Cinemark Holdings, Inc.
Form 10-K
February 27, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2014

Commission File Number 001-33401

CINEMARK HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5490327**
(State or other jurisdiction	**(I.R.S. Employer**

of incorporation or organization)	**Identification No.)**

3900 Dallas Parkway

Suite 500

Plano, Texas	**75093**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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	x	Accelerated filer	¨
	¨ (Do not check if a smaller reporting company)		
Non-accelerated filer		Smaller reporting company	¨

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

The aggregate market value of the voting and non-voting common equity owned by non-affiliates of the registrant on June 30, 2014, computed by reference to the closing price for the registrant s common stock on the New York Stock Exchange on such date was $3,709,684,678 (104,911,897 shares at a closing price per share of $35.36).

As of February 20, 2015, 115,700,447 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant s definitive proxy statement, in connection with its 2015 annual meeting of stockholders, to be filed within 120 days of December 31, 2014, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K includes 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, or the Exchange Act. The forward looking statements include our current expectations, assumptions, estimates and projections about our business and our industry. They 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.

You can identify forward-looking statements by the use of words such as may, should, could, estimates, predicts, potential, continue, believes, plans, expects, future and intends and similar expressions which are intended to identify forward-looking statements. These statem
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. In evaluating forward-looking statements, you should carefully consider the risks and uncertainties described in the Risk Factors section in Item 1A of this Form 10-K and elsewhere in this Form 10-K. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained in this Form 10-K. Forward-looking statements contained in this Form 10-K reflect our view only as of the date of this Form 10-K. 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.

Certain Definitions

Unless the context otherwise requires, all references to we, our, us, the issuer or Cinemark relate to Cinemark Holdings, Inc. and its consolid
subsidiaries. Unless otherwise specified, all operating and other statistical data for the U.S. include one theatre in Canada (that was sold during November 2010). All references to Latin America are to Brazil, Mexico (sold during November 2013), Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. Unless otherwise specified, all operating and other statistical data are as of and for the year ended December 31, 2014.

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PART I

Item 1. Business

Our Company

Cinemark Holdings, Inc. and subsidiaries, or the Company, us or our, is a leader in the motion picture exhibition industry, with theatres in the United States, or U.S., Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. We operated theatres in Mexico until November 15, 2013.

As of December 31, 2014, we managed our business under two reportable operating segments: U.S. markets and international markets. See Note 20 to the consolidated financial statements.

Cinemark Holdings, Inc. is a Delaware corporation incorporated on August 2, 2006. Our principal executive offices are at 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. Our telephone number is (972) 665-1000. We maintain a corporate website at *www.cinemark.com.* Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, are available on our website free of charge under the heading About Investor Relations SEC Filings as soon as practicable after such reports are filed or furnished electronically to the Securities and Exchange Commission, or the SEC. Additionally, all of our filings with the SEC can be accessed on the SEC s website at http://www.sec.gov.

Description of Business

We are one of the leaders in the motion picture exhibition industry. As of December 31, 2014, we operated 495 theatres and 5,676 screens in the U.S. and Latin America and approximately 264 million patrons attended our theatres worldwide during the year ended December 31, 2014. We are the most geographically diverse worldwide exhibitor, with theatres in fourteen countries as of December 31, 2014. As of December 31, 2014, our U.S. circuit had 335 theatres and 4,499 screens in 41 states and our international circuit had 160 theatres and 1,177 screens.

Revenues, operating income and net income attributable to Cinemark Holdings, Inc. for the year ended December 31, 2014, were $2,627.0 million, $363.1 million and $192.6 million, respectively. At December 31, 2014 we had cash and cash equivalents of $638.9 million and total long-term debt of $1,823.0 million. Approximately $236.0 million, or 13%, of our long-term debt accrues interest at variable rates and approximately $8.4 million of our long-term debt matures in 2015.

We selectively build or acquire new theatres in markets where we can establish and maintain a strong market position. During the year ended December 31, 2014, we built 18 new theatres with 152 screens and acquired two theatres with 18 screens.

We believe our portfolio of modern high-quality theatres with multiple platforms provides a preferred destination for moviegoers and contributes to our solid cash flows from operating activities. Our significant and diverse presence in the U.S. and Latin America has made us an important distribution channel for movie studios, particularly considering the expanding worldwide box office. Our market leadership is attributable in large part to our senior operational executives, whose years of industry experience range from 18 to 56 years and who have successfully navigated us through many industry and economic cycles.

We continue to develop and expand new platforms and market adaptive concepts for our theatre circuit, including NextGen, CinèArts, Cinemark Bistro, Cinemark Reserve and other premium concepts, such as our Cinemark XD Extreme Digital Cinema, or XD.

Our NextGen theatre complexes have wall-to-wall and ceiling-to-floor screens in every auditorium, along with the latest digital projection and sound technologies. These theatres generally also have an XD auditorium.

Our CinèArts locations provide moviegoers with the best selection of art and independent cinema in a captivating, unique environment and has set the industry standard for providing distinct, acclaimed and award-winning films.

The Cinemark Bistro locations offer in-theatre dining with great tasting food options, such as fresh wraps, hot sandwiches, burgers, and gourmet pizzas, and a selection of beers, wines, and frozen cocktails, all of which can be enjoyed in the comfort of the auditoriums. We currently have two theatres with the movie bistro concept and we plan to expand the concept to two new domestic locations over the next few years.

During 2014, we opened one Cinemark Reserve theatre in the U.S., which features a VIP area with luxury seating and other amenities, along with a wide variety of food and beverage products. We will open a second Cinemark Reserve theatre in the U.S. during the first part of 2015. We have a similar VIP concept in five other domestic locations and in 38 of our international auditoriums, referred to locally as either Cinemark Premiere or Cinemark Prime. We plan to continue to incorporate this concept in certain of our new domestic and international theatres.

Our XD screens represent the largest private label premium large format footprint in the industry. Our XD auditorium offers a premium experience utilizing the latest in digital projection and enhanced custom sound, including Dolby Atmos 11.1 or Barco Auro 20.1 in select locations. The XD experience includes wall-to-wall and ceiling-to-floor screens, wrap-around sound, plush seating and a maximum comfort entertainment environment for an immersive experience. The exceptional XD technology does not require special format movie prints, which allows us the flexibility to play any available digital print we choose, including 3-D content, in the XD auditorium without any print enhancements required. As of December 31, 2014, we had 179 XD auditoriums in our worldwide circuit with plans to install 20 to 30 more XD auditoriums during 2015.

Motion Picture Exhibition Industry Overview

Technology Platform

The motion picture exhibition industry began its conversion to digital projection technology during 2009. Digital projection technology allows filmmakers the ability to showcase imaginative works of art exactly as they were intended, with incredible realism and detail. A digitally produced or digitally converted movie can be distributed to theatres via satellite, physical media, or fiber optic networks. The digitized movie is stored on a computer/server which serves it to a digital projector for each screening of the movie. This format enables us to more efficiently move titles between auditoriums within a theatre to appropriately address demand for each title.

Currently, 100% of our first-run domestic theatres and 100% of our international theatres are fully digital. Digital projection allows us to present 3-D content and alternative entertainment such as live and pre-recorded sports programs, concert events, the Metropolitan Opera, gaming events and other special presentations. Three-dimensional technology offers a premium experience with crisp, bright, ultra-realistic images that create an immersive experience for the patron. Thirty-three titles released during 2013 and 31 titles released during 2014 were available in 3-D format. The film slate for 2015 currently includes 28 3-D titles, including *The Avengers: Age of Ultron* and *Star Wars: The Force Awakens.* A total of 42 3-D titles have already been announced for 2016 and 2017, including two of the *Avatar* sequels.

During 2013, through a joint venture named Digital Cinema Distribution Coalition, or DCDC, the motion picture exhibition industry developed a content delivery network that allows for delivery of all digital content to U.S. theatres with the necessary equipment via satellite. Delivery of content via satellite reduces film transportation costs for both distributors and exhibitors, as a portion of the costs to produce and ship hard drives has been eliminated. The industry is starting the expansion of this satellite delivery technology in certain Latin American markets.

Domestic Markets

The U.S. motion picture exhibition industry set an all-time box office record during 2013 with $10.9 billion in revenues. Industry statistics have not yet been released for 2014, however industry sources indicate that 2014 U.S. box office revenues were approximately $10.4 billion, a 5.2% decrease from the record-setting 2013. The decline in domestic industry performance from 2013 to 2014 was partly due to a shift of certain films into future years as well as less animated content among the films released during 2014.

The following table represents the results of a survey by Motion Picture Association of America, or MPAA, published during March 2014, outlining the historical trends in U.S. box office performance for the ten year period from 2004 to 2013:

Year	U.S. Box Office Revenues ($ in billions)	Attendance (in billions)	Average Ticket Price
2004	$9.3	1.50	$6.21
2005	$8.8	1.38	$6.41
2006	$9.2	1.40	$6.55
2007	$9.6	1.40	$6.88
2008	$9.6	1.34	$7.18
2009	$10.6	1.42	$7.50
2010	$10.6	1.34	$7.89
2011	$10.2	1.28	$7.93
2012	$10.8	1.36	$7.96
2013	$10.9	1.34	$8.13

Films leading the box office during the year ended December 31, 2014 included the carryover of Frozen as well as new releases such as *Guardians of the Galaxy, Hunger Games: Mockingjay Part I, Captain America: The Winter Soldier, The LEGO® Movie, Hobbit: The Battle of the Five Armies, Transformers: Age of Extinction, Maleficent, X-Men: Days of Future Past, Big Hero 6, Dawn of the Planet of the Apes, The Amazing Spider-Man 2, Godzilla, 22 Jump Street, Teenage Mutant Ninja Turtles, Interstellar* and *Divergent*, among other films.

Films currently scheduled for wide-release during 2015 include *Star Wars: The Force Awakens, Hunger Games: Mockingjay Part II, Disney s Cinderella*, *Furious 7, American Sniper, 50 Shades of Grey*, *Avengers: Age of Ultron*, *Jurassic World*, *Inside Out*, *Minions*, the 24th *James Bond* film, *The Good Dinosaur* and *Mission: Impossible 5,* among other films.

International Markets

International box office revenues continue to grow. According to MPAA, international box office revenues were $25.0 billion for the year ended December 31, 2013, representing a 5% increase over 2012. International box office growth is a result of strong economies, ticket price increases and new theatre construction. According to MPAA, Latin American box office revenues were $3.0 billion for the year ended December 31, 2013, representing a 7% increase from 2012.

Growth in Latin America continues to be fueled by a combination of growing populations, an emerging middle class, attractive demographics (i.e., a significant teenage population), continued retail development, and quality product from Hollywood, including 3-D and alternative content offerings. In many Latin American countries, including Brazil, Argentina, Colombia, Peru and Chile, successful local film product can also provide incremental box office growth opportunities.

We believe many international markets will continue to experience growth as new theatre technologies and platforms are introduced, as film and other product offerings continue to expand and as ancillary revenue opportunities grow.

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Drivers of Continued Industry Success

We believe the following market trends will drive the continued strength of our industry:

Importance of Theatrical Success in Establishing Movie Brands. Theatrical exhibition has long been the primary distribution channel for new motion picture releases. A successful theatrical release brands a film and is one of the major contributors to a film s success in downstream markets, such as digital downloads, video on-demand, pay-per-view television, DVDs, and network and syndicated television.

Increased Importance of International Markets for Box Office Success. International markets continue to be an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for $25.0 billion, or approximately 70%, of 2013 total worldwide box office revenues according to MPAA. (As of the date of this report, 2014 industry data was not yet available.) With the continued growth of the international motion picture exhibition industry, we believe the relative contribution of markets outside North America will become even more significant. Many of the top U.S. films released recently also performed exceptionally well in international markets. Such films included *Transformers: Age of Extinction*, which grossed approximately $835.7 million in international markets, or approximately 77% of its worldwide box office, and *X Men: Days of Future Past*, which grossed approximately $514.0 million in international markets, or approximately 68% of its worldwide box office.

Stable Box Office Levels. Over the past ten years, industry statistics have shown slight increases and decreases in attendance from one year to another, however domestic box office revenues have grown during this period. The industry has not experienced highly volatile results, even during recessionary periods, demonstrating the stability of the industry and its continued ability to attract consumers.

Convenient and Affordable Form of Out-Of-Home Entertainment. Movie going continues to be one of the most convenient and affordable forms of out-of-home entertainment, with an estimated average ticket price in the U.S. of $8.13 in 2013. Average prices in 2013 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, ranged from approximately $27.00 to $82.00 per ticket according to MPAA. (As of the date of this report, 2014 industry data was not yet available.)

Innovation Using Digital and Satellite Technology. Our industry began converting to digital projection technology during 2009. Our domestic circuit also converted to satellite technology during 2014. Digital projection combined with satellite delivery allows exhibitors to expand their product offerings, including the presentation of 3-D content and alternative entertainment. Alternative entertainment may include pre-recorded programs as well as live sports programs, concert events, the Metropolitan Opera, gaming events and other special presentations. New and enhanced programming alternatives may expand the industry s customer base and increase patronage for exhibitors.

