

Cinemark Holdings, Inc.  
Form S-1/A  
March 16, 2007

**Table of Contents**

**As filed with the Securities and Exchange Commission on March 16, 2007**

**Registration No. 333-140390**

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

**Amendment No. 1  
to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Cinemark Holdings, Inc.**  
*(Exact Name of Registrant as Specified in Its Charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**7832**  
*(Primary Standard Industrial  
Classification Code Number)*

**20-5490327**  
*(I.R.S. Employer  
Identification Number)*

**3900 Dallas Parkway, Suite 500  
Plano, Texas 75093  
(972) 665-1000**  
*(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive Offices)*

**Michael Cavalier  
Senior Vice President-General Counsel  
3900 Dallas Parkway, Suite 500  
Plano, Texas 75093  
(972) 665-1000**  
*(Name, Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)*

*With a copy to:*

**Terry M. Schpok, P.C.**  
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ \_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ \_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ \_\_\_\_

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**Table of Contents**

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Subject to Completion, dated March 16, 2007**

PROSPECTUS

Shares

**Cinemark Holdings, Inc.**

Common Stock

We are offering            shares of our common stock in this initial public offering. The selling stockholders named in this prospectus are offering an additional            shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

No public market currently exists for our common stock. We intend to apply to list our common stock on the New York Stock Exchange under the symbol CNK. We currently expect that the initial public offering price will be between \$     and \$     per share.

*Investing in our common stock involves risks. See Risk Factors beginning on page 12.*

|                                                        | <b>Per Share</b> | <b>Total</b> |
|--------------------------------------------------------|------------------|--------------|
| Public offering price                                  | \$               | \$           |
| Underwriting discount                                  | \$               | \$           |
| Proceeds to Cinemark Holdings, Inc. (before expenses)  | \$               | \$           |
| Proceeds to the Selling Stockholders (before expenses) | \$               | \$           |

The selling stockholders have granted the underwriter a 30-day option to purchase up to an additional            shares of our common stock on the same terms and conditions as set forth above if the underwriter sells more than            shares of our common stock in this offering.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Lehman Brothers expects to deliver the shares on or about , 2007.

**Lehman Brothers**

, 2007

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## TABLE OF CONTENTS

|                                                                                              | Page |
|----------------------------------------------------------------------------------------------|------|
| <u>Prospectus Summary</u>                                                                    | 1    |
| <u>Risk Factors</u>                                                                          | 12   |
| <u>Cautionary Statement Regarding Forward-Looking Statements</u>                             | 20   |
| <u>Use of Proceeds</u>                                                                       | 21   |
| <u>Dividend Policy</u>                                                                       | 21   |
| <u>Capitalization</u>                                                                        | 22   |
| <u>Dilution</u>                                                                              | 23   |
| <u>Selected Historical Consolidated Financial and Operating Information</u>                  | 24   |
| <u>Unaudited Pro Forma Condensed Consolidated Financial Information</u>                      | 28   |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 32   |
| <u>Business</u>                                                                              | 57   |
| <u>Management</u>                                                                            | 72   |
| <u>Principal and Selling Stockholders</u>                                                    | 87   |
| <u>Certain Relationships and Related Party Transactions</u>                                  | 89   |
| <u>Description of Capital Stock</u>                                                          | 93   |
| <u>Shares Eligible for Future Sale</u>                                                       | 96   |
| <u>Material U.S. Federal Income and Estate Tax Considerations To Non-U.S. Holders</u>        | 98   |
| <u>Underwriting</u>                                                                          | 100  |
| <u>Legal Matters</u>                                                                         | 105  |
| <u>Experts</u>                                                                               | 105  |
| <u>Where You Can Find More Information</u>                                                   | 105  |
| <u>Index to Consolidated Financial Statements</u>                                            | F-1  |
| <u>Amendment to Credit Agreement</u>                                                         |      |
| <u>Exhibitor Services Agreement</u>                                                          |      |
| <u>Third Amended and Restated Limited Liability Company Operating Agreement</u>              |      |
| <u>Consent of Deloitte &amp; Touche LLP</u>                                                  |      |
| <u>Consent of Grant Thornton LLP</u>                                                         |      |

You should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

### Dealer Prospectus Delivery Obligation

Until , 2007 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

### Market Information

Information regarding market share, market position and industry data pertaining to our business contained in this prospectus consists of estimates based on data and reports compiled by industry professional organizations (including the Motion Picture Association of America, or MPAA, PricewaterhouseCoopers LLP, or PwC, MPA Worldwide Market Research, the National Association of Theatre Owners, or NATO, BIA Financial Network, Inc., or BIAfn, and Veronis Suhler Stevenson), industry analysts and our knowledge of our business and markets.

**Table of Contents**

**About Us**

*Financial Presentation*

On April 2, 2004, an affiliate of Madison Dearborn Partners, LLC, or MDP, acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc. with Cinemark, Inc. continuing as the surviving corporation, hereinafter referred to as the MDP Merger. Management, including Lee Roy Mitchell, Chairman and then Chief Executive Officer, retained at such time an approximately 17% ownership interest in Cinemark, Inc.

Cinemark Holdings, Inc. was formed on August 2, 2006. 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., hereinafter referred to as the Cinemark Share Exchange. The Cinemark Share Exchange and the acquisition of Century Theatres, Inc., or Century, were completed on October 5, 2006. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc.

As of December 31, 2006, MDP owned approximately 66% of our capital stock, Lee Roy Mitchell and the Mitchell Special Trust collectively owned approximately 14%, Syufy Enterprises, LP owned approximately 11%, outside investors owned approximately 8%, and certain members of management owned the remaining 1%.

For purposes of the financial presentation in this prospectus, the historical financial information reflects the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc.'s consolidated financial information reflects the historical accounting basis of its stockholders for all periods presented. Accordingly, financial information for periods preceding the MDP Merger is presented as Predecessor and for the periods subsequent to the MDP Merger is presented as Successor.

The Century acquisition is reflected in the historical financial information of Cinemark Holdings, Inc. from October 5, 2006. Because of the significance of the Century acquisition, we have included in this prospectus historical financial statements for Century as well as pro forma financial information giving effect to the Century acquisition as more fully described in Unaudited Pro Forma Condensed Consolidated Financial Information.

*Certain Definitions*

Unless the context otherwise requires, all references to we, our, us, the issuer or Cinemark relate to Cinemark Holdings, Inc. or Cinemark, Inc., its predecessor, and its consolidated subsidiaries, including Cinemark USA, Inc. and Century. We use the term pro forma in this prospectus to refer to information presented after giving effect to the Century acquisition. 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, 2006.



**Table of Contents**

**Non-GAAP Financial Measures**

Accounting principles generally accepted in the United States are commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the Securities and Exchange Commission, or SEC, as one that purports to measure financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. In this prospectus, we present Adjusted EBITDA and Adjusted EBITDA margin, both non-GAAP financial measures, because we use these financial measures to monitor compliance with financial covenants in the indenture governing our 93/4% senior discount notes and because these measures provide our Board of Directors, management and investors with additional information to measure our performance, estimate our value and evaluate our ability to service debt. Management uses Adjusted EBITDA and Adjusted EBITDA margin as a performance measure for internal monitoring and planning, including preparation of annual budgets, analyzing investment decisions and evaluating profitability and performance comparisons between us and our competitors. We also use these measures to calculate amounts of performance based compensation under employment contracts and incentive bonus programs. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net income (loss) or operating income as indicators of operating performance or as alternatives to cash flow from operations as measures of liquidity (as determined in accordance with GAAP). Our definitions and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found at Prospectus Summary Non-GAAP Financial Measures and Reconciliations.

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary highlights information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors and the financial statements and accompanying notes.*

**Cinemark Holdings, Inc.**

**Our Company**

We are a leader in the motion picture exhibition industry with 396 theatres and 4,488 screens in the U.S. and Latin America. Our circuit is the third largest in the U.S. with 281 theatres and 3,523 screens in 37 states. We are the most geographically diverse circuit in Latin America with 115 theatres and 965 screens in 12 countries. During the year ended December 31, 2006, over 215 million patrons attended our theatres, when giving effect to the Century acquisition as of the beginning of the year. Our modern theatre circuit features stadium seating for approximately 73% of our screens.

We selectively build or acquire new theatres in markets where we can establish and maintain a strong 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 32 years of industry experience and have successfully navigated us through multiple business cycles.

We grew our total revenue per patron at the highest compound annual growth rate, or CAGR, during the last three fiscal years among the three largest motion picture exhibitors in the U.S. Revenues, operating income, net income and Adjusted EBITDA for the year ended December 31, 2006 were \$1,220.6 million, \$127.4 million, \$0.8 million, and \$271.6 million, respectively, with operating income and Adjusted EBITDA margins of 10.4% and 22.3%, respectively. On a pro forma basis for the Century acquisition, revenues, operating income, net loss and Adjusted EBITDA for the year ended December 31, 2006 were \$1,612.1 million, \$175.6 million, \$(3.5) million and \$360.4 million, respectively, with pro forma operating income and Adjusted EBITDA margins of 10.9% and 22.4%, respectively. At December 31, 2006, we had cash and cash equivalents of \$147.1 million and long-term debt, excluding capital leases, of \$1,911.7 million. Approximately \$1,126.7 million, or 59%, of our total long-term debt accrues interest at variable rates.

**Acquisition of Century Theatres, Inc.**

On October 5, 2006, we completed the acquisition of Century, a national theatre chain headquartered in San Rafael, California with 77 theatres and 1,017 screens in 12 states, for a purchase price of approximately \$681 million and the assumption of approximately \$360 million of Century debt. The acquisition of Century combines two family founded companies with common operating philosophies and cultures, strong operating performances and complementary geographic footprints. The key strategic benefits of the acquisition include:

**High Quality Theatres with Strong Operating Performance.** Century's theatre circuit is among the most modern in the U.S. based on 77% of their screens featuring stadium seating. Prior to the Century acquisition, Century achieved strong performance with revenues of \$516.0 million, operating income of \$59.9 million, net income of \$18.1 million

and Adjusted EBITDA of \$120.8 million and Adjusted EBITDA margin of 23.4% for its fiscal year ended September 28, 2006. These results are due in part to Century's operating philosophy which is similar to Cinemark's.

***Strengthens Our Geographic Footprint.*** The Century acquisition enhances our geographic diversity, strengthens our presence in key large- and medium-sized metropolitan and suburban markets such as Las Vegas, the San Francisco Bay Area and Tucson, and complements our existing footprint. The increased number of theatres and markets diversifies our revenues and broadens the composition of our overall portfolio.

## **Table of Contents**

***Leading Share in Attractive Markets.*** With the Century acquisition, we have a leading market share in a large number of attractive metropolitan and suburban markets. For the year ended December 31, 2006, on a pro forma basis, we ranked either first or second by box office revenues in 28 out of our top 30 U.S. markets, including Chicago, Dallas, Houston, Las Vegas, Salt Lake City and the San Francisco Bay Area.

## **Participation in National CineMedia**

In March 2005, Regal Entertainment, Inc., or Regal, and AMC Entertainment, Inc., or AMC, formed National CineMedia, LLC, or 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 companies in the country. The digital projectors currently used to display advertising will not 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, or LEN, 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 transactions. As a result of these transactions, we will no longer receive a percentage of NCM's revenue but rather a monthly theatre access fee which we expect will reduce the contractual amounts required to be paid to us by NCM. In addition, we expect 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 owned a 14% interest in NCM.

## **Competitive Strengths**

We believe the following strengths allow us to compete effectively.

***Strong Operating Performance and Discipline.*** We generated operating income, net income and Adjusted EBITDA margin of \$127.4 million, \$0.8 million and 22.3%, respectively, for the year ended December 31, 2006. Our strong operating performance is a result of our financial discipline, such as negotiating favorable theatre level economics and controlling theatre operating costs. We believe 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, 2006, on a pro forma basis we ranked either first or second based on box

office revenues in 28 out of our top 30 U.S. markets, including Chicago, Dallas, Houston, Las Vegas, Salt Lake City and the San Francisco Bay Area. On average, the population in over 80% of our domestic markets, including Dallas, Las Vegas and Phoenix, is expected to grow 61% faster than the average growth rate of the U.S. population over the next five years, as reported by BIAfn 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 115 theatres and 965 screens in 12 countries, generating revenues of \$285.9 million for the year ended December 31, 2006. We have successfully established a significant presence in major cities in the region, with theatres in twelve of the

## **Table of Contents**

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. Over the last three years, the CAGR of our international revenue has been greater than that of our U.S. operations. 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 79% of our first run auditoriums, the highest percentage among the three largest U.S. exhibitors, and 81% of our international screens also feature stadium seating. During 2006, we continued our organic expansion by building 210 screens. We currently have commitments to build 382 additional screens over the next four years.

***Strong 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, which enhances our cash flows, is our ownership of land and buildings. We own 45 properties with an aggregate value in excess of \$350 million. For the year ended December 31, 2006, on a pro forma basis adjusted to give effect to this offering at an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), we expect our leverage to be net debt to Adjusted EBITDA. 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.

***Strong 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 32 years of theatre operating experience executing a focused strategy which has led to strong 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 concessions revenues per patron at the highest CAGR during the last three 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.

### **Our Industry**

The U.S. motion picture exhibition industry has a track record of long-term growth, with box office revenues growing at a CAGR of 5.7% over the last 35 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 2006 the motion picture exhibition industry experienced a marked

## **Table of Contents**

improvement over 2005, with box office revenue increasing 5.5%, after a decrease of 5.7% in 2005 over the prior year. Strong revenue and attendance growth has been driven by a steadily growing number of movie releases, which, according to MPAA, reached an all-time high of 607 in 2006, up 11%. We believe this trend will continue into 2007 with a strong slate of franchise films, such as *Spider-Man 3*, *Shrek the Third*, *Pirates of the Caribbean: At World's End* and *Harry Potter and the Order of the Phoenix*.

International growth has also been strong. According to MPAA, global box office revenues grew steadily at a CAGR of 8.2% from 2003 to 2006 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. According to PwC, Latin America's estimated box office revenue CAGR was 8.4% over the same period.

### **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 home video, DVD, and network, syndicated and pay-per-view television.

***Increased Importance of International Markets for Box Office Success.*** International markets are becoming an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for \$16 billion, or 63% of 2006 total worldwide box office revenues according to MPAA, with many international blockbusters such as *Pirates of the Caribbean: Dead Man's Chest*, *The Da Vinci Code*, *Ice Age: The Meltdown*, and *Mission Impossible III*. 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 5.5% and 6.3%, respectively, since 1995. Over the last three years, third party funding sources such as hedge funds have also provided over \$5 billion of incremental capital to fund new film content production. This has led to an increase in blockbuster features, which attract larger audiences to theatres.

***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, attendance has grown at a 1.6% CAGR over the last 35 years to 1.45 billion patrons in 2006. According to Nielsen Entertainment/NRG, 80% of moviegoers stated their overall theatre experience in 2006 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.



## **Table of Contents**

***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 \$6.55 in 2006. Average prices in 2006 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, range from approximately \$22.40 to \$61.60 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.

## **Recent Developments**

### ***Repurchase of 9% Senior Subordinated Notes***

On March 6, 2007, we commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of our 9% senior subordinated notes. As of the date of this prospectus, the outstanding principal amount of the 9% senior subordinated notes is approximately \$332.2 million. In connection with the tender offer, we are soliciting consents for certain proposed amendments to the indenture pursuant to which the 9% senior subordinated notes were issued. We expect to fund the repurchase with the net proceeds received from NCM in connection with the consummation of the NCM transactions.

### ***Amendments to the New Senior Secured Credit Facility***

On March 14, 2007, Cinemark USA, Inc. amended its new senior secured credit facility to, among other things, modify the interest rate on the term loans under the new senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 0.75% per annum, or (B) a Eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case, the margin is a function of the corporate credit rating applicable to the borrower. The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the new senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM transactions or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans. The amendment was a condition precedent to the consummation of the tender offer for the 9% senior subordinated notes.

### ***Digital Cinema Implementation Partners LLC***

On February 12, 2007, we, along with AMC and Regal, entered into a joint venture known as Digital Cinema Implementation Partners LLC, or DCIP, to explore the possibility of implementing digital cinema in our theatres and to establish agreements with major motion picture studios for the implementation and financing of digital cinema. In addition, DCIP has entered into a digital cinema services agreement with NCM for purposes of assisting DCIP in the development of digital cinema systems. Future digital cinema developments will be managed by DCIP, subject to certain approvals by us, AMC and Regal.

