CINEMARK INC
Form 10-K
March 28, 2008

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CINEMARK, INC. MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION (I)(1)(a) AND (b) OF FORM 10-K AND THEREFORE IS FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

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 001-31372
CINEMARK, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**01-0687923**
(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

As of February 29, 2008, 27,896,316 shares of Class A common stock were outstanding.

The registrant is privately held and there is no public trading market for its equity securities; therefore, the registrant is unable to calculate the aggregate market value of the voting and non-voting common equity held by non-affiliates.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 and its consolidated subsidiaries, including 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.

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PART I

Item 1. Business

Our Company

Cinemark, Inc. is a Delaware corporation, incorporated on May 16, 2002, and a wholly-owned subsidiary of Cinemark Holdings, Inc. We are the parent company of CNMK Holding, Inc., which is the parent company of Cinemark USA, Inc. Cinemark, 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, or MDP, acquired approximately 83% of our capital stock, pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into us with our company continuing as the surviving corporation, hereinafter referred to as the MDP Merger. Simultaneously with the merger, MDP purchased shares of our common stock for $518.2 million in cash and became our 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 interest in our company. In December 2004, MDP sold a portion of its stock in our company, to outside investors and in July 2005, we issued additional shares to another outside investor.

Cinemark Holdings, Inc. was formed on August 2, 2006. On August 7, 2006, our 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., hereinafter referred to as the Cinemark Share Exchange. The Cinemark Share Exchange and the acquisition of Century Theatres, Inc. (Century Acquisition) were completed on October 5, 2006. The Century Acquisition is reflected in our historical financial information from October 5, 2006. On October 5, 2006, we became a wholly owned subsidiary of Cinemark Holdings, Inc.

Due to a change in reporting entity that occurred as a result of the Cinemark Share Exchange, Cinemark Holdings, Inc. s accounting basis was pushed down to us as of the date of the Cinemark Share Exchange. Our financial statements are reflective of our historical basis for periods prior to the Cinemark Share Exchange, referred to as predecessor, and are reflective of the new basis for periods subsequent to the Cinemark Share Exchange, referred to as successor.

On April 24, 2007, our parent company, 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 21 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 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, $113.6 million and $85.0 million, respectively. At December 31, 2007 we had cash and cash equivalents of $233.4 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 $113.6 million and $85.0 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,

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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 $233.4 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.

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.

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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:

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 6 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

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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

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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 21 to the consolidated financial statements for segment information.

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Item 1A. Risk Factors

Our business depends on film production and performance.

Our business depends on both the availability of suitable films for exhibition in our theatres and the success of those 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 our 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.

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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 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.

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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 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 $9.7 million, $5.7 million, $23.3 million and $86.6 million for the year ended December 31, 2005, the period from January 1, 2006 to October 4, 2006, the period from October 5, 2006 to December 31, 2006 and the year ended December 31, 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 9 and 10 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.

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See Note 20 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.

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.

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PART II

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

Market Information and Holder

There is no established public trading market for our common stock. As of December 31, 2007, we had 27,896,316 shares of Class A common stock outstanding, all of which were held by Cinemark Holdings, Inc.

Dividends

We have never declared or paid any dividends on our common stock. Our ability to pay dividends is limited by the terms of our indentures and Cinemark USA, Inc s senior secured credit facility, which restrict our ability to pay dividends and the ability of certain of our subsidiaries to pay dividends. Under our debt instruments, we may pay a cash dividend up to a specified amount, provided we have satisfied certain financial covenants in, and are not in default under, our debt instruments. Furthermore, certain of our foreign subsidiaries currently have a deficit in retained earnings which prevents them from declaring and paying dividends from those subsidiaries. The declaration of future dividends will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements.

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

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

The following discussion and analysis should be read in conjunction with the financial statements and accompanying notes included in this report.

Overview

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

Cinemark Holdings, Inc. was formed on August 2, 2006. On August 7, 2006, our 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. (the Cinemark Share Exchange). The Cinemark Share Exchange and the Century Acquisition were completed on October 5, 2006. The Century Acquisition is reflected in our historical financial information from October 5, 2006. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc.