Introduction of New Platforms and Product Offerings. The motion picture exhibition industry continues to develop new movie theatre platforms to attract a broader base of patrons and to respond to varying consumer preferences. In addition to changing the overall style of some theatres, concession product offerings have continued to expand to more than just traditional popcorn and candy items. Some locations now offer hot foods, adult beverages and/or healthier snack options for patrons.

Competitive Strengths

We believe the following strengths allow us to compete effectively:

Experienced Management. Led by Chairman and founder Lee Roy Mitchell, Chief Executive Officer Tim Warner, President and Chief Operating Officer Robert Copple and President-International Valmir Fernandes, our operational management team has many years of theatre operating experience, ranging from 18 to 56 years, executing a focused strategy that has led to consistent operating results. This management team has successfully navigated us through many industry and economic cycles. Sean Gamble, the Company s recently-hired Chief Financial Officer, brings approximately eight years of industry experience to the team, most recently working for a major studio.

Disciplined Operating Philosophy. We generated operating income and net income attributable to Cinemark Holdings, Inc. of $363.1 million and $192.6 million, respectively, for the year ended December 31, 2014. Our solid operating performance is a result of our disciplined operating philosophy that centers on building high-quality theatres, while maintaining favorable theatre-level economics, controlling operating costs and effectively reacting to economic and market changes.

Leading Position in Our U.S. Markets. We have a leading market share in most of the U.S. markets we serve, which includes a presence in 41 states. For the year ended December 31, 2014, we ranked either first or second, based on box office revenues, in 23 out of our top 30 U.S. markets, including the San Francisco Bay Area, Dallas, Houston, Salt Lake City, Sacramento and Austin.

Located in Top Latin American Markets. We have continued to invest throughout Latin America. As of December 31, 2014, we operated 160 theatres and 1,177 screens in 13 countries. Our international screens generated revenues of $704.6 million, or 26.8% of our total revenues, for the year ended December 31, 2014. We have successfully established a significant presence in major cities in the region, with theatres in twelve of the fifteen largest metropolitan areas in South America. We are the largest exhibitor in Brazil and Argentina. Our geographic diversity makes us an important distribution channel for the movie studios.

State-of-the-Art Theatre Circuit. We offer state-of-the-art theatres, which we believe makes our theatres a preferred destination for moviegoers in our markets. During 2014, we built 152 new screens worldwide. We currently have commitments to open 211 additional new screens over the next three years. We have installed digital projection technology in 100% of our U.S. first-run auditoriums and 100% of our international auditoriums. Currently, approximately 54% of our U.S. screens and 64% of our international screens are 3-D compatible. We currently have fourteen digital IMAX screens. As of December 31, 2014, we had the industry-leading private label premium large format circuit with 179 XD auditoriums in our theatres. We have plans to install 20 to 30 additional XD auditoriums during 2015. We also continue to develop new market-adaptive theatre concepts in various markets. We believe we offer the brightest picture in the industry, with our Doremi servers and Barco digital projectors, and custom surround sound in our auditoriums.

Disciplined and Targeted Growth Strategy. We continue to grow organically as well as through the acquisition of high-quality theatres in select markets. Our growth strategy has centered around achieving a target return on investment while also complementing our existing theatre circuit. We continue to generate significant cash flows from operating activities, which demonstrates the success of our growth strategy. We believe our expected level of cash flows will continue to provide us with the financial flexibility to pursue further growth opportunities, while also allowing us to efficiently service our debt obligations and continue to offer our stockholders a strong dividend yield under our current dividend policy.

Our Strategy

We believe our disciplined operating philosophy and experienced operational management team will enable us to continue to enhance our leading position in the motion picture exhibition industry. Key components of our strategy include:

Growth in Existing and New Markets. We continue to seek growth opportunities by building or acquiring high-quality theatres that meet our strategic, financial and demographic criteria. We also monitor economic and market trends to ensure our existing theatres offer a broad range of products, prices and platforms that satisfy our patrons and to develop new concepts to adapt to changes in preferences. Our growth strategy is diverse. During 2014, we acquired one theatre in Alabama, which is a new state for us, and we also built seven new theatres in six other states in the U.S. We also opened a state-of-the-art theatre in Bolivia during 2014 and we opened 11 other new theatres across four countries in our international markets. We have plans to expand into Curacao during 2015 and Paraguay in 2016.

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Focus on Operational Excellence. We continue to focus on achieving operational excellence by controlling theatre operating costs and training and motivating our staff while focusing on making each of our customer s experiences memorable. We provide first-rate customer service and focus on driving attendance. Our consistent industry-leading margins reflect our ability to deliver the highest quality presentation to our patrons while also managing changes in product and consumer preferences.

Commitment to Technological and Product Innovation. Our commitment to technological innovation has resulted in us being 100% digital in our U.S. first-run auditoriums and international auditoriums as of December 31, 2014. Approximately 56% of our worldwide screens are 3-D compatible. See further discussion of our digital expansion under Technology Innovations on page 10. We continue to expand our worldwide XD auditorium footprint. We are also committed to developing new market-adaptive theatres that broaden the range of entertainment options, concession offerings and amenities we provide to our customers.

Sustained Investment in Existing Circuit. While we continue to grow our theatre circuit with new builds and acquisitions, we also remain committed to investing in our existing theatres to ensure they provide our customers with a comfortable, high-quality entertainment experience for our patrons. We spent approximately $125 million and $140 million on maintenance capital expenditures during the years ended December 31, 2013 and 2014, respectively.

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Theatre Operations

As of December 31, 2014, we operated 495 theatres and 5,676 screens in 41 states and 13 Latin American countries. The following tables summarize the geographic locations of our theatre circuit as of December 31, 2014.

United States Theatres

State	Total Theatres	Total Screens
Texas	87	1,140
California	63	796
Ohio	29	365
Utah	16	209
Nevada	10	154
Illinois	9	128
Pennsylvania	9	125
Kentucky	9	119
Colorado	8	127
Florida	6	110
Oregon	6	90
Arizona	6	90
Virginia	6	80
Oklahoma	6	73
Louisiana	5	74
Connecticut	4	56
New Mexico	4	54
North Carolina	4	41
Indiana	4	40
Iowa	3	50
Michigan	3	50
Massachusetts	3	46
Washington	3	46
Arkansas	3	44
Mississippi	3	41
South Carolina	3	34
Maryland	2	39
New Jersey	2	28
Georgia	2	27
New York	2	27
South Dakota	2	26
Montana	2	25
West Virginia	2	22
Delaware	2	22
Kansas	1	20
Alaska	1	16
Missouri	1	15
Tennessee	1	14
Wisconsin	1	14
Alabama	1	14
Minnesota	1	8
Total	335	4,499

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International Theatres

Country	Total Theatres	Total Screens
Brazil	65	516
Colombia	28	144
Argentina	19	168
Chile	16	113
Central America[(1)]	15	110
Peru	10	77
Ecuador	6	36
Bolivia	1	13
Total	160	1,177

(1) Includes Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala.

We first entered Latin America when we opened a movie theatre in Chile in 1993. Since then, through our focused international strategy, we have developed the most geographically diverse theatre circuit in the region. We have balanced our risk through a diversified international portfolio, which includes theatres in twelve of the fifteen largest metropolitan areas in South America. We have established significant presence in Brazil and Argentina, where we are the largest exhibitor, with 516 and 168 screens, respectively, as of December 31, 2014.

We believe that certain markets within Latin America continue to be underserved as penetration of movie screens per capita in these markets is substantially lower than in the U.S. and European markets. We intend to build and expand our presence in international markets, with emphasis on Latin America, and fund our expansion primarily with cash flow generated in those markets. We are able to mitigate cash flow exposure to currency fluctuations in the markets in which we operate by transacting in their respective local currencies. Our geographic diversity throughout Latin America has allowed us to maintain consistent local currency revenue growth, notwithstanding currency and economic fluctuations that may affect any particular market.

Content and Film Licensing

We offer a variety of content at our theatres. We monitor upcoming films and related events and work with film distributors to license the content that we believe will be most successful in our theatres. We play mainstream films from many different genres, such as animated films, family films, dramas, comedies, horror and action films. We offer content in both 2-D and 3-D formats in all of our first-run theatres, and in select locations, we also offer a 4-D format. The 4-D format features moving seats and added sensory features in addition to the ultra-realistic images of 3-D technology.

We also regularly play art and independent films at many of our U.S. theatres and offer local film product in our international markets, providing a variety of film choices to our patrons. Bringing art and independent films to our theatres allows us to benefit from the growth in the art and independent market driven by the increased interest in art, foreign and documentary films.

We have also established a Classic Series at a majority of our U.S. theatres and some of our international theatres, which involves playing digitally re-mastered classic movies that change on a weekly basis. The program covers many genres of classic films that are generally exhibited during non-peak times.

During December 2013, we formed a joint venture, named AC JV, LLC, with Regal Entertainment Group, or Regal, and AMC Entertainment, Inc., or AMC which then purchased the Fathom event business from National CineMedia, LLC. The Fathom event business generally focuses on the marketing and distribution of live and pre-recorded entertainment programming to movie theatres to augment theatres feature film schedules. AC JV, LLC will

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continue to bring alternative events to our theatres, including the Metropolitan Opera, sports programs, concert events, gaming events and other special presentations, that may be live or pre-recorded. We, along with AC JV, LLC, will continue to identify new ways to utilize our theatre platform to provide entertainment to consumers.

In the domestic marketplace, our corporate film department negotiates with film distributors to license films for our domestic theatres. The film distributors are responsible for determining film release dates and film marketing campaigns and the related expenditures. We are responsible for booking the films in film licensing zones, which are either free film licensing zones or competitive film licensing zones. In free film licensing zones, movies can be booked without regard to the film bookings of other exhibitors within that area. In competitive film licensing zones, the distributor allocates its movies generally based on demographics, the conditions, capacity and grossing potential of each theatre, and the terms of exhibition. We are the sole exhibitor in 92% of the 300 film licensing zones in which our first run U.S. theatres operate.

In each of our international offices, our local film personnel negotiate with local offices of major film distributors as well as local film distributors to license films for our international theatres. In the international marketplace, films are not allocated based on film licensing zones, but played by competitive theatres simultaneously. Our theatre personnel focus on providing excellent customer service, and we provide a high-quality facility with the most up-to-date sound systems, comfortable seating and other amenities preferred by our patrons, which we believe gives us a competitive advantage in markets where competing theatres play the same films.

In both our domestic and international locations, we pay film rental fees based on a film s box office receipts. Film rental rates are negotiated based on either a firm terms formula under which we pay a mutually agreed upon rate as determined prior to a film s run; a sliding scale formula under which the rate is based on a standard rate matrix that is established prior to a film s run; or a mutually agreed upon settlement under which the rate is negotiated after a film s run.

Food and Beverage

Concession sales are our second largest revenue source, representing approximately 32% of total revenues. Concession sales have a much higher margin than admissions sales. We have devoted considerable management effort to increasing concession sales by expanding our offerings and adapting to our customers preferences, as discussed below.

Concession Product Mix. Concession products offered at all of our theatres include various sizes and types of popcorn, soft drinks, coffees, juice blends, candy and quickly-prepared or pre-prepared food, such as hot dogs, pizza, pretzel bites, nachos and ice cream. Different varieties and flavors of candy, snacks and drinks are offered at theatres based on preferences in that particular market. We have recently introduced some healthier snack and beverage options for our patrons, which are available at some locations.

Through our Cinemark Movie Bistro and Cinemark Reserve concepts, we have expanded our domestic concession product offerings to include more food and drink options, such as fresh wraps, hot sandwiches, burgers, and gourmet pizzas, and a selection of beers, wines, and frozen cocktails, all of which can be enjoyed in the comfort of the auditoriums. We also have lobby bars and VIP lounges in certain domestic theatres.

Our point of sale system allows us to monitor product sales and make changes to product mix when necessary, which also allows us to quickly take advantage of national as well as regional product launches and promotions.

Pricing. New products and promotions are introduced on a regular basis to increase concession purchases as well as to attract new buyers. We offer specially-priced product combinations at many of our theatres. We periodically offer discounts to our patrons on certain products by offering weekly coupons as well as reusable popcorn tubs and soft drink cups that can be refilled at a discounted price. In certain international locations, we offer loyalty discounts to frequent patrons.

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Staff Training. Employees are continually trained in proper sales techniques. Consumer promotions usually include a motivational element that rewards theatre staff for exceptional sales of certain promotional items.

Theatre Design. Our theatres are designed to optimize efficiencies at the concession stands, which include multiple service stations throughout a theatre to facilitate serving patrons in an expedited manner. We strategically place large concession stands within theatres to heighten visibility, reduce the length of concession lines, and improve traffic flow around the concession stands. We have self-service cafeteria-style concession areas in many of our domestic theatres, which allow customers to select their own refreshments and proceed to the cash register when they are ready. This design allows for efficient service, enhanced choices, impulse purchases and superior visibility of concession items. In some of our international locations, we allow patrons to pre-order concession items, either online or at a kiosk, and pick them up in a dedicated line at the concession counter.

Cost Control. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain volume discounts and negotiate rebates. Concession supplies are generally distributed through a distribution network. The concession distributor distributes inventory to the theatres, which place orders directly with the vendors to replenish stock. We conduct a weekly inventory of concession products at every theatre to ensure proper stock levels are maintained to appropriately serve our customers.