## **Risk Factors**

Investing in our common stock involves risk. Our business is subject to a number of risks including the following:

our dependency on motion picture production and performance could have a material adverse effect on our business;

a deterioration in relationships with film distributors could adversely affect our ability to license commercially successful films at reasonable rental rates;

we may not be able to successfully execute our business strategy because of the competitive nature of our industry as well as increasing competition from alternative forms of entertainment;

**Table of Contents**

alternative or downstream film distribution channels that may drive down movie theatre attendance, limit ticket price growth and shrink video release windows;

our substantial lease and debt obligations could impair our liquidity and financial condition; and

we may not be able to identify suitable locations for expansion or generate additional revenue opportunities.

You should refer to the section entitled Risk Factors, for a discussion of these and other risks, before investing in our common stock.

**Madison Dearborn Partners**

On April 2, 2004, an affiliate of MDP acquired approximately 83% of the capital stock of Cinemark, Inc. for approximately \$518.2 million in cash. Prior to this offering, MDP beneficially owned approximately 66% of our outstanding common stock. MDP will receive net proceeds from this offering of approximately \$ million based upon an assumed initial public offering price of \$ (the midpoint of the range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions. We will not receive any of the net proceeds from the sale of shares by the selling stockholders. Upon completion of the offering, MDP will beneficially own approximately % of our common stock (approximately % of our common stock if the underwriter's option to purchase additional shares is exercised in full). After the offering, pursuant to a stockholders agreement, MDP will continue to have the right to designate a majority of our Board of Directors.

**Corporate Information**

We are incorporated under the laws of the state of Delaware. Our principal executive offices are located at 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. The telephone number of our principal executive offices is (972) 665-1000. We maintain a website at [www.cinemark.com](http://www.cinemark.com), on which we will, after completion of this offering, post our key corporate governance documents, including our board committee charters and our code of ethics. We do not incorporate the information on our website into this prospectus and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

**Table of Contents**

**The Offering**

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Common stock offered by us                        | shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Common stock offered by the selling stockholders  | shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Common stock to be outstanding after the offering | shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Underwriter's option                              | The selling stockholders have granted the underwriter a 30-day option to purchase up to an aggregate of        additional shares of our common stock if the underwriter sells more than        shares in this offering.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Dividend policy                                   | Following this offering, we intend to pay a quarterly cash dividend at an annual rate initially equal to \$     per share (or a quarterly rate initially equal to \$     per share) of common stock, commencing in the quarter of 2007, which will be a partial dividend paid on a pro rata basis depending on the closing date for this offering. The declaration of future dividends on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements. See    Dividend Policy. |
| Use of proceeds                                   | We expect to use the net proceeds that we receive from this offering to repay outstanding debt and for working capital and other general corporate purposes. See    Use of Proceeds.    We will not receive any proceeds from the sale of shares by the selling stockholders.<br><br>Lehman Brothers Inc. acted as initial purchaser in connection with the offerings of our 93/4% senior discount notes and our 9% senior subordinated notes. An affiliate of Lehman Brothers Inc. was the arranger and is a lender and the administrative agent under our new senior secured credit facility.                                                                                |
| Proposed New York Stock Exchange symbol           | CNK                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

The outstanding share information is based on        shares of our common stock that will be outstanding immediately prior to the consummation of this offering. Unless otherwise indicated, information contained in this prospectus regarding the number of outstanding shares of our common stock does not include the following:

      shares of our common stock issuable upon the exercise of outstanding stock options, which have a weighted average exercise price of \$     per share; and

      an aggregate of        shares of our common stock reserved for future issuance under our 2006 Long Term Incentive Plan.

Unless otherwise indicated, all information contained in this prospectus:

assumes no exercise of the underwriter's option to purchase up to an aggregate of                      additional shares of our common stock; and

assumes an initial public offering price of \$                      per share, the midpoint of the price range set forth on the cover page of this prospectus.

**Table of Contents****Summary Consolidated Financial and Operating Information**

The following table provides our summary historical consolidated financial and operating information and unaudited pro forma condensed consolidated financial information. The summary information for periods through April 1, 2004 are of Cinemark, Inc., the predecessor, and the summary information for all subsequent periods are of Cinemark Holdings, Inc., the successor. Our summary historical financial information for the period January 1, 2004 to April 1, 2004, the period April 2, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 is derived from our audited consolidated financial statements appearing elsewhere in this prospectus.

Our unaudited pro forma statement of operations information and other financial information for the year ended December 31, 2006 gives effect to the Century acquisition as if it had been consummated on January 1, 2006.

The unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations would have been had the transaction noted above actually occurred on the date specified, nor does it purport to project our results of operations for any future period or as of any future date. The unaudited pro forma condensed consolidated financial information is not comparable to our historical financial information due to the inclusion of the effects of the Century acquisition.

You should read the information set forth below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Consolidated Financial Information and our consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

|                                                     | <b>Cinemark,<br/>Inc.<br/>Predecessor</b>                                   |                                                                               | <b>Cinemark Holdings, Inc.<br/>Successor</b> |                                             |                                                           |
|-----------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------------------------------------|
|                                                     | <b>Period<br/>from<br/>January 1,<br/>2004<br/>to<br/>April 1,<br/>2004</b> | <b>Period<br/>from<br/>April 2,<br/>2004<br/>to<br/>December 31,<br/>2004</b> | <b>Year Ended<br/>December 31,<br/>2005</b>  | <b>Year Ended<br/>December 31,<br/>2006</b> | <b>Pro Forma<br/>Year Ended<br/>December 31,<br/>2006</b> |
| <b>(Dollars in thousand, except per share data)</b> |                                                                             |                                                                               |                                              |                                             |                                                           |
| <b>Statement of Operations</b>                      |                                                                             |                                                                               |                                              |                                             |                                                           |
| <b>Data(1):</b>                                     |                                                                             |                                                                               |                                              |                                             |                                                           |
| Revenues:                                           |                                                                             |                                                                               |                                              |                                             |                                                           |
| Admissions                                          | \$ 149,134                                                                  | \$ 497,865                                                                    | \$ 641,240                                   | \$ 760,275                                  | \$ 1,029,881                                              |
| Concession                                          | 72,480                                                                      | 249,141                                                                       | 320,072                                      | 375,798                                     | 487,416                                                   |
| Other                                               | 12,011                                                                      | 43,611                                                                        | 59,285                                       | 84,521                                      | 94,807                                                    |
| Total Revenue                                       | \$ 233,625                                                                  | \$ 790,617                                                                    | \$ 1,020,597                                 | \$ 1,220,594                                | \$ 1,612,104                                              |
| Operating Income                                    | 556                                                                         | 73,620                                                                        | 63,501                                       | 127,369                                     | 175,579                                                   |
| Income (loss) from continuing operations            | (9,068)                                                                     | (7,842)                                                                       | (25,408)                                     | 841                                         | (3,548)                                                   |
| Net income (loss)                                   | \$ (10,633)                                                                 | \$ (3,687)                                                                    | \$ (25,408)                                  | \$ 841                                      | \$ (3,548)                                                |
| Net income (loss) per share:                        |                                                                             |                                                                               |                                              |                                             |                                                           |
| Basic                                               | \$ (0.26)                                                                   | \$ (0.13)                                                                     | \$ (0.91)                                    | \$ 0.03                                     | \$ (0.11)                                                 |
| Diluted                                             | \$ (0.26)                                                                   | \$ (0.13)                                                                     | \$ (0.91)                                    | \$ 0.03                                     | \$ (0.11)                                                 |

Weighted average shares  
outstanding:

|         |        |        |        |        |        |
|---------|--------|--------|--------|--------|--------|
| Basic   | 40,614 | 27,675 | 27,784 | 28,713 | 31,284 |
| Diluted | 40,614 | 27,675 | 27,784 | 29,278 | 31,284 |

**Other Financial Data:**

Cash flow provided by (used  
for):

|                      |           |            |            |              |
|----------------------|-----------|------------|------------|--------------|
| Operating activities | \$ 10,100 | \$ 112,986 | \$ 165,270 | \$ 155,662   |
| Investing activities | (16,210)  | (100,737)  | (81,617)   | (631,747)(2) |
| Financing activities | 346,983   | (361,426)  | (3,750)    | 439,977      |
| Capital expenditures | (17,850)  | (63,158)   | (75,605)   | (107,081)    |

**Non-GAAP Data(1)(3):**

|                        |           |            |            |            |            |
|------------------------|-----------|------------|------------|------------|------------|
| Adjusted EBITDA        | \$ 50,608 | \$ 178,632 | \$ 210,135 | \$ 271,615 | \$ 360,364 |
| Adjusted EBITDA margin | 21.7%     | 22.6%      | 20.6%      | 22.3%      | 22.4%      |

**Table of Contents**

|                                                                               | Cinemark Holdings, Inc.<br>Successor<br>As of<br>December 31,<br>2004      2005      2006<br>(In thousands) |            |            |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Balance Sheet Data:</b>                                                    |                                                                                                             |            |            |
| Cash and cash equivalents                                                     | \$ 100,248                                                                                                  | \$ 182,199 | \$ 147,099 |
| Theatre properties and equipment, net                                         | 794,723                                                                                                     | 803,269    | 1,324,572  |
| Total assets                                                                  | 1,831,855                                                                                                   | 1,864,852  | 3,171,582  |
| Total long-term debt and capital lease obligations, including current portion | 1,026,055                                                                                                   | 1,055,095  | 2,027,480  |
| Stockholders' equity                                                          | 533,200                                                                                                     | 519,349    | 689,297    |

|  | Cinemark<br>Inc.<br>Predecessor<br>Period<br>from<br>January 1,<br>2004<br>to<br>April 1,<br>2004 | Cinemark Holdings, Inc.<br>Successor<br>Period<br>from<br>April 2,<br>2004<br>to<br>December 31,<br>2004 | Year Ended<br>December 31,<br>2005 | Year Ended<br>December 31,<br>2006 | Cinemark<br>and<br>Century<br>Combined<br>Year Ended<br>December 31,<br>2006 |
|--|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------------------------------------------------|
|  |                                                                                                   |                                                                                                          |                                    |                                    | (Attendance in thousands)                                                    |

**Operating Data:**

|                                   |        |         |         |         |         |
|-----------------------------------|--------|---------|---------|---------|---------|
| United States(4)                  |        |         |         |         |         |
| Theatres operated (at period end) | 191    | 191     | 200     | 281     | 281     |
| Screens operated (at period end)  | 2,262  | 2,303   | 2,417   | 3,523   | 3,523   |
| Total attendance(1)               | 25,790 | 87,856  | 105,573 | 118,714 | 155,981 |
| International(5)                  |        |         |         |         |         |
| Theatres operated (at period end) | 95     | 101     | 108     | 115     | 115     |
| Screens operated (at period end)  | 835    | 869     | 912     | 965     | 965     |
| Total attendance(1)               | 15,791 | 49,904  | 60,104  | 59,550  | 59,550  |
| Worldwide(4)(5)                   |        |         |         |         |         |
| Theatres operated (at period end) | 286    | 292     | 308     | 396     | 396     |
| Screens operated (at period end)  | 3,097  | 3,172   | 3,329   | 4,488   | 4,488   |
| Total attendance(1)               | 41,581 | 137,760 | 165,677 | 178,264 | 215,531 |

(1) Statement of Operations Data (other than net income (loss)), non-GAAP Data and attendance data exclude the results of the two United Kingdom theatres and the eleven Interstate theatres for all periods presented as these theatres were sold during the period from April 2, 2004 through December 31, 2004. The results of operations for these theatres in the 2004 periods are presented as discontinued operations. See note 7 to our annual consolidated financial statements.



- (2) Includes the cash portion of the Century acquisition purchase price of \$531.2 million.
- (3) We set forth our definitions of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of net income (loss) to Adjusted EBITDA at Non-GAAP Financial Measures and Reconciliations.
- (4) The data excludes certain theatres operated by us in the U.S. pursuant to management agreements that are not part of our consolidated operations.
- (5) The data excludes certain theatres operated internationally through our affiliates that are not part of our consolidated operations.

**Table of Contents**

**Non-GAAP Financial Measures and Reconciliations**

Adjusted EBITDA as presented in the table above is equal to net income (loss), the most directly comparable GAAP financial measure, plus income taxes, interest expense, other (income) expense, (income) loss from discontinued operations, net of taxes, depreciation and amortization, amortization of net favorable leases, amortization of tenant allowances, impairment of long-lived assets, (gain) loss on sale of assets and other, changes in deferred lease expense, stock option compensation and change of control expenses related to the MDP Merger and amortized compensation related to stock options. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by revenues.

We have presented Adjusted EBITDA and Adjusted EBITDA margin because we use these financial measures to monitor compliance with financial covenants in the indenture governing our 93/4% senior discount notes and in measuring our operating performance. The indenture governing the 93/4% senior discount notes requires Cinemark, Inc. to have a fixed charge coverage ratio (as determined under the indenture) of at least 2.0 to 1.0 in order to incur certain additional indebtedness, issue preferred stock or make certain restricted payments, including dividends to us. Fixed charge coverage ratio is defined as the ratio of consolidated cash flow of Cinemark, Inc. and its subsidiaries to their fixed charges for the four most recent full fiscal quarters, giving pro forma effect to certain events as specified in the indenture. Fixed charges is defined as consolidated interest expense of Cinemark, Inc. and its subsidiaries, subject to certain adjustments as provided in the indenture. Consolidated cash flow as defined in the indenture is substantially consistent with our presentation of Adjusted EBITDA in this prospectus. Because Cinemark, Inc.'s failure to meet the fixed charge coverage ratio described above could restrict its ability to incur debt or make dividend payments, management believes that the indenture governing the 93/4% senior discount notes and these covenants and the Adjusted EBITDA and Adjusted EBITDA margins are material to us. As of December 31, 2006, Cinemark, Inc.'s fixed charge coverage ratio under the indenture was in excess of the 2.0 to 1.0 requirement described above. In addition, we have included Adjusted EBITDA and Adjusted EBITDA margin because these measures provide our Board of Directors, management and investors with additional information to measure our performance, estimate our value and evaluate our ability to service debt. Management uses Adjusted EBITDA and Adjusted EBITDA margin as a performance measure for internal monitoring and planning, including preparation of annual budgets, analyzing investment decisions and evaluating profitability and performance comparisons between us and our competitors. In addition, we use these measures to calculate the amount of performance based compensation under employment contracts and incentive bonus programs.

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

Our unaudited pro forma reconciliation information for the year ended December 31, 2006 gives effect to the Century acquisition as if it had been consummated on January 1, 2006.

The unaudited pro forma reconciliation information does not purport to represent what our results of operations would have been had the transaction noted above actually occurred on the date specified, nor does it purport to project our results of operations for any future period or as of any future date. The unaudited pro forma reconciliation information is not comparable to our historical financial information due to the inclusion of the effects of the Century acquisition. See Unaudited Pro Forma Condensed Consolidated Financial Information and related notes thereto appearing elsewhere in this prospectus.

**Table of Contents**

The following table sets forth the reconciliation of our net income (loss) to Adjusted EBITDA:

|                                                                                    | <b>Cinemark,<br/>Inc.<br/>Predecessor</b>                                | <b>Period<br/>from<br/>April 2,<br/>2004<br/>to<br/>December<br/>31,<br/>2004</b> | <b>Cinemark Holdings, Inc.<br/>Successor</b>             |                                                          | <b>Pro Forma<br/>Year<br/>Ended<br/><br/>December 31,<br/>2006</b> |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                    | <b>Period from<br/>January 1,<br/>2004<br/><br/>to April 1,<br/>2004</b> |                                                                                   | <b>Year<br/>Ended<br/><br/>December<br/>31,<br/>2005</b> | <b>Year<br/>Ended<br/><br/>December<br/>31,<br/>2006</b> |                                                                    |
|                                                                                    |                                                                          |                                                                                   | <b>(Dollars in thousands)</b>                            |                                                          |                                                                    |
| Net Income (loss)                                                                  | \$ (10,633)                                                              | \$ (3,687)                                                                        | \$ (25,408)                                              | \$ 841                                                   | \$ (3,548)                                                         |
| Add (deduct):                                                                      |                                                                          |                                                                                   |                                                          |                                                          |                                                                    |
| Income taxes                                                                       | (3,703)                                                                  | 18,293                                                                            | 9,408                                                    | 12,685                                                   | 6,520                                                              |
| Interest expense(1)                                                                | 12,562                                                                   | 58,149                                                                            | 84,082                                                   | 109,328                                                  | 168,051                                                            |
| Other (income) expense                                                             | 765                                                                      | 5,020                                                                             | (4,581)                                                  | 4,515                                                    | 4,556                                                              |
| (Income) loss from discontinued operations, net of taxes                           | 1,565                                                                    | (4,155)                                                                           |                                                          |                                                          |                                                                    |
| Depreciation and amortization                                                      | 16,865                                                                   | 58,266                                                                            | 81,952                                                   | 95,821                                                   | 137,745                                                            |
| Amortization of net favorable leases                                               |                                                                          | 3,087                                                                             | 4,174                                                    | 3,649                                                    | 3,671                                                              |
| Amortization of tenant allowances                                                  |                                                                          |                                                                                   |                                                          |                                                          | (1,303)                                                            |
| Impairment of long-lived assets                                                    | 1,000                                                                    | 36,721                                                                            | 51,677                                                   | 28,537                                                   | 28,943                                                             |
| (Gain) loss on sale of assets and other                                            | (513)                                                                    | 3,602                                                                             | 4,436                                                    | 7,645                                                    | 7,706                                                              |
| Deferred lease expenses                                                            | 560                                                                      | 3,336                                                                             | 4,395                                                    | 5,730                                                    | 5,159                                                              |
| Stock option compensation and change of control expenses related to the MDP Merger | 31,995                                                                   |                                                                                   |                                                          |                                                          |                                                                    |
| Amortized compensation stock options                                               | 145                                                                      |                                                                                   |                                                          | 2,864                                                    | 2,864                                                              |
| Adjusted EBITDA                                                                    | \$ 50,608                                                                | \$ 178,632                                                                        | \$ 210,135                                               | \$ 271,615                                               | \$ 360,364                                                         |
| Adjusted EBITDA margin                                                             | 21.7%                                                                    | 22.6%                                                                             | 20.6%                                                    | 22.3%                                                    | 22.4%                                                              |

(1) Includes amortization of debt issue costs.