Due to a change in reporting entity that occurred as a result of the Cinemark Share Exchange, Cinemark Holdings, Inc. s accounting basis was pushed down to us as of the date of the Cinemark Share Exchange. Our financial statements are reflective of our historical basis for periods prior to the Cinemark Share Exchange, referred to as predecessor, and are reflective of the new basis for periods subsequent to the Cinemark Share Exchange, referred to as successor.

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 21 to the consolidated financial statements.

We have prepared our discussion and analysis of the results of operations for the year ended December 31, 2007 (successor) by comparing those results with the results of operations for the period from January 1, 2006 to October 4, 2006 (predecessor) combined with the results of operations for the period from October 5, 2006 to December 31, 2006 (successor). Although this combined presentation does not comply with GAAP, we believe this presentation provides a meaningful method of comparison of the 2007 and 2006 results.

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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.

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,	
	2006	2007
Operating data (in millions):		
Revenues		
Admissions	$ 760.3	$ 1,087.5
Concession	375.8	516.5
Other	84.5	78.8
Total revenues	$ 1,220.6	$ 1,682.8
Theatre operating costs[2]		
Film rentals and advertising	$ 406.0	$ 589.7
Concession supplies	59.0	81.1
Salaries and wages	118.6	173.3
Facility lease expense	157.8	212.7
Utilities and other	144.8	191.3
Total theatre operating costs	$ 886.2	$ 1,248.1
Operating data as a percentage of total revenues:		
Revenues		
Admissions	62.3%	64.6%
Concession	30.8	30.7
Other	6.9	4.7
Total revenues	100.0%	100.0%
Theatre operating costs[1][2]		
Film rentals and advertising	53.4%	54.2%
Concession supplies	15.7	15.7
Salaries and wages	9.7	10.3
Facility lease expense	12.9	12.6
Utilities and other	11.9	11.4
Total theatre operating costs	72.6%	74.2%
Average screen count (month end average)	3,628	4,558
Revenues per average screen	$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.

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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 21 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 6 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 6 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.

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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 $886.2 million, or 72.6% 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	114.5	161.7	43.3	51.0	$157.8	$ 212.7
Utilities and other	108.3	149.0	36.5	42.3	$144.8	$ 191.3
Total theatre operating costs	$672.7	$1,000.4	$213.5	$247.7	$886.2	$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 $157.8 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 $114.5 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.

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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 $43.3 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 $78.9 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 22 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 $95.0 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 $29.1 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 $14.2 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 $508.8 million of goodwill related to the push down of our parent company s accounting basis (see Note 4 to the consolidated financial statements) and we recorded approximately $658.5 million of goodwill as a result of the Century Acquisition. (see Note 5 to the consolidated financial statements.) 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 9 and 10 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 $5.3 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 $111.4 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 6 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 8 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 $9.1 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 our 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 5 and 12 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 6 to our consolidated financial statements.

Income Taxes. Income tax expense of $109.5 million was recorded for 2007 compared to $12.2 million recorded for 2006. The effective tax rate of 56.3% 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 41.8%. The effective tax rate for 2006 reflects the impact of purchase accounting adjustments resulting from the Century Acquisition and related goodwill impairment charges resulting from the MDP merger. See Notes 5 and 19 to our consolidated financial statements.

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.

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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.

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PART III

Item 14. Principal Accounting Fees and Services

For the years ended December 31, 2006 and 2007, Deloitte & Touche, LLP, our independent auditor, billed the aggregate fees listed in the table below (in millions):

Fees	2006	2007
Audit	$0.8	$1.5
Audit Related	0.1	0.1
Tax (1)	0.1	0.2
Other (2)		1.7
Total	$1.0	$3.5

(1) Fees for assistance with our federal, state, local and foreign jurisdiction income tax returns and consultation and advice related to various tax compliance planning projects.

(2) Fees for review of our SEC filings associated with the Century Acquisition and Cinemark Holdings, Inc. s initial public offering.

