Cinemark Holdings, Inc.
Form 10-K
March 28, 2008

Table of Contents

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, 2007
Commission File Number 001-33401
CINEMARK HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5490327**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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:
None
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 o No þ

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 o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. þ

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. (Check one):

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 29, 2007, computed by reference to the closing price for the registrant s common stock on the New York Stock Exchange on such date was $537,746,840 (30,605,967 shares at a closing price per share of $17.57).

As of February 29, 2008, 107,056,131 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant s definitive proxy statement, in connection with its 2008 Annual Meeting of Stockholders, to be filed within 120 days of December 31, 2007, are incorporated by reference into Part III, Items

10-14, of this annual report on Form 10-K.

Table of Contents

	Page
Cautionary Statement Regarding Forward-Looking Statements	1
PART I	
Item 1. Business	2
Item 1A. Risk Factors	12
Item 2. Properties	16
Item 3. Legal Proceedings	17
Item 4. Submission of Matters to a Vote of Security Holders	17
PART II	
Item 5. Market for Registrant s Common Equity and Related Stockholder Matters	18
Item 6. Selected Financial Data	20
Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	41
Item 8. Financial Statements and Supplementary Data	43
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	43
Item 9A(T). Controls and Procedures	43
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	44
Item 11. Executive Compensation	44
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	44
Item 13. Certain Relationships and Related Transactions, and Director Independence	44
Item 14. Principal Accounting Fees and Services	44
PART IV	
Item 15. Exhibits, Financial Statement Schedules	44
SIGNATURES	
Calculation of Earnings to Fixed Charges	
Subsidiaries	
Consent of Deloitte & Touche LLP	
Consent of National CineMedia LLC	
Consent of Deloitte & Touche LLP	
Consent of BIA Financial Networks, Inc.	
Certification of CEO pursuant to Rule 13a-14(a)	
Certification of CFO pursuant to Rule 13a-14(a)	
Certification of CEO pursuant to Rule 13a-14(b)	
Certification of CFO pursuant to Rule 13a-14(b)	

Table of Contents

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, based on 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, will, could, estimates, predicts, potential, continue, anticipates, believes, plans, expects, future and intends and similar expr intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. 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 consolidated subsidiaries, including Cinemark, Inc., Cinemark USA, Inc. and Century Theatres, Inc. Unless otherwise specified, all operating and other statistical data for the U.S. include one theatre in Canada. All references to Latin America are to Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama and Peru. Unless otherwise specified, all operating and other statistical data are as of and for the year ended December 31, 2007.

Table of Contents

PART I

Item 1. Business

Our Company

Cinemark Holdings, Inc. and subsidiaries (the Company) are leaders in the motion picture exhibition industry in terms of both revenues and the number of screens in operation, with theatres in the United States (U.S.), Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia. The Company also managed theatres in the U.S., Canada, Brazil and Colombia during the year ended December 31, 2007.

On April 2, 2004, an affiliate of Madison Dearborn Partners, LLC, (MDP), acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc., with Cinemark, Inc. continuing as the surviving corporation (the MDP Merger). Simultaneously, an affiliate of MDP purchased shares of Cinemark, Inc. s common stock for $518.2 million in cash and became Cinemark, Inc. s controlling stockholder. Lee Roy Mitchell, Chairman and then Chief Executive Officer, the Mitchell Special Trust and certain members of management collectively retained a minority ownership of Cinemark, Inc. s capital stock. In December 2004, MDP sold a portion of its stock in Cinemark, Inc. to outside investors and in July 2005, Cinemark, Inc. issued additional shares to another outside investor.

On August 2, 2006, Cinemark Holdings, Inc. was formed as the Delaware holding company of Cinemark, Inc. On August 7, 2006, the Cinemark, Inc. stockholders entered into a share exchange agreement pursuant to which they agreed to exchange their shares of Class A common stock for an equal number of shares of common stock of Cinemark Holdings, Inc. (Cinemark Share Exchange). The Cinemark Share Exchange was completed on October 5, 2006 and facilitated the acquisition of Century Theatres, Inc., a national theatre chain headquartered in San Rafael, California with 77 theatres and 1,017 screens in 12 states, for a purchase price of approximately $681 million and the assumption of approximately $360 million of Century debt (Century Acquisition). On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. The accompanying consolidated financial statements are reflective of the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc. s consolidated financial statements reflect the accounting basis of its stockholders for all periods presented. On April 24, 2007, Cinemark Holdings, Inc. completed an initial public offering of its common stock.

As of December 31, 2007, we managed our business under two operating segments U.S. markets and international markets, in accordance with Statement of Financial Accounting Standards No. 131 *Disclosures about Segments of an Enterprise and Related Information.* See Note 22 to the consolidated financial statements.

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, are available on our website free of charge under the heading Investor Relations SEC Filings as soon as practicable after such reports are filed or furnished electronically to the Securities and Exchange Commission.

Description of Business

We are a leader in the motion picture exhibition industry with 408 theatres and 4,665 screens in the U.S. and Latin America. Our circuit is the third largest in the U.S. with 287 theatres and 3,654 screens in 38 states. We are the most geographically diverse circuit in Latin America with 121 theatres and 1,011 screens in 12 countries. During the year ended December 31, 2007, over 212 million patrons attended our theatres. Our modern theatre circuit features stadium seating for approximately 81% of our first-run screens.

We selectively build or acquire new theatres in markets where we can establish and maintain a leading market position. We believe our portfolio of modern theatres provides a preferred destination for moviegoers and contributes to our significant cash flows from operating activities. Our significant presence in the U.S. and Latin America has made us an important distribution channel for movie studios, particularly as they look to increase revenues generated in Latin

Table of Contents

America. Our market leadership is attributable in large part to our senior executives, who average approximately 33 years of industry experience and have successfully navigated us through multiple business cycles.

We grew our total revenue per patron at a compound annual growth rate, (CAGR), during the last three fiscal years of 11.5%. Revenues, operating income and net income for the year ended December 31, 2007, were $1,682.8 million, $113.0 million and $88.9 million, respectively. At December 31, 2007 we had cash and cash equivalents of $338.0 million and long-term debt of $1,523.7 million. Approximately $607.8 million of our long-term debt accrues interest at variable rates.

Motion Picture Industry Overview

Domestic Markets

The U.S. motion picture exhibition industry has a track record of long-term growth, with box office revenues growing at a CAGR of 5.1% over the last 15 years. Against this background of steady long-term growth, the exhibition industry has experienced periodic short-term increases and decreases in attendance, and consequently box office revenues. In 2007, the motion picture exhibition industry continued to experience growth with box office revenues increasing 5.4% over 2006, compared to an increase of 3.5% in 2006 over 2005. We believe box office revenues will continue to perform well in 2008 with a solid slate of films, including *Harry Potter and the Half-Blood Prince, Indiana Jones and the Kingdom of the Crystal Skull, Chronicles of Narnia: Prince Caspian, The Dark Knight, Wall-E, Hancock, The Mummy: Tomb of the Dragon Emperor* and the release of 3-D movies such as *Hannah Montana & Miley Cyrus: Best of Both Worlds* and *Journey to the Center of the Earth*. In 2009, a broad slate of 3-D films is expected, including *Monsters vs. Aliens, Ice Age 3,* and *Avatar.*

The following table represents the results of a survey by MPAA Worldwide Market Research (MPAA), published during March 2008, outlining the historical trends in U.S. box office revenues for the ten year period from 1997 to 2007:

Year	U.S. Box Office Revenues ($ in millions)	Attendance (in millions)	Average Ticket Price
1997	$6,216	1,354	$4.59
1998	$6,760	1,438	$4.69
1999	$7,314	1,440	$5.08
2000	$7,468	1,383	$5.39
2001	$8,125	1,438	$5.66
2002	$9,272	1,599	$5.81
2003	$9,165	1,521	$6.03
2004	$9,215	1,484	$6.21
2005	$8,832	1,376	$6.41
2006	$9,138	1,395	$6.55
2007	$9,629	1,400	$6.88

International Markets

International growth also continues to be solid. According to MPAA, international box office revenues grew steadily at a CAGR of 11.9% from 2003 to 2007 as a result of the increasing acceptance of moviegoing as a popular form of entertainment throughout the world, ticket price increases and new theatre construction.

Growth in Latin America is expected to be fueled by a combination of continued development of modern theatres, attractive demographics (i.e., a significant teenage population), quality product from Hollywood and the emergence of a local film industry. In many Latin American countries the local film industry had been dormant because of the lack of sufficient theatres to exhibit the film product. The development of new modern multiplex theatres has revitalized the local film industry and, in Mexico, Brazil and Argentina, successful local film product often provides incremental growth opportunities.

We believe many international markets for theatrical exhibition have historically been underserved and that certain of these markets, especially those in Latin America, will continue to experience growth as additional modern stadium-styled theatres are introduced.

Drivers of Continued Industry Success

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

Importance of Theatrical Success in Establishing Movie Brands and Subsequent Markets. Theatrical exhibition is the primary distribution channel for new motion picture releases. A successful theatrical release which brands a film is one of the major factors in determining its success in downstream markets, such as DVDs, network and syndicated television, video on-demand, pay-per-view television and downloading utilizing the Internet.

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 $17.1 billion, or 64% of 2007 total worldwide box office revenues according to MPAA. With continued growth of the international motion picture exhibition industry, we believe the relative contribution of markets outside North America will become even more significant.

Increased Investment in Production and Marketing of Films by Distributors**.** As a result of the additional revenues generated by domestic, international and downstream markets, studios have increased production and marketing expenditures at a CAGR of 8.2% and 10.1%, respectively, since 2004, according to MPAA. Production and marketing expenditures for 2007 increased by 18.1% and 12.7%, respectively over 2006.

Stable Long-term Attendance Trends. We believe that long-term trends in motion picture attendance in the U.S. will continue to benefit the industry. Despite historical economic and industry cycles, domestic attendance has grown at a 1.6% CAGR over the last 15 years to 1.4 billion patrons in 2007. According to Nielsen Entertainment/NRG, 77% of moviegoers stated their overall theatre experience in 2007 was time and money well spent. Additionally, younger moviegoers in the U.S. continue to be the most frequent patrons.

Reduced Seasonality of Revenues. Box office revenues have historically been highly seasonal, with a majority of blockbusters being released during the summer and year-end holiday season. In recent years, the seasonality of motion picture exhibition has become less pronounced as studios have begun to release films more evenly throughout the year. This benefits exhibitors by allowing more effective allocation of the fixed cost base throughout the year.

Convenient and Affordable Form of Out-Of-Home Entertainment. Moviegoing 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 $6.88 in 2007. Average prices in 2007 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, range from approximately $23.50 to $65.25 per ticket according to MPAA. Movie ticket prices have risen at approximately the rate of inflation, while ticket prices for other forms of out-of-home entertainment have increased at higher rates.

Competitive Strengths

We believe the following strengths allow us to compete effectively:

Solid Operating Performance and Discipline. We generated operating income and net income of $113.0 million and $88.9 million, respectively, for the year ended December 31, 2007. Our solid operating performance is a result of our financial discipline, such as negotiating favorable theatre level economics and controlling theatre operating costs. We believe the continued integration of the Century Acquisition will result in additional revenues and cost efficiencies to further improve our margins.

Leading Position in Our U.S. Markets. We have a leading share in the U.S. metropolitan and suburban markets we serve. For the year ended December 31, 2007, we ranked either first or second based on box office revenues in 22 out of our top 25 U.S. markets, including the San Francisco Bay Area, Dallas, Houston and Sacramento. On average, the population in domestic markets where over 80% of our theatres are located, including Dallas, Las Vegas and Phoenix, is expected to grow 52% faster than the average growth rate of the U.S. population over the next five years, as reported by BIA*fn* and U.S. census data.

Strategically Located in Heavily Populated Latin American Markets. Since 1993, we have invested throughout Latin America due to the growth potential of the region. We operate 121 theatres and 1,011 screens in 12 countries, generating revenues of $333.6 million for the year ended December 31, 2007. We have successfully established a significant presence in major cities in the region, with theatres in twelve of the fifteen largest metropolitan areas. With the most geographically diverse circuit in Latin America, we are an important distribution channel to the movie studios. The region s improved economic climate and rising disposable income are also a source for growth. We are well-positioned with our modern, large-format theatres and new screens to take advantage of this favorable economic environment for further growth and diversification of our revenues.

Modern Theatre Circuit. We have one of the most modern theatre circuits in the industry which we believe makes our theatres a preferred destination for moviegoers in our markets. We feature stadium seating in approximately 81% of our first run auditoriums and approximately 82% of our international screens also feature stadium seating. During 2007, we continued our organic expansion by opening 257 screens. We currently have commitments to build 225 additional screens over the next three years.

Solid Balance Sheet with Significant Cash Flow from Operating Activities. We generate significant cash flow from operating activities as a result of several factors, including management s ability to contain costs, predictable revenues and a geographically diverse, modern theatre circuit requiring limited maintenance capital expenditures. Additionally, a strategic advantage that enhances our cash flows, is our ownership of land and buildings for 43 of our theatres. We believe our expected level of cash flow generation will provide us with the strategic and financial flexibility to pursue growth opportunities, support our debt payments and make dividend payments to our stockholders. As of December 31, 2007, we had cash of $338.0 million.

Experienced Management with Focused Operating Philosophy. Led by Chairman and founder Lee Roy Mitchell, Chief Executive Officer Alan Stock, President and Chief Operating Officer Timothy Warner and Chief Financial Officer Robert Copple, our management team has an average of approximately 33 years of theatre operating experience executing a focused strategy which has led to consistent operating results. Our operating philosophy has centered on providing a superior viewing experience and selecting less competitive markets or clustering in strategic metropolitan and suburban markets in order to generate a high return on invested capital. This focused strategy includes strategic site selection, building appropriately-sized theatres for each of our markets, and managing our properties to maximize profitability. As a result, we grew our admissions and concession revenues per patron at the highest CAGR during the last four fiscal years among the three largest motion picture exhibitors in the U.S.

Our Strategy

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

Establish and Maintain Leading Market Positions. We will continue to seek growth opportunities by building or acquiring modern theatres that meet our strategic, financial and demographic criteria. We will continue to focus on establishing and maintaining a leading position in the markets we serve.

Continue to Focus on Operational Excellence. We will continue to focus on achieving operational excellence by controlling theatre operating costs. Our margins reflect our track record of operating efficiency.

Selectively Build in Profitable, Strategic Latin American Markets. Our international expansion will continue to focus primarily on Latin America through construction of American-style, state-of-the-art theatres in major urban markets.

Dividend Policy

During August 2007, we initiated a quarterly dividend policy. Consistent with the disclosures in our 424(b)(1) prospectus, the dividend for the second quarter of 2007 was based upon the quarterly dividend rate of $0.18 per common share, prorated based on the April 27, 2007 closing date of our initial public offering. Based on such proration, our board of directors declared a cash dividend of $0.13 per share of common stock, which was paid on September 18, 2007. The dividend for the third quarter was the first dividend paid by us reflecting a full quarter since our initial public offering and was paid in the amount of $0.18 per share of common stock on December 18, 2007. We paid dividends of approximately $33.1 million in the aggregate during 2007. The dividend for the fourth quarter of 2007 was paid in the amount of $0.18 per share of common stock on March 14, 2008. We, at the discretion of our

board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of

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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.

Theatre Operations

As of December 31, 2007, we operated 408 theatres and 4,665 screens in 38 states, one Canadian province and 12 Latin American countries. Our theatres in the U.S. are primarily located in mid-sized U.S. markets, including suburbs of major metropolitan areas. We believe these markets are generally less competitive and generate high, stable margins. Our theatres in Latin America are primarily located in major metropolitan markets, which we believe are generally underscreened. The following tables summarize the geographic locations of our theatre circuit as of December 31, 2007.

United States Theatres

State	Total Theatres	Total Screens
Texas	78	1,054
California	63	710
Ohio	20	221
Utah	12	155
Nevada	10	154
Colorado	8	127
Illinois	9	122
Oregon	7	102
Arizona	6	94
Kentucky	7	83
Pennsylvania	5	73
Oklahoma	6	67
Louisiana	5	58
New Mexico	4	54
Virginia	4	52
Indiana	5	46
North Carolina	4	41
Mississippi	3	41
Florida	2	40
Iowa	4	39
Arkansas	3	30
Washington	2	30
Georgia	2	27
New York	2	27
South Carolina	2	22
Kansas	1	20
Michigan	1	16
Alaska	1	16
New Jersey	1	16
Missouri	1	15
South Dakota	1	14
Tennessee	1	14
Wisconsin	1	14
Massachusetts	1	12

Delaware	1	10
West Virginia	1	10
Minnesota	1	8
Montana	1	8
Total United States	286	3,642
Canada	1	12
Total	287	3,654

International Theatres

Country	Total Theatres	Total Screens
Brazil	40	339
Mexico	31	304
Chile	12	91
Central America[(1)]	12	81
Argentina	9	77
Colombia	9	56
Peru	4	37
Ecuador	4	26
Total	121	1,011

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

We first entered Latin America with the opening of theatres in Chile in 1993 and Mexico in 1994. Since 1993, through our focused international strategy, we have developed into the most geographically diverse circuit in Latin America. We presently have theatres in twelve of the fifteen largest metropolitan areas in Latin America. We have balanced our risk through a diversified international portfolio with operations in twelve countries in Latin America. In addition, we have achieved significant scale in Mexico and Brazil, the two largest Latin American economies.

We believe that certain markets within Latin America continue to be underserved and penetration of movie screens per capita in Latin American markets is substantially lower than in the U.S. and European markets. We will continue to build and expand our presence in underserved international markets, with emphasis on Latin America, and fund our expansion primarily with cash flow generated in those markets. We are able to mitigate exposure in the costs of our international operations to currency fluctuations by using local currencies to fund substantially all aspects of our operations, including film and facility lease expense. Our geographic diversity throughout Latin America has allowed us to maintain consistent revenue growth notwithstanding currency fluctuations that may affect any particular market.

Film Licensing

In the U.S., we license films from film distributors that are owned by major film production companies or from independent film distributors that distribute films for smaller production companies. For new release films, film distributors typically establish geographic zones and offer each available film to one theatre in each zone. The size of a film zone is generally determined by the population density, demographics and box office revenues potential of a particular market or region. We currently operate theatres in 235 first run film zones in the U.S. New film releases are licensed at the discretion of the film distributors. As the sole exhibitor in approximately 85% of the first run film zones in which we operate, we have maximum access to film product, which allows us to select those pictures we believe will be the most successful in our markets from those offered to us by distributors. We usually license films on an allocation basis in film zones where we face competition.