Pre-Feature Screen Advertising

In our domestic markets, our theatres are part of the in-theatre digital network operated by National CineMedia, LLC, or NCM. NCM provides advertising to our theatres through its branded *First Look* pre-feature entertainment program and also handles lobby promotions and displays for our theatres. We believe that the reach, scope and digital delivery capability of NCM s network provides an effective platform for national, regional and local advertisers to reach an engaged audience. We receive a monthly theatre access fee for participation in the NCM network. In addition, we are entitled to receive mandatory quarterly distributions of excess cash from NCM. As of December 31, 2014, we had an approximate 19% ownership interest in NCM. See Note 6 to the consolidated financial statements.

During 2011, our wholly-owned subsidiary Flix Media Publicidade E Entretenimento, Ltda., or Flix Media, began handling all of our screen advertising functions in Brazil. Our Flix Media marketing personnel work with local agencies and advertisers to coordinate screen advertising in our Brazil theatres. We have expanded the Flix Media advertising services to another exhibitor in Brazil through a revenue share agreement. In Argentina, we also have in-house personnel that work with local advertisers to arrange screen advertising in our Argentina theatres. We are currently integrating our Argentina advertising team with our Flix Media division. We recently acquired an advertising business in Chile, which we will also integrate with our Flix Media division. In our other international markets, we outsource our screen advertising to local companies who have established relationships with local advertisers that provide similar benefits as NCM. The terms of our international screen advertising contracts vary by country. In some of these locations, we earn a percentage of the screen advertising revenues collected by our partners and in other locations we are paid a fixed annual fee for access to our screens.

We will continue to expand Flix Media into our other international locations over the next few years. In addition to screen advertising in our theatres, we intend to expand Flix Media s services to include, among other things, alternative content, online ticketing, and loyalty initiatives.

Technology Innovations

The motion picture exhibition industry has undertaken transformational technology initiatives over the past few years, as discussed below.

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Participation in Digital Cinema Implementation Partners Domestic Markets

During 2007, Cinemark, AMC, and Regal, entered into a joint venture known as Digital Cinema Implementation Partners LLC, or DCIP, to facilitate the implementation of digital cinema in our U.S. theatres and to establish agreements with major motion picture studios for the financing of digital cinema. Digital cinema developments are managed by DCIP, subject to certain approvals by Cinemark, AMC and Regal with each of us having an equal voting interest in DCIP. DCIP s wholly-owned subsidiary Kasima executed long-term deployment agreements with all of the major motion picture studios, under which Kasima receives a virtual print fee from such studios for each digital presentation. In accordance with these agreements, the digital projection systems deployed by Kasima comply with the technology and security specifications developed by the Digital Cinema Initiatives studio consortium. Kasima leases digital projection systems to us, AMC and Regal under master lease agreements that have an initial term of 12 years. Our master lease agreement and other related agreements (collectively the agreements) with Kasima were signed during March 2010. As of December 31, 2014, 93% of our 4,499 U.S. auditoriums were digital, 3,692 of which are leased from Kasima.

Digitalization - International Markets

In our international markets, we converted our auditoriums to digital projection technology. The digital projection systems we deployed were generally funded with operating cash flows generated by each international country. We have virtual print fee agreements with studios under which the studios pay us for certain prints shown on the digital projection equipment. As of December 31, 2014, 752 of our international auditoriums are capable of exhibiting 3-D content.

Digital Cinema Distribution Coalition

Through the joint venture DCDC with Regal, AMC, Warner Bros. Entertainment, Inc. and Universal Pictures, we began delivering digital content to domestic theatres via satellite during October 2013. As of December 31, 2014, 100% of our domestic auditoriums were capable of receiving content via satellite. Delivery of content via satellite reduces film transportation costs for both distributors and exhibitors, as a portion of the costs to produce and ship hard drives has been eliminated. The satellite delivery system established by DCDC is available to all exhibitors and content providers and allows live and store-and-forward content to be delivered to our theatres. The industry is beginning to expand this satellite delivery technology to certain Latin American markets.

Marketing

We generally market our theatres and events using Internet advertising and newspaper directory film schedules. Radio and television advertising spots are also used to promote certain motion pictures and special events, such as theatre grand openings and VIP events. We exhibit previews of coming attractions and current films as part of our on-screen pre-feature program. We offer patrons access to movie times, the ability to buy and print their tickets in advance and purchase gift cards at our website *www.cinemark.com* and via our smart phone and tablet applications. Customers can subscribe to our weekly emails to receive information about current and upcoming films at their preferred Cinemark theatre(s), including details about advanced ticket sales, screenings, special events, concerts and live broadcasts; as well as contests, promotions, and coupons for concession savings. We partner with film distributors on a regular basis to promote their films through local, regional and national programs that are exclusive to our theatres. These programs may involve customer contests, cross-promotions with the media and third parties and other means to increase patronage for a particular film showing at our theatres.

CineMode, which is a function within the app we developed, allows patrons the opportunity to earn rewards while being courteous during a show. Our innovative technology was designed to address texting and other cell phone distractions, which is the number one complaint of movie-goers. While in CineMode, the phone s screen is automatically dimmed and patrons are prompted to silence their volume. If CineMode is enabled for the duration of the movie, patrons are rewarded with exclusive digital rewards and offers that can be used at their next visit to Cinemark. CineMode connects us with our patrons and provides an opportunity for us to further expand our relationships with the studios and our vendors through promotions.

We also have loyalty programs in some of our international markets that allow customers to pay a nominal fee for a membership card that provides them with certain admissions and concession discounts.

Our domestic and international marketing departments also focus on expanding ancillary revenue, which includes the sale of our gift cards and our SuperSaver discount tickets. We generally market these programs to businesses as an employee-incentive or rewards program. Our marketing departments also coordinate the use of our auditoriums, generally during off-peak times, for corporate meetings, private movie screenings, brand and product launches, education and training sessions or other private events, which contribute to our ancillary revenue.

Point of Sale Systems

We have developed our own proprietary point of sale system to enhance our ability to maximize revenues, control costs and efficiently manage operations. The system is currently installed in all of our U.S. theatres. The point of sale system provides corporate management with real-time admissions and concession revenues data and reports to allow for timely changes to movie schedules, including extending film runs, adding showtimes based on demand, or substituting films when gross receipts do not meet expectations. The system tracks concession sales by product, provides in-theatre inventory reports for efficient inventory management and control, offers numerous ticket pricing options, connects with digital concession signage for real-time pricing modifications, integrates Internet ticket sales and processes credit card transactions. Barcode scanners, pole displays, touch screens, credit card readers and other equipment are integrated with the system to enhance its functionality and facilitate print-at-home and mobile ticketing. In our international locations, we currently use point of sale systems that have been developed by third parties, which have been certified as compliant with applicable governmental regulations and offer generally the same capabilities as our proprietary point of sale system.

Competition

We are one of the leaders in the motion picture exhibition industry. We compete against local, regional, national and international exhibitors with respect to attracting patrons, licensing films and developing new theatre sites. Our primary U.S. competitors include Regal, AMC and Carmike Cinemas, Inc. and our primary international competitors, which vary by country, include Kinoplex (GSR), Cinépolis, Village Cines, Cine Colombia and Cinemundo.

We are the sole exhibitor in approximately 92% of the 300 film licensing zones in which our first run U.S. theatres operate. In competitive zones, the distributor allocates their movies generally based on demographics, the conditions, capacity and grossing potential of each theatre, and the terms of exhibition. In areas where we face direct competition, our success in attracting patrons depends on location, theatre capacity, quality of projection and sound equipment, film showtime availability, customer service quality, and ticket prices.

We compete for new theatre sites with other movie theatre exhibitors as well as other entertainment venues. Securing a potential site depends upon factors such as committed investment and resources, theatre design and capacity, revenue and patron potential, and financial stability.

We also face competition from a number of other motion picture exhibition delivery systems, such as digital downloads, DVDs, network and syndicated television, video on-demand, and pay-per-view television. We also face competition from other forms of entertainment competing for the public s leisure time and disposable income, such as concerts, theme parks and sporting events.

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,

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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 and quality of such film releases can have a significant impact 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.

Corporate Operations

Our worldwide headquarters is located in Plano, Texas. Personnel at our corporate headquarters provide oversight for our domestic and international theatres, including our executive team and department heads in charge of film licensing, food and beverage, theatre operations, theatre construction and maintenance, real estate, human resources, marketing, legal, finance, accounting, tax, audit and information technology support. Our U.S. operations are divided into eighteen regions, primarily organized geographically, each of which is headed by a region leader. We have seven regional offices in Latin America responsible for the local management of theatres in thirteen countries (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are operated out of one Central American regional office). Each regional office is headed by a general manager and generally includes personnel in film licensing, marketing, human resources, information systems, operations and accounting. We have chief financial officers in Brazil and Argentina, which are our two largest international markets.

Employees

We have approximately 16,500 employees in the U.S., approximately 22% of whom are full time employees and 78% of whom are part time employees. We have approximately 8,000 employees in our international markets, approximately 30% of whom are full time employees and approximately 70% of whom are part time employees. Some of our international locations are subject to union regulations. We regard our relations with our employees to be satisfactory.

Regulations

The distribution of motion pictures is largely regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases. The manner in which we can license films from certain major film distributors is subject to consent decrees resulting from these cases. Consent decrees bind certain major film distributors and require the films of such distributors to be offered and licensed to exhibitors, including Cinemark, on a theatre-by-theatre and film-by-film basis. Consequently, exhibitors cannot enter into long-term arrangements with major distributors, but must negotiate for licenses on a theatre-by-theatre and film-by-film basis.

We are subject to various general regulations applicable to our operations including the Americans with Disabilities Act of 1990, or the ADA, and regulations recently issued by the U.S. Food and Drug Administration that require nutrition labels for certain menu items. Our theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship, health and sanitation requirements and various business licensing and permitting.

Financial Information About Geographic Areas

We currently have operations in the U.S., Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia, which are reflected in the consolidated financial statements. See Note 20 to the consolidated financial statements for segment information and financial information by geographic area.

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Item 1A. Risk Factors

Our business depends on film production and performance.

Our business depends on both the availability of suitable films for exhibition in our theatres and the success of those films in our markets. Poor performance of films, the disruption in the production of films due to events such as a strike by directors, writers or actors, a reduction in financing options for the film distributors, or a reduction in the marketing efforts of the film distributors to promote their films could have an adverse effect on our business by resulting in fewer patrons and reduced revenues.

Our results of operations vary from period to period based upon the quantity and quality of the motion pictures that we show in our theatres.

Our results of operations vary from period to period based upon the quantity and quality of the motion pictures that we show in our theatres. The major film distributors generally release the films they anticipate will be most successful during the summer and holiday seasons. Consequently, we typically generate higher revenues during these periods. Due to the dependency on the success of films released from one period to the next, results of operations for one period may not be indicative of the results for the following period or the same period in the following year.

A deterioration in relationships with film distributors could adversely affect our ability to obtain commercially successful films.

We rely on the film distributors to supply the films shown in our theatres. The film distribution business is highly concentrated, with six major film distributors accounting for approximately 82.6% of U.S. box office revenues and 47 of the top 50 grossing films during 2014. Numerous antitrust cases and consent decrees resulting from the antitrust cases impact the distribution of films. Film distributors license films to exhibitors on a theatre-by-theatre and film-by-film basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration in our relationship with any of the seven major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

We face intense competition for patrons and films which may adversely affect our business.

The motion picture industry is highly competitive. We compete against local, regional, national and international exhibitors in many of our markets. We compete for both patrons and licensing of films. In markets where we do not face competitive theatres, there is a risk of new theatres being built. The competition for patrons is dependent upon such factors as location, theatre capacity, quality of projection and sound equipment, film showtime availability, customer service quality, and ticket prices. The principal competitive factors with respect to film licensing include the theatre s location and its demographics, the condition, capacity and grossing potential of each theatre, and licensing terms. If we are unable to attract patrons or to license successful films, our business may be adversely affected.

An increase in the use of alternative film distribution channels or other competing forms of entertainment may reduce movie theatre attendance and limit revenue growth.

We face competition for patrons from a number of alternative film distribution channels, such as digital downloads, video on-demand, pay-per-view television, DVDs, network and syndicated television. We also compete with other forms of entertainment, such as concerts, theme parks, gaming and sporting events, for our patrons leisure time and disposable income. A significant increase in popularity of these alternative film distribution channels, competing forms of entertainment or improvements in technologies available at home could have an adverse effect on our business and results of operations.

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Our results of operations may be impacted by shrinking video and digital release windows.

Over the last decade, the average video and digital release window, which represents the time that elapses from the date of a film s theatrical release to the date a film is available to consumers at home, has decreased from approximately six months to approximately three to four months. If patrons choose to wait for an in-home release rather than attend a theatre to view the film, it may adversely impact our business and results of operations, financial condition and cash flows. Film studios occasionally offer consumers a premium video on-demand option for certain films shortly after the theatrical release. These release windows, which are determined by the studios, may shrink further or be eliminated altogether, which could have an adverse impact on our business and results of operations.

General political, social and economic conditions can adversely affect our attendance.