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

See the accompanying Index beginning on page F-1 for a list of the financial statements included in this report.

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.

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SIGNATURES

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

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

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

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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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Cinemark, Inc. and subsidiaries (the Company) as of December 31, 2006 (Successor) and 2007 (Successor), and the related consolidated statements of operations, stockholders equity (deficiency) and comprehensive income (loss), and cash flows for the year ended December 31, 2005 (Predecessor), the period from January 1, 2006 to October 4, 2006 (Predecessor), the period from October 5, 2006 to December 31, 2006 (Successor), and the year ended December 31, 2007 (Successor). 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, Inc. and subsidiaries as of December 31, 2006 (Successor) and 2007 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2005 (Predecessor), the period from January 1, 2006 to October 4, 2006 (Predecessor), the period from October 5, 2006 to December 31, 2006 (Successor), and the year ended December 31, 2007 (Successor), in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the index to the consolidated financial statements on page F-1 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Company s management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

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 Acccounting 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

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

	December 31, 2006 (Successor)	December 31, 2007 (Successor)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 147,099	$ 233,402
Inventories	6,058	7,000
Accounts receivable	31,165	34,832
Income tax receivable	8,946	18,422
Current deferred tax asset	4,661	5,215
Prepaid expenses and other	8,424	10,070
Total current assets	206,353	308,941
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	11,354	5,071
Deferred charges and other assets net	63,092	77,393
Total other assets	1,640,621	1,570,200
TOTAL ASSETS	$ 3,171,546	$ 3,193,207
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	57,830
Total current liabilities	230,822	218,177
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	14,285	19,235
Deferred revenue NCM		172,696
Deferred revenues and other long-term liabilities	12,672	36,214
Total long-term liabilities	2,234,849	2,043,185
COMMITMENTS AND CONTINGENCIES (see Note 20)		
MINORITY INTERESTS IN SUBSIDIARIES	16,613	16,182
STOCKOLDERS EQUITY		
Class A common stock, $0.001 par value: 40,000,000 shares authorized, 27,896,316 outstanding at December 31, 2006 and December 31, 2007	28	28
Additional paid-in-capital	685,463	806,742
Retained earnings (deficit)	(7,692)	76,198
Accumulated other comprehensive income	11,463	32,695
Total stockholders equity	689,262	915,663
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,171,546	$ 3,193,207

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

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CINEMARK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2005 AND THE PERIODS FROM JANUARY 1, 2006 TO OCTOBER 4, 2006 AND
OCTOBER 5, 2006 TO DECEMBER 31, 2006 AND THE YEAR ENDED DECEMBER 31, 2007
(In thousands)

	Year Ended December 31, 2005 (Predecessor)	January 1, 2006 to October 4, 2006 (Predecessor)	October 5, 2006 to December 31, 2006 (Successor)	Year Ended December 31, 2007 (Successor)
REVENUES				
Admissions	$ 641,240	$ 514,183	$ 246,092	$ 1,087,480
Concession	320,072	260,223	115,575	516,509
Other	59,285	54,683	29,838	78,852
Total revenues	1,020,597	829,089	391,505	1,682,841
COST OF OPERATIONS				
Film rentals and advertising	347,727	275,005	130,982	589,717
Concession supplies	52,507	41,863	17,157	81,074
Salaries and wages	101,431	79,002	39,614	173,290
Facility lease expense	136,593	109,513	48,246	212,730
Utilities and other	123,831	100,924	43,884	191,279
General and administrative expenses	50,884	45,958	21,810	78,916
Termination of profit participation agreement				6,952
Depreciation and amortization	76,229	59,913	34,281	148,781
Amortization of favorable leases	232	130	667	2,935
Impairment of long-lived assets	9,672	5,741	23,337	86,558
(Gain) loss on sale of assets and other	2,625	2,938	2,345	(2,953)
Total cost of operations	901,731	720,987	362,323	1,569,279
OPERATING INCOME	118,866	108,102	29,182	113,562
OTHER INCOME (EXPENSE)				
Interest expense	(86,867)	(69,191)	(42,220)	(145,596)
Interest income	6,600	5,563	1,477	11,271
Gain on NCM transaction				210,773
Gain on Fandango transaction				9,205
Foreign currency exchange gain (loss)	(1,276)	94	(352)	438
Loss on early retirement of debt	(46)	(3,315)	(5,782)	(13,456)
Distributions from NCM				11,499
Dividend income		101		50
Equity in income (loss) of affiliates	227	(1,800)	154	(2,462)
	(924)	(1,790)	321	(792)