In the international markets in which we operate, distributors do not allocate film to a single theatre in a geographic film zone, but allow competitive theatres to play the same films simultaneously. In these markets, films are still licensed on a theatre-by-theatre and film-by-film basis. Our theatre personnel focus on providing excellent customer service, and we provide a modern facility with the most up-to-date sound systems, comfortable stadium style seating

and other amenities typical of modern American-style multiplexes, which we believe gives us a competitive advantage in markets where competing theatres play the same films. Of the 1,011 screens we operate in international markets approximately 72% have no direct competition from other theatres.

Our film rental licenses in the U.S. typically specify that rental fees are based on either mutually agreed upon firm terms or a sliding scale formula, which are established prior to the opening of the picture, or on a mutually agreed upon settlement at the conclusion of the picture run. Under a firm terms formula, we pay the distributor a specified 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. Firm term film rental fees that decline over the term of the run generally start at 60% to

70% of box office receipts, gradually declining to as low as 30% over a period of four to seven weeks. Under the sliding scale formula, film rental is paid as a percentage of box office revenues using a pre-determined matrix 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. Internationally, our film rental licenses are based on mutually agreed upon firm terms established prior to the opening of the picture. The film rental percentages paid by our international locations are generally lower than in the U.S. markets and gradually decline over a period of several weeks.

We operate seven art theatres with 27 screens under the CinéArts brand. We also regularly play art and independent films at eleven other theatres. CinéArts allows us to take advantage of the growth in the art and independent market driven by the more mature patron. There has been an increased interest in art, foreign and documentary films. High profile film festivals, such as the Sundance Film Festival, have contributed to growth and interest in this genre. Recent hits such as *Juno, There Will Be Blood* and *No Country For Old Men* have demonstrated the box office potential of art and independent films.

Concessions

Concession sales are our second largest revenue source, representing approximately 30.7% of total revenues for the year ended December 31, 2007. Concession sales have a much higher margin than admissions sales. We have devoted considerable management effort to increase concession sales and improve operating margins. These efforts include implementation of the following strategies:

Optimization of product mix. Concession products are primarily comprised of various sizes of popcorn, soft drinks and candy. Different varieties and flavors of candy and soft drinks are offered at theatres based on preferences in that particular geographic region. Specially priced combos are launched on a regular basis to increase average concession purchases as well as to attract new buyers. Kids meals are also offered and packaged towards younger patrons.

Staff training. Employees are continually trained in suggestive-selling and upselling techniques. Consumer promotions conducted at the concession stand always include a motivational element which rewards theatre staff for exceptional combo sales during the period.

A formalized crew program is in place to reward front line employees who excel in delivering rapid service. The Speed of Service (SOS) program is held annually to kick off peak business periods and refresh training and the importance of speed at the front line.

Theatre design. Our theatres are designed to optimize efficiencies at the concession stands, which include multiple service stations to facilitate serving more customers quicker. 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. Century s concession areas are designed as individual self-service stations which allow customers to select their choice of refreshments and proceed to the cash register. This design presents efficient service, enhanced choice and superior visibility of concession items. Concession designs in many of our new theatres have begun to incorporate the benefits experienced with the Century model.

Cost control. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain bulk rates. Concession supplies are distributed through a national distribution network. The concession distributor supplies and distributes inventory to the theatres, which place volume orders directly with the vendors to replenish stock. The concession distributor is paid a percentage fee for warehousing and delivery of concession goods on a weekly basis.

Participation in National CineMedia

In March 2005, Regal Entertainment, Inc., (Regal), and AMC Entertainment, Inc., (AMC), formed National CineMedia, LLC, (NCM), and on July 15, 2005, we joined NCM, as one of the founding members. NCM operates the largest in-theatre network in the U.S. which delivers digital advertising content and digital non-film event content to the screens and lobbies of the three largest motion picture exhibitors in the country. The digital projectors are currently used to display advertising and are not intended to be used to exhibit digital film content or digital cinema. NCM s primary activities that impact us include the following activities:

Table of Contents

Advertising: NCM develops, produces, sells and distributes a branded, pre-feature entertainment and advertising program called FirstLook, along with an advertising program for its lobby entertainment network and various marketing and promotional products in theatre lobbies;

CineMeetings: NCM provides live and pre-recorded networked and single-site meetings and events in the theatres throughout its network; and

Digital Programming Events: NCM distributes live and pre-recorded concerts, sporting events and other non-film entertainment programming to theatres across its digital network.

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 a young, affluent and engaged audience on a highly targeted and measurable basis.

On February 13, 2007, we received $389.0 million in connection with National CineMedia, Inc. s or NCM Inc. s, initial public offering and related transactions, or the NCM Transaction. As a result of these transactions, we no longer receive a percentage of NCM s revenue but rather a monthly theatre access fee. In addition, we are entitled to receive mandatory quarterly distributions of excess cash from NCM. Prior to the initial public offering of NCM Inc. common stock, our ownership interest in NCM was approximately 25% and subsequent to the completion of the offering we own an approximate 14% interest in NCM. See Note 7 to the consolidated financial statements.

In our international markets, we generally outsource our screen advertising to local companies who have established relationships with local advertisers that provide similar benefits as NCM.

Participation in Digital Cinema Implementation Partners

On February 12, 2007, we, AMC and Regal, entered into a joint venture known as Digital Cinema Implementation Partners LLC, (DCIP), to facilitate the implementation of digital cinema in our theatres and to establish agreements with major motion picture studios for the financing of digital cinema. Future digital cinema developments will be managed by DCIP, subject to certain approvals by us, AMC and Regal.

Marketing

In the U.S., we rely on newspaper display advertisements, paid for by film distributors, newspaper directory film schedules, generally paid for by us, and Internet advertising, which has emerged as an attractive media source to inform patrons of film titles and showtimes. Radio and television advertising spots, generally paid for by film distributors, are used to promote certain motion pictures and special events. We also exhibit previews of coming attractions and films presently playing on the other screens which we operate in the same theatre or market. We have successfully used the Internet to provide patrons access to movie times, the ability to buy and print their tickets at home and purchase gift cards and other advanced sale-type certificates. The Internet is becoming a popular way to check movie showtimes and to view movie previews. Many newspapers add an Internet component to their advertising and add movie showtimes to their Internet sites. We use monthly web contests with film distributor partners to drive traffic to our website and ensure that customers visit often. In addition, we work on a regular basis with all of the film distributors to promote their films with local, regional and national programs that are exclusive to our theatres. These may involve customer contests, cross-promotions with third parties, media on-air tie-ins and other means to increase traffic to a particular film showing at one of our theatres.

Internationally, we partner with large multi-national corporations, in the larger metropolitan areas in which we have theatres, to promote our brand, our image and to increase attendance levels at our theatres. Our customers are encouraged to register on our website to receive weekly information via e-mail for showtime information, invitations to special screenings, sponsored events and promotional information. In addition, our customers can request to receive showtime information via their cellular phones.

Our marketing department also focuses on maximizing ancillary revenue, which includes the sale of our gift cards, gift certificates and discount tickets, which are called SuperSavers. We market these programs to such business representatives as realtors, human resource managers, incentive program managers and hospital and pharmaceutical personnel. Gift cards and gift certificates can be purchased at our theatres. Gift cards, gift certificates and SuperSavers are

9

also sold online, via phone, fax, email and regular mail and fulfilled in-house from the local corporate office. Additionally, we sell SuperSavers through third party retailers.

Online Sales

Our patrons may purchase advance tickets for all of our domestic screens and 339 of our international screens by accessing our corporate website at *www.cinemark.com* or *www.fandango.com.* Our Internet initiatives help improve customer satisfaction, allowing patrons who purchase tickets over the Internet to often bypass lines at the box office by printing their tickets at home or picking up their tickets at kiosks in the theatre lobby.

Point of Sale Systems

We developed our own proprietary point of sale system to further enhance our ability to maximize revenues, control costs and efficiently manage operations. The system is currently installed in all of our U.S. theatres and our one Canadian theatre. The point of sale system provides corporate management with real-time admissions and concession revenues reports that allow managers to make timely changes to movie schedules, including extending film runs, increasing the number of screens on which successful movies are being played, or substituting films when gross receipts do not meet expectations. Real-time seating and box office information is available to box office personnel, preventing overselling of a particular film and providing faster and more accurate responses to customer inquiries regarding showtimes and available seating. The system tracks concession sales, provides in-theatre inventory reports allowing for efficient inventory management and control, has multiple language capabilities, offers numerous ticket pricing options, 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 functions. In our international locations, we currently use other point of sale systems that have either been developed internally or by third parties, which have been certified as compliant with applicable governmental regulations.

Competition

We are one of the leading motion picture exhibitors in terms of both revenues and the number of screens in operation. We compete against local, regional, national and international exhibitors with respect to attracting patrons, licensing films and developing new theatre sites.

We are the sole exhibitor in approximately 85% of the 235 first run film zones in which our first run U.S. theatres operate. In film zones where there is no direct competition from other theatres, we select those films we believe will be the most successful from among those offered to us by film distributors. Where there is competition, we usually license films based on an allocation process. Of the 1,011 screens we operate outside of the U.S., approximately 72% of those screens have no direct competition from other theatres. The principal competitive factors with respect to film licensing are:

- location, accessibility and capacity of an exhibitor s theatre;
- theatre comfort;
- quality of projection and sound equipment;
- level of customer service; and
- licensing terms.

The competition for customers is dependent upon factors such as the availability of popular films, the location of theatres, the comfort and quality of theatres and ticket prices. Our ticket prices are competitive with ticket prices of competing theatres.

We also face competition from a number of other motion picture exhibition delivery systems, such as DVDs, network and syndicated television, video on-demand, pay-per-view television and downloading utilizing the Internet. We do not believe that these additional distribution channels have adversely affected theatre attendance; however, we can give no assurance that these or other alternative delivery systems will not have an adverse impact on attendance in the future. We

Table of Contents

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.

Corporate Operations

We maintain a corporate office in Plano, Texas that provides oversight for our domestic and international theatres. Domestic operations include theatre operations support, film licensing and settlements, human resources, legal, finance and accounting, operational audit, theatre maintenance and construction, Internet and information systems, real estate and marketing. Our U.S. operations are divided into sixteen regions, each of which is headed by a region leader.

International personnel in the corporate office include our President of Cinemark International, L.L.C. and vice presidents/directors in charge of film licensing, concessions, theatre operations support, theatre maintenance and construction, real estate, legal, operational audit, information systems and accounting. We have a chief financial officer in both Brazil and Mexico, which are our two largest international markets. We have eight regional offices in Latin America responsible for the local management of operations in twelve individual countries. Each regional office is headed by a general manager and includes personnel in film licensing, marketing, human resources, operations and accounting. The regional offices are staffed with nationals from the region to overcome cultural and operational barriers.

Employees

We have approximately 12,300 employees in the U.S., approximately 10% of whom are full time employees and 90% of whom are part time employees. We have approximately 4,400 employees in our international markets, approximately 39% of whom are full time employees and approximately 61% of whom are part time employees. Seventeen U.S. employees are represented by unions under collective bargaining agreements. 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. We have not been a party to such cases, but 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 us, on a theatre-by-theatre and film-by-film basis. Consequently, exhibitors cannot assure themselves a supply of films by entering 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. We develop new theatres to be accessible to the disabled and we believe we are in substantial compliance with current regulations relating to accommodating the disabled. Although we believe that our theatres comply with the ADA, we have been a party to lawsuits which claim that our handicapped seating arrangements do not comply with the ADA or that we are required to provide captioning for patrons who are deaf or are severely hearing impaired.

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 licensing.

Financial Information About Geographic Areas

We have operations in the U.S., Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia, which are reflected in the consolidated financial statements. See Note 22 to the consolidated financial statements for segment information.

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 pictures 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, 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.

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

We rely on the film distributors for the motion pictures shown in our theatres. The film distribution business is highly concentrated, with six major film distributors accounting for approximately 78% of U.S. box office revenues and 42 of the top 50 grossing films during 2007. Numerous antitrust cases and consent decrees resulting from these cases impact the distribution of motion pictures. The consent decrees bind certain major film distributors to 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 six 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 film licensing which may adversely affect our business.

The motion picture industry is highly competitive. We compete against local, regional, national and international exhibitors. We compete for both patrons and licensing of motion pictures. The competition for patrons is dependent upon such factors as the availability of popular motion pictures, the location and number of theatres and screens in a market, the comfort and quality of the theatres and pricing. Some of our competitors have greater resources and may have lower costs. The principal competitive factors with respect to film licensing include licensing terms, number of seats and screens available for a particular picture, revenue potential and the location and condition of an exhibitor s theatres. If we are unable to license successful films, our business may be adversely affected.

The oversupply of screens in the motion picture exhibition industry and other factors may adversely affect the performance of some of our theatres.

During the period between 1996 and 2000, theatre exhibitor companies emphasized the development of large multiplexes. The strategy of aggressively building multiplexes was adopted throughout the industry and resulted in an oversupply of screens in the North American exhibition industry and negatively impacted many older multiplex theatres more than expected. Many of these theatres have long lease commitments making them financially burdensome to close prior to the expiration of the lease term, even theatres that are unprofitable. Where theatres have been closed, landlords have often made rent concessions to small independent or regional operators to keep the theatres open since theatre buildings are typically limited in alternative uses. As a result, some analysts believe that there continues to be an oversupply of screens in the North American exhibition industry, as screen counts have increased each year since 2003. If competitors build theatres in the markets we serve, the performance of some of our theatres could be adversely affected due to increased competition.

An increase in the use of alternative or downstream film distribution channels and other competing forms of entertainment may drive down movie theatre attendance and limit ticket price growth.

We face competition for patrons from a number of alternative motion picture distribution channels, such as DVDs, network and syndicated television, video on-demand, pay-per-view television and downloading utilizing the Internet. We also compete with other forms of entertainment competing for our patrons leisure time and disposable income such as concerts, amusement parks and sporting events. A significant increase in popularity of these alternative film distribution channels and competing forms of entertainment could have an adverse effect on our business and results of operations.

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

Over the last decade, the average video release window, which represents the time that elapses from the date of a film s theatrical release to the date a film is available on DVD, an important downstream market, has decreased from approximately six months to approximately four months. We cannot assure you that this release window, which is determined by the film studios, will not shrink further or be eliminated altogether, which could have an adverse impact on our business and results of operations.

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

We have significant long-term debt service obligations and long-term lease obligations. As of December 31, 2007, we had $1,574.4 million in long-term debt obligations, $121.2 million in capital lease obligations and $1,958.4 million in long-term operating lease obligations. We incurred $145.6 million of interest expense for the year ended December 31, 2007. We incurred $212.7 million of rent expense for the year ended December 31, 2007 under operating leases (with terms, excluding renewal options, ranging from one to 30 years). Our substantial lease and debt obligations pose risk to you by:

- making it more difficult for us to satisfy our obligations;
- requiring us to dedicate a substantial portion of our cash flow to payments on our lease and debt obligations, thereby reducing the availability of our cash flow 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 senior secured credit facility; 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 business.

Our ability to make scheduled payments of principal and interest with respect to our indebtedness and service our lease obligations will depend on our ability to generate cash flow from our operations. To a certain extent, our ability to generate cash flow is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. We cannot assure you that we will continue to generate cash flow at current levels. If we fail to make any required payment under the agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default and our lenders would have the ability to require that we immediately repay our outstanding indebtedness. If we fail to make any required payment under our leases, we would be in default and our landlords would have the ability to terminate our leases and re-enter the premises. Subject to the restrictions contained in our indebtedness agreements, we expect to incur additional indebtedness from time to time to finance acquisitions, capital expenditures, working capital requirements and other general business purposes. In addition, we may need to refinance all or a portion of our indebtedness, including Cinemark USA, Inc. s senior secured credit facility and Cinemark, Inc. s 9 3/4% senior discount notes, on or before maturity. However, we may not be able to refinance all or any of our indebtedness on commercially reasonable terms or at all.

We are subject to various covenants in our debt agreements that restrict our ability to enter into certain transactions.

The agreements governing our debt obligations contain various financial and operating covenants that limit our ability to engage in certain transactions, that require us not to allow specific events to occur or that require us to apply proceeds from certain transactions to reduce indebtedness. If we fail to make any required payment under the agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default, and our debt holders would have the ability to require that we immediately repay our outstanding indebtedness. Any such defaults could materially impair our financial condition and liquidity. We cannot

assure you that we would be able to refinance our outstanding indebtedness if debt holders require repayments as a result of a default.

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, could cause people to avoid our theatres or other public places where large crowds are in attendance.

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

We have 121 theatres with 1,011 screens in twelve countries in Latin America. Brazil and Mexico represented approximately 9.3% and 4.5% of our consolidated 2007 revenues, respectively. Governmental regulation of the motion picture industry in foreign markets differs from that in the United States. Regulations affecting prices, quota systems requiring the exhibition of locally-produced films and restrictions on ownership of land may adversely affect our international operations in foreign markets. 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 the additional risks of currency fluctuations, hard currency shortages and controls of foreign currency exchange and transfers abroad, all of which could have an adverse effect on the results of our international operations.

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

We joined Regal and AMC as founding members of NCM in 2005. After the completion of NCM Inc. s initial public offering, we continue to own a 14% interest in NCM. In connection with the NCM Inc. initial public offering, we modified our Exhibitor Services Agreement to reflect a shift from circuit share expense under the prior exhibitor service agreement, which obligated NCM to pay us a percentage of revenue, to a monthly theatre access fee. The theatre access fee has significantly reduced the contractual amounts paid to us by NCM.

Cinema advertising is a small component of the U.S. advertising market. Accordingly, NCM competes with larger, established and well known media platforms such as broadcast radio and television, cable and satellite television, outdoor advertising and Internet portals. NCM also competes with other cinema advertising companies and with hotels, conference centers, arenas, restaurants and convention facilities for its non-film related events to be shown in our auditoriums. In-theatre advertising may not continue to attract advertisers or NCM s in-theatre advertising format may not continue to be received favorably by the theatre-going public. If NCM is unable to continue to generate expected sales of advertising, it may not maintain the level of profitability we hope to achieve, its results of operations may be adversely affected and our investment in and revenues from NCM may be adversely impacted.

We are subject to uncertainties related to digital cinema, including potentially high costs of re-equipping theatres with projectors to show digital movies.

Digital cinema is still in an experimental stage in our industry. Some of our competitors have commenced a roll-out of digital equipment for exhibiting feature films. There are multiple parties vying for the position of being the primary generator of the digital projector roll-out for exhibiting feature films. However, significant obstacles exist that impact such a roll-out plan including the cost of digital projectors, the substantial investment in re-equipping theatres and determining who will be responsible for such costs. We cannot assure you that we will be able to obtain financing arrangements to fund our portion of the digital cinema roll-out nor that such financing will be available to us on acceptable terms, if at all.

