche 1 investment. NCM did not distribute any excess cash during the second quarter of 2015 due to expenses incurred as the result of the termination of a proposed merger. See Note 6 to our condensed consolidated financial statements.

Equity in Income of Affiliates. We recorded equity in income of affiliates of \$20.4 million during the 2015 period compared to \$17.5 million during the 2014 period. See notes 6 and 7 to our condensed consolidated financial statements for information about our equity investments.

Income Taxes. Income tax expense of \$99.3 million was recorded for the 2015 period compared to \$70.5 million recorded for the 2014 period. The effective tax rate was 38.2% for the 2015 period compared to 32.5% for the 2014 period. The effective tax rate for the 2014 period reflects the impact of items related to our Mexican subsidiaries. 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.

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 \$226.3 million for the nine months ended September 30, 2015 compared to \$223.1 million for the nine months ended September 30, 2014.

Investing Activities

Our investing activities have been principally related to the development, remodel 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 senior secured credit facility. Cash used for investing activities was \$231.9 million for the nine months ended September 30, 2015 compared to \$156.1 million for the nine months ended September 30, 2014. The increase in cash used for investing activities is primarily related to an increase in capital expenditures.

Capital expenditures for the nine months ended September 30, 2015 and 2014 were as follows (in millions):

| Period | New Theatres | Existing Theatres | Total |
|--------------------------------------|-------------------------|------------------------------|--------------|
| Nine Months Ended September 30, 2015 | \$ 90.8 | \$ 141.6 ^(a) | \$ 232.4 |
| Nine Months Ended September 30, 2014 | \$ 70.5 | \$ 85.7 | \$ 156.2 |

^(a) Includes approximately \$26.3 million for the purchase of our corporate headquarters building in Plano, TX. Our U.S. theatre circuit consisted of 4,489 screens at September 30, 2015. During the nine months ended September 30, 2015, we built four new theatres with 50 screens and closed five theatres with 60 screens. At

September 30, 2015, we had signed commitments to open five new theatres with 49 screens in domestic markets during the remainder of 2015 and open ten new theatres with 112 screens subsequent to 2015. We estimate the remaining capital expenditures for the development of these 161 domestic screens will be approximately \$89 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

Our international theatre circuit consisted of 1,257 screens at September 30, 2015. During the nine months ended September 30, 2015, we built ten new theatres with 62 screens, acquired three theatres with 19 screens and closed one screen. At September 30, 2015, we had signed commitments to open two new theatres and 17 screens in international markets during the remainder of 2015 and open six new theatres and 51 screens subsequent to 2015. We estimate the remaining capital expenditures for the development of these 68 international screens will be approximately \$52 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

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We plan to fund capital expenditures for our continued development with cash flow from operations, borrowings under our 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 \$114.0 million for the nine months ended September 30, 2015 compared to \$110.0 million for the nine months ended September 30, 2014.

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 September 30, 2015 (in millions):

| | |
|--|----------------|
| Cinemark, USA, Inc. term loan | \$ 680.8 |
| 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 | 6.9 |
| Total long-term debt | \$ 1,817.7 |
| Less current portion | 8.4 |
| Long-term debt, less current portion | \$ 1,809.3 |

As of September 30, 2015, Cinemark USA, Inc. had \$100.0 million in available borrowing capacity on our revolving credit line.

Contractual Obligations

Due to the recent amendment to our Senior Secured Credit Facility, which extended the maturity of our outstanding term loan debt (see Note 4 to our condensed consolidated financial statements), we have included below our long-term debt and related estimated scheduled interest payments as of September 30, 2015.

| | Total | Payments Due by Period (in millions) | | | |
|----------------|------------|---|-------------|-------------|------------------|
| | | Less Than One Year | 1 - 3 Years | 3 - 5 Years | After 5 Years |
| Long-term debt | \$ 1,817.7 | \$ 8.4 | \$ 16.8 | \$ 16.8 | \$ 1,775.7 |

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| | | | | | |
|--|----------|---------|----------|----------|----------|
| Scheduled interest payments on long-term debt ⁽¹⁾ | \$ 576.6 | \$ 84.5 | \$ 167.0 | \$ 165.8 | \$ 159.3 |
|--|----------|---------|----------|----------|----------|

⁽¹⁾ Amounts include scheduled interest payments on fixed rate and variable rate debt agreements. Estimates for the variable rate interest payments were based on interest rates currently in effect. The average interest rates currently in effect on our fixed rate and variable rate debt are 5.3% and 3.3%, respectively.

Other than the changes in our long term debt obligations discussed above, 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, 2014 filed February 27, 2015.

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, 2014 filed February 27, 2015, we do not have any off-balance sheet arrangements.