Minority interests in (income) loss of subsidiaries				
Total other income (expense)	(82,286)	(70,338)	(46,402)	80,930
INCOME (LOSS) BEFORE INCOME TAXES	36,580	37,764	(17,220)	194,492
Income taxes	14,193	9,078	3,111	109,509
NET INCOME (LOSS)	$ 22,387	$ 28,686	$ (20,331)	$ 84,983

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

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CINEMARK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIENCY) AND COMPREHENSIVE INCOME (LOSS)
YEAR ENDED DECEMBER 31, 2005 AND THE PERIODS FROM JANUARY 1, 2006 TO OCTOBER 4, 2006 AND OCTOBER 5, 2006 TO DECEMBER 31, 2006 AND THE YEAR ENDED DECEMBER 31, 2007
(In thousands)

	Class A Common Stock Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Predecessor balance at January 1, 2005	27,675	$ 28	$ 599,525	$ (725,155)	$ (77,122)	$ (202,724)	
Net income				22,387		22,387	$ 22,387
Issuance of stock	221		5,000			5,000	
Tax adjustment related to Recapitalization fees			(82)			(82)	
Foreign currency translation adjustment					16,937	16,937	16,937
Predecessor balance at December 31, 2005	27,896	$ 28	$ 604,443	$ (702,768)	$ (60,185)	$ (158,482)	$ 39,324
Net income				28,686		28,686	$ 28,686
Share based awards compensation expense			2,148			2,148	
Foreign currency translation adjustment					3,872	3,872	3,872
Predecessor balance at October 4, 2006	27,896	$ 28	$ 606,591	$ (674,082)	$ (56,313)	$ (123,776)	$ 32,558
Successor balance at October 5, 2006	27,896	$ 28	$ 534,747	$ 12,639	$ (734)	$ 546,680	
Net loss				(20,331)		(20,331)	$ (20,331)
Capital contribution from Cinemark Holdings, Inc.			150,000			150,000	
			716			716	

Share based awards compensation expense														
Foreign currency translation adjustment										12,197		12,197		12,197
Successor balance at December 31, 2006	27,896	$	28	$	685,463	$	(7,692)	$		11,463	$	689,262	$	(8,134)
Net income							84,983					84,983	$	84,983
Capital contributions from Cinemark Holdings, Inc.					117,045							117,045		
Tax adjustment related to the adoption of FIN48							(1,093)					(1,093)		
Share based awards compensation expense					2,881							2,881		
Tax benefit related to stock option exercises					1,353							1,353		
Fair value adjustment on interest rate swap agreements										(11,348)		(11,348)		(11,348)
Foreign currency translation adjustment										32,580		32,580		32,580
Successor balance at December 31, 2007	27,896	$	28	$	806,742	$	76,198	$		32,695	$	915,663	$	106,215

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

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CINEMARK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005 AND THE PERIODS FROM JANUARY 1, 2006 TO OCTOBER 4, 2006 AND
OCTOBER 5, 2006 TO DECEMBER 31, 2006 AND THE YEAR ENDED DECEMBER 31, 2007
(In thousands)