We are subject to uncertainties relating to future expansion plans, including our ability to identify suitable acquisition candidates or site locations.

We have greatly expanded our operations over the last decade through targeted worldwide theatre development and the Century Acquisition. 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. We cannot assure you that our expansion strategy will result in improvements to our

14

Table of Contents

business, financial condition or profitability. Further, our expansion programs may require financing above our existing borrowing capacity and internally generated funds. We cannot assure you that we will be able to obtain such financing nor that such financing will be available to us on acceptable terms.

If we do not comply with the Americans with Disabilities Act of 1990 and a consent order we entered into with the Department of Justice, 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. In March 1999, the Department of Justice, or DOJ, filed suit against us in Ohio alleging certain violations of the ADA relating to wheelchair seating arrangements in certain of our stadium-style theatres and seeking remedial action. We and the DOJ have resolved this lawsuit and a consent order was entered by the U.S. District Court for the Northern District of Ohio, Eastern Division, on November 15, 2004. Under the consent order, we are required to make modifications to wheelchair seating locations in fourteen stadium-style movie theatres and spacing and companion seating modifications in 67 auditoriums at other stadium-styled movie theatres. These modifications must be completed by November 2009. We are currently in compliance with the consent order. Upon completion of these modifications, these theatres will comply with wheelchair seating requirements, and no further modifications will be required to our other stadium-style movie theatres in the United States existing on the date of the consent order. In addition, under the consent order, the DOJ approved the seating plans for nine stadium-styled movie theatres then under construction and also created 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 depend on key personnel for our current and future performance.

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms.

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

We review long-lived assets for impairment 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 when determining whether to impair individual theatre assets, including actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, theatre goodwill carrying values, the age of a recently built theatre, competitive theatres in the marketplace, changes in foreign currency exchange rates, 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. The impairment evaluation is based on the estimated cash flows from continuing use through the remainder of the theatre s useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods, for leased properties and a period of twenty years for fee owned properties. If the estimated 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. Fair value is determined based on a multiple of cash flows, which was seven times for 2005 and eight times for the evaluations performed during 2006 and 2007. 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 are based on historical and projected operating performance as well as recent market transactions.

We also test goodwill and other intangible assets for impairment at least annually in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* Goodwill and other intangible assets are tested for impairment at the

reporting unit level at least annually or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors considered include significant underperformance relative to historical or projected business and

Table of Contents

significant negative industry or economic trends. Goodwill impairment is evaluated using a two-step approach requiring us to compute the fair value of a reporting unit (generally at the theatre level), and compare it with its carrying value. If the carrying value of the theatre exceeds its fair value, a second step would be performed to measure the potential goodwill impairment. Fair value is estimated based on a multiple of cash flows, which was seven times for 2005 and eight times for the evaluations performed during 2006 and 2007. Significant judgment is involved in estimating cash flows and fair value. Management s estimates are based on historical and projected operating performance as well as recent market transactions. We allocate goodwill at the theatre level. This results in more volatile impairment charges on an annual basis due to changes in market conditions and box office performance and the resulting impact on individual theatres.

We recorded asset impairment charges, including goodwill impairment charges, of $51.7 million, $28.5 million and $86.6 million for the years ended December 31, 2005, 2006 and 2007, respectively. We cannot assure you that additional impairment charges will not be required in the future, and such charges may have an adverse effect on our financial condition and results of operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes 10 and 11 to the consolidated financial statements.

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.

Item 2. Properties

United States

As of December 31, 2007, we operated 244 theatres, with 3,047 screens, pursuant to leases and own the land and building for 43 theatres, with 607 screens, in the U.S. During 2007, we opened 13 new theatres with 201 screens. Our leases are generally entered into on a long-term basis with terms, including renewal options, generally ranging from 20 to 45 years. As of December 31, 2007, approximately 10% of our theatre leases in the U.S., covering 25 theatres with 205 screens, have remaining terms, including optional renewal periods, of less than five years. Approximately 13% of our theatre leases in the U.S., covering 31 theatres with 275 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 77% of our theatre leases in the U.S., covering 188 theatres with 2,567 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 lease an office building in Plano, Texas for our corporate office.

International

As of December 31, 2007, internationally, we operated 121 theatres, with 1,011 screens, all of which are leased pursuant to ground or building leases. In 2007, we opened seven new theatres with 56 screens in Latin America. Our international leases are generally entered into on a long term basis with terms generally ranging from 10 to 20 years. The leases generally provide for contingent rental based upon operating results (some of which are subject to an annual minimum). Generally, these leases include renewal options for various periods at stipulated rates. Three international theatres with 26 screens have a remaining term, including optional renewal periods, of less than five years. Approximately 27% of our international theatre leases, covering 33 theatres and 278 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 70% of our international theatre leases, covering 85 theatres and 707 screens, have remaining terms, including optional renewal periods, of more than 15 years.

See Note 21 to the consolidated financial statements for information regarding our domestic and international 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.

Table of Contents

Item 3. Legal Proceedings

We resolved a lawsuit filed by the DOJ in March 1999 which alleged certain violations of the ADA relating to wheelchair seating arrangements in certain of our stadium-style theatres. We and the DOJ agreed to a consent order which was entered by the U.S. District Court for the Northern District of Ohio, Eastern Division, on November 15, 2004. Under the consent order, we are required to make modifications to wheelchair seating locations in fourteen stadium-style movie theatres and spacing and companion seating modifications in 67 auditoriums at other stadium-styled movie theatres. These modifications must be completed by November 2009. We are currently in compliance with the consent order. Upon completion of these modifications, these theatres will comply with wheelchair seating requirements, and no further modifications will be required to our other stadium-style movie theatres in the United States existing on the date of the consent order. In addition, under the consent order, the DOJ approved the seating plans for nine stadium-styled movie theatres then under construction and also created 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. We do not believe that our requirements under the consent order will materially affect our business or financial condition.

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 and contractual disputes, most of which are covered by insurance. We believe our potential liability, with respect to proceedings currently pending, is not material, individually or in the aggregate, to our financial position, results of operations and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

On October 1, 2007, our board of directors approved and recommended to the stockholders an amendment to the Cinemark Holdings, Inc. 2006 Long Term Incentive Plan (the 2006 Plan). On October 15, 2007, a majority of the stockholders approved the First Amendment to the 2006 Plan (the First Amendment) and an Information Statement was filed with the Securities and Exchange Commission (the SEC) on October 16, 2007. The Information Statement was mailed to all stockholders on October 22, 2007 to inform the stockholders that we have obtained the written consent of the requisite holders of common stock to amend the 2006 Plan and to serve as notice to the stockholders of such action in accordance with Section 228(e) of the Delaware General Corporation Law. The First Amendment to the 2006 Plan became effective November 12, 2007. A copy of the First Amendment to the 2006 Plan is attached as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 15, 2007.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

Market Information and Holder

Our common equity consists of common stock, which has traded on the New York Stock Exchange since April 23, 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 fiscal periods indicated.

	Fiscal 2007	
	High	**Low**
Second Quarter (April 23, 2007 June 30, 2007)	$20.69	$16.15
Third Quarter (July 1, 2007 September 30, 2007)	$19.48	$14.83
Fourth Quarter (October 1, 2007 December 31, 2007)	$20.00	$15.81

On February 29, 2008, there were 39 stockholders of record of our common stock.

Dividend Policy

During August 2007, we initiated a quarterly dividend. Consistent with the disclosures in our 424(b)(1) prospectus, the dividend for the second quarter of 2007 was based upon the quarterly dividend rate of $0.18 per common share, prorated based on the April 27, 2007 closing date of our initial public offering. Based on such proration, a cash dividend of $0.13 per share of common stock was paid on September 18, 2007. The dividend for the third quarter was the first dividend paid by us reflecting a full quarter since our initial public offering and was paid in the amount of $0.18 per share of common stock on December 18, 2007. We paid dividends of approximately $33.1 million in the aggregate during 2007. The divided for the fourth quarter of 2007 was paid in the amount of $0.18 per share of common stock on March 14, 2008. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock for the foreseeable future. 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.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock for the period April 24, 2007 (the closing price on the first trading date) through December 31, 2007 (our fiscal year end) with the Standard and Poor s Corporation Composite 500 Index and a self-determined peer group of two public companies engaged in the motion picture exhibition industry. The peer group consists of Regal Entertainment Group and Carmike Cinemas, Inc.

Table of Contents

	4/24/07	12/31/07
Cinemark Holdings, Inc.	$ 100	$ 90
S&P © 500	100	99
Peer group	100	59

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about the securities authorized for issuance under the equity compensation plans of Cinemark Holdings, Inc. as of December 31, 2007:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	6,323,429	$ 7.63	2,202,700
Equity compensation plans not approved by security holders			
Total	6,323,429	$ 7.63	2,202,700

Use of Proceeds

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b). Pending the application of the net proceeds, we have invested the proceeds in short-term, investment-grade marketable securities or money market obligations. During July and August 2007, we repurchased in six open market purchases a total of $47.0 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $42.8 million, including accreted interest of $10.9 million and a cash premium of $2.5 million. During November 2007, we repurchased in one open market purchase $22.2 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $20.9 million, including accreted interest of $5.7 million and a cash premium of $1.5 million. During March 2008, we repurchased in one open market purchase $10.0 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $9.0 million, including accreted interest of $2.9 million. We funded these transactions with the proceeds from our initial public offering.

Table of Contents

Item 6. Selected Financial Data

The following tables set forth 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, 2007. The selected historical information for periods through April 1, 2004 are of Cinemark, Inc., the predecessor, and the selected historical information for all subsequent periods are of Cinemark Holdings, Inc., the successor. 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 with our Consolidated Financial Statements and related notes thereto, appearing elsewhere in this report.

	Cinemark, Inc. Predecessor		Cinemark Holdings, Inc. Successor			
		Period from January 1, 2004	Period from April 2, 2004	Year Ended December 31,		
	Year Ended December 31, 2003	to April 1, 2004	to December 31, 2004	2005	2006	2007
	(Dollars in thousands, except per share data)					
Statement of Operations Data(1):						
Revenues:						
Admissions	$597,548	$149,134	$497,865	$ 641,240	$ 760,275	$1,087,480
Concession	300,568	72,480	249,141	320,072	375,798	516,509
Other	52,756	12,011	43,611	59,285	84,521	78,852
Total Revenues	$950,872	$233,625	$790,617	$1,020,597	$1,220,594	$1,682,841
Theatre operating costs	582,574	140,938	477,689	625,496	728,431	1,035,360
Facility lease expense	119,517	30,915	97,829	138,477	161,374	212,730
General and administrative expenses	44,286	11,869	39,803	50,884	67,768	79,518
Termination of profit participation agreement						6,952
Stock option compensation and change of control expenses related to the MDP Merger		31,995				
Depreciation and amortization	65,085	16,865	61,353	86,126	99,470	151,716
Impairment of long-lived assets	5,049	1,000	36,721	51,677	28,537	86,558
(Gain) loss on sale of assets and other	(1,202)	(513)	3,602	4,436	7,645	(2,953)

Total cost of operations	815,309	233,069	716,997	957,096	1,093,225	1,569,881
Operating income	135,563	556	73,620	63,501	127,369	112,960
Interest expense	54,163	12,562	58,149	84,082	109,328	145,596
Income (loss) from continuing operations before income taxes	47,389	(12,771)	10,451	(16,000)	13,526	200,882
Income (loss) from discontinued operations, net of taxes	(2,740)	(1,565)	4,155			
Net income (loss)	$ 44,649	$ (10,633)	$ (3,687)	$ (25,408)	$ 841	$ 88,920
Net income (loss) per share:						
Basic	$ 0.37	$ (0.09)	$ (0.05)	$ (0.31)	$ 0.01	$ 0.87
Diluted	$ 0.37	$ (0.09)	$ (0.05)	$ (0.31)	$ 0.01	$ 0.85

Table of Contents

	Cinemark, Inc. Predecessor		Cinemark Holdings, Inc. Successor			
	Year Ended December 31, 2003	Period from January 1, 2004 to April 1, 2004	Period from April 2, 2004 to December 31, 2004	Year Ended December 31, 2005	2006	2007
	(Dollars in thousands)					
Other Financial Data:						
Ratio of earnings to fixed charges(6)	1.80x		1.12x	0.88x	1.09x	1.96x
Cash flow provided by (used for):						
Operating activities	$135,522	$ 10,100	$ 112,986	$165,270	$ 155,662	$ 276,036
Investing activities(2)	(47,151)	(16,210)	(100,737)	(81,617)	(631,747)	93,178
Financing activities	(45,738)	346,983	(361,426)	(3,750)	439,977	(183,715)
Capital expenditures	(51,002)	(17,850)	(63,158)	(75,605)	(107,081)	(146,304)

	Cinemark, Inc. Predecessor	Cinemark Holdings, Inc. Successor As of December 31,			
	2003	2004	2005	2006	2007
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$107,322	$ 100,248	$ 182,199	$ 147,099	$ 338,043
Theatre properties and equipment, net	775,880	794,723	803,269	1,324,572	1,314,066
Total assets	960,736	1,831,855	1,864,852	3,171,582	3,296,892
Total long-term debt and capital lease obligations, including current portion	658,431	1,026,055	1,055,095	2,027,480	1,644,915
Stockholders equity	76,946	533,200	519,349	689,297	1,019,203

Cinemark, Inc. Predecessor		Cinemark Holdings, Inc. Successor	
Year Ended December	Period from January 1, 2004 to April 1,	Period from April 2, 2004 to	Year Ended December 31,

	31, 2003	2004	December 31, 2004	2005	2006	2007
Operating Data:						
United States[3][5]						
Theatres operated (at period end)	189	191	191	200	281	287
Screens operated (at period end)	2,244	2,262	2,303	2,417	3,523	3,654
Total attendance[1] (in 000s)	112,581	25,790	87,856	105,573	118,714	151,712
International[4]						
Theatres operated (at period end)	97	95	101	108	115	121
Screens operated (at period end)	852	835	869	912	965	1,011
Total attendance[1] (in 000s)	60,553	15,791	49,904	60,104	59,550	60,958
Worldwide[3][4][5]						
Theatres operated (at period end)	286	286	292	308	396	408
Screens operated (at period end)	3,096	3,097	3,172	3,329	4,488	4,665
Total attendance[1] (in 000s)	173,134	41,581	137,760	165,677	178,264	212,670

(1) Statement of Operations Data (other than net income (loss)) and attendance data exclude the results of the two United Kingdom theatres and eleven Interstate theatres for all periods presented as these theatres were sold during the period from April 2, 2004 to December 31, 2004. The results of operations for these theatres in the 2003 and 2004 periods are presented as

discontinued operations.

(2) Includes the cash portion of the Century Acquisition purchase price of $531.2 million during the year ended December 31, 2006.

(3) The data excludes certain theatres operated by us in the U.S. pursuant to management agreements that are not part of our consolidated operations.

(4) The data excludes certain theatres operated internationally through our affiliates that are not part of our consolidated operations.

(5) The data for 2003 excludes theatres, screens and attendance for eight theatres and 46 screens acquired on December 31, 2003, as the results of operations for these theatres are not included

in our 2003 consolidated results of operations.

(6) For the purposes of calculating the ratio of earnings to fixed charges, earnings consist of income (loss) from continuing operations before taxes plus fixed charges excluding capitalized interest. Fixed charges consist of interest expense, capitalized interest, amortization of debt issue cost and that portion of rental expense which we believe to be representative of the interest factor. For the period from January 1, 2004 to April 1, 2004, earnings were insufficient to cover fixed charges by $12.7 million.

Table of Contents

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.

Overview

On April 2, 2004, an affiliate of MDP acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc. with Cinemark, Inc. continuing as the surviving corporation. Simultaneously, an affiliate of MDP purchased shares of Cinemark, Inc. s common stock and became Cinemark, Inc. s controlling stockholder. Lee Roy Mitchell, Chairman and then Chief Executive Officer, the Mitchell Special Trust, and certain members of management collectively retained a minority ownership of Cinemark, Inc. s capital stock. In December 2004, MDP sold a portion of its stock in Cinemark, Inc. to outside investors and in July 2005, Cinemark, Inc. issued additional shares to another outside investor.

On August 2, 2006, Cinemark Holdings, Inc. was formed as the Delaware holding company of Cinemark, Inc. On August 7, 2006, the Cinemark, Inc. stockholders entered into a share exchange agreement pursuant to which they agreed to exchange their shares of Class A common stock for an equal number of shares of common stock of Cinemark Holdings, Inc. (Cinemark Share Exchange). The Cinemark Share Exchange was completed on October 5, 2006 and facilitated the acquisition of Century Theatres, Inc. (Century Acquisition) on that date. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. The accompanying consolidated financial statements are reflective of the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc. s consolidated financial statements reflect the accounting basis of its stockholders for all periods presented. On April 24, 2007, Cinemark Holdings, Inc. completed an initial public offering of its common stock.

As of December 31, 2007, we managed our business under two operating segments U.S. markets and international markets, in accordance with SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information*. See Note 22 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 programs, pay phones, ATM machines and electronic video games located in some of our theatres. Our investment in NCM has assisted us in expanding our offerings to advertisers, exploring ancillary revenue sources such as digital video monitor advertising, third party branding, and the use of theatres for non-film events. In addition, we are able to use theatres during non-peak hours for concerts, sporting events, and other cultural events. Successful films released during the year ended December 31, 2007 included *Spider-Man 3, Shrek the Third, Pirates of the Caribbean: At World s End* and *Transformers,* which all grossed over $300 million; *Harry Potter and the Order of the Phoenix, Bourne Ultimatum, Ratatouille, I am Legend, National Treasure: Book of Secrets* and *300,* which all grossed over $200 million; and *Fantastic Four: Rise of the Silver Surfer, I now Pronounce You Chuck and Larry,* and *Knocked Up.* Our revenues are affected by changes in attendance and average admissions and concession revenues per patron. Attendance is primarily affected by the quality and quantity of films released by motion picture studios. Films scheduled for release during 2008 include *Harry Potter and the Half-Blood Prince, Indiana Jones and the Kingdom of the Crystal Skull, Chronicles of Narnia: Prince Caspian, The Dark Knight, Wall-E, Hancock, The Mummy: Tomb of the Dragon Emperor* and the release of 3-D movies such as *Hannah Montana & Miley Cyrus: Best of Both Worlds* and *Journey to the Center of the Earth*. In 2009, a broad slate of 3-D films is expected, including *Monsters vs. Aliens, Ice Age 3,* and *Avatar.*

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 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 bulk 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 handle changes in attendance.

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 versus the number of theatres under capital leases and the number of fee-owned theatres.