Our results of operations are dependent on general political, social and economic conditions, and the impact of such conditions on our theatre operating costs and on the willingness of consumers to spend money at movie theatres. If consumers discretionary income declines as a result of an economic downturn, our operations could be adversely affected. If theatre operating costs, such as utility costs, increase due to political or economic changes, our results of operations could be adversely affected. Political events, such as terrorist attacks, and health-related epidemics, such as flu outbreaks, could cause people to avoid our theatres or other public places where large crowds are in attendance. In addition, a natural disaster, such as a hurricane or an earthquake, could impact our ability to operate certain of our theatres, which could adversely affect our results of operations.

Our foreign operations are subject to adverse regulations, economic instability and currency exchange risk.

We have 160 theatres with 1,177 screens in thirteen countries in Latin America. Brazil represented approximately 12.7% of our consolidated 2014 revenues. Governmental regulation of the motion picture industry in foreign markets differs from that in the United States. Changes in regulations affecting prices, quota systems requiring the exhibition of locally-produced films and restrictions on ownership of property may adversely affect our international operations. Our international operations are subject to certain political, economic and other uncertainties not encountered by our domestic operations, including risks of severe economic downturns and high inflation. We also face risks of currency fluctuations, hard currency shortages and controls of foreign currency exchange and transfers to the U.S., all of which could have an adverse effect on the results of our international operations.

We have substantial long-term lease and debt obligations, which may restrict our ability to fund current and future operations and that restrict our ability to enter into certain transactions.

We have, and will continue to have, significant long-term debt service obligations and long-term lease obligations. As of December 31, 2014, we had $1,823.0 million in long-term debt obligations, $218.5 million in capital lease obligations and $1,814.3 million in long-term operating lease obligations. We incurred interest expense of $113.7 million for the year ended December 31, 2014. We incurred $317.1 million of facility lease expense under operating leases for the year ended December 31, 2014. Our substantial lease and debt obligations pose risk by:

- requiring us to dedicate a substantial portion of our cash flows to payments on our lease and debt obligations, thereby reducing the availability of our cash flows from operations to fund working capital, capital expenditures, acquisitions and other corporate requirements and to pay dividends;
- impeding our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our variable rate debt, including our borrowings under our amended senior secured credit facility;

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- limiting our ability to invest in innovations in technology and implement new platforms or concepts in our theatres; and

- making us more vulnerable to a downturn in our business and competitive pressures and limiting our flexibility to plan for, or react to, changes in our industry or the economy.

Our ability to make scheduled payments of principal and interest with respect to our indebtedness will depend on our ability to generate positive cash flows and on our future financial results. Our ability to generate positive cash flows is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. We may not be able to continue to generate cash flows at current levels, or guarantee that future borrowings will be available under our amended senior secured credit facility, in an amount sufficient to enable us to pay our indebtedness. If our cash flows and capital resources are insufficient to fund our lease and debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to take any of these actions, and these actions may not be successful or permit us to meet our scheduled debt service obligations and these actions may be restricted under the terms of our existing or future debt agreements, including our amended senior secured credit facility.

If we fail to make any required payment under the agreements governing our leases and indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default, and as a result, our debt holders would have the ability to require that we immediately repay our outstanding indebtedness and the lenders under our amended senior secured credit facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings. We could be forced into bankruptcy or liquidation. The acceleration of our indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default and cross-acceleration provisions. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt holders require immediate payment, we may not have sufficient assets to satisfy our obligations under our indebtedness.

We may not be able to generate additional revenues or continue to realize value from our investment in NCM.

As of December 31, 2014, we had an ownership interest in NCM of approximately 19%. We receive a monthly theatre access fee under our Exhibitor Services Agreement with NCM and we are entitled to receive mandatory quarterly distributions of excess cash from NCM. During the years ended December 31, 2013 and 2014, the Company received approximately $8.0 million and $9.2 million in other revenues from NCM, respectively, and $20.7 million and $18.5 million in cash distributions in excess of our investment in NCM, respectively. Cinema advertising is a small component of the U.S. advertising market and therefore, NCM competes with larger, more established and well known media platforms such as broadcast radio and television, cable and satellite television, outdoor advertising and Internet portals. In-theatre advertising may not continue to attract advertisers or NCM s in-theatre advertising format may not continue to be received favorably by theatre patrons. If NCM is unable to continue to generate consistent advertising revenues, its results of operations may be adversely affected and our investment in and distributions and revenues from NCM may be adversely impacted.

A failure to adapt to future technological innovations could impact our ability to compete effectively and could adversely affect our results of operations.

While we continue to implement the latest technological innovations, such as digital projection, 3-D and satellite distribution technologies, new technological innovations continue to impact our industry. If we are unable to respond to or invest in changes in technology and the technological preferences of our customers, we may not be able to compete with other exhibitors or other entertainment venues, which could adversely affect our results of operations.

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We are subject to uncertainties relating to future expansion plans, including our ability to identify suitable acquisition candidates or site locations, and to obtain financing for such activities on favorable terms or at all.

We have greatly expanded our operations over the last decade through targeted worldwide theatre development and acquisitions. We will continue to pursue a strategy of expansion that will involve the development of new theatres and may involve acquisitions of existing theatres and theatre circuits both in the U.S. and internationally. There is significant competition for new site locations and for existing theatre and theatre circuit acquisition opportunities. As a result of such competition, we may not be able to acquire attractive site locations, existing theatres or theatre circuits on terms we consider acceptable. The pace of our growth may also be impacted by delays in site development caused by other parties. Acquisitions and expansion opportunities may divert a significant amount of management s time away from the operation of our business. Growth by acquisition also involves risks relating to difficulties in integrating the operations and personnel of acquired companies and the potential loss of key employees of acquired companies. Our expansion strategy may not result in improvements to our business, financial condition, profitability, or cash flows. Further, our expansion programs may require financing above our existing borrowing capacity and operating cash flows. We may not be able to obtain such financing or that such financing will be available to us on acceptable terms or at all.

If we do not comply with the ADA and the safe harbor framework included in the consent order we entered into with the Department of Justice, or the DOJ, we could be subject to further litigation.

Our theatres must comply with Title III of the ADA and analogous state and local laws. Compliance with the ADA requires among other things that public facilities reasonably accommodate individuals with disabilities and that new construction or alterations made to commercial facilities conform to accessibility guidelines unless structurally impracticable for new construction or technically infeasible for alterations. On November 15, 2004, Cinemark and the Department of Justice, or DOJ, entered into a consent order, which was filed with the U.S. District Court for the Northern District of Ohio, Eastern Division. Under the consent order, the DOJ approved a safe harbor framework for us to construct all of our future stadium-style movie theatres. The DOJ has stipulated that all theatres built in compliance with the consent order will comply with the wheelchair seating requirements of the ADA. If we fail to comply with the ADA, remedies could include imposition of injunctive relief, fines, awards for damages to private litigants and additional capital expenditures to remedy non-compliance. Imposition of significant fines, damage awards or capital expenditures to cure non-compliance could adversely affect our business and operating results.

We may be subject to increased labor and benefits costs.

We are subject to United States federal and state laws governing such matters as minimum wages, working conditions and overtime. As federal and state minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our results of operations may be adversely impacted. We are also subject to certain union regulations in certain of our international markets. As union wage rates and other requirements change, our results of operations could be adversely affected.

We are subject to impairment losses due to potential declines in the fair value of our assets.

We have a significant amount of long-lived assets. We evaluate long-lived assets for impairment at the theatre level, therefore if a theatre is directly and individually impacted by increased competition, adverse changes in market demographics or adverse changes in the development or condition of the areas surrounding the theatre, we may record impairment charges to reflect the decline in estimated fair value of that theatre.

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We also have a significant amount of goodwill and tradename intangible assets. Declines in our stock price or market capitalization, declines in our attendance due to increased competition in certain regions and/or countries or economic factors that lead to a decline in attendance in any given region or country could result in impairments of goodwill and our intangible assets. As of December 31, 2014, the estimated fair values of goodwill and our tradename intangible assets exceeded their carrying values by at least 10%.

A credit market crisis may adversely affect our ability to raise capital and may materially impact our operations.

Severe dislocations and liquidity disruptions in the credit markets could materially impact our ability to obtain debt financing on reasonable terms or at all. The inability to access debt financing on reasonable terms could materially impact our ability to make acquisitions, invest in technology innovations or significantly expand our business in the future.

We may be subject to liability under environmental laws and regulations.

We own and operate a large number of theatres and other properties within the U.S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the original disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows.

Our ability to pay dividends may be limited or otherwise restricted.

Our ability to pay dividends is limited by our status as a holding company and the terms of our senior notes indentures, our senior subordinated notes indenture, and our amended senior secured credit facility, which restrict our ability to pay dividends and the ability of certain of our subsidiaries to pay dividends, directly or indirectly, to us. Under our debt instruments, we may pay a cash dividend up to a specified amount, provided we have satisfied certain financial covenants in, and are not in default under, our debt instruments. The declaration of future dividends on our common stock, par value $0.001 per share, or Common Stock, will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements.

Provisions in our corporate documents and certain agreements, as well as Delaware law, may hinder a change of control.

Provisions in our amended and restated certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law, could discourage unsolicited proposals to acquire us. These provisions include:

- authorization of our board of directors to issue shares of preferred stock without stockholder approval;
- a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;
- provisions regulating the ability of our stockholders to nominate directors for election or to bring matters for action at annual meetings of our stockholders; and
- provisions of Delaware law that restrict many business combinations and provide that directors serving on classified boards of directors, such as ours, may be removed only for cause.

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Certain provisions of our 4.875% senior notes indenture, our 5.125% senior notes indenture, our 7.375% senior subordinated notes indenture and our amended senior secured credit facility may have the effect of delaying or preventing future transactions involving a change of control. A change of control would require us to make an offer to the holders of each of our 4.875% senior notes, our 5.125% senior notes, and our 7.375% senior subordinated notes to repurchase all of the outstanding notes at a purchase price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest to the date of purchase. A change of control would also be an event of default under our amended senior secured credit facility.

Future sales of our Common Stock may adversely affect the prevailing market price.

If a large number of shares of our Common Stock is sold in the open market, or if there is a perception that such sales will occur, the trading price of our Common Stock could decrease. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional Common Stock. As of December 31, 2014, we had an aggregate of 180,242,418 shares of our Common Stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We may issue shares of our Common Stock in connection with acquisitions.

As of December 31, 2014, we had 115,700,447 shares of our Common Stock outstanding. Of these shares, approximately 104,102,439 shares were freely tradable. The remaining shares of our Common Stock were restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom, including the exemptions provided by Regulation S and Rule 144 promulgated under the Securities Act.

We cannot predict whether substantial amounts of our Common Stock will be sold in the open market in anticipation of, or following, any divestiture by any of our large stockholders, our directors or executive officers of their shares of Common Stock.

As of December 31, 2014, there were 7,693,356 shares of our Common Stock reserved for issuance under our Amended and Restated 2006 Long Term Incentive Plan.

Legislative or regulatory initiatives related to global warming/climate change concerns may negatively impact our business.

Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U.S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance of our theatres and accompanying real estate with new and revised environmental, zoning, land-use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business.

Cyber security threats and our failure to protect our electronically stored data could adversely affect our business.

We store and maintain electronic information and data necessary to conduct our business, including confidential and proprietary information of our customers and employees. Data maintained in electronic form is subject to the risk of intrusion, tampering and theft. While we have adopted industry-accepted security measures and technology to protect the confidential and proprietary information, the development and maintenance of these systems is costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. As such, we may be unable to anticipate and implement adequate preventive measures in time. This may adversely affect our business, including exposure to government enforcement actions and private litigation, and our reputation with our customers and employees may be injured. In addition to Company-specific cyber threats or attacks, our business and results of operations could also be impacted by breaches affecting our peers and partners within the entertainment industry, as well as other retail companies.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

United States

As of December 31, 2014, in the U.S., we operated 293 theatres with 3,898 screens pursuant to leases and own the land and building for 42 theatres with 601 screens. Our leases are generally entered into on a long-term basis with terms, including optional renewal periods, generally ranging from 20 to 45 years. As of December 31, 2014, approximately 6.5% of our theatre leases in the U.S., covering 19 theatres with 140 screens, have remaining terms, including optional renewal periods, of less than six years. Approximately 8.2% of our theatre leases in the U.S., covering 24 theatres with 211 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 85.3% of our theatre leases in the U.S., covering 250 theatres with 3,547 screens, have remaining terms, including optional renewal periods, of more than 15 years. The leases generally provide for a fixed monthly minimum rent payment, with certain leases also subject to additional percentage rent if a target annual revenue level is achieved. We currently own an office building in Plano, Texas, which is our worldwide headquarters. We lease office space in Frisco, Texas and McKinney, Texas for theatre support and maintenance personnel.

International

As of December 31, 2014, internationally, we operated 160 theatres with 1,177 screens, all of which are leased. Our international leases are generally entered into on a long term basis with terms, including optional renewal periods, generally ranging from 5 to 30 years. The leases generally provide for contingent rental based upon operating results with an annual minimum. As of December 31, 2014, approximately 15% of our international theatre leases, covering 24 theatres with 209 screens, have remaining terms, including optional renewal periods, of less than six years. Approximately 45% of our international theatre leases, covering 72 theatres and 546 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 40% of our international theatre leases, covering 64 theatres and 422 screens, have remaining terms, including optional renewal periods, of more than 15 years. The leases generally provide for a fixed monthly minimum rent payment, with certain leases also subject to additional percentage rent if a target annual revenue level is achieved. We also lease office space in seven regions in Latin America for our local management.