The following table sets forth the reconciliation of Century's net income to Adjusted EBITDA.

|  | <b>Century Theatres, Inc.</b> |                   |                   |
|--|-------------------------------|-------------------|-------------------|
|  | <b>Year<br/>Ended</b>         | <b>Year Ended</b> | <b>Year Ended</b> |

|                                                          | September 30,<br>2004  | September 29,<br>2005 | September 28,<br>2006 |
|----------------------------------------------------------|------------------------|-----------------------|-----------------------|
|                                                          | (Dollars in thousands) |                       |                       |
| Net Income                                               | \$ 33,242              | \$ 27,256             | \$ 18,124             |
| Add (deduct):                                            |                        |                       |                       |
| Income taxes                                             | 21,216                 | 17,310                | 12,674                |
| Interest expense                                         | 11,713                 | 13,081                | 29,367                |
| Other (income) expense                                   | (1,045)                | (1,403)               | (282)                 |
| Income (loss) from discontinued operations, net of taxes |                        |                       |                       |
| Depreciation and amortization                            | 45,635                 | 49,500                | 47,116                |
| Amortization of net favorable leases                     |                        |                       |                       |
| Amortization of tenant allowances                        | (1,734)                | (1,738)               | (1,738)               |
| Impairment of long-lived assets                          | 295                    |                       | 406                   |
| Loss on sale of assets and other                         | 110                    | 4,967                 | 61                    |
| Deferred lease expenses                                  | 1,803                  | 744                   | (565)                 |
| Change of control expenses related to acquisition (1)    |                        |                       | 15,672                |
| Amortized compensation-stock options(2)                  |                        |                       |                       |
| Adjusted EBITDA                                          | \$ 111,235             | \$ 109,717            | \$ 120,835            |
| Adjusted EBITDA margin                                   | 22.3%                  | 22.5%                 | 23.4%                 |

(1) Reflects change of control payments of \$15.7 million as a result of the Century acquisition.

(2) Century had no stock option plan during the periods presented.

**Table of Contents**

**RISK FACTORS**

*Before you invest in our common stock, you should understand the high degree of risk involved. The following risks and uncertainties are not the only ones we face. If any of the following risks actually occur, our business, financial condition and operating results could be adversely affected.*

**Risks Related to Our Business and Industry**

***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, 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 93% of U.S. box office revenues and 45 of the top 50 grossing films during 2006. 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.

**Table of Contents**

***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 videocassettes, DVDs, network and syndicated television, video on-demand, satellite pay-per-view television and downloading utilizing the Internet. According to Veronis Suhler Stevenson, total home video spending, including videocassettes and DVDs, increased from \$17.1 billion in 2000 to \$25.6 billion in 2005. 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, 2006, we had \$1,911.7 million in long-term debt obligations, \$115.8 million in capital lease obligations and \$2,004.2 million in long-term operating lease obligations. On a pro forma basis, we incurred \$168.0 million of interest expense for the year ended December 31, 2006. On a pro forma basis, we incurred \$207.0 million of rent expense for the year ended December 31, 2006 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 new 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 our new senior secured credit facility, our 9% senior



## **Table of Contents**

subordinated notes and our 93/4% senior discount notes, on or before maturity. However, we may not be able to refinance all or any of our indebtedness on commercially reasonable terms or at all.

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

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

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

Our results of operations are dependent on general political, social and economic conditions, and the impact of such conditions on our theatre operating costs and on the willingness of consumers to spend money at movie theatres. If consumers' discretionary income declines as a result of an economic downturn, our operations could be adversely affected. If theatre operating costs, such as utility costs, increase due to political or economic changes, our results of operations could be adversely affected. Political events, such as terrorist attacks, could cause people to avoid our theatres or other public places where large crowds are in attendance.

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

We have 115 theatres with 965 screens in twelve countries in Latin America. Brazil and Mexico represented approximately 8.0% and 4.4% of our consolidated 2006 pro forma 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 expected value from our investment in NCM.***

We, along with Regal and AMC, are founding members of NCM. 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 will significantly reduce 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 auditorium. In-theatre advertising may not continue to attract major advertisers or NCM's in-theatre advertising

format may not be received favorably by the theatre-going public. If NCM is unable 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.

**Table of Contents**

***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.

On February 12, 2007, we, along with AMC and Regal entered into a joint venture known as Digital Cinema Implementation Partners LLC to explore the possibility of implementing digital cinema in our theatres and to establish agreements with major motion picture studios for the implementation and financing of digital cinema. In addition, DCIP has entered into a digital cinema services agreement with NCM for purposes of assisting DCIP in the development of digital cinema systems. Future digital cinema developments will be managed by DCIP, subject to certain approvals by us, AMC and Regal.

***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 potential site locations and 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 Americans with Disabilities Act of 1990, or 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 17, 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. 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

**Table of Contents**

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 evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods, for leased properties and a period of twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset's carrying value, we then compare the carrying value of the asset with its estimated fair value. Fair value is determined based on a multiple of cash flows, which was eight times for the evaluation performed as of December 31, 2006. When estimated fair value is determined to be lower than the carrying value of the long-lived asset, the asset is written down to its estimated fair value. Significant judgment is involved in estimating cash flows and fair value. Management's estimates are based on historical and projected operating performance as well as recent market transactions.

We also test goodwill and other intangible assets for impairment at least annually in accordance with Statement of Financial Accounting Standards (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 eight times for the evaluation performed as of December 31, 2006. 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 recorded asset impairment charges, including goodwill impairment charges, of \$1.0 million, \$36.7 million, \$51.7 million and \$28.5 million for the period January 1, 2004 to April 1, 2004, the period April 2, 2004 to December 31, 2004 and the year ended December 31, 2005 and 2006, respectively. During 2004, we recorded \$620.5 million of goodwill as a result of the MDP Merger, and during 2006, we recorded \$658.5 million of goodwill as a result of the Century acquisition. We record 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 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.

***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

**Table of Contents**

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.

**Risks Related to Our Corporate Structure**

***The interests of MDP may not be aligned with yours.***

We are controlled by an affiliate of MDP. MDP will beneficially own approximately % of our common stock after the offering (approximately % of our common stock if the underwriter's option to purchase additional shares is exercised in full). After the offering, MDP will continue to have the right to designate a majority of our Board of Directors. Accordingly, we expect that MDP will influence and effectively control our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matters submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. MDP could take other actions that might be desirable to MDP but not to other stockholders.

***Investors in this offering will experience immediate dilution.***

Investors purchasing shares of our common stock in this offering will experience immediate dilution of \$ per share, based upon an assumed initial offering price of \$ per share. You will suffer additional dilution if stock, restricted stock, stock options or other equity awards, whether currently outstanding or subsequently granted, are exercised.

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

We have never declared or paid any dividends on our common stock. Our ability to pay dividends is limited by our status as a holding company and the terms of our indentures, our new senior secured credit facility and certain of our other debt instruments, which restrict our ability to pay dividends and the ability of certain of our subsidiaries to pay dividends, directly or indirectly, to us. Under our debt instruments, we may pay a cash dividend up to a specified amount, provided we have satisfied certain financial covenants in, and are not in default under, our debt instruments. 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 on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements. We cannot assure you that any dividends will be paid in the anticipated amounts and frequency set forth in this prospectus, if at all.

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

Provisions that will be in our amended and restated certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law, could discourage unsolicited proposals to acquire us, even though such proposals may be beneficial to you. These provisions include:

authorization of our Board of Directors to issue shares of preferred stock without stockholder approval;

a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;

provisions regulating the ability of our stockholders to nominate directors for election or to bring matters for action at annual meetings of our stockholders; and

provisions of Delaware law that restrict many business combinations and provide that directors serving on classified boards of directors, such as ours, may be removed only for cause.

Certain provisions of the 93/4% senior discount notes indenture, 9% senior subordinated notes indenture and the new senior secured credit facility may have the effect of delaying or preventing future transactions involving a change of control. A change of control would require us to make an offer to the holders of our 9% senior subordinated notes and 93/4% senior discount notes to repurchase all of the outstanding notes at a



## **Table of Contents**

purchase price equal to 101% of the aggregate principal amount outstanding plus accrued unpaid interest to the date of the purchase. A change of control would also be an event of default under our new senior secured credit facility.

***Since we are a controlled company for purposes of the New York Stock Exchange's corporate governance requirements, our stockholders will not have, and may never have, the protections that these corporate governance requirements are intended to provide.***

Since we are a controlled company for purposes of the New York Stock Exchange's corporate governance requirements, we are not required to comply with the provisions requiring a majority of independent directors, nominating and corporate governance and compensation committees composed entirely of independent directors as defined under the listing standards and written charters for these committees addressing specified matters. As a result, our stockholders will not have, and may never have, the protections that these rules are intended to provide.

***We will be subject to the requirements of Section 404 of the Sarbanes-Oxley Act and if we are unable to timely comply with Section 404, our profitability, stock price and results of operations and financial condition could be materially adversely affected.***

We will be required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 as of December 31, 2007. Section 404 requires that we document and test our internal control over financial reporting and issue management's assessment of our internal control over financial reporting. This section also requires that our independent registered public accounting firm opine on those internal controls and management's assessment of those controls as of December 31, 2008. We are currently evaluating our existing controls against the standards adopted by the Committee of Sponsoring Organizations of the Treadway Commission. During the course of our ongoing evaluation and integration of the internal control over financial reporting, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review. We cannot be certain at this time that we will be able to successfully complete the procedures, certification and attestation requirements of Section 404. If we fail to comply with the requirements of Section 404 or if we or our auditors identify and report material weakness, the accuracy and timeliness of the filing of our annual and quarterly reports may be negatively affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

## **Risks Related to This Offering**

***The market price of our common stock may be volatile.***

Prior to this offering, there has been no public market for our common stock, and there can be no assurance that an active trading market for our common stock will develop or continue upon completion of the offering. The securities markets have recently experienced extreme price and volume fluctuations and the market prices of the securities of companies have been particularly volatile. The initial price to the public of our common stock will be determined through our negotiations with the underwriter. This market volatility, as well as general economic or political conditions, could reduce the market price of our common stock regardless of our operating performance. In addition, our operating results could be below the expectations of investment analysts and investors and, in response, the market price of our common stock may decrease significantly and prevent investors from reselling their shares of our common stock at or above the offering price. In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we were the subject of securities class action litigation, it could result in substantial costs, liabilities and a diversion of management's attention and resources.

***Future sales of our common stock may adversely affect the prevailing market price.***

If a large number of shares of our common stock is sold in the open market after this offering, or the perception that such sales will occur, the trading price of our common stock could decrease. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional common stock. After this offering, we will have an aggregate of        shares of our common stock authorized but unissued and

**Table of Contents**

not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We may issue shares of our common stock in connection with acquisitions.

Upon consummation of the offering, we will have            shares of our common stock outstanding. Of these shares, all shares sold in the offering, other than shares, if any, purchased by our affiliates, will be freely tradable. The remaining shares of our common stock will be restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom, including the exemptions provided by Regulation S and Rule 144 promulgated under the Securities Act.

We, all of our directors and executive officers, holders of more than 5% of our outstanding stock and the selling stockholders have entered into lock-up agreements and, with limited exceptions, have agreed not to, among other things, sell or otherwise dispose of our common stock for a period of    days after the date of this prospectus. After this lock-up period, certain of our existing stockholders will be able to sell their shares pursuant to registration rights we have granted to them. We cannot predict whether substantial amounts of our common stock will be sold in the open market in anticipation of, or following, any divestiture by any of our existing stockholders, our directors or executive officers of their shares of common stock.

We also reserved    shares of our common stock for issuance under our 2006 Long Term Incentive Plan, of which    shares of common stock are issuable upon exercise of options outstanding as of the date hereof, of which    are currently exercisable or will become exercisable within 60 days after March 1, 2007. The sale of shares issued upon the exercise of stock options could further dilute your investment in our common stock and adversely affect our stock price.

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements 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, potential, continue, anticipates, believes, plans, expects, future and intends and similar expressions which are used 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 Risk Factors and elsewhere in this prospectus. 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 prospectus. Forward-looking statements contained in this prospectus reflect our view only as of the date of this prospectus. Neither we nor the underwriter undertake any obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents**

**USE OF PROCEEDS**

We estimate that we will receive net proceeds from this offering of approximately \$       million based upon an assumed initial public offering price of \$       (the midpoint of the range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the net proceeds from the sale of shares by the selling stockholders.

We intend to use the net proceeds that we will receive to repay debt outstanding under our new senior secured credit facility or to repurchase all or a part of our 93/4% senior discount notes, and for working capital and other general corporate purposes.

Our outstanding principal balance under our new senior credit facility was \$1,117.2 million in term loans and there were no amounts outstanding under the revolving credit line as of the date hereof. The term loan matures on October 5, 2013 and the revolving credit line matures on October 5, 2012, except that, under certain circumstances, both would mature on August 1, 2012. Our effective interest rate on the term loan was 7.4% as of December 31, 2006. The net proceeds of the term loan were used to finance a portion of the purchase price for the Century acquisition, repay in full the loans outstanding under our former senior secured credit facility, repay certain existing indebtedness of Century and to pay for related fees and expenses. The revolving credit line is used for our general corporate purposes. As of the date hereof, we had outstanding approximately \$535.6 million aggregate principal amount at maturity of our 93/4% senior discount notes. Our 93/4% senior discount notes mature in 2014. For more information on our outstanding debt, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Recent Developments Amendments to the New Senior Secured Credit Facility.

Management will have significant flexibility in applying our net proceeds of this offering. Pending the application of the net proceeds, we expect to invest the proceeds in short-term, investment-grade marketable securities or money market obligations.

Lehman Brothers Inc. acted as initial purchaser in connection with the offerings of our 93/4% senior discount notes and our 9% senior subordinated notes. An affiliate of Lehman Brothers Inc. was the arranger and is a lender and the administrative agent under our new senior secured credit facility.

**DIVIDEND POLICY**

We have never declared or paid any dividends on our common stock. Following this offering and subject to legally available funds, we intend to pay a quarterly cash dividend at an annual rate initially equal to \$       per share (or a quarterly rate initially equal to \$       per share) of common stock, commencing in the       quarter of 2007, which will be a partial dividend paid on a pro rata basis depending on the closing date of this offering. Our ability to pay dividends is limited by our status as a holding company and the terms of our indentures, our new senior secured credit facility and certain of our other debt instruments, which restrict our ability to pay dividends to our stockholders and the ability of certain of our subsidiaries to pay dividends, directly or indirectly, to us. Under our debt instruments, we may pay a cash dividend up to a specified amount, provided we have satisfied certain financial covenants in, and are not in default under, our debt instruments. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for further discussion regarding the restrictions on our ability to pay dividends contained in 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 on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements,

limitations in our debt agreements and legal requirements. We cannot assure you that any dividends will be paid in the anticipated amounts and frequency set forth in this prospectus, if at all.

**Table of Contents****CAPITALIZATION**

The following table presents our cash and cash equivalents and capitalization as of December 31, 2006. Our cash and cash equivalents and capitalization is presented:

on an actual basis;

on an as adjusted to reflect our receipt of the estimated net proceeds from this offering at an assumed initial public offering price of \$      per share, and the application of those proceeds.