Utilities and other costs include certain costs that are fixed such as property taxes, certain costs that are variable such as liability insurance, and certain costs that possess both fixed and variable components such as utilities, repairs and maintenance and security services.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. 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 and 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 the mutually agreed upon firm terms or a sliding scale formula, which are established prior to the opening of the picture, or estimates of the final mutually agreed upon settlement, which occurs at the conclusion of the picture run, subject to the film licensing arrangement. Estimates are based on the expected success of a film over the length of its run in theatres. 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 over the length of its run in theatres can typically be estimated early in the film s run. The final film settlement amount is negotiated at the conclusion of the film s run based upon how a film actually performs. If actual settlements are higher than those estimated, additional film rental costs are recorded at that time. We recognize advertising costs and any sharing arrangements with film distributors in the same accounting period. 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 a target annual revenue level is achieved. Percentage rent expense is recorded for these theatres on a monthly basis if the theatre s historical performance or forecasted performance indicates that the annual target will be reached. The estimate of percentage rent expense recorded during the year is based on a trailing twelve months of

revenues. Once annual revenues are known, which is generally at the end of the year, the percentage rent expense is adjusted based on actual revenues.

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.

Impairment of Long-Lived Assets

We review long-lived assets for impairment 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;
- future years budgeted theatre level cash flows;
- theatre property and equipment carrying values;
- theatre goodwill carrying values;
- amortizing intangible asset carrying values;
- the age of a recently built theatre;
- competitive theatres in the marketplace;
- changes in foreign currency exchange rates;
- 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 cash flows from continuing use through the remainder of the theatre s useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods for leased properties and a period of twenty years for fee owned properties. If the estimated 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. Fair values are determined based on a multiple of cash flows, which was seven times for 2005 and eight times for the evaluations performed during 2006 and 2007. 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 are based on historical and projected operating performance as well as recent market transactions.

Impairment of Goodwill and Intangible Assets

We evaluate goodwill and tradename for impairment annually at fiscal year-end and any time events or circumstances indicate the carrying amount of the goodwill and intangible assets may not be fully recoverable. As a result of the NCM Transaction discussed in Note 7, and more specifically the modification of the NCM Exhibitor Services Agreement, which significantly reduced the contractual amounts paid to us, we evaluated the carrying value of our goodwill as of March 31, 2007 (See Notes 10 and 11). We also evaluated the carrying value of our goodwill as

of December 31, 2007. We evaluate goodwill for impairment at the reporting unit level (generally a theatre) and have allocated goodwill to the reporting unit based on an estimate of its relative fair value. The evaluation is a two-step approach requiring us to compute the fair value of a theatre and compare it with its carrying value. If the carrying value exceeds fair value, a second step is performed to measure the potential goodwill impairment. Fair value is determined based on a multiple of cash flows, which was seven times for 2005 and eight times for the evaluations performed during 2006 and 2007. Significant judgment is involved in estimating cash flows and fair value. Management s estimates are based on historical and projected operating performance as well as recent market transactions. Our policy of allocating

goodwill at the theatre level results in more volatile impairment charges on an annual basis due to changes in market conditions and box office performance and the resulting impact on individual theatres.

Acquisitions

We account for acquisitions under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations.* The purchase method requires that we estimate the fair value of the assets acquired and liabilities assumed and allocate consideration paid accordingly. For significant acquisitions, we obtain independent third party valuation studies for certain of the assets acquired and liabilities assumed to assist us in determining fair value. The estimation of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the actual amounts recorded.

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 related tax accruals are recorded in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of SFAS No. 109* (FIN 48), which we adopted on January 1, 2007. FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes* , and the recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The evaluation of a tax position in accordance with FIN 48 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 should 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) an increase in a liability for income taxes payable or (2) a reduction of an income tax refund receivable or a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2).

Recent Developments

On February 26, 2008, the Company s board of directors declared a cash dividend for the fourth quarter of 2007 of $0.18 per share of common stock payable to stockholders of record on March 6, 2008. The dividend was paid on March 14, 2008.

On March 20, 2008, we repurchased in one open market purchase $10.0 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $9.0 million, including accreted interest of $2.9 million. The transaction was funded with proceeds from our initial public offering.

On March 27,2008, our Board of Directors approved and recommended to the stockholders for approval at the 2008 annual meeting of stockholders to be held on May 15, 2008 (the Annual Meeting), an amendment and restatement of the Cinemark Holdings, Inc. 2006 Long Term Incentive Plan, as amended (the *Restated Incentive Plan).* The Restated Incentive Plan amends and restates the Cinemark Holdings, Inc. 2006 Long Term Incentive Plan, as amended (*the 2006 Plan),* to (i) increase the number of shares reserved for issuance from 9,097,360 shares of Common Stock to 19,100,000 shares of Common Stock and (ii) permit the Compensation Committee to award participants restricted stock units and performance awards. The right of a participant to exercise or receive a grant of a restricted stock unit or performance award may be subject to the satisfaction of such performance or objective business criteria as determined by the Compensation Committee. With the exception of the changes identified in (i) and (ii) above, the Restated Incentive Plan does not materially differ from the 2006 Plan. The foregoing does not constitute a complete summary of the Restated Incentive Plan and is qualified in its entirety by reference to the

complete text of the Restated Incentive Plan to be filed as an appendix to the proxy statement for our Annual Meeting to be mailed to our stockholders within 120 days after December 31, 2007.

Table of Contents

Results of Operations

On October 5, 2006, we completed our acquisition of Century Theatres, Inc. Results of operations for the year ended December 31, 2006 reflect the inclusion of the Century theatres beginning on the date of acquisition. Results of operations for the year ended December 31, 2005 do not include results of operations for the Century theatres.

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain items reflected in our consolidated statements of operations:

	Year Ended December 31,		
	2005	**2006**	**2007**
Operating data (in millions):			
Revenues			
Admissions	$ 641.2	$ 760.3	$ 1,087.5
Concession	320.1	375.8	516.5
Other	59.3	84.5	78.8
Total revenues	$ 1,020.6	$ 1,220.6	$ 1,682.8
Theatre operating costs(2)			
Film rentals and advertising	$ 347.7	$ 406.0	$ 589.7
Concession supplies	52.5	59.0	81.1
Salaries and wages	101.5	118.6	173.3
Facility lease expense	138.5	161.4	212.7
Utilities and other	123.8	144.8	191.3
Total theatre operating costs	$ 764.0	$ 889.8	$ 1,248.1
Operating data as a percentage of total revenues:			
Revenues			
Admissions	62.8%	62.3%	64.6%
Concession	31.4	30.8	30.7
Other	5.8	6.9	4.7
Total revenues	100.0%	100.0%	100.0%
Theatre operating costs(1)(2)			
Film rentals and advertising	54.2%	53.4%	54.2%
Concession supplies	16.4	15.7	15.7
Salaries and wages	9.9	9.7	10.3
Facility lease expense	13.6	13.2	12.6
Utilities and other	12.1	11.9	11.4
Total theatre operating costs	74.9%	72.9%	74.2%
Average screen count (month end average)	3,239	3,628	4,558
Revenues per average screen	$315,104	$336,437	$369,200

(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.

(2) Excludes depreciation and amortization expense.

Table of Contents

Comparison of Years Ended December 31, 2007 and December 31, 2006

Revenues. Total revenues increased $462.2 million to $1,682.8 million for 2007 from $1,220.6 million for 2006, representing a 37.9% increase. The table below, presented by reportable operating segment, summarizes our year-over-year revenue performance and certain key performance indicators that impact our revenues.

	U.S. Operating Segment Year Ended December 31,			International Operating Segment Year Ended December 31,			Consolidated Year Ended December 31,		
	2006	2007	% Change	2006	2007	% Change	2006	2007	% Change
Admissions revenues (in millions)	$ 577.9	$ 879.1	52.1%	$ 182.4	$ 208.4	14.3%	$ 760.3	$ 1,087.5	43.0%
Concession revenues (in millions)	$ 297.4	$ 424.4	42.7%	$ 78.4	$ 92.1	17.5%	$ 375.8	$ 516.5	37.4%
Other revenues (in millions) [1]	$ 59.4	$ 45.6	(23.2)%	$ 25.1	$ 33.2	32.3%	$ 84.5	$ 78.8	(6.7)%
Total revenues (in millions) [1]	$ 934.7	$ 1,349.1	44.3%	$ 285.9	$ 333.7	16.7%	$ 1,220.6	$ 1,682.8	37.9%
Attendance (in millions)	118.7	151.7	27.8%	59.6	61.0	2.3%	178.3	212.7	19.3%
Revenues per average screen [1]	$346,812	$376,771	8.6%	$306,459	$341,451	11.4%	$336,437	$369,200	9.7%

(1) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 22 of our consolidated financial statements.

Consolidated. The increase in admissions revenues of $327.2 million was attributable to a 19.3% increase in attendance from 178.3 million patrons for 2006 to 212.7 million patrons for 2007, which contributed $165.0 million, and a 20.0% increase in average ticket price from $4.26 for 2006 to $5.11 for 2007, which contributed $162.2 million, and reflects the full year of operations of the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of $140.7 million was attributable to the 19.3%

increase in attendance, which contributed $84.5 million, and a 15.2% increase in concession revenues per patron from $2.11 for 2006 to $2.43 for 2007, which contributed $56.2 million, and reflects the full year of operations of the 77 Century theatres acquired during the fourth quarter of 2006. The increase in attendance was attributable to the additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2007 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at the 77 Century theatres acquired, price increases and favorable exchange rates in certain countries in which we operate. The 6.7% decrease in other revenues was primarily attributable to reduced screen advertising revenues earned under the amended Exhibitor Services Agreement with NCM. See Note 7 to the consolidated financial statements.

U.S. The increase in admissions revenues of $301.2 million was attributable to a 27.8% increase in attendance from 118.7 million patrons for 2006 to 151.7 million patrons for 2007, which contributed $160.7 million, and a 18.9% increase in average ticket price from $4.87 for 2006 to $5.79 for 2007, which contributed $140.5 million, and reflects the full year of operations of the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of $127.0 million was attributable to the 27.8% increase in attendance, which contributed $82.6 million, and an 11.6% increase in concession revenues per patron from $2.51 for 2006 to $2.80 for 2007, which contributed $44.4 million, and reflects the full year of operations of the 77 Century theatres acquired during the fourth quarter of 2006. The increase in attendance was attributable to the additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2007 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at the 77 Century theatres acquired and price increases. The 23.2% decrease in other revenues was primarily attributable to reduced screen advertising revenues earned under the amended Exhibitor Services Agreement with NCM. See Note 7 to the consolidated financial statements.

International. The increase in admissions revenues of $26.0 million was attributable to a 2.3% increase in attendance from 59.6 million patrons for 2006 to 61.0 million patrons for 2007, which contributed $4.3 million, and an 11.8% increase in average ticket price from $3.06 for 2006 to $3.42 for 2007, which contributed $21.7 million. The increase in concession revenues of $13.7 million was attributable to the 2.3% increase in attendance, which contributed $1.9 million, and a 14.4% increase in concession revenues per patron from $1.32 for 2006 to $1.51 for 2007, which contributed $11.8 million. The increase in attendance was primarily due to new theatre openings. The increases in average ticket price and concession revenues per patron were due to price increases and favorable exchange rates in certain countries in which we operate.

Table of Contents

Theatre Operating Costs (excludes depreciation and amortization expense). Theatre operating costs were $1,248.1 million, or 74.2% of revenues, for 2007 compared to $889.8 million, or 72.9% of revenues, for 2006. The table below, presented by reportable operating segment, summarizes our year-over-year theatre operating costs.

	U.S. Operating Segment Year Ended December 31,		International Operating Segment Year Ended December 31,		Consolidated Year Ended December 31,	
	2006	2007	2006	2007	2006	2007
Film rentals and advertising	$315.4	$ 485.2	$ 90.6	$104.5	$406.0	$ 589.7
Concession supplies	38.7	57.8	20.3	23.3	$ 59.0	$ 81.1
Salaries and wages	95.8	146.7	22.8	26.6	$118.6	$ 173.3
Facility lease expense	117.0	161.7	44.4	51.0	$161.4	$ 212.7
Utilities and other	108.3	149.0	36.5	42.3	$144.8	$ 191.3
Total theatre operating costs	$675.2	$1,000.4	$214.6	$247.7	$889.8	$1,248.1

Consolidated. Film rentals and advertising costs were $589.7 million, or 54.2% of admissions revenues, for 2007 compared to $406.0 million, or 53.4% of admissions revenues, for 2006. The increase in film rentals and advertising costs for 2007 of $183.7 million is due to a $327.2 million increase in admissions revenues, which contributed $177.3 million, and an increase in our film rental and advertising rate due to higher rates on certain blockbuster sequels in 2007, which contributed $6.4 million. Concession supplies expense was $81.1 million, or 15.7% of concession revenues, for 2007 compared to $59.0 million, or 15.7% of concession revenues, for 2006. The increase in concession supplies expense of $22.1 million is primarily due to increased concession revenues.

Salaries and wages increased to $173.3 million for 2007 from $118.6 million for 2006 primarily due to the additional salaries and wages related to the 77 Century theatres, the increase in minimum wages in the U.S., and new theatre openings. Facility lease expense increased to $212.7 million for 2007 from $161.4 million for 2006 primarily due to the additional expense related to the 77 Century theatres, increased percentage rent related to the increased revenues and new theatre openings. Utilities and other costs increased to $191.3 million for 2007 from $144.8 million for 2006 primarily due to the additional costs related to the 77 Century theatres and new theatre openings.

U.S. Film rentals and advertising costs were $485.2 million, or 55.2% of admissions revenues, for 2007 compared to $315.4 million, or 54.6% of admissions revenues, for 2006. The increase in film rentals and advertising costs for 2007 of $169.8 million is due to a $301.2 million increase in admissions revenues, which contributed $164.4 million, and an increase in our film rentals and advertising rate due to higher rates on certain blockbuster sequels in 2007, which contributed $5.4 million. Concession supplies expense was $57.8 million, or 13.6% of concession revenues, for 2007 compared to $38.7 million, or 13.0% of concession revenues, for 2006. The increase in concession supplies expense of $19.1 million is due to increased concession revenues, which contributed $16.6 million, and an increase in our concession supplies rate, which contributed $2.5 million, both of which were attributable to the 77 Century theatres.

Salaries and wages increased to $146.7 million for 2007 from $95.8 million for 2006 primarily due to the additional salaries and wages related to the 77 Century theatres, the increase in minimum wages in the U.S., and new theatre openings. Facility lease expense increased to $161.7 million for 2007 from $117.0 million for 2006 primarily due to the additional expense related to the 77 Century theatres and new theatre openings. Utilities and other costs increased to $149.0 million for 2007 from $108.3 million for 2006 primarily due to the additional costs related to

the 77 Century theatres and new theatre openings.

International. Film rentals and advertising costs were $104.5 million, or 50.1% of admissions revenues, for 2007 compared to $90.6 million, or 49.7% of admissions revenues, for 2006. The increase in film rentals and advertising costs of $13.9 million is due to a $26.0 million increase in admissions revenues, which contributed $12.9 million and an increase in our film rental and advertising rate, which contributed $1.0 million. Concession supplies expense was $23.3 million, or 25.3% of concession revenues, for 2007 compared to $20.3 million, or 25.9% of concession revenues, for 2006. The increase in concession supplies expense of $3.0 million is primarily due to increased concession revenues.

Salaries and wages increased to $26.6 million for 2007 from $22.8 million for 2006 primarily due to new theatre openings. Facility lease expense increased to $51.0 million for 2007 from $44.4 million for 2006 primarily due to increased percentage rent related to increased revenues and new theatre openings. Utilities and other costs increased to $42.3 million for 2007 from $36.5 million for 2006 primarily due to higher utility costs at our existing theatres and new theatre openings.

General and Administrative Expenses. General and administrative expenses increased to $79.5 million for 2007 from $67.8 million for 2006 primarily due to a $7.8 million increase in salaries and wages, a $1.2 million increase in consulting fees, and a $2.5 million increase in service charges related to increased credit card activity, all of which were primarily a result of the 77 Century theatres.

Termination of Profit Participation Agreement. Upon consummation of our initial public offering on April 24, 2007, we exercised our option to terminate the amended and restated profit participation agreement with our CEO Alan Stock and purchased Mr. Stock s profit interest in two theatres on May 3, 2007 for a price of $6.9 million pursuant to the terms of the amended and restated profit participation agreement. In addition, we incurred $0.1 million of payroll taxes related to the termination. See Note 23 to our consolidated financial statements.

Depreciation and Amortization. Depreciation and amortization expense, including amortization of favorable leases, was $151.7 million for 2007 compared to $99.5 million for 2006 primarily due to the Century Acquisition and new theatre openings.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of $86.6 million for 2007 compared to $28.5 million for 2006. Impairment charges for 2007 and 2006 included the write-down of theatres to their fair values. Impairment charges for 2007 consisted of $14.2 million of theatre properties, $67.7 million of goodwill associated with theatre properties, and $4.7 million of intangible assets associated with theatre properties. Impairment charges for 2006 consisted of $13.6 million of theatre properties, $13.6 million of goodwill associated with theatre properties and $1.3 million of intangible assets associated with theatre properties. During 2006, we recorded approximately $658.5 million of goodwill as a result of the Century Acquisition. We record goodwill at the theatre level, which results in more volatile impairment charges on an annual basis due to changes in market conditions and box office performance and the resulting impact on individual theatres. Significant judgment is involved in estimating cash flows and fair value. Management s estimates are based on historical and projected operating performance as well as recent market transactions. See Notes 10 and 11 to our consolidated financial statements.

(Gain) Loss on Sale of Assets and Other. We recorded a gain on sale of assets and other of $3.0 million during 2007 compared to a loss on the sale of assets and other of $7.6 million during 2006. The gain recorded during 2007 primarily related to the sale of real property associated with one theatre in the U.S. The loss recorded during 2006 primarily related to a loss on the exchange of a theatre in the United States with a third party, lease termination fees and asset write-offs incurred due to theatre closures and the retirement of certain theatre assets that were replaced.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, was $145.6 million for 2007 compared to $109.3 million for 2006. The increase was primarily due to the financing associated with the Century Acquisition.

Gain on NCM Transaction. We recorded a gain of $210.8 million on the sale of a portion of our equity investment in NCM in conjunction with the initial public offering of NCM, Inc. during 2007. Our ownership interest in NCM was reduced from approximately 25% to approximately 14% as part of this sale of stock in the offering. See Note 7 to our consolidated financial statements.

Gain on Fandango Transaction. We recorded a gain of $9.2 million as a result of the sale of our investment in stock of Fandango, Inc. See Note 9 to our consolidated financial statements.