See Note 19 to the consolidated financial statements for information regarding our minimum lease commitments. We periodically review the profitability of each of our theatres, particularly those whose lease terms are nearing expiration, to determine whether to continue its operations.

Item 3. Legal Proceedings

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). We deny the claims, deny that class certification is appropriate and deny that a PAGA representative action is appropriate, and are vigorously defending against the claims. The case is in pretrial discovery, no class action has been certified, and no representative action has been quantified or recognized. We deny any violation of law and plan to vigorously defend against all claims. We are unable to predict the outcome of the litigation or the range of potential loss, if any; however, we believe that our potential liability with respect to such proceeding is not material in the aggregate to our financial position, results of operations and cash flows. Accordingly, we have not established a reserve for loss in connection with this proceeding.

From time to time, we are involved in other various legal proceedings arising from the ordinary course of our business operations, such as personal injury claims, employment matters, landlord-tenant disputes, patent claims and contractual disputes, some of which are covered by insurance or by indemnification from vendors. We believe our potential liability, with respect to these types of proceedings currently pending, is not material, individually or in the aggregate, to our financial position, results of operations and cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common equity consists of common stock, which has traded on the New York Stock Exchange since April 24, 2007 under the symbol CNK. The following table sets forth the historical high and low sales prices per share of our Common Stock as reported by the New York Stock Exchange for the years indicated.

	2013		2014	
	High	Low	High	Low
First Quarter (January 1 March 31)	$ 29.76	$ 25.00	$ 33.40	$ 27.34
Second Quarter (April 1 June 30)	$ 31.77	$ 26.59	$ 35.37	$ 27.29
Third Quarter (July 1 September 30)	$ 31.91	$ 27.64	$ 36.51	$ 32.69
Fourth Quarter (October 1 December 31)	$ 34.35	$ 31.10	$ 36.87	$ 29.42

Holders of Common Stock

As of December 31, 2014, there were 149 holders of record of the Company s common stock and there were no other classes of stock issued and outstanding.

Dividend Policy

Below is a summary of dividends declared for the fiscal periods indicated:

Date Declared	Date of Record	Date Paid	Amount per Common Share (1)	Total Dividends (2) (in millions)
02/12/13	03/04/13	03/15/13	$0.21	$24.3
05/24/13	06/06/13	06/20/13	$0.21	24.3
08/15/13	08/28/13	09/12/13	$0.25	29.0
11/19/13	12/02/13	12/11/13	$0.25	29.2
Total Year ended December 31, 2013				$106.8
02/14/2014	03/04/2014	03/19/2014	$0.25	$29.0
05/22/2014	06/06/2014	06/20/2014	$0.25	29.0
08/13/2014	08/28/2014	09/12/2014	$0.25	29.1
11/12/2014	12/02/2014	12/11/2014	$0.25	29.1
Total Year ended December 31, 2014				$116.2

(1) Beginning with the dividend declared on August 15, 2013, our board of directors raised the quarterly dividend from $0.21 to $0.25 per common share.

(2) Includes amounts related to restricted stock unit awards that will not be paid until such awards vest.

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, future prospects for earnings and cash flows, as well as other relevant factors. See Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources Financing Activities* for a discussion of dividend restrictions under our debt agreements.

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Performance Graph

Incorporated by reference to the Company s proxy statement for its annual stockholders meeting to be held on June 4, 2015 and to be filed with the SEC within 120 days after December 31, 2014.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding securities authorized for issuance under the Company s long-term compensation plan is incorporated by reference to the Company s proxy statement for its annual stockholders meeting to be held on June 4, 2015 and to be filed with the SEC within 120 days after December 31, 2014.

Item 6. Selected Financial Data

The following table provides our selected consolidated financial and operating data for the periods and at the dates indicated for each of the five most recent years ended December 31, 2014. During August 2011, we acquired ten theatres with 95 screens in Argentina. During May 2013, we acquired 32 theatres with 483 screens in the U.S. The results of operations for these theatres are included in our consolidated results of operations beginning on the dates of the respective acquisitions. During November 2013, we sold our Mexico theatres, which included 31 theatres and 290 screens. You should read the selected consolidated financial and operating data set forth below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes appearing elsewhere in this report.

	Year Ended December 31,				
	2010	2011	2012	2013	2014
	(Dollars in thousands, except per share data)				
Statement of Income Data:					
Revenues:					
Admissions	$ 1,405,389	$ 1,471,627	$ 1,580,401	$ 1,706,145	$ 1,644,169
Concession	642,326	696,754	771,405	845,168	845,376
Other	93,429	111,232	121,725	131,581	137,445
Total revenues	2,141,144	2,279,613	2,473,531	2,682,894	2,626,990
Film rentals and advertising	769,698	798,606	845,107	919,511	883,052
Concession supplies	97,484	112,122	123,471	135,715	131,985
Salaries and wages	221,246	226,475	247,468	269,353	273,880
Facility lease expense	255,717	276,278	281,615	307,851	317,096
Utilities and other	239,470	259,703	280,670	305,703	308,445
General and administrative expenses	109,045	127,621	148,624	165,351	151,444
Depreciation and amortization	143,508	154,449	147,675	163,970	175,656
Impairment of long-lived assets	12,538	7,033	3,031	3,794	6,647
(Gain) loss on sale of assets and other	(431)	8,792	12,168	(3,845)	15,715
Total cost of operations	$ 1,848,275	$ 1,971,079	$ 2,089,829	$ 2,267,403	$ 2,263,920
Operating income	$ 292,869	$ 308,534	$ 383,702	$ 415,491	$ 363,070
Interest expense	$ 112,444	$ 123,102	$ 123,665	$ 124,714	$ 113,698
Net income	$ 149,663	$ 132,582	$ 171,420	$ 150,548	$ 193,999
Net income attributable to Cinemark Holdings, Inc.	$ 146,120	$ 130,557	$ 168,949	$ 148,470	$ 192,610
Net income attributable to Cinemark Holdings, Inc. per share:					

Basic	$	1.30	$	1.15	$	1.47	$	1.28	$	1.66
Diluted	$	1.29	$	1.14	$	1.47	$	1.28	$	1.66
Cash dividends declared per common share	$	0.75	$	0.84	$	0.84	$	0.92	$	1.00

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	Year Ended December 31, 2010	2011	2012	2013	2014
	(Dollars in thousands)				
Other Financial Data:					
Ratio of earnings to fixed charges[1]	2.10x	2.00x	2.44x	2.23x	2.40x
Cash flow provided by (used for):					
Operating activities	$ 264,751	$ 391,201	$ 395,205	$ 309,666	$ 454,634
Investing activities	(136,067)	(247,067)	(234,311)	(364,701)	(253,339)
Financing activities	(106,650)	(78,414)	63,424	(76,184)	(146,833)
Capital expenditures	(156,102)	(184,819)	(220,727)	(259,670)	(244,705)

	As of December 31, 2010	2011	2012	2013	2014
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 464,997	$ 521,408	$ 742,664	$ 599,929	$ 638,869
Theatre properties and equipment, net	1,215,446	1,238,850	1,304,958	1,427,190	1,450,812
Total assets	3,421,478	3,522,408	3,863,226	4,144,163	4,151,980
Total long-term debt and capital lease obligations, including current portion	1,672,601	1,713,393	1,914,181	2,049,156	2,041,469
Equity	1,033,152	1,023,639	1,094,984	1,102,417	1,123,129

	Year Ended December 31, 2010	2011	2012	2013	2014
Operating Data:					
United States					
Theatres operated (at period end)	293	297	298	334	335
Screens operated (at period end)	3,832	3,878	3,916	4,457	4,499
Total attendance (in 000s)	161,174	158,486	163,639	177,156	173,864
International					
Theatres operated (at period end)	137	159	167	148	160
Screens operated (at period end)	1,113	1,274	1,324	1,106	1,177
Total attendance (in 000s)	80,026	88,889	100,084	99,402	90,009
Worldwide					
Theatres operated (at period end)	430	456	465	482	495
Screens operated (at period end)	4,945	5,152	5,240	5,563	5,676
Total attendance (in 000s)	241,200	247,375	263,723	276,558	263,873

(1) For the purposes of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before taxes plus fixed charges excluding capitalized interest. Fixed charges consist of interest expense, capitalized interest, amortization of debt issue costs and that portion of rental expense which we believe to be representative of the interest factor.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and accompanying notes included in this report. This discussion contains forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements and Risk Factors for a discussion of the uncertainties and risk associated with these statements.

Overview

We are a leader in the motion picture exhibition industry, with theatres in the U.S., Brazil, Argentina, Chile, Colombia, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia. We operated theatres in Mexico until November 15, 2013. As of December 31, 2014, we managed our business under two reportable operating segments U.S. markets and international markets. See Note 20 to the consolidated financial statements.

Revenues and Expenses

We generate revenues primarily from box office receipts and concession sales with additional revenues from screen advertising sales and other revenue streams, such as vendor marketing promotions, meeting rentals and electronic video games located in some of our theatres. Our contracts with NCM have assisted us in expanding our offerings to domestic advertisers and broadening ancillary revenue sources such as digital video monitor advertising and third party branding. Historically, we have also offered alternative entertainment, such as live and pre-recorded sports programs, concert events, the Metropolitan Opera and other special presentations in our theatres through our relationship with NCM. We will continue to offer this entertainment through our recently formed joint venture, AC JV, LLC. Our Flix Media initiative has allowed us to expand our screen advertising within our international circuit and to other international exhibitors.

Films leading the box office during the year ended December 31, 2014 included the carryover of Frozen as well as new releases such as *Guardians of the Galaxy, Hunger Games: Mockingjay Part I, Captain America: The Winter Soldier, The LEGO® Movie, Hobbit: The Battle of the Five Armies, Transformers: Age of Extinction, Maleficent, X-Men: Days of Future Past, Big Hero 6, Dawn of the Planet of the Apes, The Amazing Spider-Man 2, Godzilla, 22 Jump Street, Teenage Mutant Ninja Turtles, Interstellar* and *Divergent*, among other films. Films currently scheduled for wide-release during 2015 include *Star Wars: The Force Awakens, Hunger Games: Mockingjay Part II, Disney s Cinderella*, *Furious 7, American Sniper, 50 Shades of Grey*, *Avengers: Age of Ultron*, *Jurassic World*, *Inside Out*, *Minions*, the 24th *James Bond* film, *The Good Dinosaur* and *Mission: Impossible 5*, among other films.

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

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

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

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

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

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with generally accepted accounting principles in the U.S., or U.S. GAAP. As such, we are required to make certain estimates and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies, which we believe are the most critical to aid in fully understanding and evaluating our reported consolidated financial results, include the following:

Revenue and Expense Recognition

Revenues are recognized when admissions and concession sales are received at the box office. Other revenues primarily consist of screen advertising. Screen advertising revenues are recognized over the period that the related advertising is delivered on-screen or in-theatre. We record proceeds from the sale of gift cards and other advanced sale-type certificates in current liabilities and recognize admissions or concession revenue when a holder redeems the card or certificate. We recognize unredeemed gift cards and other advanced sale-type certificates as revenue only after such a period of time indicates, based on historical experience, the likelihood of redemption is remote, and based on applicable laws and regulations. In evaluating the likelihood of redemption, we consider the period outstanding, the level and frequency of activity, and the period of inactivity.

Film rental costs are accrued based on the applicable box office receipts and either mutually agreed upon firm terms or a sliding scale formula, which are generally established prior to the opening of the film, or estimates of the final mutually agreed upon settlement, which occurs at the conclusion of the film run, subject to the film licensing arrangement. Under a firm terms formula, we pay the distributor a mutually agreed upon percentage of box office receipts, which reflects either a mutually agreed upon aggregate rate for the life of the film or rates that decline over the term of the run. Under a sliding scale formula, we pay a percentage of box office revenues using a pre-determined matrix that is based upon box office performance of the film. The settlement process allows for negotiation of film rental fees upon the conclusion of the film run based upon how the film performs. Estimates are based on the expected success of a film. The success of a film can typically be determined a few weeks after a film is released when initial box office performance of the film is known. Accordingly, final settlements typically approximate estimates since box office receipts are known at the time the estimate is made and the expected success of a film can typically be estimated early in the film s run. If actual settlements are different than those estimates, film rental costs are adjusted at that time. Our advertising costs are expensed as incurred.

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 monthly percentage rent only, which is accrued each month based on actual revenues. Certain of our other theatres require payment of percentage rent in addition to fixed monthly rent if an annual target revenue level is achieved. Percentage rent expense is estimated and recorded for these theatres on a monthly basis if the theatre s historical performance or forecasted performance indicates that the annual target revenue level will be reached. Once annual revenues are known, which is generally at the end of the year, the percentage rent expense is adjusted at that time. We record the fixed minimum rent payments on a straight-line basis over the lease term.

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Theatre properties and equipment are depreciated using the straight-line method over their estimated useful lives. In estimating the useful lives of our theatre properties and equipment, we have relied upon our experience with such assets and our historical replacement period. We periodically evaluate these estimates and assumptions and adjust them as necessary. Adjustments to the expected lives of assets are accounted for on a prospective basis through depreciation expense. Leasehold improvements for which we pay and to which we have title are amortized over the lesser of useful life or the lease term.