You should read this table in conjunction with the historical consolidated financial statements and related notes included elsewhere in this prospectus.

|                                                                 | <b>As of December 31, 2006</b> |                    |
|-----------------------------------------------------------------|--------------------------------|--------------------|
|                                                                 | <b>Actual</b>                  | <b>As Adjusted</b> |
|                                                                 | <b>(Unaudited)</b>             |                    |
|                                                                 | <b>(In thousands)</b>          |                    |
| Cash and cash equivalents                                       | \$ 147,099                     | \$                 |
| Long-term debt, including current maturities:                   |                                |                    |
| New Senior Secured Credit Facility                              | 1,117,200                      |                    |
| 93/4% Senior Discount Notes due 2014                            | 434,073                        |                    |
| 9% Senior Subordinated Notes due 2013(1)                        | 350,820                        |                    |
| Capital lease obligations                                       | 115,827                        |                    |
| Other indebtedness                                              | 9,560                          |                    |
| Total debt                                                      | 2,027,480                      |                    |
| Minority interest in subsidiaries                               | 16,613                         |                    |
| Stockholders' equity:                                           |                                |                    |
| Common stock, \$0.001 par value, authorized shares, actual, pro |                                |                    |
| form and pro forma as adjusted issued and outstanding           | 31                             |                    |
| Additional paid-in capital                                      | 685,495                        |                    |
| Accumulated other comprehensive loss                            | 11,463                         |                    |
| Retained earnings (deficit)                                     | (7,692)                        |                    |
| Total stockholders' equity                                      | 689,297                        |                    |
| Total capitalization                                            | \$ 2,733,390                   |                    |

- (1) Actual and as adjusted amounts shown include unamortized debt premiums of approximately \$18.6 million associated with the issuance of the 9% senior subordinated notes. On March 6, 2007, we commenced a cash tender offer for any and all of our 9% senior subordinated notes, of which approximately \$332.2 million aggregate principal amount remains outstanding. We expect to fund the repurchase with the net proceeds

received from the NCM transactions.

The number of shares of our common stock to be outstanding immediately after this offering does not include        shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of approximately \$     per share, an aggregate of        shares of common stock reserved for future issuance under our 2006 Long Term Incentive Plan.



**Table of Contents****DILUTION**

Purchasers of common stock offered by this prospectus will suffer an immediate and substantial dilution in net tangible book value per share. Our net tangible book value as of December 31, 2006 was approximately \$      million, or approximately \$      per share of common stock. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock outstanding.

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the net tangible book value per share of our common stock immediately after this offering. After giving effect to our sale of      shares of common stock in this offering at an assumed initial public offering price of \$      per share and after deduction of the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value as of      , 2007 would have been approximately \$      million, or \$      per share. This represents an immediate increase in net tangible book value of \$      per share of common stock to existing stockholders and an immediate dilution of \$      per share to purchasers of common stock in this offering.

|                                                                 |    |    |
|-----------------------------------------------------------------|----|----|
| Assumed initial public offering price per share of common stock |    | \$ |
| Net tangible book value per share as of December 31, 2006       | \$ |    |
| Increase per share attributable to new investors                | \$ |    |
| Net tangible book value per share after the offering            |    | \$ |
| Net tangible book value dilution per share to new investors     |    | \$ |

The following table sets forth, as of December 31, 2006, the total consideration paid and the average price per share paid by our existing stockholders and by new investors, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us at an assumed initial public offering price of \$      per share.

|                       | Shares Purchased |         | Total Consideration |         | Average Price Per Share |
|-----------------------|------------------|---------|---------------------|---------|-------------------------|
|                       | Number           | Percent | Amount              | Percent |                         |
| Existing stockholders |                  | %       | \$                  | %       | \$                      |
| New investors         |                  | %       | \$                  | %       |                         |
| Total                 |                  | %       | \$                  | %       |                         |

As of December 31, 2006, there were outstanding options to purchase a total of      shares of our common stock at a weighted average exercise price of approximately \$      per share, which excludes      shares reserved for issuance under our 2006 Long Term Incentive Plan. To the extent that options are exercised in the future, there will be further dilution to new investors.



**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION**

The following tables set forth our selected historical consolidated financial and operating information as of and for the periods indicated. The selected historical information for periods through April 1, 2004 are of Cinemark, Inc., the predecessor, and the selected historical information for all subsequent periods are of Cinemark Holdings, Inc., the successor. Our financial information for the period January 1, 2004 to April 1, 2004, the period April 2, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 is derived from our audited consolidated financial statements appearing elsewhere in this prospectus. Our financial information for each of the years ended December 31, 2002 and 2003 is derived from our audited consolidated financial statements which are not included in this prospectus.

Our unaudited pro forma statement of operations information and other financial information for the year ended December 31, 2006 gives effect to the Century acquisition as if it had been consummated on January 1, 2006.

The unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations would have been had the transaction noted above actually occurred on the date specified, nor does it purport to project our results of operations for any future period or as of any future date. The unaudited pro forma condensed consolidated financial information is not comparable to our historical financial information due to the inclusion of the effects of the Century acquisition.

You should read the selected historical consolidated financial and operating information set forth below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Consolidated Financial Information and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

|                                | <b>Cinemark, Inc.</b>                                |             | <b>Cinemark Holdings, Inc.<br/>Successor</b>                            |                                                           |                                    |              |                                                  |
|--------------------------------|------------------------------------------------------|-------------|-------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------|--------------|--------------------------------------------------|
|                                | <b>Predecessor</b>                                   |             | <b>Period<br/>from</b>                                                  |                                                           | <b>Year Ended<br/>December 31,</b> |              | <b>Pro Forma<br/>Year Ended<br/>December 31,</b> |
|                                | <b>Year Ended<br/>December 31,</b>                   |             | <b>Period<br/>from<br/>January 1, 2004<br/>to<br/>April 1,<br/>2004</b> | <b>April 2,<br/>2004<br/>to<br/>December 31,<br/>2004</b> | <b>2005</b>                        | <b>2006</b>  | <b>2006</b>                                      |
|                                | <b>2002</b>                                          | <b>2003</b> |                                                                         |                                                           |                                    |              |                                                  |
|                                | <b>(Dollars in thousands, except per share data)</b> |             |                                                                         |                                                           |                                    |              |                                                  |
| <b>Statement of Operations</b> |                                                      |             |                                                                         |                                                           |                                    |              |                                                  |
| Revenues:                      |                                                      |             |                                                                         |                                                           |                                    |              |                                                  |
| Admissions                     | \$ 595,287                                           | \$ 597,548  | \$ 149,134                                                              | \$ 497,865                                                | \$ 641,240                         | \$ 760,275   | \$ 1,029,888                                     |
| Licensing                      | 291,807                                              | 300,568     | 72,480                                                                  | 249,141                                                   | 320,072                            | 375,798      | 487,411                                          |
| Rent                           | 48,760                                               | 52,756      | 12,011                                                                  | 43,611                                                    | 59,285                             | 84,521       | 94,800                                           |
| Other                          |                                                      |             |                                                                         |                                                           |                                    |              |                                                  |
| Total Revenue                  | \$ 935,854                                           | \$ 950,872  | \$ 233,625                                                              | \$ 790,617                                                | \$ 1,020,597                       | \$ 1,220,594 | \$ 1,612,100                                     |
| Operating Income               | 130,443                                              | 135,563     | 556                                                                     | 73,620                                                    | 63,501                             | 127,369      | 175,570                                          |
|                                | 40,509                                               | 47,389      | (9,068)                                                                 | (7,842)                                                   | (25,408)                           | 841          | (3,540)                                          |

|                                     |            |            |             |            |             |              |        |  |
|-------------------------------------|------------|------------|-------------|------------|-------------|--------------|--------|--|
| me (loss) from<br>inuing operations |            |            |             |            |             |              |        |  |
| income (loss)                       | \$ 35,476  | \$ 44,649  | \$ (10,633) | \$ (3,687) | \$ (25,408) | \$ 841       | (3,54  |  |
| income (loss) per                   |            |            |             |            |             |              |        |  |
| re:                                 |            |            |             |            |             |              |        |  |
| c                                   | \$ 0.88    | \$ 1.10    | \$ (0.26)   | \$ (0.13)  | \$ (0.91)   | \$ 0.03      | (0.1   |  |
| ted                                 | \$ 0.87    | \$ 1.09    | \$ (0.26)   | \$ (0.13)  | \$ (0.91)   | \$ 0.03      | (0.1   |  |
| ghted average shares                |            |            |             |            |             |              |        |  |
| tanding:                            |            |            |             |            |             |              |        |  |
| c                                   | 40,513     | 40,516     | 40,614      | 27,675     | 27,784      | 28,713       | 31,28  |  |
| ted                                 | 40,625     | 40,795     | 40,614      | 27,675     | 27,784      | 29,278       | 31,28  |  |
| <b>er Financial Data:</b>           |            |            |             |            |             |              |        |  |
| n flow provided by                  |            |            |             |            |             |              |        |  |
| d for):                             |            |            |             |            |             |              |        |  |
| rating activities                   | \$ 150,119 | \$ 135,522 | \$ 10,100   | \$ 112,986 | \$ 165,270  | \$ 155,662   |        |  |
| sting activities                    | (34,750)   | (47,151)   | (16,210)    | (100,737)  | (81,617)    | (631,747)(2) |        |  |
| ncing activities                    | (96,140)   | (45,738)   | 346,983     | (361,426)  | (3,750)     | 439,977      |        |  |
| tal expenditures                    | (38,032)   | (51,002)   | (17,850)    | (63,158)   | (75,605)    | (107,081)    |        |  |
| <b>-GAAP Data(1)(3):</b>            |            |            |             |            |             |              |        |  |
| usted EBITDA                        | \$ 206,270 | \$ 210,122 | \$ 50,608   | \$ 178,632 | \$ 210,135  | \$ 271,615   | 360,36 |  |
| usted EBITDA                        |            |            |             |            |             |              |        |  |
| gin                                 | 22.0%      | 22.1%      | 21.7%       | 22.6%      | 20.6%       | 22.3%        | 22.    |  |

**Table of Contents**

|                                                                               | <b>Cinemark, Inc.<br/>Predecessor</b> |             | <b>Cinemark Holdings, Inc.<br/>Successor</b>          |             |             |
|-------------------------------------------------------------------------------|---------------------------------------|-------------|-------------------------------------------------------|-------------|-------------|
|                                                                               | <b>2002</b>                           | <b>2003</b> | <b>As of December 31,<br/>2004<br/>(In thousands)</b> |             |             |
|                                                                               |                                       |             | <b>2004</b>                                           | <b>2005</b> | <b>2006</b> |
| <b>Balance Sheet Data:</b>                                                    |                                       |             |                                                       |             |             |
| Cash and cash equivalents                                                     | \$ 63,719                             | \$ 107,322  | \$ 100,248                                            | \$ 182,199  | \$ 147,099  |
| Theatre properties and equipment, net                                         | 791,731                               | 775,880     | 794,723                                               | 803,269     | 1,324,572   |
| Total assets                                                                  | 916,814                               | 960,736     | 1,831,855                                             | 1,864,852   | 3,171,582   |
| Total long-term debt and capital lease obligations, including current portion | 692,587                               | 658,431     | 1,026,055                                             | 1,055,095   | 2,027,480   |
| Stockholders' equity                                                          | 27,664                                | 76,946      | 533,200                                               | 519,349     | 689,297     |

|                                  | <b>Cinemark, Inc.<br/>Predecessor</b> |                                                                             | <b>Cinemark Holdings, Inc.<br/>Successor</b>                                  |                                    |             | <b>Cinemark<br/>and<br/>Century</b>                 |
|----------------------------------|---------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------|-------------|-----------------------------------------------------|
|                                  | <b>Year Ended<br/>December 31,</b>    | <b>Period<br/>From<br/>January<br/>1, 2004<br/>to<br/>April 1,<br/>2004</b> | <b>Period<br/>From<br/>April 2,<br/>2004<br/>to<br/>December 31,<br/>2004</b> | <b>Year Ended<br/>December 31,</b> |             | <b>Combined<br/>Year<br/>Ended<br/>December 31,</b> |
|                                  | <b>2002</b>                           | <b>2003</b>                                                                 |                                                                               | <b>2005</b>                        | <b>2006</b> | <b>2006</b>                                         |
| <b>(Attendance in thousands)</b> |                                       |                                                                             |                                                                               |                                    |             |                                                     |

**Operating Data:**

|                                   |         |         |        |         |         |         |
|-----------------------------------|---------|---------|--------|---------|---------|---------|
| United States(4)(6)               |         |         |        |         |         |         |
| Theatres operated (at period end) | 188     | 189     | 191    | 191     | 200     | 281     |
| Screens operated (at period end)  | 2,215   | 2,244   | 2,262  | 2,303   | 2,417   | 3,523   |
| Total attendance(1)               | 111,959 | 112,581 | 25,790 | 87,856  | 105,573 | 155,981 |
| International(5)                  |         |         |        |         |         |         |
| Theatres operated (at period end) | 92      | 97      | 95     | 101     | 108     | 115     |
| Screens operated (at period end)  | 816     | 852     | 835    | 869     | 912     | 965     |
| Total attendance(1)               | 60,109  | 60,553  | 15,791 | 49,904  | 60,104  | 59,550  |
| Worldwide(4)(5)(6)                |         |         |        |         |         |         |
| Theatres operated (at period end) | 280     | 286     | 286    | 292     | 308     | 396     |
| Screens operated (at period end)  | 3,031   | 3,096   | 3,097  | 3,172   | 3,329   | 4,488   |
| Total attendance(1)               | 172,068 | 173,134 | 41,581 | 137,760 | 165,677 | 215,531 |

- (1) Statement of Operations Data (other than net income (loss)), non-GAAP Data and attendance data exclude the results of the two United Kingdom theatres and the eleven Interstate theatres for all periods presented as these theatres were sold during the period from April 2, 2004 to December 31, 2004. The results of operations for these theatres in the 2003 and 2004 periods are presented as discontinued operations. See note 7 to our annual consolidated financial statements.
- (2) Includes the cash portion of the Century acquisition purchase price of \$531.2 million.
- (3) We set forth our definitions of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of net income (loss) to Adjusted EBITDA at Non-GAAP Financial Measures and Reconciliation.
- (4) The data excludes certain theatres operated by us in the U.S. pursuant to management agreements that are not part of our consolidated operations.
- (5) The data excludes certain theatres operated internationally through our affiliates that are not part of our consolidated operations.
- (6) The data for 2003 excludes theatres, screens and attendance for eight theatres and 46 screens acquired on December 31, 2003, as the results of operations for these theatres are not included in our 2003 consolidated results of operations.

**Table of Contents**

**Non-GAAP Financial Measures and Reconciliation**

Adjusted EBITDA as presented in the table above is equal to net income (loss), the most directly comparable GAAP financial measure, plus income taxes, interest expense, other (income) expense, (income) loss from discontinued operations, net of taxes, depreciation and amortization, amortization of net favorable leases, amortization of tenant allowances, impairment of long-lived assets, (gain) loss on sale of assets and other, changes in deferred lease expense, stock option compensation and change of control expenses related to the MDP Merger and amortized compensation related to stock options. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by revenues.

We have presented Adjusted EBITDA and Adjusted EBITDA margin because we use these financial measures to monitor compliance with financial covenants in the indenture governing our 93/4% senior discount notes and in measuring our operating performance. The indenture governing the 93/4% senior discount notes requires Cinemark, Inc. to have a fixed charge coverage ratio (as determined under the indenture) of at least 2.0 to 1.0 in order to incur certain additional indebtedness, issue preferred stock or make certain restricted payments, including dividends to us. Fixed charge coverage ratio is defined as the ratio of consolidated cash flow of Cinemark, Inc. and its subsidiaries to their fixed charges for the four most recent full fiscal quarters, giving pro forma effect to certain events as specified in the indenture. Fixed charges is defined as consolidated interest expense of Cinemark, Inc. and its subsidiaries, subject to certain adjustments as provided in the indenture. Consolidated cash flow as defined in the indenture is substantially consistent with our presentation of Adjusted EBITDA in this prospectus. Because Cinemark, Inc.'s failure to meet the fixed charge coverage ratio described above could restrict its ability to incur debt or make dividend payments, management believes that the indenture governing the 93/4% senior discount notes and these covenants and the Adjusted EBITDA and Adjusted EBITDA margins are material to us. As of December 31, 2006, Cinemark, Inc.'s fixed charge coverage ratio under the indenture was in excess of the 2.0 to 1.0 requirement described above. In addition, we have included Adjusted EBITDA and Adjusted EBITDA margin because these measures provide our Board of Directors, management and investors with additional information to measure our performance, estimate our value and evaluate our ability to service debt. Management uses Adjusted EBITDA and Adjusted EBITDA margin as a performance measure for internal monitoring and planning, including preparation of annual budgets, analyzing investment decisions and evaluating profitability and performance comparisons between us and our competitors. In addition, we use these measures to calculate the amount of performance based compensation under employment contracts and incentive bonus programs.