	Year Ended December 31, 2005 (Predecessor)	January 1, 2006 to October 4, 2006 (Predecessor)	October 5, 2006 to December 31, 2006 (Successor)	Year Ended December 31, 2007 (Successor)
OPERATING ACTIVITIES				
Net income (loss)	$ 22,387	$ 28,686	$ (20,331)	$ 84,983
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation	73,796	58,564	33,241	144,629
Amortization of intangible and other assets	2,665	1,479	1,707	7,087
Amortization of long-term prepaid rents	1,258	816	197	1,146
Amortization of debt issue costs	3,984	3,082	1,183	4,727
Amortization of deferred revenues, deferred lease incentives and other	(963)	(582)	(71)	(2,508)
Amortization of debt premium	(1,564)	(1,173)	(763)	(678)
Impairment of long-lived assets	9,672	5,741	23,337	86,558
Share based awards compensation expense		2,148	716	2,881
Gain on NCM transaction				(210,773)
Gain on Fandango transaction				(9,205)
(Gain) loss on sale of assets and other	2,625	2,938	2,345	(2,953)
Write-off unamortized debt issue costs and debt premium related to the early retirement of debt	46	1,183	5,782	(15,661)
Accretion of interest on senior discount notes	38,549	30,222	10,203	41,423
Deferred lease expenses	1,556	724	378	5,979
Deferred income tax expenses	(7,547)	(7,986)	1,580	(34,614)
Equity in (income) loss of affiliates	(227)	1,800	(154)	2,462
Minority interests in income (loss) of subsidiaries	924	1,790	(321)	792
Tax benefit related to stock option exercises				1,353
Other	202			
Changes in assets and liabilities:				
Inventories	(309)	274	513	(942)

Accounts receivable	(4,102)	(9,174)	(710)	(3,667)
Prepaid expenses and other	(649)	(1,443)	3,121	(1,646)
Other assets	(12,373)	(8,394)	4,812	(4)
Advances with affiliates	(121)	(189)	81	(1,245)
Accounts payable and accrued liabilities	14,082	(20,993)	21,075	1,977
Interest paid on repurchased senior discount notes		(5,381)		(16,592)
Increase in deferrred revenues related to NCM transaction				174,001
Increase in deferrred revenues related to Fandango transaction				5,000
Other long-term liabilities	1,198	484	5,250	1,323
Income tax receivable/payable	20,181	(9,572)	(12,518)	58,282
Net cash provided by operating activities	165,270	75,044	80,653	324,115
INVESTING ACTIVITIES				
Additions to theatre properties and equipment	(75,605)	(77,902)	(29,179)	(146,304)
Proceeds from sale of theatre properties and equipment	1,317	1,236	5,210	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)	(76,395)	(555,352)	93,178
FINANCING ACTIVITIES				
Issuance of common stock	5,000			
Capital contribution from parent to fund retirement of senior discount notes				63,694
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	2,273	57	
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)	(5,009)	(3,886)	(19,438)
Payments on capital leases			(839)	(3,759)
Debt issue costs	(239)		(22,926)	
Other	(1,198)	(1,226)	(52)	(1,730)
Net cash provided by (used for) financing activities	(3,750)	(38,912)	478,854	(336,435)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,048	268	740	5,445
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,951	(39,995)	4,895	86,303
CASH AND CASH EQUIVALENTS:				
Beginning of period	100,248	182,199	142,204	147,099
End of period	$ 182,199	$ 142,204	$ 147,099	$ 233,402

SUPPLEMENTAL INFORMATION (see Note 18)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Cinemark, 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 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.

Due to a change in reporting entity that occurred as a result of the Cinemark Share Exchange, Cinemark Holdings, Inc. s accounting basis has been pushed down to the Company effective on the date of the Cinemark Share Exchange, October 5, 2006. The accompanying consolidated statements of operations, cash flows and stockholders equity (deficiency) present the results of the Company s operations and cash flows for the periods preceding the Cinemark Share Exchange as Predecessor and the periods subsequent to the Cinemark Share Exchange as Successor. See Note 4.

On April 24, 2007, the Company s parent, Cinemark Holdings, Inc. completed an initial public offering of its common stock.

Principles of Consolidation The consolidated financial statements include the accounts of Cinemark, 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.

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, $0, and $618 of interest incurred during the development and construction of theatres during the year ended December 31, 2005, the period from January 1, 2006 to October 4, 2006, the period from October 5, 2006 to December 31, 2006, and the year ended December 31, 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

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

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 10.

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 9 and 10.

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 rang