Impairment of Long-Lived Assets

We review 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. We assess many factors including the following to determine whether to impair individual theatre assets:

- 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 our assessment of impairment of individual theatre assets.

Long-lived assets are evaluated for impairment on an individual theatre basis, which we believe 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, we then compare the carrying value of the asset group (theatre) with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group (theatre), the asset group (theatre) is written down to its estimated fair value. Significant judgment is involved in estimating cash flows and fair value. Management s estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was six and a half times for the evaluations performed during 2012, 2013 and 2014. The long-lived asset impairment charges related to theatre properties 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.

Impairment of Goodwill and Intangible Assets

We evaluate goodwill for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of the goodwill may not be fully recoverable. We evaluate goodwill for impairment at the reporting unit level and have allocated goodwill to the reporting unit based on an estimate of its relative fair value. Management considers the reporting unit to be each of our eighteen regions in the U.S. and each of our eight international countries (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are considered one reporting unit). The evaluation is a two-step approach requiring us 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 its 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 seven and a half times for the evaluation performed during 2012 and eight times for the evaluations performed during 2013 and 2014. We increased the multiple of cash flows used for the evaluation performed during the year ended December 31, 2013 due to the increase in industry trading multiples, and the increase in our stock price and resulting market capitalization. As of December 31, 2014, the estimated fair value of goodwill for all of our reporting units exceeded their carrying value by at least 10%.

Tradename intangible assets are tested for impairment at least annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. We estimate the fair value of our tradenames by applying an estimated market royalty rate that could be charged for the use of our tradename to forecasted future revenues, with an adjustment for the present value of such royalties. If the estimated fair value is less than the carrying value, the tradename intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating market royalty rates and long-term revenue forecasts. 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 revenue performance and industry trends. As of December 31, 2014, the estimated fair value of our tradename intangible assets exceeded their carrying values by at least 10%.

Income Taxes

We use an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes are provided when tax laws and financial accounting standards differ with respect to the amount of income for a year and the basis of assets and liabilities. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not that such assets will be realized. Income taxes are provided on unremitted earnings from foreign subsidiaries unless such earnings are expected to be indefinitely reinvested. Income taxes have also been provided for potential tax assessments. The evaluation of an uncertain tax position is a two-step process. The first step is recognition: We determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position would be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements result in (1) a change in a liability for income taxes payable or (2) a change in an income tax refund receivable, a deferred tax asset or a deferred tax liability or both (1) and (2). We accrue interest and penalties on uncertain tax positions.

Accounting for Investment in National CineMedia, LLC and Related Agreements

We have an investment in NCM. NCM operates a digital in-theatre network in the U.S. for providing cinema advertising and non-film events. Upon joining NCM, the Company and NCM entered into an Exhibitor Services Agreement, pursuant to which NCM provides advertising, promotion and event services to the Company s theatres. On February 13, 2007, National CineMedia, Inc., or NCM Inc. , a newly formed entity that serves as a member and the sole manager of NCM, completed an initial public offering of its common stock.

In connection with the NCM Inc. initial public offering, the Company amended its operating agreement and the Exhibitor Services Agreement, or ESA, with NCM and received proceeds related to the modification of the ESA and the Company s sale of certain of its shares in NCM. The ESA modification reflected a shift from circuit share expense under the prior Exhibitor Services Agreement, which obligated NCM to pay the Company a percentage of revenue, to a monthly theatre access fee, which significantly reduced the contractual amounts paid to the Company by NCM. The Company recorded the proceeds related to the ESA modification as deferred revenue, which is being amortized into other revenues over the life of the agreement using the units of revenue method. As a result of the proceeds received as part of the NCM, Inc. initial public offering, the Company had a negative basis in its original membership units in NCM (referred to herein as its Tranche 1 Investment). The Company does not recognize undistributed equity in the earnings on its 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 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.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCM, Inc. and Cinemark, AMC and Regal, collectively referred to as its Founding Members, 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. To account for the receipt of additional common units under the Common Unit Adjustment Agreement, the Company follows the guidance in ASC 323-10-35-29 (formerly EITF 02-18, *Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition*) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments equates to making additional investments in National CineMedia. The Company evaluated the receipt of the additional common units in National CineMedia and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. The Company accounts for these additional common units (referred to herein as its Tranche 2 Investment) as a separate investment than its Tranche 1 Investment. 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. The Tranche 2 Investment is accounted for following the equity method, with undistributed equity earnings related to its Tranche 2 Investment included as a component of equity in income of affiliates and distributions received related to its Tranche 2 Investment are recorded as a reduction of its investment basis.

Recent Developments

Dividend Declaration

On February 11, 2015, our board of directors approved a cash dividend for the fourth quarter of 2014 of $0.25 per common share payable to stockholders of record on March 4, 2015. The dividend will be paid on March 18, 2015.

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Results of Operations

The following table sets forth, for the periods indicated, the amounts for certain items reflected in our consolidated statements of income along with each of those items as a percentage of revenues. During May 2013, we acquired 32 theatres with 483 screens in the U.S. The results of operations for these theatres are included in our consolidated results of operations beginning on the date of the acquisition. During November 2013, we sold our Mexico theatres, which included 31 theatres and 290 screens.

	Year Ended December 31,		
	2012	2013	2014
Operating data (in millions):			
Revenues			
Admissions	$ 1,580.4	$ 1,706.1	$ 1,644.2
Concession	771.4	845.2	845.4
Other	121.7	131.6	137.4
Total revenues	2,473.5	2,682.9	2,627.0
Cost of operations			
Film rentals and advertising	845.1	919.5	883.1
Concession supplies	123.5	135.7	132.0
Salaries and wages	247.4	269.3	273.9
Facility lease expense	281.6	307.9	317.1
Utilities and other	280.7	305.7	308.4
General and administrative expenses	148.6	165.4	151.4
Depreciation and amortization	147.7	164.0	175.7
Impairment of long-lived assets	3.0	3.8	6.6
(Gain) loss on sale of assets and other	12.2	(3.9)	15.7
Total cost of operations	2,089.8	2,267.4	2,263.9
Operating income	$ 383.7	$ 415.5	$ 363.1
Operating data as a percentage of total revenues:			
Revenues			
Admissions	63.9%	63.6%	62.6%
Concession	31.2%	31.5%	32.2%
Other	4.9%	4.9%	5.2%
Total revenues	100.0%	100.0%	100.0%
Cost of operations (1)			
Film rentals and advertising	53.5%	53.9%	53.7%
Concession supplies	16.0%	16.1%	15.6%
Salaries and wages	10.0%	10.0%	10.4%
Facility lease expense	11.4%	11.5%	12.1%
Utilities and other	11.3%	11.4%	11.7%
General and administrative expenses	6.0%	6.2%	5.8%
Depreciation and amortization	6.0%	6.1%	6.7%
Impairment of long-lived assets	0.1%	0.1%	0.3%
(Gain) loss on sale of assets and other	0.5%	(0.1%)	0.6%
Total cost of operations	84.5%	84.5%	86.2%
Operating income	15.5%	15.5%	13.8%
Average screen count (month end average)	5,198	5,548	5,613

Revenues per average screen (dollars)	$ 475,897	$ 483,579	$ 468,019

(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.

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Comparison of Years Ended December 31, 2014 and December 31, 2013

Revenues. Total revenues decreased $55.9 million to $2,627.0 million for 2014 from $2,682.9 million for 2013, representing a 2.1% decrease. 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			International Operating Segment			Consolidated		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2014	2013	% Change	2014	2013	% Change	2014	2013	% Change
Admissions revenues [1]	$ 1,220.8	$ 1,231.4	(0.9%)	$ 423.4	$ 474.7	(10.8%)	$ 1,644.2	$ 1,706.1	(3.6%)
Concession revenues [1]	$ 635.6	$ 609.3	4.3%	$ 209.8	$ 235.9	(11.1%)	$ 845.4	$ 845.2	%
Other revenues [1][2]	$ 66.0	$ 59.1	11.7%	$ 71.4	$ 72.5	(1.5%)	$ 137.4	$ 131.6	4.4%
Total revenues [1][2]	$ 1,922.4	$ 1,899.8	1.2%	$ 704.6	$ 783.1	(10.0%)	$ 2,627.0	$ 2,682.9	(2.1%)
Attendance [1]	173.9	177.2	(1.9%)	90.0	99.4	(9.5%)	263.9	276.6	(4.6%)

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 20 of our consolidated financial statements.

U.S. The decrease in admissions revenues was primarily attributable to a 1.9% decrease in attendance, partially offset by a 1.0% increase in average ticket price from $6.95 for 2013 to $7.02 for 2014. The increase in concession revenues was primarily attributable to a 6.1% increase in concession revenues per patron from $3.44 for 2013 to $3.65 for 2014. Our revenues and attendance include the 32 Rave theatres acquired beginning on May 29, 2013 (see Note 5 to the consolidated financial statements). The increase in average ticket price was primarily due to the pricing at acquired and new theatres. The increase in concession revenues per patron was primarily due to price increases and incremental sales. The increase in other revenues is partly due to a sales tax refund recorded during 2014.

International. The decrease in admissions revenues was primarily attributable to a 9.5% decrease in attendance and a 1.7% decrease in average ticket price from $4.78 for 2013 to $4.70 for 2014. The decrease in concession revenues was primarily attributable to the 9.5% decrease in attendance and a 1.7% decrease in concession revenues per patron from $2.37 for 2013 to $2.33 for 2014. The decrease in attendance was primarily due to the sale of our Mexico theatres on November 15, 2013. The decrease in average ticket price and concession revenues per patron was due to the unfavorable impact of exchange rates in certain countries in which we operate.

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

	U.S. Operating Segment		International Operating Segment		Consolidated	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013	2014	2013
Film rentals and advertising	$ 681.1	$ 687.3	$ 202.0	$ 232.2	$ 883.1	$ 919.5
Concession supplies	86.4	83.7	45.6	52.0	132.0	135.7
Salaries and wages	202.8	192.5	71.1	76.8	273.9	269.3
Facility lease expense	235.2	215.5	81.9	92.4	317.1	307.9
Utilities and other	217.2	204.5	91.2	101.2	308.4	305.7

U.S. Film rentals and advertising costs were $681.1 million, or 55.8% of admissions revenues, for 2014 compared to $687.3 million, or 55.8% of admissions revenues, for 2013. Concession supplies expense was $86.4 million, or 13.6% of concession revenues, for 2014 compared to $83.7 million, or 13.7% of concession revenues, for 2013.

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Salaries and wages increased to $202.8 million for 2014 from $192.5 million for 2013. Facility lease expense increased to $235.2 million for 2014 from $215.5 million for 2013. Utilities and other costs increased to $217.2 million for 2014 from $204.5 million for 2013. All of the above-mentioned theatre operating costs for 2014 increased primarily due to new theatre openings and the inclusion of the 32 Rave theatres acquired on May 29, 2013 (see Note 5 to the consolidated financial statements).

International. Film rentals and advertising costs were $202.0 million, or 47.7% of admissions revenues, for 2014 compared to $232.2 million, or 48.9% of admissions revenues, for 2013. The decrease in the film rentals and advertising rate for the 2014 period was primarily due to increased virtual print fees that we earn from studios on films played in our international theatres. Concession supplies expense was $45.6 million, or 21.7% of concession revenues, for 2014 compared to $52.0 million, or 22.0% of concession revenues, for 2013. Salaries and wages decreased to $71.1 million for 2014 from $76.8 million for 2013. Facility lease expense decreased to $81.9 million for 2014 from $92.4 for 2013. Utilities and other costs decreased to $91.2 million for 2014 from $101.2 million for 2013. All of the above-mentioned theatre operating costs were impacted by changes in exchange rates in certain countries in which we operate and the sale of our Mexico theatres during November 2013.

General and Administrative Expenses. General and administrative expenses decreased to $151.4 million for 2014 from $165.4 million for 2013. The reduction was primarily due to the impact of changes in exchange rates in certain countries in which we operate, the sale of our Mexico theatres in November 2013 and a reduction in incentive compensation expense. General and administrative expenses for 2013 also included approximately $1.5 million in severance expense and approximately $1.8 million in share based award compensation expense related to the sale of our Mexico theatres during November 2013.

Depreciation and Amortization. Depreciation and amortization expense was $175.7 million for 2014 compared to $164.0 million for 2013. The increase was primarily due to new theatres, including the 32 Rave theatres acquired on May 29, 2013, and remodels and other improvements of existing theatres, partially offset by the sale of our Mexico theatres during November 2013.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of $6.6 million for 2014 compared to $3.8 million for 2013. Impairment charges for 2014 consisted primarily of U.S. theatre properties, impacting twelve of our twenty-six reporting units. Impairment charges for 2013 were primarily related to U.S. and international theatre properties, impacting twelve of our twenty-six reporting units. 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. See Notes 1, 8 and 9 to our consolidated financial statements.