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

Our unaudited pro forma reconciliation information for the year ended December 31, 2006 gives effect to the Century acquisition as if it had been consummated on January 1, 2006.

The unaudited pro forma reconciliation information does not purport to represent what our results of operations would have been had the transaction noted above actually occurred on the date specified, nor does it purport to project our results of operations for any future period or as of any future date. The unaudited pro forma reconciliation information is not comparable to our historical financial information due to the inclusion of the effects of the Century acquisition. See Unaudited Pro Forma Condensed Consolidated Financial Information and related notes thereto appearing elsewhere in this prospectus.

**Table of Contents**

The following table sets forth the reconciliation of our net income (loss) to Adjusted EBITDA:

|                                                                                                | <b>Cinemark, Inc.<br/>Predecessor</b> |             | <b>Period<br/>From</b>                              |                                          | <b>Cinemark Holdings, Inc.<br/>Successor</b> |             | <b>Pro<br/>Forma<br/>Year<br/>Ended</b> |
|------------------------------------------------------------------------------------------------|---------------------------------------|-------------|-----------------------------------------------------|------------------------------------------|----------------------------------------------|-------------|-----------------------------------------|
|                                                                                                | <b>Year Ended<br/>December 31,</b>    |             | <b>Period<br/>From</b>                              | <b>April 2,</b>                          | <b>Year Ended</b>                            |             | <b>December 31,</b>                     |
|                                                                                                | <b>2002</b>                           | <b>2003</b> | <b>January 1,<br/>2004 to<br/>April 1,<br/>2004</b> | <b>2004 to<br/>December 31,<br/>2004</b> | <b>2005</b>                                  | <b>2006</b> | <b>2006</b>                             |
|                                                                                                | <b>(In thousands)</b>                 |             |                                                     |                                          |                                              |             |                                         |
| Net Income (loss)                                                                              | \$ 35,476                             | \$ 44,649   | \$ (10,633)                                         | \$ (3,687)                               | \$ (25,408)                                  | \$ 841      | \$ (3,548)                              |
| Add (deduct):                                                                                  |                                       |             |                                                     |                                          |                                              |             |                                         |
| Income taxes                                                                                   | 29,092                                | 25,041      | (3,703)                                             | 18,293                                   | 9,408                                        | 12,685      | 6,520                                   |
| Interest expense(1)                                                                            | 57,793                                | 54,163      | 12,562                                              | 58,149                                   | 84,082                                       | 109,328     | 168,051                                 |
| Other (income)<br>expense                                                                      | 3,150                                 | 8,970       | 765                                                 | 5,020                                    | (4,581)                                      | 4,515       | 4,556                                   |
| Cumulative effect<br>of a change in<br>accounting<br>principle, net of<br>taxes                | 3,390                                 |             |                                                     |                                          |                                              |             |                                         |
| (Income) loss from<br>discontinued<br>operations, net of<br>taxes                              | 1,542                                 | 2,740       | 1,565                                               | (4,155)                                  |                                              |             |                                         |
| Depreciation and<br>amortization                                                               | 66,583                                | 65,085      | 16,865                                              | 58,266                                   | 81,952                                       | 95,821      | 137,745                                 |
| Amortization of net<br>favorable leases                                                        |                                       |             |                                                     | 3,087                                    | 4,174                                        | 3,649       | 3,671                                   |
| Amortization of<br>tenant allowances                                                           |                                       |             |                                                     |                                          |                                              |             | (1,303)                                 |
| Impairment of<br>long-lived assets                                                             | 3,869                                 | 5,049       | 1,000                                               | 36,721                                   | 51,677                                       | 28,537      | 28,943                                  |
| (Gain) loss on sale<br>of assets and other                                                     | 470                                   | (1,202)     | (513)                                               | 3,602                                    | 4,436                                        | 7,645       | 7,706                                   |
| Deferred lease<br>expenses                                                                     | 3,802                                 | 4,547       | 560                                                 | 3,336                                    | 4,395                                        | 5,730       | 5,159                                   |
| Stock option<br>compensation and<br>change of control<br>expenses related to<br>the MDP Merger |                                       |             | 31,995                                              |                                          |                                              |             |                                         |



|                                            |            |            |           |            |            |            |            |
|--------------------------------------------|------------|------------|-----------|------------|------------|------------|------------|
| Amortized<br>compensation<br>stock options | 1,103      | 1,080      | 145       |            |            | 2,864      | 2,864      |
| Adjusted EBITDA                            | \$ 206,270 | \$ 210,122 | \$ 50,608 | \$ 178,632 | \$ 210,135 | \$ 271,615 | \$ 360,364 |
| Adjusted EBITDA<br>margin                  | 22.0%      | 22.1%      | 21.7%     | 22.6%      | 20.6%      | 22.3%      | 22.4%      |

(1) Includes amortization of debt issue costs.

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

We prepared the following unaudited pro forma condensed consolidated financial information by applying pro forma adjustments to our historical consolidated financial statements. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2006 gives effect to the Century acquisition as if it had occurred on January 1, 2006.

We based the unaudited pro forma adjustments upon available information and certain assumptions that we believe are reasonable under the circumstances. Assumptions underlying the unaudited pro forma adjustments are described in the accompanying notes. The unaudited pro forma information presented with respect to the Century acquisition, including allocations of purchase price, is based on preliminary estimates of the fair values of assets acquired and liabilities assumed, available information and assumptions and will be revised as requested information becomes available. The actual adjustments to our consolidated financial statements will differ from the unaudited pro forma adjustments, and the differences may be material.

We are providing the unaudited pro forma condensed consolidated financial information for informational purposes only. The unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations or financial condition would have been had the transactions described below actually occurred on the dates assumed, nor do they purport to project our results of operations or financial condition for any future period or as of any future date. You should read the unaudited pro forma condensed consolidated financial information in conjunction with our audited annual consolidated financial statements and related notes for the year ended December 31, 2006, and Century's audited annual consolidated financial statements and related notes for its fiscal year ended September 28, 2006 included in this prospectus.

**The Century Acquisition**

On October 5, 2006, we completed the acquisition of Century, a national theatre chain with 77 theatres and 1,017 screens in 12 states. The purchase price was approximately \$681 million and the assumption of approximately \$360 million of debt. We incurred approximately \$7 million of transaction fees and expenses that were capitalized as part of the acquisition. Cinemark USA, Inc., a wholly-owned subsidiary of Cinemark Holdings, Inc., acquired approximately 77% of the issued and outstanding capital stock of Century and Syufy Enterprises, LP, or Syufy, contributed the remaining shares of capital stock of Century to us in exchange for \_\_\_\_\_ shares of our common stock.

In connection with the closing of the Century acquisition, Cinemark USA, Inc. entered into a new senior secured credit facility, and used the proceeds of the \$1,120 million new term loan to fund a portion of the purchase price, to pay off approximately \$360 million under Century's then existing credit facility and to repay in full all outstanding amounts under Cinemark USA, Inc.'s former senior secured credit facility of approximately \$254 million. Cinemark USA, Inc. used approximately \$53 million of its existing cash to fund the payment of the remaining portion of the purchase price and related transaction expenses. Additionally, Cinemark USA, Inc. advanced approximately \$17 million of cash to Century to satisfy working capital obligations.

The Century acquisition is accounted for using purchase accounting. Under the purchase method of accounting, the total consideration paid is allocated to Century's tangible and intangible assets and liabilities based on their estimated fair values as of the date of the Century acquisition. As of the date hereof, we have not completed the valuation studies necessary to estimate the fair values of the assets acquired and liabilities assumed and the related allocation of purchase price. In presenting the unaudited pro forma financial information, we have allocated the purchase price to the assets acquired and liabilities assumed based on preliminary estimates of their fair values. A final determination of

these fair values will reflect our consideration of valuations, assisted by third-party appraisers. These final valuations will be based on the actual net tangible and intangible assets that exist as of the closing date of the Century acquisition. Any final adjustments will change the allocations of the purchase price, which could affect the initial fair values assigned to the assets and liabilities and could result in changes to the unaudited pro forma condensed consolidated financial information, including a change to goodwill.

**Table of Contents**

We have integrated the Century operations into our existing business. We have consolidated Century's corporate office processes into our existing processes, resulting in a net elimination of personnel and general and administrative cost. Additionally, we have transitioned the Century theatres into our existing concession supply and screen advertising contracts. For purposes of the unaudited pro forma financial information, we have not made any pro forma adjustment to reflect synergies resulting from our integration efforts.

Century used a 52/53 week fiscal year ending with the last Thursday in September. For purposes of the unaudited pro forma financial information, Century's historical financial information has been conformed to reflect the historical financial information on a calendar year basis, consistent with our fiscal year reporting.

**Table of Contents****Cinemark Holdings, Inc.****Unaudited Pro Forma Condensed Consolidated Statement of Operations  
For the Year Ended December 31, 2006**

|                                      | Cinemark<br>Historical(1) | Century<br>Historical(2) | Century<br>Stub<br>Period(3) | Adjustments<br>to Reflect<br>Century<br>Acquisition | Pro Forma    |
|--------------------------------------|---------------------------|--------------------------|------------------------------|-----------------------------------------------------|--------------|
|                                      | (In thousands)            |                          |                              |                                                     |              |
| REVENUES                             |                           |                          |                              |                                                     |              |
| Admissions                           | \$ 760,275                | \$ 264,902               | \$ 4,704                     | \$                                                  | \$ 1,029,881 |
| Concession                           | 375,798                   | 109,641                  | 1,977                        |                                                     | 487,416      |
| Other                                | 84,521                    | 10,161                   | 125                          |                                                     | 94,807       |
| Total revenues                       | 1,220,594                 | 384,704                  | 6,806                        |                                                     | 1,612,104    |
| COST OF OPERATIONS                   |                           |                          |                              |                                                     |              |
| Film rentals and advertising         | 405,987                   | 137,711                  | 2,446                        |                                                     | 546,144      |
| Concession supplies                  | 59,020                    | 16,043                   | 296                          |                                                     | 75,359       |
| Salaries and wages                   | 118,616                   | 41,216                   | 857                          |                                                     | 160,689      |
| Facility lease expense               | 161,374                   | 44,733                   | 843                          |                                                     | 206,950      |
| Utilities and other                  | 144,808                   | 39,226                   | 665                          |                                                     | 184,699      |
| General and administrative expenses  | 67,768                    | 32,271                   | 252                          | (15,672)(6)                                         | 84,619       |
| Depreciation and amortization        | 95,821                    | 36,200                   | 795                          | 4,929(4)                                            | 137,745      |
| Amortization of net favorable leases | 3,649                     |                          |                              | 22(5)                                               | 3,671        |
| Impairment of long-lived assets      | 28,537                    | 406                      |                              |                                                     | 28,943       |
| Loss on sale of assets and other     | 7,645                     | 61                       |                              |                                                     | 7,706        |
| Total cost of operations             | 1,093,225                 | 347,867                  | 6,154                        | (10,721)                                            | 1,436,525    |
| OPERATING INCOME                     | 127,369                   | 36,837                   | 652                          | 10,721                                              | 175,579      |
| OTHER INCOME (EXPENSE)               |                           |                          |                              |                                                     |              |
| Interest expense                     | (105,986)                 | (26,033)                 | (617)                        | (29,392)(7)                                         | (162,028)    |
| Amortization of debt issue costs     | (3,342)                   | (454)                    | (14)                         | (2,213)(7)                                          | (6,023)      |
| Interest income                      | 7,040                     | 567                      |                              |                                                     | 7,607        |
| Other income (expense)               | (11,555)                  | (609)                    | 1                            |                                                     | (12,163)     |
| Total other expenses                 | (113,843)                 | (26,529)                 | (630)                        | (31,605)                                            | (172,607)    |
| INCOME BEFORE INCOME TAXES           |                           |                          |                              |                                                     |              |
| TAXES                                | 13,526                    | 10,308                   | 22                           | (20,884)                                            | 2,972        |
| Income taxes                         | 12,685                    | 4,376                    |                              | (10,541)(8)                                         | 6,520        |

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|                                        |    |        |    |       |    |    |    |          |    |         |
|----------------------------------------|----|--------|----|-------|----|----|----|----------|----|---------|
| NET INCOME (LOSS)                      | \$ | 841    | \$ | 5,932 | \$ | 22 | \$ | (10,343) | \$ | (3,548) |
| WEIGHTED AVERAGE<br>SHARES OUTSTANDING |    |        |    |       |    |    |    |          |    |         |
| Basic                                  |    | 28,713 |    |       |    |    |    |          |    | 31,284  |
| Diluted                                |    | 29,278 |    |       |    |    |    |          |    | 31,284  |
| EARNINGS PER SHARE                     |    |        |    |       |    |    |    |          |    |         |
| Basic earnings (loss) per share        | \$ | 0.03   |    |       |    |    |    |          | \$ | (0.11)  |
| Diluted earnings (loss) per share      | \$ | 0.03   |    |       |    |    |    |          | \$ | (0.11)  |

See notes to unaudited proforma condensed consolidated financial information.

**Table of Contents**

**Cinemark Holdings, Inc.**

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**  
**(Dollars in thousands)**

- (1) Cinemark historical results include the results of operations of Century Theatres from October 5, 2006 to December 31, 2006.
- (2) Century historical results include the results of operations of Century Theatres from December 29, 2005 to September 28, 2006.
- (3) Century stub period results include the results of operations of Century Theatres from September 29, 2006 to October 4, 2006 (the period prior to the Century Acquisition).
- (4) Reflects the depreciation related to the increase in theatre property and equipment to fair value pursuant to purchase accounting for the Century acquisition.
- (5) Reflects the amortization associated with intangible assets recorded pursuant to the purchase method of accounting for the Century acquisition as follows:

|                        | <b>Amount</b> | <b>Amortization Period</b>                                               |
|------------------------|---------------|--------------------------------------------------------------------------|
| Goodwill               | \$ 602,695    | Indefinite life                                                          |
| Tradenames             | 136,000       | Indefinite life                                                          |
| Net unfavorable leases | (5,600)       | Remaining term of the lease commitments ranging from one to thirty years |

Both goodwill and tradenames are indefinite-lived intangible assets. As a result, goodwill and tradenames will not be amortized but will be evaluated for impairment at least annually. Pro forma amortization expense for the net unfavorable leases is estimated at \$22.

The unaudited pro forma condensed consolidated financial information reflect our preliminary allocation of the purchase price to tangible assets, liabilities, goodwill and other intangible assets. The final purchase price allocation may result in a different allocation for tangible and intangible assets than that presented in these unaudited pro forma condensed consolidated financial information. An increase or decrease in the amount of purchase price allocated to amortizable assets would impact the amount of annual amortization expense. Identifiable intangible assets have been amortized on a straight-line basis in the unaudited pro forma condensed consolidated statements of operation.

- (6) To give effect to the elimination of change of control payments to Century's management.
- (7) Reflects interest expense and amortization of debt issuance costs resulting from the changes to our debt structure:

|                                                                          |             |
|--------------------------------------------------------------------------|-------------|
| Interest expense recorded on the Cinemark USA, Inc.'s existing term loan | \$ (13,879) |
| Interest expense recorded on Century's existing credit facility          | (18,217)    |
| Interest expense on the new \$1,120,000 term loan(a)                     | 61,488      |

|                  |           |
|------------------|-----------|
| Interest expense | \$ 29,392 |
|------------------|-----------|

- (a) Reflects estimated interest rate of 7.32% (the initial LIBOR borrowing rate) on the new senior credit facility for the period January 1, 2006 to October 4, 2006, the period in 2006 during which the new senior secured credit facility was not in effect.

|                                                                             |          |
|-----------------------------------------------------------------------------|----------|
| Amortization of debt issue costs on Cinemark USA, Inc.'s existing term loan | \$ (179) |
| Amortization of debt issue costs on Century's existing credit facility      | (454)    |
| Amortization of debt issue costs on the new \$1,120,000 term loan(a)        | 2,846    |

|                                  |          |
|----------------------------------|----------|
| Amortization of debt issue costs | \$ 2,213 |
|----------------------------------|----------|

- (a) Reflects debt issue costs on the new senior secured credit facility for the period January 1, 2006 to October 4, 2006, the period in 2006 during which the new senior secured credit facility was not in effect.

- (8) To reflect the tax effect of the pro forma adjustments at our statutory income tax rate of 39%.



**Table of Contents**

**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 prospectus.*

**Overview**

On April 2, 2004, an affiliate of MDP acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc. with Cinemark, Inc. continuing as the surviving corporation. Management, including Lee Roy Mitchell, Chairman and then Chief Executive Officer, retained approximately 17% ownership interest in Cinemark, Inc. In December 2004, MDP sold approximately 10% of its stock in Cinemark, Inc., to outside investors and in July 2005, Cinemark, Inc. issued additional shares to another outside investor.