Table of Contents*Senior Secured Credit Facility*

Cinemark USA, Inc. has a senior secured credit facility that includes a seven year \$700.0 million term loan and a five year \$100.0 million revolving credit line (the Senior Secured Credit Facility). On May 8, 2015, Cinemark USA, Inc. amended the Senior Secured Credit Facility to extend the maturity of the term loan from December 2019 to May 2022. Quarterly principal payments in the amount of \$1.75 million are due on the term loan through March 31, 2022, with the remaining principal of \$635.3 million due on May 8, 2022. The maturity date for the revolving credit line, which is December 2017, did not change.

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.

The Senior Secured Credit Facility contains usual and customary negative covenants for agreements of this type, including restrictions on Cinemark USA, Inc.'s ability to pay dividends. In addition, 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 Senior Secured Credit Facility. Under the restrictions outlined in the agreements, as of September 30, 2015, Cinemark USA, Inc. could have distributed up to approximately \$1,838.8 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the Senior Secured Credit Facility, subject to its available cash and other borrowing restrictions outlined in the agreement.

At September 30, 2015, there was \$680.8 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 Senior Secured Credit Facility at September 30, 2015 was approximately 3.5% per annum.

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). Interest on the 4.875% Senior Notes is payable on June 1 and December 1 of each year. The 4.875% Senior Notes mature on June 1, 2023.

The indenture to the 4.875% Senior Notes contains covenants that include limitations on the amount of dividends that Cinemark USA, Inc. can pay. As of September 30, 2015, Cinemark USA, Inc. could have distributed up to approximately \$1,986.2 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. 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 September 30, 2015 was approximately 7.5 to 1.

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"). Interest on the 5.125% Senior Notes is payable on June 15 and December 15 of each year. The 5.125% Senior Notes mature on December 15, 2022.

The indenture to the 5.125% Senior Notes contains covenants including limitations on the amount of dividends that could be paid by Cinemark USA, Inc. As of September 30, 2015, Cinemark USA, Inc. could have distributed up to approximately \$1,991.1 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. The indenture allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio

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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 September 30, 2015 was approximately 7.7 to 1.

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"). 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 indenture to the Senior Subordinated Notes contains covenants including limitations on the amount of dividends that could be paid by Cinemark USA, Inc. As of September 30, 2015, Cinemark USA, Inc. could have distributed up to approximately \$1,979.3 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. 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 September 30, 2015 was approximately 7.5 to 1.

Covenant Compliance

As of September 30, 2015, 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 September 30, 2015, there was an aggregate of approximately \$580.8 million of variable rate debt outstanding under these facilities, which excludes \$100.0 million of Cinemark USA, Inc.'s term loan debt that is hedged with the Company's interest rate swap agreement in effect as of September 30, 2015 as discussed below. Based on the interest rates in effect on the variable rate debt outstanding at September 30, 2015, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately \$5.8 million.

Our interest rate swap agreement qualifies for cash flow hedge accounting. The fair value of the interest rate swap is recorded on our condensed consolidated balance sheet as an asset or liability with the effective portion of the interest rate swap's 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 agreement as of September 30, 2015:

Nominal Amount

| (in millions) | Effective Date | Pay Rate | Receive Rate | Expiration Date |
|----------------------|-----------------------|-----------------|---------------------|------------------------|
| \$100.0 | November 2011 | 1.7150% | 1-month LIBOR | April 2016 |

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The table below provides information about our fixed rate and variable rate long-term debt agreements as of September 30, 2015:

| | Expected Maturity for the Twelve-Month Periods Ending | | | | | | Total | Fair Value | Average Interest Rate |
|---------------------------|---|--------|--------|--------|--------|------------|------------|------------|-----------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | | | |
| | September 30, (in millions) | | | | | | | | |
| Fixed rate ⁽¹⁾ | \$ 1.4 | \$ 1.4 | \$ 1.4 | \$ 1.4 | \$ 1.4 | \$ 1,229.9 | \$ 1,236.9 | \$ 1,213.6 | 5.3% |
| Variable rate | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 545.8 | 580.8 | 583.7 | 3.3% |
| Total debt | \$ 8.4 | \$ 8.4 | \$ 8.4 | \$ 8.4 | \$ 8.4 | \$ 1,775.7 | \$ 1,817.7 | \$ 1,797.3 | |

⁽¹⁾ Includes \$100.0 million of the Cinemark USA, Inc. term loan, which represents the debt hedged with the Company's interest rate swap agreement in effect as of September 30, 2015 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 27, 2015.

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

As of September 30, 2015, 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 September 30, 2015, 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 September 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 27, 2015, other than those disclosed in Note 17 to the financial statements included herein.

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 27, 2015.

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Item 6. Exhibits

- *31.1 Certification of Mark Zoradi, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- *31.2 Certification of Sean Gamble, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- *32.1 Certification of Mark Zoradi, 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 Sean Gamble, 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 September 30, 2015, filed November 5, 2015, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements tagged as detailed text.

* filed herewith.

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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: November 5, 2015

/s/ Mark Zoradi
Mark Zoradi
Chief Executive Officer

/s/ Sean Gamble
Sean Gamble
Chief Financial Officer

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EXHIBIT INDEX

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