Loss on Early Retirement of Debt. During 2007, we recorded a loss on early retirement of debt of $13.5 million which was a result of the repurchase of $332.1 million aggregate principal amount of our 9% senior subordinated notes and the repurchase of $69.2 million aggregate principal amount at maturity of our 9 3/4% senior discount notes, all of which resulted in the write-off of unamortized debt issue costs and the payment of premiums, fees and expenses. During 2006, we recorded a loss on early retirement of debt of $8.3 million which was a result of the refinancing associated with the Century Acquisition, the repurchase of $10.0 million aggregate principal amount of Cinemark

USA, Inc. s 9% senior subordinated notes, and the repurchase of $39.8 million aggregate principal amount at maturity of Cinemark, Inc. s 9 3/4%

senior discount notes, all of which resulted in the write-off of unamortized debt issue costs and the payment of fees and expenses. See Notes 6 and 13 to our consolidated financial statements.

Distributions from NCM. We recorded distributions received from NCM of $11.5 million during 2007, which were in excess of the carrying value of our investment. See Note 7 to our consolidated financial statements.

Income Taxes. Income tax expense of $112.0 million was recorded for 2007 compared to $12.7 million recorded for 2006. The effective tax rate of 55.7% for 2007 reflects the impact of our 2007 goodwill impairment charges, which are not deductible for income tax purposes. The effective tax rate in 2007 net of the impact from the goodwill impairment charges would have been approximately 41.7%. The effective tax rate for 2006 reflects the impact of purchase accounting adjustments resulting from the Century Acquisition. See Notes 6 and 20 to our consolidated financial statements.

Comparison of Years Ended December 31, 2006 and December 31, 2005

Revenues. Total revenues increased $200.0 million to $1,220.6 million for 2006 from $1,020.6 million for 2005, representing a 19.6% 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 Year Ended December 31,			International Operating Segment Year Ended December 31,			Consolidated Year Ended December 31,		
	2005	2006	% Change	2005	2006	% Change	2005	2006	% Change
Admissions revenues (in millions)	$ 472.0	$ 577.9	22.4%	$ 169.2	$ 182.4	7.8%	$ 641.2	$ 760.3	18.6%
Concession revenues (in millions)	$ 248.7	$ 297.4	19.6%	$ 71.4	$ 78.4	9.8%	$ 320.1	$ 375.8	17.4%
Other revenues (in millions) (1)	$ 35.6	$ 59.4	66.9%	$ 23.7	$ 25.1	5.9%	$ 59.3	$ 84.5	42.5%
Total revenues (in millions) (1)	$ 756.3	$ 934.7	23.6%	$ 264.3	$ 285.9	8.2%	$ 1,020.6	$ 1,220.6	19.6%
Attendance (in millions)	105.6	118.7	12.4%	60.1	59.6	(1.0)%	165.7	178.3	7.6%
Revenues per average screen (1)	$321,833	$346,812	7.8%	$297,316	$306,459	3.1%	$315,104	$336,437	6.8%

(1) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating

segment. See Note 22 of our consolidated financial statements.

Consolidated. The increase in admissions revenues of $119.1 million was attributable to a 7.6% increase in attendance from 165.7 million patrons for 2005 to 178.3 million patrons for 2006, which contributed $57.2 million, and a 10.2% increase in average ticket price from $3.87 for 2005 to $4.26 for 2006, which contributed $61.9 million. This increase included additional admissions revenues for the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of $55.7 million was attributable to the 7.6% increase in attendance, which contributed $30.3 million, and a 9.1% increase in concession revenues per patron from $1.93 for 2005 to $2.11 for 2006, which contributed $25.4 million. This increase included additional concession revenues for the 77 Century theatres acquired during the fourth quarter. The increase in attendance was attributable to the additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2006 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at the 77 Century theatres acquired, price increases and favorable exchange rates in certain countries in which we operate. The 42.5% increase in other revenues was primarily attributable to incremental screen advertising revenues resulting from our participation in the NCM joint venture.

U.S. The increase in admissions revenues of $105.9 million was attributable to a 12.4% increase in attendance from 105.6 million patrons for 2005 to 118.7 million patrons for 2006, which contributed $58.7 million, and a 8.9% increase in average ticket price from $4.47 for 2005 to $4.87 for 2006, which contributed $47.2 million. This increase included additional admissions revenues for the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of $48.7 million was attributable to the 12.4% increase in attendance, which contributed $31.0 million, and a 6.3% increase in concession revenues per patron from $2.36 for 2005 to $2.51 for 2006, which contributed $17.7 million. This increase included additional concession revenues for the 77 Century theatres acquired during the fourth quarter. The increase in attendance was attributable to additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2006 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at

the 77 Century theatres acquired and price increases. The 66.9% increase in other revenues was primarily attributable to incremental screen advertising revenues resulting from our participation in the joint venture with NCM.

International. The increase in admissions revenues of $13.2 million was attributable to an 8.8% increase in average ticket price from $2.82 for 2005 to $3.06 for 2006, which contributed $14.7 million, partially offset by a 1.0% decrease in attendance, which contributed $(1.5) million. The decrease in attendance was due to increased competition in certain markets. The increase in concession revenues of $7.0 million was attributable to a 10.9% increase in concession revenues per patron from $1.19 for 2005 to $1.32 for 2006, which contributed $7.7 million, partially offset by the 1.0% decrease in attendance, which contributed $(0.7) million. The increases in average ticket price and concession revenues per patron were due to price increases and favorable exchange rates in certain countries in which we operate.

Theatre Operating Costs (excludes depreciation and amortization expense). Theatre operating costs were $889.8 million, or 72.9% of revenues, for 2006 compared to $764.0 million, or 74.9% of revenues, for 2005. The decrease, as a percentage of revenues, was primarily due to the increase in revenues and the fixed nature of some of our theatre operating costs, such as components of salaries and wages, facility lease expense, and utilities and other costs. The table below, presented by reportable operating segment, summarizes our year-over-year theatre operating costs.

	U.S. Operating Segment Year Ended December 31,		International Operating Segment Year Ended December 31,		Consolidated Year Ended December 31,	
	2005	2006	2005	2006	2005	2006
Film rentals and advertising	$263.7	$315.4	$ 84.0	$ 90.6	$347.7	$406.0
Concession supplies	34.5	38.7	18.0	20.3	$ 52.5	$ 59.0
Salaries and wages	80.8	95.8	20.7	22.8	$101.5	$118.6
Facility lease expense	97.7	117.0	40.8	44.4	$138.5	$161.4
Utilities and other	90.7	108.3	33.1	36.5	$123.8	$144.8
Total theatre operating costs	$567.4	$675.2	$196.6	$214.6	$764.0	$889.8

Consolidated. Film rentals and advertising costs were $406.0 million, or 53.4% of admissions revenues, for 2006 compared to $347.7 million, or 54.2% of admissions revenues, for 2005. The increase in film rentals and advertising costs for 2006 of $58.3 million is due to increased admissions revenues, which contributed $65.7 million, and a decrease in our film rental and advertising rate, which contributed $(7.4) million. The decrease in film rentals and advertising costs as a percentage of admissions revenues was due to a more favorable mix of films resulting in lower average film rental rates in 2006 compared with 2005 which had certain blockbuster films with higher than average film rental rates. Concession supplies expense was $59.0 million, or 15.7% of concession revenues, for 2006 compared to $52.5 million, or 16.4% of concession revenues, for 2005. The increase in concession supplies expense of $6.5 million is primarily due to increased concession revenues, which contributed $8.5 million, and a decrease in our concession supplies rate, which contributed $(2.0) million. The decrease in concession supplies expense as a percentage of revenues was primarily due to concession sales price increases.

Salaries and wages increased to $118.6 million for 2006 from $101.5 million for 2005 primarily due to the additional salaries and wages related to the 77 Century theatres, the increase in attendance and new theatre openings. Facility lease expense increased to $161.4 million for 2006 from $138.5 million for 2005 primarily due to the additional expense related to the 77 Century theatres, increased percentage rent related to the increased revenues

and new theatre openings. Utilities and other costs increased to $144.8 million for 2006 from $123.8 million for 2005 primarily due to the additional costs related to the 77 Century theatres, higher utility and janitorial supplies costs at our existing theatres and new theatre openings.

U.S. Film rentals and advertising costs were $315.4 million, or 54.6% of admissions revenues, for 2006 compared to $263.7 million, or 55.9% of admissions revenues, for 2005. The increase in film rentals and advertising costs for 2006 of $51.7 million is due to increased admissions revenues, which contributed $59.2 million, and a decrease in our film rentals and advertising rate, which contributed $(7.5) million. The decrease in film rentals and advertising costs as a percentage of admissions revenues was due to a more favorable mix of films resulting in lower average film rental rates in 2006 compared with 2005 which had certain blockbuster films with higher than average film rental rates. Concession supplies expense was $38.7 million, or 13.0% of concession revenues, for 2006 compared to

$34.5 million, or 13.9% of concession revenues, for 2005. The increase in concession supplies expense of $4.2 million is due to increased concession revenues, which contributed $6.7 million, and a decrease in our concession supplies rate, which contributed $(2.5) million. The decrease in concession supplies expense as a percentage of revenues was primarily due to concession sales price increases.

Salaries and wages increased to $95.8 million for 2006 from $80.8 million for 2005 primarily due to the additional salaries and wages related to the 77 Century theatres, the increase in attendance and new theatre openings. Facility lease expense increased to $117.0 million for 2006 from $97.7 million for 2005 primarily due to the additional expense related to the 77 Century theatres, increased percentage rent related to increased revenues and new theatre openings. Utilities and other costs increased to $108.3 million for 2006 from $90.7 million for 2005 primarily due to the additional costs related to the 77 Century theatres, higher utility and janitorial supplies costs at our existing theatres and new theatre openings.

International. Film rentals and advertising costs were $90.6 million, or 49.7% of admissions revenues, for 2006 compared to $84.0 million, or 49.6% of admissions revenues, for 2005. The increase in film rentals and advertising costs for 2006 is primarily due to increased admissions revenues. Concession supplies expense was $20.3 million, or 25.9% of concession revenues, for 2006 compared to $18.0 million, or 25.2% of concession revenues, for 2005. The increase in concession supplies expense of $2.3 million is due to increased concession revenues, which contributed $1.8 million, and an increase in our concession supplies rate, which contributed $0.5 million.

Salaries and wages increased to $22.8 million for 2006 from $20.7 million for 2005 primarily due to new theatre openings. Facility lease expense increased to $44.4 million for 2006 from $40.8 million for 2005 primarily due to increased percentage rent related to increased revenues and new theatre openings. Utilities and other costs increased to $36.5 million for 2006 from $33.1 million for 2005 primarily due to higher utility and janitorial supplies costs at our existing theatres and new theatre openings.

General and Administrative Expenses. General and administrative expenses increased to $67.8 million for 2006 from $50.9 million for 2005 primarily due to a $3.7 million increase due to incentive compensation expense, a $3.0 million increase in salaries and wages, a $2.9 million increase to stock option compensation expense related to the adoption of SFAS No. 123 (R), a $1.3 million increase in service charges related to increased credit card activity, and additional overhead costs associated with the integration of Century.

Depreciation and Amortization. Depreciation and amortization expense, including amortization of favorable leases, was $99.5 million for 2006 compared to $86.1 million for 2005 primarily due to the Century Acquisition and new theatre openings.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of $28.5 million for 2006 compared to $51.7 million for 2005. Impairment charges for 2006 and 2005 included the write-down of theatres to their fair values. Impairment charges for 2006 consisted of $13.6 million of theatre properties, $13.6 million of goodwill associated with theatre properties and $1.3 million of intangible assets associated with theatre properties. Impairment charges for 2005 consisted of $6.4 million of theatre properties and $45.3 million of goodwill associated with theatre properties. We record goodwill at the theatre level, which results in more volatile impairment charges on an annual basis due to changes in market conditions and box office performance and the resulting impact on individual theatres. Significant judgment is involved in estimating cash flows and fair value. Management s estimates are based on historical and projected operating performance as well as recent market transactions. See Notes 10 and 11 to our consolidated financial statements.

Loss on Sale of Assets and Other. We recorded a loss on sale of assets and other of $7.6 million during 2006 compared to $4.4 million during 2005. The loss recorded during 2006 primarily related to a loss on the exchange of a theatre in the United States with a third party, lease termination fees and asset write-offs incurred due to theatre closures and the replacement of certain theatre assets. The loss recorded during 2005 was primarily due to property damages sustained at three of our theatres due to hurricanes along the Gulf of Mexico coast and the write-off of some theatre equipment that was replaced.

Interest Expense. Interest costs incurred, including amortization of debt issue costs, was $109.3 million for 2006 compared to $84.1 million for 2005. The increase was primarily due to the financing associated with the Century Acquisition.

Loss on Early Retirement of Debt. During 2006, we recorded a loss on early retirement of debt of $8.3 million which was a result of the refinancing associated with the Century Acquisition, the repurchase of $10.0 million aggregate principal amount of Cinemark USA, Inc. s 9% senior subordinated notes, and the repurchase of $39.8 million aggregate principal amount at maturity of Cinemark, Inc. s 9 3/4% senior discount notes, all of which resulted in the write-off of unamortized debt issue costs and the payment of fees and expenses. See Notes 6 and 13 to our consolidated financial statements.

Income Taxes. Income tax expense of $12.7 million was recorded for 2006 compared to $9.4 million recorded for 2005. The effective tax rate for 2006 reflects the impact of purchase accounting adjustments resulting from the Century Acquisition. See Notes 6 and 20 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 concession supplies. In addition, a majority of our theatres provide the patron a choice of using a credit card, in place of cash, which we convert to cash over a range from one to six days. 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 $165.3 million, $155.7 million and $276.0 million for the years ended December 31, 2005, 2006 and 2007, respectively. The increase in cash provided by operating activities for the year ended December 31, 2007 is primarily due to the proceeds received from NCM for the modification of our Exhibitor Services Agreement with NCM. See Note 7 to our consolidated financial statements for further discussion of the NCM Transaction.

Since the issuance of the 9 3/4% senior discount notes on March 31, 2004, interest has accreted rather than been paid in cash, which has benefited our operating cash flows for the periods presented. Interest will be paid in cash commencing September 15, 2009, at which time our operating cash flows will be impacted by these cash payments.

Investing Activities

Our investing activities have been principally related to the development and acquisition of additional theatres. New theatre openings and acquisitions historically have been financed with internally generated cash and by debt financing, including borrowings under our senior secured credit facility. Cash provided by (used for) investing activities amounted to $(81.6) million, $(631.7) million and $93.2 million for the years ended December 31, 2005, 2006 and 2007, respectively. The increase in cash used for investing activities for the year ended December 31, 2006 is primarily due to the cash portion of the Century Acquisition purchase price (see Note 6 to our consolidated financial statements) and increased capital expenditures. The increase in cash provided by investing activities for the year ended December 31, 2007 is primarily due to the proceeds received from NCM for the sale of a portion of our equity investment in NCM in conjunction with NCM Inc. s initial public offering and the sale of our investment in stock of Fandango, Inc., partially offset by increased capital expenditures. See Notes 7 and 9 to our consolidated financial statements for further discussion of the NCM Transaction and the Fandango Transaction, respectively.

Capital expenditures for the years ended December 31, 2005, 2006 and 2007 were as follows (in millions):

Period	New Theatres	Existing Theatres	Total
Year Ended December 31, 2005	$ 50.3	$25.3	$ 75.6
Year Ended December 31, 2006	$ 68.8	$38.3	$107.1
Year Ended December 31, 2007	$113.3	$33.0	$146.3

During October 2006, we completed the Century Acquisition for a purchase price of approximately $681.2 million and the assumption of approximately $360.0 million of debt of Century. Of the total purchase price, $150.0 million consisted of the issuance of shares of Cinemark Holdings, Inc. s common stock. We also incurred approximately $7.4 million in transaction costs. See Note 6 to our consolidated financial statements for further discussion of this acquisition.

We continue to expand our U.S. theatre circuit. During the year ended December 31, 2007, we opened 13 new theatres with 201 screens, closed five theatres with 36 screens and sold two theatres with 34 screens. At December 31,

2007, our total domestic screen count was 3,654 screens (12 of which are in Canada). At December 31, 2007, we had signed commitments to open ten new theatres with 128 screens in domestic markets during 2008 and open five new theatres with 78 screens subsequent to 2008. We estimate the remaining capital expenditures for the development of all of the 206 domestic screens will be approximately $94.7 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

We also continue to expand our international theatre circuit. We opened seven new theatres with 56 screens and closed one theatre with ten screens during the year ended December 31, 2007, bringing our total international screen count to 1,011 screens. At December 31, 2007, we had signed commitments to open three new theatres with 19 screens in international markets during 2008. We estimate the remaining capital expenditures for the development of these 19 international screens will be approximately $10.8 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, borrowings under our senior secured credit facility, subordinated note borrowings, proceeds from sale leaseback transactions and/or sales of excess real estate.

During June 2007, we invested $1.5 million in a joint venture with AMC and Regal called Digital Cinema Implementation Partners LLC (DCIP). We are accounting for our investment in DCIP under the equity method of accounting. See Note 8 to our consolidated financial statements.

Financing Activities

Cash provided by (used for) financing activities was $(3.8) million, $440.0 million and $(183.7) million during the years ended December 31, 2005, 2006 and 2007, respectively. The increase in cash provided by financing activities for the year ended December 31, 2006 was primarily due to the cash received under our senior secured credit facility partially offset by the pay-off of long-term debt assumed in the Century Acquisition and the pay-off of our former senior secured credit facility. The increase in cash used for financing activities for the year ended December 31, 2007 was primarily due to the repurchase of $332.1 million aggregate principal amount of our 9% senior subordinated notes and $69.2 million aggregate principal amount at maturity of our 9 3/4% senior discount notes, which were partially offset by the net proceeds from our initial public offering of approximately $245.9 million.

In August 2007, we initiated a quarterly dividend policy. Consistent with the disclosures in our 424(b)(1) prospectus, the dividend for the second quarter of 2007 was based on a dividend rate of $0.18 per share of common stock, prorated based on the April 27, 2007 closing of our initial public offering. Based on such proration, our board of directors declared a cash dividend for the second quarter of 2007 of $0.13 per share of common stock payable to stockholders of record on September 4, 2007, which was paid with available cash on September 18, 2007. The dividend for the third quarter was the first dividend paid by us reflecting a full quarter since our initial public offering and was paid in the amount of $0.18 per share of common stock on December 18, 2007. We paid dividends of approximately $33.1 million in the aggregate during 2007. The dividend for the fourth quarter of 2007 was paid in the amount of $0.18 per share of common stock on March 14, 2008.