Cinemark Holdings, Inc. was formed on August 2, 2006. 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. The Cinemark Share Exchange and the Century Theatres, Inc. acquisition were completed on October 5, 2006. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc.

As of December 31, 2006, MDP owned approximately 66% of our capital stock, Lee Roy Mitchell and the Mitchell Special Trust collectively owned approximately 14%, Syufy Enterprises, LP owned approximately 11%, outside investors owned approximately 8%, and certain members of management owned the remaining 1%.

For purposes of the financial presentation in this prospectus, the historical financial information reflects the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc.'s consolidated financial information reflects the historical accounting basis of its stockholders for all periods presented. Accordingly, financial information for periods preceding the MDP Merger is presented as Predecessor and for the periods subsequent to the MDP Merger is presented as Successor. The Century acquisition is reflected in the historical financial information of Cinemark Holdings, Inc. from October 5, 2006. Because of the significance of the Century acquisition, we have included in this prospectus historical financial statements for Century as well as pro forma financial information giving effect to the Century acquisition as more fully described in Unaudited Pro Forma Condensed Consolidated Financial Information.

We have prepared our discussion and analysis of the results of operations for the year ended December 31, 2005 (successor) by comparing those results with the results of operations of the Predecessor for the period January 1, 2004 to April 1, 2004 combined with the results of operations of the Successor for the period April 2, 2004 to December 31, 2004. Although this combined presentation does not comply with GAAP we believe this presentation provides a meaningful method of comparison of the 2004 and 2005 results.

For financial reporting purposes at December 31, 2006, we have two reportable operating segments, our U.S. operations and our international operations.

**Revenues and Expenses**

We generate revenues primarily from box office receipts and concession sales with additional revenues from screen advertising sales and other revenue streams, such as vendor marketing programs, pay phones, ATM machines and electronic video games located in some of our theatres. Our investment in NCM has assisted us in expanding our offerings to advertisers, exploring ancillary revenue sources such as digital video monitor advertising, third party branding, and the use of theatres for non-film events. In addition, we are able to use theatres during non-peak hours for concerts, sporting events, and other cultural events. Successful films released during the year ended December 31, 2006 included *Ice Age 2: The Meltdown*, *Pirates of the Caribbean: Dead Man's Chest*, *The Da Vinci Code*, *X Men 3*, *Cars*, *Talladega Nights* and *Superman Returns*. Our revenues are affected by changes in attendance and average admissions and concession revenues per

## **Table of Contents**

patron. Attendance is primarily affected by the quality and quantity of films released by motion picture studios. Films scheduled for release during 2007 include *Spider-Man 3*, *Shrek the Third*, *Pirates of the Caribbean: At World's End*, and *Harry Potter and the Order of the Phoenix*.

Film rental costs are variable in nature and fluctuate with our admissions revenues. Film rental costs as a percentage of revenues are generally higher for periods in which more blockbuster films are released. Film rental costs can also vary based on the length of a film's run. Generally, a film that runs for a longer period results in lower film rental costs as a percentage of revenues. Film rental rates are negotiated on a film-by-film and theatre-by-theatre basis.

Advertising costs, which are expensed as incurred, are primarily fixed at the theatre level as daily movie directories placed in newspapers represent the largest component of advertising costs. The monthly cost of these advertisements is based on, among other things, the size of the directory and the frequency and size of the newspaper's circulation.

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

Although salaries and wages include a fixed cost component (i.e. the minimum staffing costs to operate a theatre facility during non-peak periods), salaries and wages move in relation to revenues as theatre staffing is adjusted to handle changes in attendance.

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

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

## **Critical Accounting Policies**

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

### ***Revenue and Expense Recognition***

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

Film rental costs are accrued based on the applicable box office receipts and either the mutually agreed upon firm terms established prior to the opening of the picture or estimates of the final mutually agreed upon settlement, which occurs at the conclusion of the picture run, subject to the film licensing arrangement. Estimates are based on the expected success of a film over the length of its run in theatres. The success of a film can typically be determined a few weeks after a film is released when initial box office performance of the film is known. Accordingly, final settlements typically approximate estimates since box office receipts are

## **Table of Contents**

known at the time the estimate is made and the expected success of a film over the length of its run in theatres can typically be estimated early in the film's run. The final film settlement amount is negotiated at the conclusion of the film's run based upon how a film actually performs. If actual settlements are higher than those estimated, additional film rental costs are recorded at that time. We recognize advertising costs and any sharing arrangements with film distributors in the same accounting period. Our advertising costs are expensed as incurred.

Facility lease expense is primarily a fixed cost at the theatre level as most of our facility leases require a fixed monthly minimum rent payment. Certain of our leases are subject to monthly percentage rent only, which is accrued each month based on actual revenues. Certain of our other theatres require payment of percentage rent in addition to fixed monthly rent if a target annual revenue level is achieved. Percentage rent expense is recorded for these theatres on a monthly basis if the theatre's historical performance or forecasted performance indicates that the annual target will be reached. The estimate of percentage rent expense recorded during the year is based on a trailing twelve months of revenues. Once annual revenues are known, which is generally at the end of the year, the percentage rent expense is adjusted based on actual revenues.

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

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

We review long-lived assets for impairment on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. We assess many factors including the following to determine whether to impair individual theatre assets:

- actual theatre level cash flows;

- future years budgeted theatre level cash flows;

- theatre property and equipment carrying values;

- goodwill carrying values;

- amortizing intangible asset carrying values;

- the age of a recently built theatre;

- competitive theatres in the marketplace;

- changes in foreign currency exchange rates;

- the impact of recent ticket price changes;

- available lease renewal options; and

- other factors considered relevant in our assessment of impairment of individual theatre assets.

Long-lived assets are evaluated for impairment on an individual theatre basis, which we believe is the lowest applicable level for which there are identifiable cash flows. The evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the possibility of renewal periods, for leased properties and a period of twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset's carrying value, we then compare the carrying value of the asset group (theatre) with its estimated fair value. Fair values are determined based on a multiple of undiscounted cash flows, which was seven times as of December 31, 2005 and eight times for the evaluation performed as of December 31, 2006. 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.

## **Table of Contents**

Significant judgment is involved in estimating cash flows and fair value. Management's estimates are based on historical and projected operating performance as well as recent market transactions.

### *Impairment of Goodwill and Intangible Assets*

We evaluate goodwill and tradename for impairment annually at fiscal year-end and any time events or circumstances indicate the carrying amount of the goodwill and intangible assets may not be fully recoverable. We evaluate goodwill for impairment at the reporting unit level (generally a theatre) and have allocated goodwill to the reporting unit based on an estimate of its relative fair value. The evaluation is a two-step approach requiring us to compute the fair value of a theatre and compare it with its carrying value. If the carrying value exceeds fair value, a second step is performed to measure the potential goodwill impairment. Fair value is determined based on a multiple of cash flows, which was seven times as of December 31, 2005 and eight times for the evaluation performed as of December 31, 2006. 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.

### *Acquisitions*

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

### *Income Taxes*

We use an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes are provided when tax laws and financial accounting standards differ with respect to the amount of income for a year and the basis of assets and liabilities. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not those assets will be realized. Income taxes are provided on unremitted earnings from foreign subsidiaries unless such earnings are expected to be indefinitely reinvested. Income taxes have also been provided for potential tax assessments. The related tax accruals are recorded in accordance with SFAS No. 5,

*Accounting for Contingencies*. To the extent contingencies are probable and estimable, an accrual is recorded within current liabilities in the consolidated balance sheet. To the extent tax accruals differ from actual payments or assessments, the accruals will be adjusted.

## **Recent Developments**

### *National CineMedia*

In March 2005, Regal and AMC formed NCM, and on July 15, 2005, we joined NCM, as one of the founding members. NCM operates the largest digital in-theatre network in the U.S. for cinema advertising and non-film events and combines the cinema advertising and non-film events businesses of the three largest motion picture exhibition companies in the U.S. On February 13, 2007, NCM, Inc., a newly formed entity that now serves as a member and the sole manager of NCM, completed an initial public offering of its common stock. In connection with the NCM, Inc. public offering, NCM, Inc. became a member and the sole manager of NCM, and we amended the operating agreement of NCM and the Exhibitor Services Agreement pursuant to which NCM provides advertising, promotion and event services to our theatres.

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 owned a 14% interest in NCM. Prior to pricing the initial public offering of NCM, Inc., NCM completed a recapitalization whereby (1) each issued and outstanding Class A unit of NCM was split into 44,291 Class A units, and (2) following such split of Class A Units, each issued and outstanding Class A Unit was recapitalized into one common unit and one



## **Table of Contents**

preferred unit. As a result, we received 14,159,437 common units and 14,159,437 preferred units. All existing preferred units of NCM, or 55,850,951 preferred units, held by us, Regal and AMC were redeemed by NCM on a pro rata basis on February 13, 2007. NCM utilized the proceeds of its new \$725.0 million term loan facility and a portion of the proceeds it received from NCM, Inc.'s initial public offering to redeem all of its outstanding preferred units. Each preferred unit was redeemed for \$13.7782 and we received approximately \$195.1 million as payment in full for redemption of all of our preferred units in NCM. Upon payment of such amount, each preferred unit was cancelled and the holders of the preferred units ceased to have any rights with respect to the preferred units.

NCM has also paid us a portion of the proceeds it received from NCM, Inc. in the initial public offering for agreeing to modify NCM's payment obligation under the prior exhibitor services agreement. The modification agreed to by us reflects a shift from circuit share expense under the prior exhibitor service agreement, which obligated NCM to pay us a percentage of revenue, to the monthly theatre access fee described below. The theatre access fee will significantly reduce the contractual amounts paid to us by NCM. In exchange for our agreement to so modify the agreement, NCM paid us approximately \$174 million upon execution of the Exhibitor Services Agreement on February 13, 2007. Regal and AMC similarly altered their exhibitor services arrangements with NCM.

At the closing of the initial public offering, the underwriters exercised their over-allotment option to purchase additional shares of common stock of NCM, Inc. at the initial public offering price, less underwriting discounts and commissions. In connection with the over-allotment option exercise, Regal, AMC and us each sold to NCM, Inc. common units of NCM on a pro rata basis at the initial public offering price, less underwriting discounts and expenses. We sold 1,014,088 common units to NCM, Inc. for proceeds of \$19.9 million, and upon completion of this sale of common units, we owned 13,145,349 common units of NCM, or a 14% interest. In the future, we expect to receive mandatory quarterly distributions of excess cash from NCM.

In consideration for NCM's exclusive access to our theatre attendees for on-screen advertising and use of off-screen locations within our theatres for the lobby entertainment network and lobby promotions, we will receive a monthly theatre access fee under the Exhibitor Services Agreement. The theatre access fee is composed of a fixed payment per patron, initially \$0.07, and a fixed payment per digital screen, which may be adjusted for certain enumerated reasons. The payment per theatre patron will increase by 8% every five years, with the first such increase taking effect after 2011, and the payment per digital screen, initially \$800 per digital screen per year, will increase annually by 5%, beginning after 2007. The theatre access fee paid in the aggregate to Regal, AMC and us will not be less than 12% of NCM's Aggregate Advertising Revenue (as defined in the Exhibitor Services Agreement), or it will be adjusted upward to reach this minimum payment. Additionally, with respect to any on-screen advertising time provided to our beverage concessionaire, we are required to purchase such time from NCM at a negotiated rate. The Exhibitor Services Agreement has, except with respect to certain limited services, a term of 30 years.

We intend to use the proceeds from the Exhibitor Services Agreement modification payment, the preferred unit redemption and the sale of common units to NCM, Inc. in connection with the exercise of the over-allotment option and cash on hand to purchase our 9% senior subordinated notes due 2013 issued by Cinemark USA, Inc. pursuant to an offer to purchase and consent solicitation described below.

### ***Digital Cinema Implementation Partners, LLC***

On February 12, 2007, we, along with AMC and Regal, entered into a joint venture known as Digital Cinema Implementation Partners LLC, or DCIP, to explore the possibility of implementing digital cinema in our theatres and to establish agreements with major motion picture studios for the implementation and financing of digital cinema. In addition, DCIP has entered into a digital cinema services agreement with NCM for purposes of assisting DCIP in the development of digital cinema systems. Future digital cinema developments will be managed by DCIP, subject to approval by us, along with our partners AMC and Regal.



**Table of Contents**

***Repurchase of 9% Senior Subordinated Notes***

On March 6, 2007, we commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of our 9% senior subordinated notes. As of the date of this prospectus, the outstanding principal amount of the 9% senior subordinated notes is approximately \$332.2 million. In connection with the tender offer, we are soliciting consents for certain proposed amendments to the indenture pursuant to which the 9% senior subordinated notes were issued. We expect to fund the repurchase with the net proceeds received from NCM in connection with the consummation of the NCM transactions.

***Amendments to the New Senior Secured Credit Facility***

On March 14, 2007, Cinemark USA, Inc. amended its new senior secured credit facility to, among other things, modify the interest rate on the term loans under the new senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 0.75% per annum, or (B) a Eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case, the margin is a function of the corporate credit rating applicable to the borrower. The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the new senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM transactions or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans. The amendment was a condition precedent to the consummation of the tender offer for the 9% senior subordinated notes.

***Results of Operations***

On October 5, 2006, we completed the Century acquisition for a purchase price of approximately \$681 million and the assumption of approximately \$360 million of debt of Century. Of the total purchase price, \$150 million consisted of the issuance of shares of our common stock. We also incurred approximately \$7.4 million in transaction costs. Results of operations for the year ended December 31, 2006 reflect the inclusion of operations for the 77 Century theatres acquired beginning on the date of acquisition, October 5, 2006. See note 4 to our annual consolidated financial statements.

**Table of Contents**

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

|                                                                        | <b>Year Ended December 31,</b> |                |                |
|------------------------------------------------------------------------|--------------------------------|----------------|----------------|
|                                                                        | <b>2004</b>                    | <b>2005</b>    | <b>2006</b>    |
| <b>Operating data (in millions)<sup>(1)</sup>:</b>                     |                                |                |                |
| Revenues                                                               |                                |                |                |
| Admissions                                                             | \$ 647.0                       | \$ 641.2       | \$ 760.3       |
| Concession                                                             | 321.6                          | 320.1          | 375.8          |
| Other                                                                  | 55.6                           | 59.3           | 84.5           |
| <br>Total revenues                                                     | <br>\$ 1,024.2                 | <br>\$ 1,020.6 | <br>\$ 1,220.6 |
| <br>Theatre operating costs <sup>(2)(3)</sup>                          |                                |                |                |
| Film rentals and advertising                                           | \$ 348.8                       | \$ 347.7       | \$ 406.0       |
| Concession supplies                                                    | 53.8                           | 52.5           | 59.0           |
| Salaries and wages                                                     | 103.1                          | 101.5          | 118.6          |
| Facility lease expense                                                 | 128.7                          | 138.5          | 161.4          |
| Utilities and other                                                    | 113.0                          | 123.8          | 144.8          |
| <br>Total theatre operating costs                                      | <br>\$ 747.4                   | <br>\$ 764.0   | <br>\$ 889.8   |
| <b>Operating data as a percentage of total revenues<sup>(1)</sup>:</b> |                                |                |                |
| Revenues                                                               |                                |                |                |
| Admissions                                                             | 63.2%                          | 62.8%          | 62.3%          |
| Concession                                                             | 31.4                           | 31.4           | 30.8%          |
| Other                                                                  | 5.4                            | 5.8            | 6.9%           |
| <br>Total revenues                                                     | <br>100.0%                     | <br>100.0%     | <br>100.0%     |
| <br>Theatre operating costs <sup>(2)(3)</sup>                          |                                |                |                |
| Film rentals and advertising                                           | 53.9%                          | 54.2%          | 53.4%          |
| Concession supplies                                                    | 16.7                           | 16.4           | 15.7           |
| Salaries and wages                                                     | 10.1                           | 9.9            | 9.7            |
| Facility lease expense                                                 | 12.6                           | 13.6           | 13.2           |
| Utilities and other                                                    | 11.0                           | 12.1           | 11.9           |
| Total theatre operating costs                                          | 73.0%                          | 74.9%          | 72.9%          |
| <br>Average screen count (month end average) <sup>(1)</sup>            | <br>3,135                      | <br>3,239      | <br>3,628      |

|                                            |            |            |            |
|--------------------------------------------|------------|------------|------------|
| Revenues per average screen <sup>(1)</sup> | \$ 326,664 | \$ 315,104 | \$ 336,437 |
|--------------------------------------------|------------|------------|------------|

- (1) Results exclude our two United Kingdom theatres and our eleven Interstate theatres sold during 2004. The results of operations for these theatres are presented as discontinued operations for 2004.
- (2) 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.
- (3) Excludes depreciation and amortization expense.