(Gain) Loss on Sale of Assets and Other. We recorded a loss on sale of assets and other of $15.7 million during 2014 compared to a gain of $3.9 million during 2013. The loss recorded during the 2014 period was primarily due to the retirement of certain theatre equipment that was replaced during the period, lease termination charges recorded for theatre closures and a charge for termination of a vendor contract. The gain recorded during 2013 included a gain of $3.5 million related to the sale of our Mexico theatres and a gain of $2.3 million related to the sale of one theatre in Argentina, both of which were partially offset by the retirement of equipment replaced during the period.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, were $113.7 million for 2014 compared to $124.7 million for 2013. The decrease was primarily due to the issuance of the 4.875% Senior Notes on May 24, 2013 that were used to pay off, on June 24, 2013, the previously issued 8.625% Senior Notes. See Note 11 to our consolidated financial statements for further discussion of our long-term debt.

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Loss on Early Retirement of Debt. We recorded a loss on early retirement of debt of approximately $72.3 million during 2013 as a result of the redemption of Cinemark USA, Inc. s 8.625% Senior Notes on June 24, 2013. The loss on early retirement of debt included approximately $56.6 million for a make-whole premium paid, the write-off of approximately $8.0 million in unamortized bond discount, the write-off of $7.6 million in unamortized debt issue costs and the payment of $0.1 million of other fees. See Note 11 to our consolidated financial statements for further discussion of our long-term debt.

Distributions from NCM. We recorded distributions received from NCM of $18.5 million during 2014 and $20.7 million during 2013, which were in excess of the carrying value of our Tranche 1 Investment. See Note 6 to our consolidated financial statements.

Equity in Income of Affiliates. We recorded equity in income of affiliates of $22.7 million during 2014 and $22.7 million during 2013. The equity in income of affiliates recorded during 2014 primarily included income of approximately $15.3 million related to our equity investment in DCIP (see Note 7 to our consolidated financial statements) and income of approximately $6.1 million related to our equity investment in NCM (see Note 6 to our consolidated financial statements). The equity in income of affiliates recorded during 2013 primarily included approximately $11.6 million of income related to our equity investment in NCM and approximately $11.2 million of income related to our equity investment in DCIP.

Income Taxes. Income tax expense of $96.1 million was recorded for 2014 compared to $113.3 million recorded for 2013. The effective tax rate for 2014 was 33.1%. The effective tax rate for 2013 was 42.9%. See Note 18 to our consolidated financial statements.

Comparison of Years Ended December 31, 2013 and December 31, 2012

Revenues. Total revenues increased $209.4 million to $2,682.9 million for 2013 from $2,473.5 million for 2012, representing an 8.5% 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			International Operating Segment			Consolidated		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Admissions revenues [1]	$ 1,231.4	$ 1,099.6	12.0%	$ 474.7	$ 480.8	(1.3%)	$ 1,706.1	$ 1,580.4	8.0%
Concession revenues [1]	$ 609.3	$ 546.2	11.6%	$ 235.9	$ 225.2	4.8%	$ 845.2	$ 771.4	9.6%
Other revenues [1][2]	$ 59.1	$ 50.1	18.0%	$ 72.5	$ 71.6	1.3%	$ 131.6	$ 121.7	8.1%
Total revenues [1][2]	$ 1,899.8	$ 1,695.9	12.0%	$ 783.1	$ 777.6	0.7%	$ 2,682.9	$ 2,473.5	8.5%
Attendance [1]	177.2	163.6	8.3%	99.4	100.1	(0.7%)	276.6	263.7	4.9%

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 20 of our consolidated financial statements.

U.S. The increase in admissions revenues of $131.8 million was primarily attributable to an 8.3% increase in attendance and a 3.4% increase in average ticket price from $6.72 for 2012 to $6.95 for 2013. The increase in concession revenues of $63.1 million was primarily attributable to the 8.3% increase in attendance and a 3.0% increase in concession revenues per patron from $3.34 for 2012 to $3.44 for 2013. Our revenues and attendance for 2013 also benefited from the inclusion of the 32 Rave theatres acquired on May 29, 2013 (see Note 5 to the consolidated financial statements). The increase in average ticket price was primarily due to price increases and the pricing at acquired theatres. The increase in concession revenues per patron was primarily due to incremental sales and price increases. The increase in other revenues was primarily attributable to the 8.3% increase in attendance, which resulted in increases in screen advertising, video game and other promotional revenues.

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International. The decrease in admissions revenues of $6.1 million was primarily attributable to a 0.7% decrease in attendance and a 0.4% decrease in average ticket price from $4.80 for 2012 to $4.78 for 2013. The increase in concession revenues of $10.7 million was primarily attributable to the 5.3% increase in concession revenues per patron from $2.25 for 2012 to $2.37 for 2013. The decrease in attendance was partly due to the sale of our Mexico theatres on November 15, 2013. The decrease in average ticket price was primarily due to the unfavorable impact of exchange rates in certain countries in which we operate. The increase in concession revenues per patron was primarily due to incremental sales and price increases, partially offset by the unfavorable impact of exchange rates in certain countries in which we operate.

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

	U.S. Operating Segment		International Operating Segment		Consolidated	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012	2013	2012
Film rentals and advertising	$ 687.3	$ 610.5	$ 232.2	$ 234.6	$ 919.5	$ 845.1
Concession supplies	83.7	71.1	52.0	52.4	135.7	123.5
Salaries and wages	192.5	174.2	76.8	73.2	269.3	247.4
Facility lease expense	215.5	191.1	92.4	90.5	307.9	281.6
Utilities and other	204.5	182.9	101.2	97.8	305.7	280.7

U.S. Film rentals and advertising costs were $687.3 million, or 55.8% of admissions revenues, for 2013 compared to $610.5 million, or 55.5% of admissions revenues, for 2012. The increase in film rentals and advertising costs of $76.8 million was primarily due to the $131.8 million increase in admissions revenues. Concession supplies expense was $83.7 million, or 13.7% of concession revenues, for 2013 compared to $71.1 million, or 13.0% of concession revenues, for 2012. The increase in the concession supplies rate was primarily due to increases in inventory procurement costs.

Salaries and wages increased to $192.5 million for 2013 from $174.2 million for 2012. Facility lease expense increased to $215.5 million for 2013 from $191.1 million for 2012. Utilities and other costs increased to $204.5 million for 2013 from $182.9 million for 2012. All of the above-mentioned theatre operating costs for 2013 increased due to the inclusion of the 32 Rave theatres acquired on May 29, 2013 (see Note 5 to the consolidated financial statements). Utilities and other costs were also impacted by increased equipment lease and personal property tax expenses related to digital and 3-D equipment, increased security expense and increased repairs and maintenance expense.

International. Film rentals and advertising costs were $232.2 million, or 48.9% of admissions revenues, for 2013 compared to $234.6 million, or 48.8% of admissions revenues, for 2012. Concession supplies expense was $52.0 million, or 22.0% of concession revenues, for 2013 compared to $52.4 million, or 23.3% of concession revenues, for 2012. The decrease in the concession supplies rate is due to the mix of products sold during 2013 compared to 2012 and the impact of concession price increases. Each of the expenses previously discussed were also impacted by the change in exchange rates in certain countries in which we operate.

Salaries and wages increased to $76.8 million for 2013 from $73.2 million for 2012 primarily due to new theatres and increased wage rates. Facility lease expense increased to $92.4 million for 2013 from $90.5 for 2012 primarily due to new theatres and increased common area maintenance expense. Utilities and other costs increased to $101.2 million for 2013 from $97.8 million for 2012 partially due to new theatres and increased property taxes. Each of the expenses previously discussed were also impacted by the change in exchange rates in certain countries in which we operate.

General and Administrative Expenses. General and administrative expenses increased to $165.4 million for 2013 from $148.6 million for 2012. The increase was primarily due to increased salaries and incentive compensation expense of approximately $7.1 million, increased professional fees of $5.0 million and increased credit card fees of $3.6 million. General and administrative expenses for 2013 also included approximately $1.5 million in severance expense and approximately $1.8 million in share based award compensation expense related to the sale of our Mexico theatres on November 15, 2013.

Depreciation and Amortization. Depreciation and amortization expense was $164.0 million for 2013 compared to $147.7 million for 2012. The increase was primarily due to new theatres, including the 32 Rave theatres acquired on May 29, 2013.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of $3.8 million for 2013 compared to $3.0 million for 2012. Impairment charges for 2013 were related to theatre properties, impacting twelve of our twenty-six reporting units. Impairment charges for 2012 were related to theatre properties, impacting fourteen of our twenty-four reporting units. 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. See Notes 1, 8 and 9 to our consolidated financial statements.

(Gain) Loss on Sale of Assets and Other. We recorded a gain on sale of assets and other of $3.9 million during 2013 compared to a loss of $12.2 million during 2012. The gain recorded during 2013 included a gain of $3.5 million related to the sale of our Mexico theatres and a gain of $2.3 million related to the sale of one theatre in Argentina partially offset by the retirement of equipment replaced during the period. The loss recorded during 2012 included a $6.7 million lease termination reserve for a closed theatre and the retirement of certain theatre equipment that was replaced during the year.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, were $124.7 million for 2013 compared to $123.7 million for 2012. See Note 11 to our consolidated financial statements for further discussion of our long-term debt.

Loss on Early Retirement of Debt. We recorded a loss on early retirement of debt of approximately $72.3 million during 2013 as a result of the redemption of Cinemark USA, Inc. s 8.625% Senior Notes on June 24, 2013. The loss on early retirement of debt included approximately $56.6 million for a make-whole premium paid and the write-off of approximately $8.0 million in unamortized bond discount and $7.6 million in unamortized debt issue costs and the payment of $0.1 million of other fees. We recorded a loss on early retirement of debt of $5.6 million during 2012 related to the amendment and restatement of our senior secured credit facility. See Note 11 to our consolidated financial statements for further discussion of our long-term debt.

Distributions from NCM. We recorded distributions received from NCM of $20.7 million during 2013 and $20.8 million during 2012, which were in excess of the carrying value of our Tranche 1 Investment. See Note 6 to our consolidated financial statements.

Equity in Income of Affiliates. We recorded equity in income of affiliates of $22.7 million during 2013 and $13.1 million during 2012. The equity in income of affiliates recorded during 2013 primarily included approximately $11.6 million of income related to our equity investment in NCM (see Note 6 to our consolidated financial statements) and approximately $11.2 million of income related to our equity investment in DCIP (see Note 7 to our consolidated financial statements). The equity in income of affiliates recorded during 2012 primarily included approximately $4.4 million of income related to our equity investment in NCM and approximately $8.9 million of income related to our equity investment in DCIP.

Income Taxes. Income tax expense of $113.3 million was recorded for 2013 compared to $125.4 million recorded for 2012. The effective tax rate for 2013 was 42.9%. The effective tax rate for 2012 was 42.2%. See Note 18 to our consolidated financial statements.

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, a majority 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 amounted to $395.2 million, $309.7 million, and $454.6 million for the years ended December 31, 2012, 2013 and 2014, respectively. Cash provided by operating activities was lower in 2013 primarily due to the make-whole premium of $56.6 million paid to redeem the 8.625% Senior Notes, which was included in net income. The increase in cash provided by operating activities in 2014 was a result of the timing of collections of accounts receivable and payments to suppliers.

Investing Activities

Our investing activities have been principally related to the development and acquisition of theatres. New theatre openings and acquisitions historically have been financed with internally generated cash and by debt financing, including borrowings under our amended senior secured credit facility. Cash used for investing activities amounted to $234.3 million, $364.7 million and $253.3 million for the years ended December 31, 2012, 2013 and 2014, respectively. Cash used for investing activities for the year ended December 31, 2013 included the acquisition of theatres in the U.S. for approximately $259.2 million and proceeds of approximately $126.2 million from the sale of our theatres in Mexico.

Cash capital expenditures for the years ended December 31, 2012, 2013 and 2014 were as follows (in millions):

Period	New Theatres	Existing Theatres	Total
Year Ended December 31, 2012	$ 104.9	$ 115.8	$ 220.7
Year Ended December 31, 2013	$ 134.7	$ 125.0	$ 259.7
Year Ended December 31, 2014	$ 104.7	$ 140.0	$ 244.7

We continue to invest in our U.S. theatre circuit. We built seven new theatres and 81 screens, acquired one theatre with 14 screens and closed seven theatres with 53 screens during the year ended December 31, 2014, bringing our total domestic screen count to 4,499. At December 31, 2014, we had signed commitments to open eight new theatres with 85 screens in domestic markets during 2015 and open three new theatres with 36 screens subsequent to 2015. We estimate the remaining capital expenditures for the development of these 121 domestic screens will be approximately $73 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities. As of December 31, 2014, we also had a signed commitment to purchase the office building where our worldwide headquarters are located, which will result in a capital expenditure of approximately $24 million during the first quarter of 2015.