On March 6, 2007, we commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of our 9% senior subordinated notes, of which $332.2 million aggregate principal amount remained outstanding. In connection with the tender offer, we solicited consents for certain proposed amendments to the indenture to remove substantially all restrictive covenants and certain events of default provisions. On March 20, 2007, the early settlement date, approximately $332.0 million aggregate principal amount of the 9% senior subordinated notes were tendered and repurchased by us for approximately $360.2 million including accrued interest and premiums paid. We funded the repurchase with the net proceeds received from the NCM Transaction (see Note 7). On March 20, 2007, we and the Bank of New York Trust Company, N.A., as trustee to the Indenture dated February 11, 2003, executed the Fourth Supplemental Indenture. The Fourth Supplemental Indenture became effective on March 20, 2007 and it amends the Indenture by eliminating substantially all restrictive covenants and certain events of default provisions. On April 3, 2007, we repurchased an additional $0.1 million aggregate principal amount of the 9% senior subordinated notes tendered after the early settlement date.

On April 24, 2007, we completed our initial public offering. We sold 13,888,889 shares of our common stock and selling stockholders sold an additional 14,111,111 shares of common stock at a price of $17.955 ($19 per share less underwriting discounts). The net proceeds (before expenses) we received were $249.4 million and we paid approximately $3.5 million in legal, accounting and other fees. The selling stockholders granted the underwriters a 30-day option to

purchase up to an additional 2,800,000 shares of our common stock at a price of $17.955 ($19 per share less underwriting discounts). On May 21, 2007, the underwriters purchased an additional 269,100 shares from the selling stockholders pursuant to this option. We did not receive any proceeds from the sale of shares by the selling stockholders. We have utilized a portion of the net proceeds to repurchase a portion of our 9 3/4% senior discount notes and we expect to continue to use the remaining net proceeds from the offering to repurchase a portion of the remaining outstanding 9 3/4% senior discount notes or repay debt outstanding under the senior secured credit facility. The 9 3/4% senior discount notes are not currently subject to repurchase at our option. Accordingly, if we are unable to repurchase the 9 3/4% senior discount notes at acceptable prices, we expect to use the net proceeds to repay term loan debt outstanding under the senior secured credit facility. We have significant flexibility in applying the net proceeds from our initial public offering. We have invested the proceeds in short-term, investment-grade marketable securities or money market obligations.

During July and August 2007, we repurchased in six open market purchases a total of $47.0 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $42.8 million, including accreted interest of $10.9 million and a cash premium of $2.5 million. During November 2007, we repurchased in one open market purchase $22.2 million aggregate principal amount at maturity of our 9 3/4% senior discount notes for approximately $20.9 million, including accreted interest of $5.7 million and a cash premium of $1.5 million. We funded the transactions with proceeds from our initial public offering. As of December 31, 2007, we had outstanding approximately $466.4 million aggregate principal amount at maturity of our 9 3/4% senior discount notes.

We may from time to time, subject to compliance with our debt instruments, purchase on the open market our debt securities depending upon the availability and prices of such securities. Long-term debt consisted of the following as of December 31, 2006 and 2007:

	December 31, 2006	December 31, 2007
Cinemark USA, Inc. term loan	$1,117,200	$ 1,101,686
Cinemark, Inc. 9 3/4% senior discount notes due 2014	434,073	415,768
Cinemark USA, Inc. 9% senior subordinated notes due 2013	350,820	184
Other long-term debt	9,560	6,107
Total long-term debt	1,911,653	1,523,745
Less current portion	14,259	9,166
Long-term debt, less current portion	$1,897,394	$ 1,514,579

As of December 31, 2007, we had borrowings of $1,101.7 million outstanding on the term loan under our senior secured credit facility, $415.8 million accreted principal amount outstanding under our 9 3/4% senior discount notes and approximately $0.2 million aggregate principal amount outstanding under the 9% senior subordinated notes, respectively, and had approximately $149.9 million in available borrowing capacity under our revolving credit facility. We were in full compliance with all covenants governing our outstanding debt at December 31, 2007.

As of December 31, 2007, 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, outstanding letters of credit, obligations under employment agreements and purchase commitments for each period indicated are summarized as follows:

Table of Contents

Contractual Obligations	Total	Less Than One Year	1 - 3 Years	4 - 5 Years	After 5 Years
	Payments Due by Period (in millions)				
Long-term debt [1]	$1,574.4	$ 9.2	$ 26.2	$282.8	$1,256.2
Scheduled interest payments on long-term debt[2]	$ 605.8	73.8	226.6	224.1	81.3
Operating lease obligations	$1,958.4	177.1	349.2	328.7	1,103.4
Capital lease obligations	$ 121.2	4.7	10.3	10.9	95.3
Scheduled interest payments on capital leases	$ 113.6	12.3	23.1	20.8	57.4
Letters of credit	$ 0.1	0.1			
Employment agreements	$ 10.5	3.5	7.0		
Purchase commitments[3]	$ 138.2	88.9	47.6	1.5	0.2
Total obligations[4]	$4,522.2	$369.6	$690.0	$868.8	$2,593.8

(1) Includes the 9 3/4% senior discount notes in the aggregate principal amount at maturity of $466.4 million.

(2) 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, 2007. The

average interest rates on our fixed rate and variable rate debt were 8.2% and 6.7%, respectively, as of December 31, 2007.

(3) Includes estimated capital expenditures associated with the construction of new theatres to which we were committed as of December 31, 2007.

(4) The contractual obligations table excludes the Company s FIN 48 liabilities of $15.5 million because the Company cannot make a reliable estimate of the timing of the related cash payments.

Cinemark, Inc. 9 3/4% Senior Discount Notes

On March 31, 2004, in connection with the MDP merger, Cinemark, Inc. issued approximately $577.2 million aggregate principal amount at maturity of 9 3/4% senior discount notes due 2014. Interest on the notes accretes until March 15, 2009 up to their aggregate principal amount. Cash interest will accrue and be payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2009. Due to Cinemark, Inc. s holding company status, payments of principal and interest under these notes will be dependent on loans, dividends and other payments from its subsidiaries. Cinemark, Inc. may redeem all or part of the 9 3/4% senior discount notes on or after March 15, 2009.

On September 22, 2005, Cinemark, Inc. repurchased $1.8 million aggregate principal amount at maturity of its 9 3/4% senior discount notes as part of an open market purchase for approximately $1.3 million, including accreted interest. During May 2006, as part of four open market purchases, Cinemark, Inc. repurchased $39.8 million aggregate principal amount at maturity of its 9 3/4% senior discount notes for approximately $31.7 million, including accreted interest of $5.4 million and a cash premium of $1.4 million. Cinemark, Inc. funded these transactions with available cash from its operations.

During July and August 2007, Cinemark, Inc. repurchased in six open market purchases a total of $47.0 million aggregate principal amount at maturity of its 9 3/4% senior discount notes for approximately $42.8 million, including accreted interest of $10.9 million and a cash premium of $2.5 million. During November 2007, as part of an open market purchase, Cinemark, Inc. repurchased $22.2 million aggregate principal amount at maturity of its 9 3/4% senior discount notes for approximately $20.9 million, including accreted interest of $5.7 million and a cash premium of $1.5 million. We funded these transactions with proceeds from our initial public offering.

As of December 31, 2007, the accreted principal balance of the notes was approximately $415.8 million and the aggregate principal amount at maturity was approximately $466.4 million.

The indenture governing the 9 3/4% senior discount notes contains covenants that limit, among other things, dividends, transactions with affiliates, investments, sales of assets, mergers, repurchases of our capital stock, liens and additional indebtedness. The dividend restriction contained in the indenture prevents Cinemark, Inc. from paying a dividend or otherwise distributing cash to its stockholders unless (1) it is not in default, and the distribution would not cause it to be in default, under the indenture; (2) it would be able to incur at least $1.00 more of indebtedness without the ratio of its consolidated cash flow to its fixed charges (each as defined in the indenture, and calculated on a pro forma

basis for the most recently ended four full fiscal quarters for which internal financial statements are available, using certain assumptions and modifications specified in the indenture, and including the additional indebtedness then being incurred) falling below two to one (the senior notes debt incurrence ratio test); and (3) the aggregate amount of distributions made since March 31, 2004, including the distribution proposed, is less than the sum of (a) half of its consolidated net income (as defined in the indenture) since February 11, 2003, (b) the net proceeds to it from the issuance of stock since April 2, 2004, and (c) certain other amounts specified in the indenture, subject to certain adjustments specified in the indenture. The dividend restriction is subject to certain exceptions specified in the indenture.

Upon certain specified types of change of control of Cinemark, Inc., Cinemark, Inc. would be required under the indenture to make an offer to repurchase all of the 9 3/4% senior discount notes at a price equal to 101% of the accreted value of the notes plus accrued and unpaid interest, if any, through the date of repurchase.

Senior Secured Credit Facility

On October 5, 2006, in connection with the Century Acquisition, Cinemark USA, Inc., entered into a senior secured credit facility. The senior secured credit facility provides for a seven year term loan of $1.12 billion and a $150 million revolving credit line that matures in six years unless Cinemark USA, Inc. s 9% senior subordinated notes have not been refinanced by August 1, 2012 with indebtedness that matures no earlier than seven and one-half years after the closing date of the senior secured credit facility, in which case the maturity date of the revolving credit line becomes August 1, 2012. The net proceeds of the term loan were used to finance a portion of the $531.2 million cash portion of the Century Acquisition, repay in full the $253.5 million outstanding under the former senior secured credit facility, repay approximately $360.0 million of existing indebtedness of Century and to pay for related fees and expenses. The revolving credit line was left undrawn at closing. The revolving credit line is used for general corporate purposes.

At December 31, 2007, there was $1,101.7 million outstanding under the term loan and no borrowings outstanding under the revolving credit line. Approximately $149.9 million was available for borrowing under the revolving credit line, giving effect to a $0.1 million letter of credit outstanding. The average interest rate on outstanding borrowings under the senior secured credit facility at December 31, 2007 was 6.7% per annum.

Under the term loan, principal payments of $2.8 million are due each calendar quarter beginning December 1, 2006 through September 30, 2012 and increase to $263.2 million each calendar quarter from December 31, 2012 to maturity at October 5, 2013. Prior to the amendment to the senior secured credit facility discussed below, the term loan accrued interest, 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 that ranges from 0.75% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.75% to 2.00% per annum, in each case as adjusted pursuant to Cinemark USA, Inc. s corporate credit rating. Borrowings under the revolving credit line bear interest, 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 0.50% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.50% to 2.00% per annum, in each case as adjusted pursuant to Cinemark USA, Inc. s consolidated net senior secured leverage ratio as defined in the credit agreement. Cinemark USA, Inc. is required to pay a commitment fee calculated at the rate of 0.50% per annum on the average daily unused portion of the new revolving credit line, payable quarterly in arrears, which rate decreases to 0.375% per annum for any fiscal quarter in which Cinemark USA, Inc. s consolidated net senior secured leverage ratio on the last day of such fiscal quarter is less than 2.25 to 1.0.

On March 14, 2007, Cinemark USA, Inc. amended its senior secured credit facility to, among other things, modify the interest rate on the term loans under the senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, 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 that ranges from 0.50% to 0.75% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case, the margin is a function of the corporate credit rating applicable to the borrower.

The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM Transaction or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans.

Table of Contents

Cinemark USA, Inc. s obligations under the senior secured credit facility are guaranteed by Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, 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 Cinemark, Inc., CNMK Holding, Inc. and certain of Cinemark USA, Inc. s domestic subsidiaries and 65% of the voting stock of certain of its foreign subsidiaries.

The 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, Cinemark, Inc. s and CNMK Holding, 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, repurchase stock and voluntarily repurchase or redeem the 9 3/4% senior discount notes; and make capital expenditures and investments. The senior secured credit facility also requires Cinemark USA, Inc. to satisfy a consolidated net senior secured leverage ratio covenant as determined in accordance with the senior secured credit facility. The dividend restriction contained in the senior secured credit facility prevents us and any of our subsidiaries from paying a dividend or otherwise distributing cash to its stockholders unless (1) we are not in default, and the distribution would not cause us to be in default, under the senior secured credit facility; and (2) the aggregate amount of certain dividends, distributions, investments, redemptions and capital expenditures made since October 5, 2006, including the distribution currently proposed, 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 October 5, 2006, (b) Cinemark USA, Inc. s consolidated EBITDA minus 1.75 times its consolidated interest expense, each as defined in the senior secured credit facility, since October 1, 2006, (c) $150 million and (d) certain other amounts specified in the senior secured credit facility, subject to certain adjustments specified in the senior secured credit facility. The dividend restriction is subject to certain exceptions specified in the senior secured credit facility.

The senior secured credit facility also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, certain types of change of control, material money judgments and failure to maintain subsidiary guarantees. If an event of default occurs, all commitments under the senior secured credit facility may be terminated and all obligations under the senior secured credit facility could be accelerated by the lenders, causing all loans outstanding (including accrued interest and fees payable thereunder) to be declared immediately due and payable.

During March 2007, we entered into two interest rate swap agreements with effective dates of August 13, 2007 and terms of five years each. The interest rate swaps were designated to hedge approximately $500.0 million of our variable rate debt obligations. Under the terms of the interest rate swap agreements, we pay fixed rates of 4.918% and 4.922% on $375.0 million and $125.0 million, respectively, of variable rate debt and receive interest at a variable rate based on the 3-month LIBOR. The 3-month LIBOR rate on each reset date determines the variable portion of the interest rate-swaps for the three-month period following the reset date. No premium or discount was incurred upon us entering into the interest rate swaps because the pay and receive rates on the interest rate swaps represented prevailing rates for each counterparty at the time the interest rate swaps were consummated. The interest rate swaps qualify for cash flow hedge accounting treatment in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and as such, we have effectively hedged our exposure to variability in the future cash flows attributable to the 3-month LIBOR on $500.0 million of variable rate debt. The change in the fair value of the interest rate swaps is 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 other comprehensive income and the ineffective portion reported in earnings. At December 31, 2007, the estimated aggregate fair value of the interest rate swaps was a liability of approximately $18.4 million.

Cinemark USA, Inc. 9% Senior Subordinated Notes

On February 11, 2003, Cinemark USA, Inc. issued $150 million aggregate principal amount of 9% senior subordinated notes due 2013 and on May 7, 2003, Cinemark USA, Inc. issued an additional $210 million aggregate principal amount of 9% senior subordinated notes due 2013, collectively referred to as the 9% senior subordinated notes. Interest is payable on February 1 and August 1 of each year.

On April 6, 2004, as a result of the MDP Merger and in accordance with the terms of the indenture governing the 9% senior subordinated notes, Cinemark USA, Inc. made a change of control offer to repurchase the 9% senior

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subordinated notes at a purchase price of 101% of the aggregate principal amount. Approximately $17.8 million aggregate principal amount of the 9% senior subordinated notes were tendered. The payment of the change of control price was funded with available cash by Cinemark USA, Inc. on June 1, 2004.

During May 2006, as part of three open market purchases, Cinemark USA, Inc. repurchased $10.0 million aggregate principal amount of its 9% senior subordinated notes for approximately $11.0 million, including accrued and unpaid interest. The transactions were funded by Cinemark USA, Inc. with available cash from operations.

On March 6, 2007, Cinemark USA, Inc. commenced an offer to purchase for cash any and all of its then outstanding $332.2 million aggregate principal amount of 9% senior subordinated notes. In connection with the tender offer, Cinemark USA, Inc. solicited consents for certain proposed amendments to the indenture to remove substantially all restrictive covenants and certain events of default provisions. On March 20, 2007, the early settlement date, Cinemark USA, Inc. repurchased $332.0 million aggregate principal amount of 9% senior subordinated notes and executed a supplemental indenture removing substantially all of the restrictive covenants and certain events of default. Cinemark USA, Inc. used the proceeds from the NCM Transaction and cash on hand to purchase the 9% senior subordinated notes tendered pursuant to the tender offer and consent solicitation. On March 20, 2007, we and the Bank of New York Trust Company, N.A., as trustee to the Indenture dated February 11, 2003, executed the Fourth Supplemental Indenture. The Fourth Supplemental Indenture became effective on March 20, 2007 and it amends the Indenture by eliminating substantially all restrictive covenants and certain events of default provisions. On April 3, 2007, Cinemark USA, Inc. repurchased an additional $0.1 million aggregate principal amount of the 9% senior subordinated notes tendered after the early settlement date.

As of December 31, 2007, Cinemark USA, Inc. had outstanding approximately $0.2 million aggregate principal amount of 9% senior subordinated notes. Cinemark USA, Inc. may redeem the remaining 9% senior subordinated notes on or after February 1, 2008.

Former Senior Secured Credit Facility

On April 2, 2004, Cinemark USA, Inc. amended its then existing senior secured credit facility in connection with the MDP Merger. The former senior secured credit facility provided for a $260 million seven year term loan and a $100 million six and one-half year revolving credit line. The net proceeds from the former senior secured credit facility were used to repay the term loan under its then existing senior secured credit facility of approximately $163.8 million and to redeem the approximately $94.2 million aggregate principal amount of its then outstanding $105.0 million aggregate principal amount 8 1/2% senior subordinated notes due 2008 that were tendered pursuant to the tender offer.

On October 5, 2006, in connection with the Century Acquisition, the $253.5 million outstanding under the former senior secured credit facility was repaid in full with a portion of the proceeds from the senior secured credit facility.

Covenant Compliance

The indenture governing the 9 3/4% senior discount notes requires us to have a fixed charge coverage ratio (as determined under the indenture) of at least 2.0 to 1.0 in order to incur additional indebtedness, issue preferred stock or make certain restricted payments, including dividends to our parent. Fixed charge coverage ratio is defined as the ratio of our consolidated cash flow to our fixed charges for the four most recent fiscal quarters, giving pro forma effect to certain events as specified in the indenture. Fixed charges is defined as our consolidated interest expense, subject to certain adjustments as provided in the indenture. Consolidated cash flow as defined in the indenture is substantially consistent with our presentation of Adjusted EBITDA below. Because our failure to meet the fixed charge coverage ratio described above could restrict our ability to incur debt or make dividend payments, management believes that the indenture governing the 9 3/4% senior discount notes and these covenants and Adjusted EBITDA are material to us. As of December 31, 2007, fixed charge coverage ratio under the indenture was in excess of the 2.0 to 1.0 requirement described above.

Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net income or operating income as indicators of operating performance or as alternatives to cash flow provided by operating activities as measures of liquidity (as determined in accordance with GAAP). Furthermore, Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net income (loss) to Adjusted EBITDA.