**Table of Contents*****Comparison of Years Ended December 31, 2006 and December 31, 2005***

**Revenues.** Total revenues increased \$200.0 million to \$1,220.6 million for 2006 from \$1,020.6 million for 2005, representing a 19.6% increase. The table below, presented by reportable operating segment, summarizes our year-over-year revenue performance and certain key performance indicators that impact our revenues.

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

- (1) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See note 20 to our consolidated financial statements.

**Consolidated.** The increase in admissions revenues of \$119.1 million was attributable to a 7.6% increase in attendance from 165.7 million patrons for 2005 to 178.3 million patrons for 2006, which contributed \$57.2 million, and a 10.2% increase in average ticket price from \$3.87 for 2005 to \$4.26 for 2006, which contributed \$61.9 million. This increase included additional admissions revenues for the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of \$55.7 million was attributable to the 7.6% increase in attendance, which contributed \$30.3 million, and a 9.1% increase in concession revenues per patron from \$1.93 for 2005 to \$2.11 for the 2006, which contributed \$25.4 million. This increase included additional concession revenues for the 77 Century theatres acquired during the fourth quarter. The increase in attendance was attributable to the additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2006 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at the 77 Century

theatres acquired, price increases and favorable exchange rates in certain countries in which we operate. The 42.5% increase in other revenues was primarily attributable to incremental screen advertising revenues resulting from our participation in the NCM joint venture.

U.S. The increase in admissions revenues of \$105.9 million was attributable to a 12.4% increase in attendance from 105.6 million patrons for 2005 to 118.7 million patrons for 2006, which contributed \$58.7 million, and an 8.9% increase in average ticket price from \$4.47 for 2005 to \$4.87 for 2006, which contributed \$47.2 million. This increase included additional admissions revenues for the 77 Century theatres acquired during the fourth quarter of 2006. The increase in concession revenues of \$48.7 million was attributable to the 12.4% increase in attendance, which contributed \$31.0 million, and a 6.3% increase in concession revenues per patron from \$2.36 for 2005 to \$2.51 for 2006, which contributed \$17.7 million. This increase included additional concession revenues for the 77 Century theatres acquired during the fourth quarter. The increase in attendance was attributable to the additional attendance from the 77 Century theatres acquired, the solid slate of films released during 2006 and new theatre openings. The increases in average ticket price and concession revenues per patron were due to the higher ticket price structure at the 77 Century theatres acquired and price increases. The 66.9% increase in other revenues was primarily attributable to incremental screen advertising revenues resulting from our participation in the joint venture with NCM.

**Table of Contents**

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

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

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

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

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



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

U.S. Film rentals and advertising costs were \$315.4 million, or 54.6% of admissions revenues, for 2006 compared to \$263.7 million, or 55.9% of admissions revenues, for 2005. The increase in film rentals and advertising costs for 2006 of \$51.7 million is due to increased admissions revenues, which

## **Table of Contents**

contributed \$59.2 million, and a decrease in our film rentals and advertising rate, which contributed \$(7.5) million. The decrease in film rentals and advertising costs as a percentage of admissions revenues was due to a more favorable mix of films resulting in lower average film rental rates in 2006 compared with 2005 which had certain blockbuster films with higher than average film rental rates. Concession supplies expense was \$38.7 million, or 13.0% of concession revenues, for 2006 compared to \$34.5 million, or 13.9% of concession revenues, for 2005. The increase in concession supplies expense of \$4.2 million is due to increased concession revenues, which contributed \$6.7 million, and a decrease in our concession supplies rate, which contributed \$(2.5) million. The decrease in concession supplies expense as a percentage of revenues was primarily due to concession sales price increases.

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

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

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

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

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

*Impairment of Long-Lived Assets.* We recorded asset impairment charges on assets held and used of \$28.5 million for 2006 compared to \$51.7 million for 2005. Impairment charges for 2006 and 2005 included the write-down of theatres to their fair values. Impairment charges for 2006 consisted of \$13.6 million of theatre properties, \$13.6 million of goodwill associated with theatre properties and \$1.3 million of intangible assets associated with theatre properties. Impairment charges for 2005 consisted of \$6.4 million of theatre properties and \$45.3 million of goodwill associated with theatre properties. We record goodwill at the theatre level, which results in more volatile impairment charges on an annual basis due to changes in market conditions and box office performance and the resulting impact on

individual theatres. Significant judgment is involved in estimating cash flows and fair value. Management's estimates are based on historical and projected operating performance as well as recent market transactions. See notes 9 and 10 to our consolidated financial statements.

**Table of Contents**

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

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

*Loss on Early Retirement of Debt.* During 2006, we recorded a loss on early retirement of debt of \$8.3 million which was a result of the refinancing associated with the Century acquisition, the repurchase of \$10.0 million aggregate principal amount of Cinemark USA, Inc.'s 9% senior subordinated notes, and the repurchase of \$39.8 million aggregate principal amount at maturity of our 93/4% 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 4 and 12 to our consolidated financial statements.

*Income Taxes.* Income tax expense of \$12.7 million was recorded for 2006 compared to \$9.4 million recorded for 2005. The effective tax rate for 2006 reflects the impact of purchase accounting adjustments resulting from the Century acquisition. The effective tax rate for 2005 reflects the impact of purchase accounting adjustments and related goodwill impairment charges resulting from the MDP Merger. See note 18 to our consolidated financial statements.

***Comparison of Years Ended December 31, 2005 and December 31, 2004***

*Revenues.* Total revenues for 2005 decreased to \$1,020.6 million from \$1,024.2 million for 2004, representing a 0.4% decrease. The table below, presented by reportable operating segment, summarizes our year-over-year revenue performance and certain key performance indicators that impact our revenues.

|                          | <b>U.S. Operating<br/>Segment<br/>Year Ended<br/>December 31,</b> |             |                     |    | <b>International<br/>Operating Segment<br/>Year Ended<br/>December 31,</b> |             |                     |    | <b>Consolidated<br/>Year Ended<br/>December 31,</b> |             |                     |  |
|--------------------------|-------------------------------------------------------------------|-------------|---------------------|----|----------------------------------------------------------------------------|-------------|---------------------|----|-----------------------------------------------------|-------------|---------------------|--|
|                          | <b>2004</b>                                                       | <b>2005</b> | <b>%<br/>Change</b> |    | <b>2004</b>                                                                | <b>2005</b> | <b>%<br/>Change</b> |    | <b>2004</b>                                         | <b>2005</b> | <b>%<br/>Change</b> |  |
| Admissions               |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| revenues                 |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| (in millions)            | \$ 489.0                                                          | \$ 472.0    | (3.5)%              | \$ | 158.0                                                                      | \$ 169.2    | 7.1%                | \$ | 647.0                                               | \$ 641.2    | (0.9)%              |  |
| Concession               |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| revenues                 |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| (in millions)            | \$ 255.9                                                          | \$ 248.7    | (2.8)%              | \$ | 65.7                                                                       | \$ 71.4     | 8.7%                | \$ | 321.6                                               | \$ 320.1    | (0.5)%              |  |
| Other                    |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| revenues                 |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| (in                      |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |
| millions) <sup>(1)</sup> | \$ 37.1                                                           | \$ 35.6     | (4.0)%              | \$ | 18.5                                                                       | \$ 23.7     | 28.1%               | \$ | 55.6                                                | \$ 59.3     | 6.7%                |  |
| Total                    | \$ 782.0                                                          | \$ 756.3    | (3.3)%              | \$ | 242.2                                                                      | \$ 264.3    | 9.1%                | \$ | 1,024.2                                             | \$ 1,020.6  | (0.4)%              |  |
| revenues                 |                                                                   |             |                     |    |                                                                            |             |                     |    |                                                     |             |                     |  |

|                              |            |            |        |            |            |        |            |            |        |
|------------------------------|------------|------------|--------|------------|------------|--------|------------|------------|--------|
| (in millions) <sup>(1)</sup> |            |            |        |            |            |        |            |            |        |
| Attendance                   |            |            |        |            |            |        |            |            |        |
| (in millions)                | 113.6      | 105.6      | (7.1)% | 65.7       | 60.1       | (8.5)% | 179.3      | 165.7      | (7.6)% |
| Revenues                     |            |            |        |            |            |        |            |            |        |
| per screen <sup>(1)</sup>    | \$ 341,747 | \$ 321,833 | (5.8)% | \$ 286,364 | \$ 297,316 | 3.8%   | \$ 326,664 | \$ 315,104 | (3.5)% |

- (1) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See note 20 to our consolidated financial statements.

Consolidated. The decrease in admissions revenues of \$5.8 million was due to the 7.6% decline in attendance, which contributed \$(48.1) million, partially offset by the 7.3% increase in average ticket prices, which contributed \$42.3 million. The decline in concession revenues of \$1.5 million was also attributable to the decline in attendance, which contributed \$(23.7) million, partially offset by the 7.7% increase in concession revenues per patron, which contributed \$22.2 million. The decline in attendance for 2005 was primarily due to the decline in the quality of films released during 2005 compared to 2004. The increases in average ticket prices and concession revenues per patron were

**Table of Contents**

primarily due to price increases and also due to favorable exchange rates in certain countries in which we operate.

U.S. The decrease in admissions revenues of \$17.0 million was attributable to the 7.1% decrease in attendance from 113.6 million patrons for 2004 to 105.6 million patrons for 2005, which contributed \$(34.7) million, partially offset by a 3.9% increase in average ticket price from \$4.30 for 2004 to \$4.47 for 2005, which contributed \$17.7 million. The decline in concession revenues of \$7.2 million was attributable to the 7.1% decrease in attendance, which contributed \$(18.2) million, partially offset by a 4.6% increase in concession revenues per patron from \$2.25 per patron for 2004 to \$2.36 per patron for 2005, which contributed \$11.0 million. The decline in attendance for 2005 was primarily due to the decline in the quality of films released during 2005 compared to 2004. The increases in average ticket prices and concession revenues per patron were primarily due to price increases.

International. The increase in admissions revenues of \$11.2 million was attributable to a 17.1% increase in average ticket price from \$2.40 for 2004 to \$2.82 for 2005, which contributed \$24.6 million, partially offset by the 8.5% decrease in attendance from 65.7 million patrons for 2004 to 60.1 million patrons for 2005, which contributed \$(13.4) million. The increase in concession revenues of \$5.7 million was attributable to an 18.6% increase in concession revenues per patron from \$1.00 per patron for 2004 to \$1.19 per patron for 2005, which contributed \$11.2 million, partially offset by the 8.5% decrease in attendance, which contributed \$(5.5) million. The decline in attendance for 2005 was primarily due to the decline in the quality of films released during 2005 compared to 2004. The increases in average ticket prices and concession revenues per patron were primarily due to price increases and also favorable exchange rates in certain countries in which we operate.

*Theatre Operating Costs (excludes depreciation and amortization expense).* Theatre operating costs were \$764.0 million, or 74.9% of revenues, for 2005 compared to \$747.4 million, or 73.0% of revenues, for 2004. The increase, as percentage of revenues, was primarily due to the decrease in revenues and the fixed nature of some of our theatre operating costs, such as components of facility lease expense and utilities and other costs. The table below, presented by reportable operating segment, summarizes our year-over-year theatre operating costs.

|                               | <b>U.S. Operating<br/>Segment<br/>Year Ended<br/>December 31,</b> |             | <b>International<br/>Operating Segment<br/>Year Ended<br/>December 31,</b> |             | <b>Consolidated<br/>Year Ended<br/>December 31,</b> |             |
|-------------------------------|-------------------------------------------------------------------|-------------|----------------------------------------------------------------------------|-------------|-----------------------------------------------------|-------------|
|                               | <b>2004</b>                                                       | <b>2005</b> | <b>2004</b>                                                                | <b>2005</b> | <b>2004</b>                                         | <b>2005</b> |
| Film rentals and advertising  | \$ 270.1                                                          | \$ 263.7    | \$ 78.7                                                                    | \$ 84.0     | \$ 348.8                                            | \$ 347.7    |
| Concession supplies           | 37.2                                                              | 34.5        | 16.6                                                                       | 18.0        | \$ 53.8                                             | \$ 52.5     |
| Salaries and wages            | 84.9                                                              | 80.8        | 18.2                                                                       | 20.7        | \$ 103.1                                            | \$ 101.5    |
| Facility lease expense        | 93.7                                                              | 97.7        | 35.0                                                                       | 40.8        | \$ 128.7                                            | \$ 138.5    |
| Utilities and other           | 85.2                                                              | 90.7        | 27.8                                                                       | 33.1        | \$ 113.0                                            | \$ 123.8    |
| Total theatre operating costs | \$ 571.1                                                          | \$ 567.4    | \$ 176.3                                                                   | \$ 196.6    | \$ 747.4                                            | \$ 764.0    |

Consolidated. Film rentals and advertising costs were \$347.7 million, or 54.2% of admissions revenues, for 2005 compared to \$348.8 million, or 53.9% of admissions revenues, for 2004. The \$1.1 million decrease in film rentals and advertising costs for 2005 is due to decreased admissions revenues, which contributed

\$(3.8) million, offset by an increase in our film rentals and advertising rate, which contributed \$2.7 million. The increase in film rentals and advertising costs as a percentage of admissions revenues was primarily related to the high film rental costs associated with certain blockbuster films released during 2005. Concession supplies expense was \$52.5 million, or 16.4% of concession revenues, for 2005 compared to \$53.8 million, or 16.7% of concession revenues, for 2004. The decrease in concession supplies expense of \$1.3 million is primarily due to a decrease in our concession supplies rate. The decrease in concession supplies expense as a percentage of concession revenues was primarily due to concession sales price increases and an increase in concession rebates received from certain vendors.

## **Table of Contents**

Salaries and wages decreased to \$101.5 million for 2005 from \$103.1 million for 2004 primarily due to strategic reductions in certain variable salaries and wages related to the decrease in attendance. Facility lease expense increased to \$138.5 million for 2005 from \$128.7 million for 2004 primarily due to new theatre openings. Utilities and other costs increased to \$123.8 million for 2005 from \$113.0 million for 2004 primarily due to higher utility costs and new theatre openings.

U.S. Film rentals and advertising costs were \$263.7 million, or 55.9% of admissions revenues, for 2005 compared to \$270.1 million, or 55.2% of admissions revenues, for 2004. The decrease of \$6.4 million in film rentals and advertising costs for 2005 is due to decreased admissions revenues, which contributed \$(9.4) million, offset by an increase in our film rentals and advertising rate, which contributed \$3.0 million. The increase in film rentals and advertising costs as a percentage of admissions revenues was due to high film rental costs associated with certain blockbuster films released during 2005. Concession supplies expense was \$34.5 million, or 13.9% of concession revenues, for 2005 compared to \$37.2 million, or 14.5% of concession revenues, for 2004. The decrease in concession supplies expense of \$2.7 million is due to decreased concession revenues, which contributed \$(1.0) million, and a decrease in our concession supplies rate, which contributed \$(1.7) million. The decrease in concession supplies expense as a percentage of revenues was primarily due to concession sales price increases.

Salaries and wages decreased to \$80.8 million for 2005 from \$84.9 million for 2004 primarily due to strategic reductions in certain variable salaries and wages related to the decrease in attendance. Facility lease expense increased to \$97.7 million for 2005 from \$93.7 million for 2004 primarily due to increased percentage rent related to increased revenues and new theatre openings. Utilities and other costs increased to \$90.7 million for 2005 from \$85.2 million for 2004 primarily due to higher utility and janitorial supplies costs at our existing theatres and new theatre openings.

International. Film rentals and advertising costs were \$84.0 million, or 49.6% of admissions revenues, for 2005 compared to \$78.7 million, or 49.8% of admissions revenues, for 2004. The increase in film rentals and advertising costs of \$5.3 million for 2005 is primarily due to increased admissions revenues. Concession supplies expense was \$18.0 million, or 25.2% of concession revenues, for 2005 compared to \$16.6 million, or 25.3% of concession revenues, for 2004. The increase in concession supplies expense of \$1.4 million is primarily due to increased concession revenues.

Salaries and wages increased to \$20.7 million for 2005 from \$18.2 million for 2004 primarily due to new theatre openings. Facility lease expense increased to \$40.8 million for 2005 from \$35.0 million for 2004 primarily due to increased percentage rent related to increased revenues and new theatre openings. Utilities and other costs increased to \$33.1 million for 2005 from \$27.8 million for 2004 primarily due to higher utility and janitorial supplies costs at our existing theatres and new theatre openings.

*General and Administrative Expenses.* General and administrative expenses decreased to \$50.9 million for 2005 from \$51.7 million for 2004. The decrease was primarily due to a reduction in incentive compensation expense.