We also continue to invest in our international theatre circuit. We built 11 new theatres and 71 screens, acquired one theatre with four screens and closed four screens during the year ended December 31, 2014, bringing our total international screen count to 1,177. At December 31, 2014, we had signed commitments to open ten new theatres and 73 screens in international markets during 2015 and open two new theatres with 17 screens subsequent to 2015. We estimate the remaining capital expenditures for the development of these 90 international screens will be approximately $61 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

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

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Financing Activities

Cash provided by (used for) financing activities was $63.4 million, $(76.2) million and $(146.8) million during the years ended December 31, 2012, 2013 and 2014, respectively. See Note 4 to the consolidated financial statements for a summary of dividends declared and paid during the years ended December 31, 2012, 2013 and 2014. Cash provided by financing activities for the year ended December 31, 2012 includes proceeds of $700.0 million from the amended senior secured credit facility and proceeds of $400.0 million from the issuance of Cinemark USA, Inc. s 5.125% Senior Notes. A majority of these proceeds were used to pay off the remaining $899.0 million term loan outstanding under the former senior secured credit facility. Cash used for financing activities for the year ended December 31, 2013 included proceeds from the issuance of Cinemark USA, Inc. s 4.875% Senior Notes, partially offset by the redemption of Cinemark USA, Inc. s 8.625% Senior Notes. See below for further information regarding these transactions.

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 December 31, 2013 and 2014 (in millions):

	As of December 31, 2013	As of December 31, 2014
Cinemark USA, Inc. term loan	$ 693.0	$ 686.0
Cinemark USA, Inc. 7.375% senior subordinated notes due 2021	200.0	200.0
Cinemark USA, Inc. 5.125% senior notes due 2022	400.0	400.0
Cinemark USA, Inc. 4.875% senior notes due 2023	530.0	530.0
Other	9.8	7.0
Total long-term debt	$ 1,832.8	$ 1,823.0
Less current portion	9.9	8.4
Long-term debt, less current portion	$ 1,822.9	$ 1,814.6

As of December 31, 2014, we had $100.0 million in available borrowing capacity on our revolving credit line.

As of December 31, 2014, our long-term debt obligations, scheduled interest payments on long-term debt, future minimum lease obligations under non-cancelable operating and capital leases, scheduled interest payments under capital leases and other obligations for each period indicated are summarized as follows:

	Payments Due by Period (in millions)				
Contractual Obligations	**Total**	**Less Than One Year**	**1 - 3 Years**	**3 -5 Years**	**After 5 Years**
Long-term debt	$ 1,823.0	$ 8.4	$ 16.8	$ 667.8	$ 1,130.0
Scheduled interest payments on long-term debt(1)	$ 589.3	88.8	166.7	163.3	170.5
Operating lease obligations	$ 1,814.3	256.2	474.3	358.7	725.1
Capital lease obligations	$ 218.5	16.5	36.2	41.6	124.2
Scheduled interest payments on capital leases	$ 101.1	16.7	28.6	21.8	34.0
Purchase and other commitments(2)	$ 177.3	137.4	36.3	2.3	1.3
Current liability for uncertain tax positions(3)	$ 7.3	7.3			
Total obligations	$ 4,730.8	$ 531.3	$ 758.9	$ 1,255.5	$ 2,185.1

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(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 in effect on December 31, 2014. The average interest rates in effect on our fixed rate and variable rate debt are 5.1% and 3.2%, respectively, as of December 31, 2014.

(2) Includes estimated capital expenditures associated with the construction of new theatres to which we were committed as of December 31, 2014, obligations under employment agreements and minimum contractual purchase commitments.

(3) The contractual obligations table excludes the long-term portion of our liability for uncertain tax positions of $8.4 million because we cannot make a reliable estimate of the timing of the related cash payments.

Off-Balance Sheet Arrangements

Other than the operating leases and purchase and other commitments disclosed in the tables above, we do not have any off-balance sheet arrangements.

Cinemark USA, Inc. 4.875% Senior Notes

On May 24, 2013, Cinemark USA, Inc. issued $530.0 million aggregate principal amount of 4.875% senior notes due 2023, at par value, (the 4.875% Senior Notes). Proceeds, after payment of fees, were used to finance a redemption of the 8.625% Senior Notes due 2019, discussed below. Interest on the 4.875% Senior Notes is payable on June 1 and December 1 of each year, beginning December 1, 2013. The 4.875% Senior Notes mature on June 1, 2023.

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

The indenture to the 4.875% Senior Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of December 31, 2014, Cinemark USA, Inc. could have distributed up to approximately $1,714.4 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the 4.875% Senior Notes, subject to its available cash and other borrowing restrictions outlined in the indenture. Upon a change of control, as defined in the indenture governing the 4.875% Senior Notes, Cinemark USA, Inc. would be required to make an offer to repurchase the 4.875% Senior Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture governing the 4.875% Senior Notes allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1 and our actual ratio as of December 31, 2014 was approximately 6.3 to 1.

Prior to June 1, 2018, Cinemark USA, Inc. may redeem all or any part of the 4.875% Senior Notes at its option at 100% of the principal amount plus a make-whole premium plus accrued and unpaid interest on the

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4.875% Senior Notes to the date of redemption. After June 1, 2018, Cinemark USA, Inc. may redeem the 4.875% Senior Notes in whole or in part at redemption prices specified in the indenture. In addition, prior to June 1, 2016, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the 4.875% Senior Notes from the net proceeds of certain equity offerings at the redemption price set forth in the indenture.

Amended Senior Secured Credit Facility

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

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

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

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

The dividend restriction contained in the Amended Senior Secured Credit Facility prevents the Company and any of its subsidiaries from paying a dividend or otherwise distributing cash to its stockholders unless (1) the Company is not in default, and the distribution would not cause Cinemark USA, Inc. to be in default, under the Amended Senior Secured Credit Facility; and (2) the aggregate amount of certain dividends, distributions, investments, redemptions and capital expenditures made since December 18, 2012, including dividends declared by the board of directors, is less than the sum of (a) the aggregate amount of cash and cash equivalents received by Cinemark Holdings, Inc. or Cinemark USA, Inc. as common equity since December 18, 2012, (b) Cinemark USA, Inc. s consolidated EBITDA minus 1.75 times its consolidated interest expense, each as defined in the Amended Senior Secured Credit Facility, and (c) certain other defined amounts. As of December 31, 2014, Cinemark USA, Inc. could have distributed up to approximately $1,708.3 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the Amended Senior Secured Credit Facility, subject to its available cash and other borrowing restrictions outlined in the agreement.

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At December 31, 2014, there was $686.0 million outstanding under the term loan and no borrowings outstanding under the revolving credit line. Cinemark USA, Inc. had $100.0 million in available borrowing capacity on the revolving credit line. The average interest rate on outstanding term loan borrowings under the Amended Senior Secured Credit Facility at December 31, 2014 was approximately 4.0% per annum.

Cinemark USA, Inc. 5.125% Senior Notes

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

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

The indenture to the 5.125% Senior Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of December 31, 2014, Cinemark USA, Inc. could have distributed up to approximately $1,718.8 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the 5.125% Senior Notes, subject to its available cash and other borrowing restrictions outlined in the indenture. Upon a change of control, as defined in the indenture governing the 5.125% Senior Notes, Cinemark USA, Inc. would be required to make an offer to repurchase the 5.125% Senior Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture governing the 5.125% Senior Notes allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1 and our actual ratio as of December 31, 2014 was approximately 6.5 to 1.

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

Cinemark USA, Inc. 7.375% Senior Subordinated Notes

On June 3, 2011, Cinemark USA, Inc. issued $200.0 million aggregate principal amount of 7.375% senior subordinated notes due 2021, at par value (the Senior Subordinated Notes). The proceeds, after payment of

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fees, were primarily used to fund the prepayment of the remaining $157.2 million of Cinemark USA, Inc. s unextended portion of term loan debt under its former senior secured credit facility. Interest on the Senior Subordinated Notes is payable on June 15 and December 15 of each year. The Senior Subordinated Notes mature on June 15, 2021.

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

The indenture to the Senior Subordinated Notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. As of December 31, 2014, Cinemark USA, Inc. could have distributed up to approximately $1,707.8 million to its parent company and sole stockholder, Cinemark Holdings, Inc., under the terms of the indenture to the Senior Subordinated Notes, subject to its available cash and other borrowing restrictions outlined in the indenture governing the Senior Subordinated Notes. Upon a change of control, as defined in the indenture, Cinemark USA, Inc. would be required to make an offer to repurchase the Senior Subordinated Notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture allows Cinemark USA, Inc. to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1, and our actual ratio as of December 31, 2014 was approximately 6.3 to 1.

Prior to June 15, 2016, Cinemark USA, Inc. may redeem all or any part of the Senior Subordinated Notes at its option at 100% of the principal amount plus a make-whole premium plus accrued and unpaid interest on the senior subordinated notes to the date of redemption. After June 15, 2016, Cinemark USA, Inc. may redeem the Senior Subordinated Notes in whole or in part at redemption prices specified in the indenture. In addition, prior to June 15, 2014, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the Senior Subordinated Notes from the net proceeds of certain equity offerings at the redemption price set forth in the indenture.

Cinemark USA, Inc. 8.625% Senior Notes

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

On June 24, 2013, Cinemark USA, Inc. redeemed its 8.625% Senior Notes at 112.035% of the principal amount, inclusive of a make-whole premium, plus accrued and unpaid interest, utilizing the proceeds from the issuance of the 4.875% Senior Notes discussed above. As a result of the redemption, we wrote-off approximately $8.0 million in unamortized bond discount and $7.6 million in unamortized debt issue costs, paid a make-whole premium of approximately $56.6 million and paid other fees of $0.1 million, all of which are reflected in loss on early retirement of debt during the year ended December 31, 2013.

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Covenant Compliance

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

Ratings

We are rated by nationally recognized rating agencies. The rating scales and methodologies used to derive individual ratings may vary from agency to agency. Credit ratings are issued by credit rating agencies based on evaluations of our ability to pay back our outstanding debt and the likelihood that we would default on that debt prior to its maturity. The credit ratings issued by the credit rating agencies represent the credit rating agency s evaluation of both qualitative and quantitative information for our company. The credit ratings that are issued are based on the credit rating agency s judgment and experience in determining what information should be considered in giving a rating to a particular company. Ratings are always subject to change and there can be no assurance that our current ratings will continue for any given period of time. A downgrade of our debt ratings, depending on the extent, could increase the cost to borrow funds. Below are our current credit ratings.

Category	Moody s	Standard and Poor s
Cinemark USA, Inc. Amended Senior Secured Credit Facility	Ba1	BB+
Cinemark USA, Inc. 4.875% Senior Notes	B2	BB-
Cinemark USA, Inc. 5.125% Senior Notes	B2	BB-
Cinemark USA, Inc. 7.375% Senior Subordinated Notes	B3	B

With respect to the ratings issued by Moody s as noted above, Moody s defines these ratings as follows:

Ba1 Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. The Prime-1 rating indicates the issuer has a superior ability to repay short-term debt.

B2 Obligations rated B are considered speculative and are subject to high credit risk. The Prime-2 portion of the rating indicates issuer has a strong ability to repay short-term debt.

B3 Obligations rated B are considered speculative and are subject to high credit risk. The Prime-3 portion of the rating indicates issuer has an acceptable ability to repay short-term debt.

With respect to the ratings issued by Standard and Poor s as noted above, Standard and Poor s defines these ratings as follows:

B More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.

BB+ Considered highest speculative grade by market participants.

BB- Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.

New Accounting Pronouncements

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

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within the annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We elected to early adopt ASU 2014-08, which had no impact on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The update clarifies the principles for recognizing revenue and creates a common revenue standard for U.S. GAAP and International Financial Reporting Standards. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early application is not permitted. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). The update requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual reporting periods beginning after December 15, 2015, and interim periods within those years. Early application is permitted. We do not expect the adoption of ASU 2014-12 to have any impact on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern* (ASU 2014-15). The update provides guidance about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and interim periods within those years. Early application is permitted. We do not expect the adoption of ASU 2014-15 to have a significant impact on our consolidated financial statements.

In January 2015, the 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. As a result, an entity will no longer be required to segregate extraordinary items from the results of ordinary operations, to separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or to disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, ASU 2015-01 will still retain the presentation and disclosure guidance for items that are unusual in nature and occur infrequently. ASU 2015-01 is effective for fiscal years beginning after December 15, 2015. We do not expect the adoption of ASU 2015-01 to have a significant impact on our consolidated financial statements.

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 and quality 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.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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 December 31, 2014, there was an aggregate of approximately $236.0 million of variable rate debt outstanding under these facilities, which excludes $450.0 million of Cinemark USA, Inc. s term loan debt that is hedged with the Company s interest rate swap agreements as discussed below. Based on the interest rates in effect on the variable rate debt outstanding at December 31, 2014, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately $2.4 million.

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

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

Notional Amount (in millions)	Effective Date	Pay Rate	Receive Rate	Expiration Date
$175.0	December 2010	1.3975%	1-month LIBOR	September 2015
$175.0	December 2010	1.4000%	1-month LIBOR	September 2015
$100.0	November 2011	1.7150%	1-month LIBOR	April 2016
$450.0				

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

	Expected Maturity for the Twelve-Month Periods Ending December 31, (in millions)								Average Interest Rate
	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value	
Fixed rate [(1)]	$ 1.4	$ 1.4	$ 1.4	$ 1.4	$ 451.4	$ 1,130.0	$ 1,587.0	$ 1,557.4	5.1%
Variable rate	7.0	7.0	7.0	7.0	208.0		236.0	233.6	3.2%
Total debt	$ 8.4	$ 8.4	$ 8.4	$ 8.4	$ 659.4	$ 1,130.0	$ 1,823.0	$ 1,791.0	