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
		(In thousands)	
Net Income (loss)	$ (25,408)	$ 841	$ 88,920
Add (deduct):			
Income taxes	9,408	12,685	111,962
Interest expense[1]	84,082	109,328	145,596
Gain on NCM Transaction			(210,773)
Gain on Fandango transaction			(9,205)
Loss on early retirement of debt	46	8,283	13,456
Other income	(4,627)	(3,768)	(15,497)
Termination of profit participation agreement			6,952
Depreciation and amortization	81,952	95,821	148,781
Amortization of net favorable leases	4,174	3,649	2,935
Impairment of long-lived assets	51,677	28,537	86,558
(Gain) loss on sale of assets and other	4,436	7,645	(2,953)
Deferred lease expenses	3,137	4,717	5,979
Amortization of long-term prepaid rents	1,258	1,013	1,146
Share based awards compensation expense		2,864	3,081
Adjusted EBITDA	$210,135	$271,615	$ 376,938

(1) Includes amortization of debt issue costs.

As of December 31, 2007, we are in full compliance with all agreements, including related covenants, governing our outstanding debt.

Ratings

We are rated by nationally recognized rating agencies. The significance of individual ratings varies from agency to agency. However, companies assigned ratings at the top end of the range have, in the opinion of certain rating agencies, the strongest capacity for repayment of debt or payment of claims, while companies at the bottom end of the range have the weakest capability. 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 latest ratings per category, which were current as of February 29, 2008.

Category	Moody s	Standard and Poor s
Cinemark, Inc. 9 3/4% Senior Discount Notes	B3	CCC+
Cinemark USA, Inc. Senior Secured Credit Facility	Ba3	B

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements.* Among other requirements, this statement defines fair value, establishes a framework for using fair

value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for us beginning January 1, 2008 (January 1, 2009 for nonfinancial assets and liabilities). Adoption of this statement is not expected to have a significant impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* . This statement provides companies with an option to report selected financial assets and liabilities at fair

value that are not required to be measured at fair value. SFAS No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. We have not elected to measure eligible items at fair value upon initial adoption. SFAS No. 159 is effective for us beginning January 1, 2009. Adoption of this statement is not expected to have a significant impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. This statement requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method); expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in income, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS No. 141(R) is required for business combinations that occur after December 15, 2008. Early adoption and retroactive application of SFAS No. 141(R) to fiscal years preceding the effective date is not permitted. We are evaluating the adoption of SFAS No. 141(R) and its impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements*. This statement establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are evaluating the adoption of SFAS No. 160 and its 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 mid-August, and during the holiday season, extending from Thanksgiving through year-end. The unexpected emergence of a hit film during other periods can alter this seasonality trend. The timing of such film releases can have a significant effect on our results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or for the same period in the following year.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

We are currently party to variable rate debt facilities. An increase or decrease in interest rates would affect interest costs relating to our variable rate debt facilities. At December 31, 2007, there was an aggregate of approximately $607.8 million of variable rate debt outstanding under these facilities (net of $500.0 million of debt subject to the interest rate swaps discussed below). Based on the interest rate levels in effect on the variable rate debt outstanding at December 31, 2007, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately $6.1 million.

During March 2007, we entered into two interest rate swap agreements with effective dates of August 13, 2007 and terms of five years each. The interest rate swaps were designated to hedge approximately $500.0 million of our variable rate debt obligations. Under the terms of the interest rate swap agreements, we pay fixed rates of 4.918% and 4.922% on $375.0 million and $125.0 million, respectively, of variable rate debt and receive interest at a variable rate based on the 3-month LIBOR. The 3-month LIBOR rate on each reset date determines the variable portion of the

interest rate-swaps for

the three-month period following the reset date. No premium or discount was incurred upon us entering into the interest rate swaps because the pay and receive rates on the interest rate swaps represented prevailing rates for each counterparty at the time the interest rate swaps were consummated. The interest rate swaps qualify for cash flow hedge accounting treatment in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and as such, we have effectively hedged our exposure to variability in the future cash flows attributable to the 3-month LIBOR on $500.0 million of variable rate debt. The change in the fair values of the interest rate swaps is 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 other comprehensive income and the ineffective portion reported in earnings. At December 31, 2007, the estimated aggregate fair value of the interest rate swaps was a liability of approximately $18.4 million.

The tables below provide information about our fixed rate and variable rate long-term debt agreements as of December 31, 2007 and 2006:

Expected Maturity as of December 31, 2007
(in millions)

	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value	Average Interest Rate
Fixed rate [1]	$	$	$	$	$	$ 966.6	$ 966.6	$ 940.1	8.2%
Variable rate	9.2	13.8	12.4	11.2	271.6	289.6	607.8	612.8	6.7%
Total debt	$9.2	$13.8	$12.4	$11.2	$271.6	$1,256.2	$1,574.4	$1,552.9	

Expected Maturity as of December 31, 2006
(in millions)

	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value	Average Interest Rate
Fixed rate	$ 0.1	$	$	$	$	$ 886.4	$ 886.5	$ 812.1	9.5%
Variable rate	14.2	14.9	12.8	12.4	11.2	1,061.2	1,126.7	1,146.8	7.4%
Total debt	$14.3	$14.9	$12.8	$12.4	$11.2	$1,947.6	$2,013.2	$1,958.9	

(1) Includes $500.0 million of the Cinemark USA, Inc. term loan, which represents the debt hedged with our interest rate swap agreements.

Foreign Currency Exchange Rate Risk

We are also exposed to market risk arising from changes in foreign currency exchange rates as a result of our international operations. Generally, we export from the U.S. certain of the equipment and construction interior finish items and other operating supplies used by our international subsidiaries. Principally all the revenues and operating

expenses of our international subsidiaries are transacted in the country s local currency. Generally accepted accounting principles in the U.S. require that our subsidiaries use the currency of the primary economic environment in which they operate as their functional currency. If our subsidiaries operate in a highly inflationary economy, generally accepted accounting principles in the U.S. require that the U.S. dollar be used as the functional currency for the subsidiary. Currency fluctuations result in us reporting exchange gains (losses) or foreign currency translation adjustments relating to our international subsidiaries depending on the inflationary environment of the country in which we operate. Based upon our equity ownership in our international subsidiaries as of December 31, 2007, holding everything else constant, a 10% immediate, simultaneous, unfavorable change in all of the foreign currency exchange rates to which we are exposed, would decrease the aggregate net book value of our investments in our international subsidiaries by approximately $36 million and would decrease the aggregate net income of our international subsidiaries by approximately $1.7 million.

Table of Contents

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data are listed on the Index on page F-1 of this Form 10-K. Such financial statements and supplementary data are included herein beginning on page F-3.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A (T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2007, we carried out an evaluation required by the 1934 Act, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the 1934 Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2007, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the 1934 Act. The Company s internal control framework and processes are designed to provide reasonable assurance to management and the board of directors regarding the reliability of financial reporting and the preparation of the Company s consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America. Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2007 based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. As a result of this assessment, management concluded that, as of December 31, 2007, our internal control over financial reporting is effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 that was conducted during the quarter ended December 31, 2007 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference to the Company s Proxy Statement for its Annual Stockholders Meeting (under the headings Election of Directors , Corporate Governance and Executive Officers) to be held on May 15, 2008 and to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

Item 11. Executive Compensation

Incorporated by reference to the Company s Proxy Statement for its Annual Stockholders Meeting (under the heading Executive Compensation) to be held on May 15, 2008 and to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference to the Company s Proxy Statement for its Annual Stockholders Meeting (under the headings Security Ownership of Certain Beneficial Owners and Management) to be held on May 15, 2008 and to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference to the Company s Proxy Statement for its Annual Stockholders Meeting (under the heading Certain Relationships and Related Transactions) to be held on May 15, 2008 and to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

Item 14. Principal Accounting Fees and Services

Incorporated by reference to the Company s Proxy Statement for its Annual Stockholders Meeting (under the heading Board Committees Fees Paid to Independent Registered Public Accounting Firm) to be held on May 15, 2008 and to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed as Part of this Report

1. The financial statement schedules and related data listed in the accompanying Index beginning on page F-1 are filed as a part of this report.

2. The exhibits listed in the accompanying Index beginning on page E-1 are filed as a part of this report.

(b) Exhibits

See the accompanying Index beginning on page E-1.

(c) Financial Statement Schedules

None

All schedules not identified above have been omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes contained in this report.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 28, 2008

CINEMARK HOLDINGS, INC.

BY: /s/ Alan W. Stock

Alan W. Stock
Chief Executive Officer

BY: /s/ Robert Copple

Robert Copple
Chief Financial Officer and
Principal Accounting Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby severally constitutes and appoints Alan W. Stock and Robert Copple his true and lawful attorney-in-fact and agent, each with the power of substitution and resubstitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with accompanying exhibits and other related documents, with the Securities and Exchange Commission, and ratify and confirm all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue of said appointment.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Lee Roy Mitchell	Chairman of the Board of Directors and Director	March 28, 2008
Lee Roy Mitchell		
/s/ Alan W. Stock	Chief Executive Officer	March 28, 2008
Alan W. Stock	(principal executive officer)	
/s/ Robert Copple	Executive Vice President; Treasurer and Chief Financial	March 28, 2008
Robert Copple	Officer (principal financial and accounting officer)	
/s/ Benjamin D. Chereskin	Director	March 28, 2008
Benjamin D. Chereskin		
/s/ Vahe A. Dombalagian	Director	March 28, 2008
Vahe A. Dombalagian		

/s/ Peter R. Ezersky	Director	March 28, 2008
Peter R. Ezersky		
/s/ Enrique F. Senior	Director	March 28, 2008
Enrique F. Senior		
/s/ Raymond W. Syufy	Director	March 28, 2008
Raymond W. Syufy		
/s/ Carlos M. Sepulveda	Director	March 28, 2008
Carlos M. Sepulveda		
/s/ Roger T. Staubach	Director	March 28, 2008
Roger T. Staubach		
/s/ Donald G. Soderquist	Director	March 28, 2008
Donald G. Soderquist		

Table of Contents

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

No annual report or proxy material has been sent to our stockholders. An annual report and proxy material may be sent to our stockholders subsequent to the filing of this Form 10-K. We shall furnish to the Securities and Exchange Commission copies of any annual report or proxy material that is sent to our stockholders.

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
CINEMARK HOLDINGS, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS:	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets, December 31, 2006 and 2007	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2005, 2006 and 2007	F-4
Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2005, 2006 and 2007	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2006 and 2007	F-6
Notes to Consolidated Financial Statements	F-7
FINANCIAL STATEMENTS OF 50-PERCENT-OR-LESS-OWNED INVESTEE	F-40

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Cinemark Holdings, Inc.
Plano, Texas

We have audited the accompanying consolidated balance sheets of Cinemark Holdings, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2007, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cinemark Holdings, Inc. and subsidiaries as of December 31, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in 2007 the Company changed its method of accounting for uncertainty in income taxes to adopt Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of SFAS No. 109.*

/s/ Deloitte & Touche LLP
Dallas, Texas
March 24, 2008

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2006	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 147,099	$ 338,043
Inventories	6,058	7,000
Accounts receivable	31,165	35,368
Income tax receivable	8,946	18,339
Current deferred tax asset	4,661	5,215
Prepaid expenses and other	8,424	10,070
Total current assets	206,353	414,035
THEATRE PROPERTIES AND EQUIPMENT		
Land	104,578	97,532
Buildings	420,642	389,581
Property under capital lease	143,776	178,347
Theatre furniture and equipment	517,054	558,483
Leasehold interests and improvements	490,861	572,081
Theatres under construction	18,113	22,481
Total	1,695,024	1,818,505
Less accumulated depreciation and amortization	370,452	504,439
Theatre properties and equipment, net	1,324,572	1,314,066
OTHER ASSETS		
Goodwill	1,205,423	1,134,689
Intangible assets net	360,752	353,047
Investments in and advances to affiliates	11,390	3,662
Deferred charges and other assets net	63,092	77,393
Total other assets	1,640,657	1,568,791
TOTAL ASSETS	$ 3,171,582	$ 3,296,892
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 14,259	$ 9,166
Current portion of capital lease obligations	3,649	4,684
Accounts payable	47,272	50,977

Accrued film rentals	47,862	42,140
Accrued interest	23,706	8,735
Accrued payroll	21,686	21,614
Accrued property taxes	22,165	23,031
Accrued other current liabilities	50,223	57,975
Total current liabilities	230,822	218,322
LONG-TERM LIABILITIES		
Long-term debt, less current portion	1,897,394	1,514,579
Capital lease obligations, less current portion	112,178	116,486
Deferred income taxes	198,320	168,475
Long-term portion FIN 48 liability		15,500
Deferred lease expenses	14,286	19,235
Deferred revenue NCM		172,696
Deferred revenues and other long-term liabilities	12,672	36,214
Total long-term liabilities	2,234,850	2,043,185
COMMITMENTS AND CONTINGENCIES (see Note 21)		
MINORITY INTERESTS IN SUBSIDIARIES	16,613	16,182
STOCKHOLDERS EQUITY		
Common stock, $0.001 par value: 300,000,000 shares authorized, 92,560,622 shares outstanding at December 31, 2006 and 106,983,684 shares outstanding at December 31, 2007	93	107
Additional paid-in-capital	685,433	939,327
Retained earnings (deficit)	(7,692)	47,074
Accumulated other comprehensive income	11,463	32,695
Total stockholders equity	689,297	1,019,203
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,171,582	$ 3,296,892

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

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007
(In thousands)

	December 31, 2005	December 31, 2006	December 31, 2007
REVENUES			
Admissions	$ 641,240	$ 760,275	$ 1,087,480
Concession	320,072	375,798	516,509
Other	59,285	84,521	78,852
Total revenues	1,020,597	1,220,594	1,682,841
COST OF OPERATIONS			
Film rentals and advertising	347,727	405,987	589,717
Concession supplies	52,507	59,020	81,074
Salaries and wages	101,431	118,616	173,290
Facility lease expense	138,477	161,374	212,730
Utilities and other	123,831	144,808	191,279
General and administrative expenses	50,884	67,768	79,518
Termination of profit participation agreement			6,952
Depreciation and amortization	81,952	95,821	148,781
Amortization of favorable leases	4,174	3,649	2,935
Impairment of long-lived assets	51,677	28,537	86,558
(Gain) loss on sale of assets and other	4,436	7,645	(2,953)
Total cost of operations	957,096	1,093,225	1,569,881
OPERATING INCOME	63,501	127,369	112,960
OTHER INCOME (EXPENSE)			
Interest expense	(84,082)	(109,328)	(145,596)
Interest income	6,600	7,040	18,263
Gain on NCM transaction			210,773
Gain on Fandango transaction			9,205
Foreign currency exchange gain (loss)	(1,276)	(258)	438
Loss on early retirement of debt	(46)	(8,283)	(13,456)
Distributions from NCM			11,499
Dividend income		101	50
Equity in income (loss) of affiliates	227	(1,646)	(2,462)
Minority interests in income of subsidiaries	(924)	(1,469)	(792)
Total other income (expense)	(79,501)	(113,843)	87,922
INCOME (LOSS) BEFORE INCOME TAXES	(16,000)	13,526	200,882

Income taxes			9,408		12,685		111,962
NET INCOME (LOSS)		$	(25,408)	$	841	$	88,920
EARNINGS PER SHARE	Basic	$	(0.31)	$	0.01	$	0.87
EARNINGS PER SHARE	Diluted	$	(0.31)	$	0.01	$	0.85

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

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007
(In thousands)

	Common Stock Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Balance at January 1, 2005	81,876	$ 82	$ 527,627	$ 16,875	$ (11,384)	$ 533,200	
Net loss				(25,408)		(25,408)	$ (25,408)
Issuance of stock	655	1	4,999			5,000	
Tax adjustment related to MDP merger fees			(82)			(82)	
Foreign currency translation adjustment					6,639	6,639	6,639
Balance at December 31, 2005	82,531	$ 83	$ 532,544	$ (8,533)	$ (4,745)	$ 519,349	$ (18,769)
Net income				841		841	$ 841
Issuance of stock Century Acquisition	10,025	10	149,990			150,000	
Exercise of stock options	5		35			35	
Share based awards compensation expense			2,864			2,864	
Foreign currency translation adjustment					16,208	16,208	16,208
Balance at December 31, 2006	92,561	$ 93	$ 685,433	$ (7,692)	$ 11,463	$ 689,297	$ 17,049
Net income				88,920		88,920	$ 88,920
Tax adjustment related to the adoption of FIN48				(1,093)		(1,093)	

Issuance of stock for initial public offering, net of fees	13,889	14	245,835			245,849	
Issuance of restricted stock	22		200			200	
Exercise of stock options, net of equity award repurchase	512		3,625			3,625	
Share based awards compensation expense			2,881			2,881	
Tax benefit related to stock option exercises			1,353			1,353	
Distributions to stockholders				(33,061)		(33,061)	
Fair value adjustment on interest rate swap agreements					(11,348)	(11,348)	(11,348)
Foreign currency translation adjustment					32,580	32,580	32,580
Balance at December 31, 2007	106,984	$ 107	$ 939,327	$ 47,074	$ 32,695	$ 1,019,203	$ 110,152

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

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007
(In thousands)

	2005	2006	2007
OPERATING ACTIVITIES			
Net income (loss)	$ (25,408)	$ 841	$ 88,920
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	71,870	90,081	144,629
Amortization of intangible and other assets	14,256	9,389	7,087
Amortization of long-term prepaid rents	1,258	1,013	1,146
Amortization of debt issue costs	2,740	3,342	4,727
Amortization of deferred revenues, deferred lease incentives and other	(660)	(424)	(2,508)
Amortization of debt premium	(3,105)	(3,096)	(678)
Impairment of long-lived assets	51,677	28,537	86,558
Share based awards compensation expense		2,864	3,081
Gain on NCM transaction			(210,773)
Gain on Fandango transaction			(9,205)
(Gain) loss on sale of assets and other	4,436	7,645	(2,953)
Write-off unamortized debt issue costs and debt premium related to the early retirement of debt	46	5,811	(15,661)
Accretion of interest on senior discount notes	38,549	40,425	41,423
Deferred lease expenses	3,137	4,717	5,979
Deferred income tax expenses	(12,332)	(7,011)	(34,614)
Equity in (income) loss of affiliates	(227)	1,646	2,462
Minority interests in income of subsidiaries	924	1,469	792
Tax benefit related to stock option exercises			1,353
Other	202		
Changes in assets and liabilities:			
Inventories	(309)	787	(942)
Accounts receivable	(4,102)	(9,884)	(4,203)
Prepaid expenses and other	(649)	1,678	(1,646)
Other assets	(12,373)	(2,370)	(4)
Advances with affiliates	(121)	(143)	200
Accounts payable and accrued liabilities	14,082	82	2,120
Interest paid on repurchased senior discount notes		(5,381)	(16,592)
Increase in deferred revenues related to NCM transaction			174,001
Increase in deferred revenues related to Fandango transaction			5,000
Other long-term liabilities	1,198	5,734	1,323
Income tax receivable/payable	20,181	(22,090)	5,014
Net cash provided by operating activities	165,270	155,662	276,036
INVESTING ACTIVITIES			

Additions to theatre properties and equipment	(75,605)	(107,081)	(146,304)
Proceeds from sale of theatre properties and equipment	1,317	6,446	37,532
Increase in escrow deposit due to like-kind exchange			(22,739)
Acquisition of Century Theatres, Inc., net of cash acquired		(531,383)	
Purchase of shares in National CineMedia	(7,329)		
Net proceeds from sale of NCM stock			214,842
Net proceeds from sale of Fandango stock			11,347
Investment in joint venture DCIP			(1,500)
Other		271	
Net cash provided by (used for) investing activities	(81,617)	(631,747)	93,178
FINANCING ACTIVITIES			
Net proceeds from initial public offering			245,849
Issuance of common stock	5,000	35	3,626
Dividends paid to stockholders			(33,061)
Retirement of senior discount notes	(1,302)	(24,950)	(43,136)
Retirement of senior subordinated notes		(10,000)	(332,066)
Proceeds from senior secured credit facility		1,120,000	
Proceeds from other long-term debt	660	2,330	
Payoff of long-term debt assumed in Century acquisition		(360,000)	
Payoff of former senior secured credit facility		(253,500)	
Repayments of other long-term debt	(6,671)	(8,895)	(19,438)
Payments on capital leases		(839)	(3,759)
Debt issue costs	(239)	(22,926)	
Other	(1,198)	(1,278)	(1,730)
Net cash provided by (used for) financing activities	(3,750)	439,977	(183,715)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,048	1,008	5,445
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,951	(35,100)	190,944
CASH AND CASH EQUIVALENTS:			
Beginning of period	100,248	182,199	147,099
End of period	$ 182,199	$ 147,099	$ 338,043

SUPPLEMENTAL INFORMATION (see Note 19)

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

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Cinemark Holdings, Inc. and subsidiaries (the Company) are leaders in the motion picture exhibition industry in terms of both revenues and the number of screens in operation, with theatres in the United States (U.S.), Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia. The Company also managed additional theatres in the U.S., Canada, Brazil, and Colombia during the year ended December 31, 2007.

Basis of Presentation On April 2, 2004, an affiliate of Madison Dearborn Partners, LLC, or MDP, acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc., with Cinemark, Inc. continuing as the surviving corporation (the MDP Merger). Simultaneously, an affiliate of MDP purchased shares of Cinemark, Inc. s common stock and became Cinemark, Inc. s controlling stockholder. Lee Roy Mitchell, Chairman and then Chief Executive Officer, the Mitchell Special Trust and certain members of management collectively retained a minority ownership of Cinemark, Inc. s capital stock. In December 2004, MDP sold a portion of its stock in Cinemark, Inc. to outside investors and in July 2005, Cinemark, Inc. issued additional shares to another outside investor.

On August 2, 2006, Cinemark Holdings, Inc. was formed as the Delaware holding company of Cinemark, Inc. On August 7, 2006, the Cinemark, Inc. stockholders entered into a share exchange agreement pursuant to which they agreed to exchange their shares of Class A common stock for an equal number of shares of common stock of Cinemark Holdings, Inc. (Cinemark Share Exchange). The Cinemark Share Exchange was completed on October 5, 2006 and facilitated the acquisition of Century Theatres, Inc. (Century Acquisition) on that date. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. The accompanying consolidated financial statements are reflective of the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc. s consolidated financial statements reflect the accounting basis of its stockholders for all periods presented. On April 24, 2007, Cinemark Holdings, Inc. completed an initial public offering of its common stock.

Principles of Consolidation The consolidated financial statements include the accounts of Cinemark Holdings, Inc. and subsidiaries. Majority-owned subsidiaries that the Company has control of are consolidated while those subsidiaries of which the Company owns between 20% and 50% and does not control are accounted for as affiliates under the equity method. Those subsidiaries of which the Company owns less than 20% are generally accounted for as affiliates under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the consolidated financial statements effective with their formation or from their dates of acquisition. Significant intercompany balances and transactions are eliminated in consolidation.

Cash and Cash Equivalents Cash and cash equivalents consist of operating funds held in financial institutions, petty cash held by the theatres and highly liquid investments with remaining maturities of three months or less when purchased. At December 31, 2007, our cash investments were primarily in money market funds.

Inventories Concession and theatre supplies inventories are stated at the lower of cost (first-in, first-out method) or market.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

Theatre Properties and Equipment Theatre properties and equipment are stated at cost less accumulated depreciation and amortization. Additions to theatre properties and equipment include the capitalization of $74, $86, and $618 of interest incurred during the development and construction of theatres in the years ended December 31, 2005, 2006 and 2007, respectively. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Category	**Useful Life**
Buildings on owned land	40 years
Buildings on leased land	Lesser of lease term or useful life
Buildings under capital lease	Lesser of lease term or useful life
Theatre furniture and equipment	5 to 15 years
Leasehold interests and improvements	Lesser of lease term or useful life

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company evaluates theatre properties and equipment for impairment in conjunction with the preparation of its quarterly consolidated financial statements or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. When estimated cash flows will not be sufficient to recover a long-lived asset s carrying amount, an impairment review is performed in which the Company compares the carrying value of the asset group (theatre) with its estimated fair value, which is determined based on a multiple of cash flows. The multiple was eight times for the evaluations performed during 2007 and 2006 and seven times for 2005. 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 are based on historical and projected operating performance as well as recent market transactions. See Note 11.

The Company has made certain reclassifications between the cost of theatre properties and equipment and the related accumulated depreciation for the December 31, 2006 balance sheet. These reclassifications were made to properly reflect the results of impairment charges recorded on such assets. The impact on theatre properties and equipment, net as of December 31, 2006 was zero.

Goodwill and Other Intangible Assets Goodwill is the excess of cost over fair value of theatre businesses acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and tradename are tested for impairment at the reporting unit level at least annually or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors considered include significant underperformance relative to historical or projected business and significant negative industry or economic trends. Goodwill impairment is evaluated using a two-step approach requiring the Company to compute the fair value of a reporting unit (generally at the theatre level), and compare it with its carrying value. If the carrying value of the theatre exceeds its fair value, a second step is performed to measure the potential goodwill impairment. Fair value is estimated based on a multiple of cash flows. The multiple was eight times for the goodwill impairment evaluations performed during 2007 and 2006 and seven times for 2005. Significant judgment is involved in estimating cash flows and fair value. Management s estimates are based on historical and projected operating performance as well as recent market transactions. See Notes 10 and 11.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

Intangible assets consist of goodwill, tradenames, capitalized licensing fees, vendor contracts, net favorable leases, and other intangible assets. The table below summarizes the amortization method used for each type of intangible asset:

Intangible Asset	Amortization Method
Goodwill	Indefinite-lived
Tradename	Indefinite-lived
Capitalized licensing fees	Straight-line method over 15 years. The remaining terms of the underlying agreements range from 7 to 12 years.
Vendor contracts	Straight-line method over the terms of the underlying contracts. The remaining terms of the underlying contracts range from 1 to 15 years.
Net favorable leases	Based on the pattern in which the economic benefits are realized over the terms of the lease agreements. The remaining terms of the lease agreements range from 1 to 29 years.
Other intangible assets	Straight-line method over the terms of the underlying agreement. The remaining term of the underlying agreement is 11 years.

Deferred Charges and Other Assets Deferred charges and other assets consist of debt issue costs, long-term prepaid rents, construction advances and other deposits, equipment to be placed in service and other assets. Debt issue costs are amortized using the straight-line method (which approximates the effective interest method) over the primary financing terms of the related debt agreement. Long-term prepaid rents represent advance rental payments on operating leases. These payments are recognized to facility lease expense over the period for which the rent was paid in advance as outlined in the lease agreements. These periods generally range from 10 to 20 years.

Lease Accounting The Company accounts for leased properties under the provisions of Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases"*, and other authoritative accounting literature. SFAS No. 13 requires that the Company evaluate each lease for classification as either a capital lease or an operating lease. According to SFAS No. 13, if substantially all of the benefits and risks of ownership have been transferred to the lessee, the lessee records the lease as a capital lease at its inception. The Company performs this evaluation at the inception of the lease and when a modification is made to a lease. If the lease agreement calls for a scheduled rent increase during the lease term, the Company, in accordance with Financial Accounting Standards Board (FASB) Technical Bulletin 85-3, *Accounting for Operating Leases with Scheduled Rent Increases"*, recognizes the lease expense on a straight-line basis over the lease term as deferred lease expense. The Company determines the straight-line rent expense impact of an operating lease upon inception of the lease. For leases in which the Company is involved with construction of the theatre, the Company accounts for the lease during the construction period under the provisions of Emerging Issues Task Force (EITF) 97-10, *The Effect of Lessee Involvement in Asset Construction"*. The landlord is typically responsible for constructing a theatre using guidelines and specifications agreed to by the Company and assumes substantially all of the risk of construction. In accordance with EITF 97-10, if the Company concludes that it has substantially all of the construction period risks, it records a construction asset and related liability for the amount of total project costs incurred during the construction period. At the end of the construction period, the Company considers SFAS No. 98, *Accounting for Leases: Sale-leaseback Transactions Involving Real Estate"*, to determine if the transaction qualifies for sale-leaseback accounting treatment in regards to lease classification.

Deferred Revenues Advances collected on long-term screen advertising, concession and other contracts are recorded as deferred revenues. In accordance with the terms of the agreements, the advances collected on such contracts are recognized during the period in which the advances are earned, which may differ from the period in which the advances are collected.

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. The Company records proceeds from the sale of gift cards and other advanced sale-type certificates in current liabilities and recognizes admissions and concession revenue when a holder redeems the card or certificate. The Company recognizes 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, the Company considers the period outstanding, the level and frequency of activity, and the period of

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

inactivity. The Company recognized unredeemed gift cards and other advance sale-type certificates as revenues in the amount of $3,374, $4,421 and $3,975 during the years ended December 31, 2005, 2006 and 2007, respectively.

Film rental costs are accrued based on the applicable box office receipts and either the mutually agreed upon firm terms or sliding scale formula, which are established prior to the opening of the picture, or estimates of the final mutually agreed upon settlement, which occurs at the conclusion of the picture run, subject to the film licensing arrangement. Estimates are based on the expected success of a film over the length of its run in theatres. 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 over the length of its run in theatres can typically be estimated early in the film s run. The final film settlement amount is negotiated at the conclusion of the film s run based upon how a film actually performs. If actual settlements are higher than those estimated, additional film rental costs are recorded at that time. The Company recognizes advertising costs and any sharing arrangements with film distributors in the same accounting period. The Company s advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2005, 2006 and 2007 were $15,927, $15,726 and $17,252, respectively.

Accounting for Share Based Awards Subsequent to the MDP Merger, the Company established a long term incentive plan (see Note 18). The weighted average fair value per share of stock options granted by the Company during 2004 and 2005 was $7.63 (all of which had an exercise price equal to the market value at the date of grant). For each 2004 and 2005 grant, compensation expense under the fair value method of SFAS No. 123 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2004 Grant	January 28, 2005 Grant
Expected life	6.5 years	6.5 years
Expected volatility [1]	39%	44%
Risk-free interest rate	3.79%	3.93%
Dividend yield	0%	0%
Grant date fair value	$ 3.51	$ 3.80

(1) Expected volatility is based on historical volatility of the common stock price of comparable public companies.

Forfeitures were estimated based on the Company s historical stock option activity.

In December 2004, the FASB issued SFAS No. 123(R), *Share Based Payment* , which established accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. SFAS No. 123(R) eliminated the intrinsic value measurement objective in Accounting Principles Board (APB) Opinion No. 25 and generally requires a Company to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires grant date fair value to be estimated using either an option-pricing model, consistent with the terms of the award, or a market

observed price, if such a price exists. Such costs must be recognized over the period during which an employee is required to provide service in exchange for the award (which is usually the vesting period). The standard also requires a Company to estimate the number of instruments that will ultimately be forfeited, rather than accounting for forfeitures as they occur.

The Company applied SFAS No. 123(R) using the modified prospective method , under which it recognized compensation cost for all awards granted, modified or settled on or after January 1, 2006 and for the unvested portion of previously granted awards that were outstanding on January 1, 2006. Accordingly, prior periods have not been restated. The Company had approximately 4,554,253 unvested options outstanding on January 1, 2006. The Company recorded compensation expense of $2,864 and a tax benefit of approximately $1,003 during the year ended December 31, 2006 and recorded compensation expense of $2,881 and a tax benefit of approximately $1,008 during the year ended December 31, 2007 related to these options. As of December 31, 2007, the unrecognized compensation expense related to these options was $3,580 and the weighted average period over which this remaining compensation expense will be recognized is approximately 1.25 years.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

The Company applied Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its stock option plans prior to the adoption of SFAS No. 123(R). Had compensation costs been determined based on the fair value at the date of grant for awards under the stock option plans, consistent with the method of SFAS No. 123, *Accounting for Stock-Based Compensation* and SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* , the Company s net loss for the year ended December 31, 2005 would have been reduced to the pro-forma amount indicated below:

Net loss as reported	$ (25,408)
Compensation expense included in reported net loss, net of tax	
Compensation expense under fair-value method, net of tax	(2,964)
Pro-forma net loss	$ (28,372)
Basic and diluted loss per share	
As Reported	$ (0.31)
Pro-forma	$ (0.35)

During October 2007, the Company granted 21,880 shares of restricted stock to its independent directors. The fair value of the shares was approximately $400 based on the market value of the Company s stock on the date of grant. The awards fully vest on June 29, 2008 after one year of service. The Company recorded compensation expense of $200 related to these awards during the year ended December 31, 2007. The remaining unrecognized compensation expense related to these awards of $200 will be recorded during 2008.

Income Taxes The Company uses 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 related tax accruals are recorded in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of SFAS No. 109* (FIN 48), which the Company adopted on January 1, 2007. FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes* , and the recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition: The Company determines 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, the Company should 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) an increase in a liability for income taxes payable or (2) a reduction of an income tax refund receivable or a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2).

Segments As of December 31, 2007, the Company managed its business under two reportable operating segments, U.S. markets and international markets, in accordance with SFAS No. 131 *Disclosures About Segments of an Enterprise and Related Information.* See Note 22.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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. Actual results could differ from those estimates.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

Foreign Currency Translations The assets and liabilities of the Company s foreign subsidiaries are translated into U.S. dollars at current exchange rates as of the balance sheet date, and revenues and expenses are translated at average monthly exchange rates. The resulting translation adjustments are recorded as a separate component of stockholders equity.

Fair Values of Financial Instruments Fair values of financial instruments, including the Company s interest rate swap agreements, are estimated by the Company using available market information and other valuation methods. Values are based on available market quotes or estimates using a discounted cash flow approach based on the interest rates currently available for similar instruments. The fair values of financial instruments for which estimated fair value amounts are not specifically presented are estimated to approximate the recorded values.

Acquisitions The Company accounts for acquisitions under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* . The purchase method requires that the Company estimate the fair value of the assets acquired and liabilities assumed and allocate consideration paid accordingly. For significant acquisitions, the Company obtains independent third party valuation studies for certain of the assets acquired and liabilities assumed to assist the Company in determining fair value. The estimation of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the actual amounts recorded.

Comprehensive Income (Loss) Total comprehensive income (loss) for the years ended December 31, 2005, 2006 and 2007, was $(18,769), $17,049 and $110,152, respectively. Total comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments and fair value adjustments on the Company s interest rate swap agreements.

2. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* Among other requirements, this statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for the Company beginning January 1, 2008 (January 1, 2009 for nonfinancial assets and liabilities). Adoption of this statement is not expected to have a significant impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* . This statement provides companies with an option to report selected financial assets and liabilities at fair value that are currently not required to be measured at fair value. SFAS No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for the Company beginning January 1, 2009. The Company has elected not to measure eligible items at fair value upon initial adoption. Adoption of this statement is not expected to have a significant impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* . This statement requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method); expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in income, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS No. 141(R) is required for business combinations that occur after December 15, 2008. Early adoption and retroactive application of SFAS No. 141(R) to fiscal years preceding the effective date is not permitted. The Company is evaluating the adoption of SFAS No. 141(R) and its impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements* . This statement establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest

(minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income

Table of Contents

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands, except share and per share data

on the face of the income statement. SFAS No. 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is evaluating the adoption of SFAS No. 160 and its impact on the Company s consolidated financial statements.

3. INITIAL PUBLIC OFFERING OF COMMON STOCK

On April 24, 2007, the Company completed an initial public offering of its common stock. The Company sold 13,888,889 shares of its common stock and selling stockholders sold an additional 14,111,111 shares of common stock at a price of $17.955 ($19 per share less underwriting discounts). The net proceeds (before expenses) received by the Company were $249,375 and the Company paid approximately $3,526 in legal, accounting and other fees, all of which are recorded in additional paid-in-capital. The selling stockholders granted the underwriters a 30-day option to purchase up to an additional 2,800,000 shares of the Company s common stock at a price of $17.955 ($19 per share less underwriting discounts). On May 21, 2007, the underwriters purchased an additional 269,100 shares from the selling stockholders pursuant to this option. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The Company has utilized a portion of the net proceeds that it received from the offering to repurchase a portion of its outstanding 9 3/4% senior discount notes. See Note 13. The Company expects to continue to use the net proceeds to repurchase a portion of the remaining 9 3/4% senior discount notes or repay debt outstanding under the senior secured credit facility. The 9 3/4% senior discount notes are not currently subject to repurchase at the Company s option. Accordingly, if the Company is unable to repurchase the 9 3/4% senior discount notes at acceptable prices, the Company expects to use a portion of the remaining net proceeds to repay term loan debt outstanding under the senior secured credit facility. The Company has significant flexibility in applying the net proceeds from the initial public offering. The Company has invested the remaining net proceeds in short-term, investment-grade marketable securities or money market funds.

4. EARNINGS PER SHARE

Basic earnings (loss) per share is computed by dividing income (loss) by the weighted average number of shares of all classes of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing income (loss) by the weighted average number of shares of common stock and potentially dilutive common equivalent shares outstanding determined under the treasury stock method. The following table sets forth the computation of basic and diluted earnings (loss) per share (shares in thousands):

	Years Ended December 31,		
	2005	**2006**	**2007**
Net income (loss)	$(25,408)		