*Stock Option Compensation and Change of Control Expenses related to the MDP Merger.* Stock option compensation expense of \$16.3 million and change of control fees of \$15.7 million were recorded during 2004 as a result of the MDP Merger. See note 3 to our consolidated financial statements.

*Depreciation and Amortization.* Depreciation and amortization expense, including amortization of net favorable leases, was \$86.1 million for 2005 compared to \$78.2 million for 2004. The increase was primarily due to the amortization of intangible assets recorded during April 2004 as a result of the MDP Merger, new theatre openings



during the latter part of 2004 and 2005 and amortization of intangible assets recorded as a result of the final purchase price allocations for the Brazil and Mexico acquisitions. See note 5 to our consolidated financial statements.

*Impairment of Long-Lived Assets.* We recorded asset impairment charges on long-lived assets held and used of \$51.7 million during 2005 and \$37.7 million during 2004. Impairment charges for 2005 and 2004 included the write-down of certain theatres to their fair values. Impairment charges for 2005 consisted of

## **Table of Contents**

\$6.4 million of theatre properties and \$45.3 million of goodwill associated with theatre properties. Impairment charges for 2004 consisted of \$2.0 million of theatre properties and \$35.7 million of goodwill associated with theatre properties. During 2004, we recorded \$620.5 million of goodwill as a result of the MDP Merger. 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 8 and 9 to our consolidated financial statements.

*Loss on Sale of Assets and Other.* We recorded a loss on sale of assets and other of \$4.4 million during 2005 and \$3.1 million during 2004. The loss recorded during 2005 was primarily due to property damages sustained at certain of our theatres due to the recent hurricanes along the Gulf of Mexico coast and the write-off of theatre equipment that was replaced. The loss recorded during 2004 consisted of a loss on sale of a land parcel, the write-off of a license agreement that was terminated, the write-off of theatre equipment that was replaced, and the write-off of theatre equipment and goodwill associated with theatres that closed during the year.

*Interest Expense.* Interest costs incurred, including amortization of debt issue costs, was \$84.1 million for 2005 compared to \$70.7 million for 2004. The increase in interest expense is due to the issuance of the 9 3/4% senior discount notes on March 31, 2004, the amortization of the related debt issue costs and an increase in average interest rates on our variable rate debt.

*Interest Income.* Interest income of \$6.6 million was recorded for 2005 compared to \$2.0 million for 2004. The increase in interest income is due to increased cash balances and increased average interest rates earned on such balances.

*Loss on Early Retirement of Debt.* During 2004, we recorded a loss on early retirement of debt of \$3.3 million, which represented the write-off of unamortized debt issue costs, unamortized bond discount, tender offer repurchase costs, including premiums paid, and other fees associated with the repurchase and subsequent retirement of our 8 1/2% senior subordinated notes and a portion of our 9% senior subordinated notes related to the MDP Merger. See note 12 to our consolidated financial statements.

*Income Taxes.* Income tax expense of \$9.4 million was recorded for 2005 compared to \$14.6 million recorded for 2004. The 2005 and 2004 effective tax rates reflect the impact of purchase accounting adjustments and related goodwill impairment charges resulting from the MDP Merger. See Note 18 to our consolidated financial statements.

*Income from Discontinued Operations, Net of Taxes.* We recorded income from discontinued operations, net of taxes, of \$2.6 million during 2004. The income for 2004 includes the results of operations of our two United Kingdom theatres that were sold on April 30, 2004, the loss on sale of the two United Kingdom theatres, the results of operations of the eleven Interstate theatres that were sold on December 23, 2004 and the gain on sale of the Interstate theatres. See note 7 to our consolidated financial statements.

## **Liquidity and Capital Resources**

### ***Operating Activities***

We primarily collect our revenues in cash, mainly through box office receipts and the sale of concession supplies. In addition, a majority of our theatres provide the patron a choice of using a credit card, in place of cash, which we convert to cash over a range of one to six days. Because our revenues are received in cash prior to the payment of related expenses, we have an operating float and historically have not required traditional working capital financing.

Cash provided by operating activities amounted to \$123.1 million, \$165.3 million and \$155.7 million for the years ended December 31, 2004, 2005 and 2006, respectively. The increase in cash provided by operating activities from 2004 to 2005 is primarily the result of an increase in our income tax payable balance of approximately \$20.2 million at December 31, 2005 compared to December 31, 2004 related to the timing of our income tax payments. Our accounts payable and accrued liabilities also increased approximately \$14.1 million at December 31, 2005 compared to December 31, 2004 primarily due

**Table of Contents**

to the increase in business and resulting expenses in December 2005 compared with December 2004 and the timing of our payments of such liabilities.

Since the issuance of the 93/4% senior discount notes on March 31, 2004, interest has accreted rather than been paid in cash, which has benefited our operating cash flows for the periods presented. Interest will be paid in cash commencing September 15, 2009, at which time our operating cash flows will be impacted by these cash payments.

We have experienced a net loss for two of the last three fiscal years, which is primarily a result of our increased interest expense related to our capital structure, increased goodwill impairment expense related to the 2004 MDP Merger and the Century acquisition in 2006 combined with our policy of recording 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. Upon completion of this offering, we plan to use a portion of the proceeds to prepay a portion of our long-term debt, which will result in lower interest expense.

***Investing Activities***

Our investing activities have been principally related to the development and acquisition of additional theatres. New theatre openings and acquisitions historically have been financed with internally generated cash and by debt financing, including borrowings under our senior secured credit facility. Cash used for investing activities, as reflected in the consolidated statements of cash flows, amounted to \$116.9 million, \$81.6 million and \$631.7 million for the years ended December 31, 2004, 2005 and 2006, respectively. The increase in cash used for investing activities for the year ended December 31, 2006 is primarily due to the cash portion of the Century acquisition purchase price of \$531.2 million (See Note 4 to our consolidated financial statements) and increased capital expenditures.

Capital expenditures for the years ended December 31, 2004, 2005 and 2006 were as follows (in millions):

| <b>Period</b>                | <b>New<br/>Theatres</b> | <b>Existing<br/>Theatres</b> | <b>Total</b> |
|------------------------------|-------------------------|------------------------------|--------------|
| Year Ended December 31, 2004 | \$ 61.5                 | \$ 19.5                      | \$ 81.0      |
| Year Ended December 31, 2005 | \$ 50.3                 | \$ 25.3                      | \$ 75.6      |
| Year Ended December 31, 2006 | \$ 68.8                 | \$ 38.3                      | \$ 107.1     |

During August 2004, our Brazilian partners exercised their option to cause us to purchase all of their shares of common stock of Cinemark Brasil S.A., which represented 47.2% of total common stock of Cinemark Brasil S.A. We purchased the partners' shares of Cinemark Brasil S.A. for approximately \$45.0 million with available cash on August 18, 2004. See note 5 to our consolidated financial statements for further discussion of this acquisition.

During September 2004, we purchased shares of common stock of Cinemark Mexico USA, Inc. from our Mexican partners, increasing our ownership interest in this subsidiary from 95.0% to 99.4%. The purchase price was approximately \$5.4 million and was funded with available cash and borrowings on our revolving credit line of our former senior secured credit facility. See note 5 to our consolidated financial statements for further discussion of this acquisition.

During July 2005, we purchased a 20.7% interest in NCM for approximately \$7.3 million. Under the terms of the Exhibitor Services Agreement with NCM, we installed digital distribution technology for advertising and other non-film content in certain of our domestic theatres, which resulted in capital expenditures of \$9.7 million during the year ended December 31, 2005 and \$11.3 million during the year ended December 31, 2006. As a result of the

Century acquisition, we owned approximately 25% of NCM and committed to install digital distribution technology in the majority of the theatres acquired, which we estimate will result in capital expenditures of approximately \$6.6 million of which as of December 31, 2006, we had spent approximately \$3.8 million. We expect to complete the installation of digital technology in our theatres

**Table of Contents**

for advertising and other non-film content at a cost of \$2.8 million during the first quarter of 2007. See note 6 to our consolidated financial statements for further discussion of the NCM joint venture.

During October 2006, we completed the Century acquisition for a purchase price of approximately \$681 million and the assumption of approximately \$360 million of debt of Century. Of the total purchase price, \$150 million consisted of the issuance of shares of our common stock. We also incurred approximately \$7.4 million in transaction costs. See note 4 to our consolidated financial statements for further discussion of this acquisition.

We continue to expand our U.S. theatre circuit. We opened 14 new theatres with 179 screens and acquired one theatre with 12 screens in an exchange for one of our theatres during the year ended December 31, 2006. We also completed the acquisition of Century with 77 theatres and 1,017 screens. At December 31, 2006, our total domestic screen count was 3,523 screens (12 of which are in Canada). At December 31, 2006, we had signed commitments to open 13 new theatres with 200 screens in domestic markets during 2007 and open eight new theatres with 126 screens subsequent to 2007. We estimate the remaining capital expenditures for the development of all of the 326 domestic screens will be approximately \$123.0 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

We also continue to expand our international theatre circuit. We opened seven new theatres with 53 screens during the year ended December 31, 2006, bringing our total international screen count to 965 screens. At December 31, 2006, we had signed commitments to open four new theatres with 27 screens in international markets during 2007 and open three new theatres with 29 screens subsequent to 2007. We estimate the remaining capital expenditures for the development of all of the 56 international screens will be approximately \$32.0 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

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

***Financing Activities***

Cash provided by (used for) financing activities, as reflected in the consolidated statements of cash flows, amounted to \$(14.4) million, \$(3.8) million and \$440.0 million during the years ended December 31, 2004, 2005 and 2006, respectively. We may from time to time, subject to compliance with our debt instruments, purchase on the open market our debt securities depending upon the availability and prices of such securities.

Long-term debt consisted of the following as of December 31, 2005 and 2006:

|                                                          | <b>December 31, 2005</b> | <b>December 31, 2006</b> |
|----------------------------------------------------------|--------------------------|--------------------------|
| Cinemark, Inc. 93/4% senior discount notes due 2014      | \$ 423,978               | \$ 434,073               |
| Cinemark USA, Inc. 9% senior subordinated notes due 2013 | 364,170                  | 350,820                  |
| Cinemark USA, Inc. term loan                             | 255,450                  | 1,117,200                |
| Other long-term debt                                     | 11,497                   | 9,560                    |
| <b>Total long-term debt</b>                              | <b>1,055,095</b>         | <b>1,911,653</b>         |
| <b>Less current portion</b>                              | <b>6,871</b>             | <b>14,259</b>            |

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|                                      |    |           |    |           |
|--------------------------------------|----|-----------|----|-----------|
| Long-term debt, less current portion | \$ | 1,048,224 | \$ | 1,897,394 |
|--------------------------------------|----|-----------|----|-----------|

As of December 31, 2006, we had borrowings of \$1,117.2 million outstanding on the term loan under our new senior secured credit facility, \$434.1 million accreted amount at December 31, 2006 outstanding under our 93/4% senior discount notes and approximately \$332.2 million aggregate principal amount outstanding under the 9% senior subordinated notes, respectively, and had \$149.9 million in available borrowing capacity under our revolving credit facility. On a pro forma basis, we incurred \$168.0 million of interest expense for

**Table of Contents**

the year ended December 31, 2006. We were in full compliance with all agreements governing our outstanding debt at December 31, 2006.

As of December 31, 2006, our long-term debt obligations, scheduled interest payments on long-term debt, future minimum lease obligations under non-cancelable operating and capital leases, scheduled interest payments under capital leases, outstanding letters of credit, obligations under employment agreements and purchase commitments for each period indicated are summarized as follows:

|                                                  | Total      | Payments Due by Period |                            |           | After<br>5 Years |
|--------------------------------------------------|------------|------------------------|----------------------------|-----------|------------------|
|                                                  |            | Less Than<br>One Year  | 1-3 Years<br>(In millions) | 4-5 Years |                  |
| Long-term debt(1)(2)                             | \$ 2,013.2 | \$ 14.3                | \$ 27.7                    | \$ 23.6   | \$ 1,947.6       |
| Scheduled interest payments on long-term debt(3) | 953.4      | 112.6                  | 237.2                      | 322.6     | 281.0            |
| Operating lease obligations                      | 2,004.2    | 163.7                  | 334.7                      | 320.1     | 1,185.7          |
| Capital lease obligations                        | 115.8      | 3.6                    | 8.7                        | 10.4      | 93.1             |
| Scheduled interest payments on capital leases    | 119.0      | 12.4                   | 23.5                       | 21.4      | 61.7             |
| Letters of credit                                | 0.1        | 0.1                    |                            |           |                  |
| Employment agreements                            | 9.3        | 3.1                    | 6.2                        |           |                  |
| Purchase commitments(4)                          | 162.7      | 78.1                   | 71.6                       | 12.5      | 0.5              |
| Total                                            | \$ 5,377.7 | \$ 387.9               | \$ 709.6                   | \$ 710.6  | \$ 3,569.6       |

- (1) Includes the 93/4% senior discount notes in the aggregate principal amount at maturity of \$535.6 million.
- (2) On March 6, 2007, we commenced a tender offer for any and all of our 9% senior subordinated notes, of which \$332.2 million aggregate principal amount remains outstanding. See note 26 of our consolidated financial statements.
- (3) Amounts include scheduled interest payments on fixed rate and variable rate debt agreements. Estimates for the variable rate interest payments were based on interest rates in effect on December 31, 2006. The average interest rates on our fixed rate and variable rate debt were 9.5% and 7.4%, respectively, as of December 31, 2006.
- (4) Includes estimated remaining capital expenditures associated with the construction of new theatres to which we were committed as of December 31, 2006.

*Cinemark, Inc. 93/4% Senior Discount Notes*

On March 31, 2004, Cinemark, Inc. issued approximately \$577.2 million aggregate principal amount at maturity of 93/4% senior discount notes due 2014. The gross proceeds at issuance of approximately \$360.0 million were used to fund in part the MDP Merger. Interest on the notes accretes until March 15, 2009 up to their aggregate principal amount. Cash interest will accrue and be payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2009. Due to Cinemark, Inc.'s holding company status, payments of principal and



interest under these notes will be dependent on loans, dividends and other payments from its subsidiaries. Cinemark, Inc. may redeem all or part of the 93/4% senior discount notes on or after March 15, 2009.

On September 22, 2005, Cinemark, Inc. repurchased \$1.8 million aggregate principal amount at maturity of its 93/4% senior discount notes as part of an open market purchase for approximately \$1.3 million, including accreted interest. During May 2006, as part of four open market purchases, Cinemark, Inc. repurchased \$39.8 million aggregate principal amount at maturity of its 93/4% senior discount notes for approximately \$31.7 million, including accreted interest of \$5.4 million. Cinemark, Inc. funded these transactions with available cash from its operations. As of December 31, 2006, the accreted principal balance of the notes was approximately \$434.1 million and the aggregate principal amount at maturity will be approximately

## **Table of Contents**

\$535.6 million. The open market repurchase costs, including premiums paid and a portion of the unamortized debt issue costs of \$0.1 million and \$2.4 million related to the repurchase of the 93/4% senior discount notes, were recorded as a loss on early retirement of debt in our consolidated statements of operations for the years ended December 31, 2005 and 2006, respectively.

The indenture governing the 93/4% senior discount notes contains covenants that limit, among other things, dividends, transactions with affiliates, investments, sales of assets, mergers, repurchases of our capital stock, liens and additional indebtedness. The dividend restriction contained in the indenture prevents Cinemark, Inc. from paying a dividend or otherwise distributing cash to its stockholders unless (1) it is not in default, and the distribution would not cause it to be in default, under the indenture; (2) it would be able to incur at least \$1.00 more of indebtedness without the ratio of its consolidated cash flow to its fixed charges (each as defined in the indenture, and calculated on a pro forma basis for the most recently ended four full fiscal quarters for which internal financial statements are available, using certain assumptions and modifications specified in the indenture, and including the additional indebtedness then being incurred) falling below two to one (the senior notes debt incurrence ratio test); and (3) the aggregate amount of distributions made since March 31, 2004, including the distribution proposed, is less than the sum of (a) half of its consolidated net income (as defined in the indenture) since February 11, 2003, (b) the net proceeds to it from the issuance of stock since April 2, 2004, and (c) certain other amounts specified in the indenture, subject to certain adjustments specified in the indenture. The dividend restriction is subject to certain exceptions specified in the indenture.

Upon certain specified types of change of control of Cinemark, Inc., Cinemark, Inc. would be required under the indenture to make an offer to repurchase all of the 93/4% senior discount notes at a price equal to 101% of the accreted value of the notes plus accrued and unpaid interest, if any, through the date of repurchase. This initial public offering is not considered a change of control under the indenture.

### *Cinemark USA, Inc. 9% Senior Subordinated Notes*

On February 11, 2003, Cinemark USA, Inc. issued \$150 million principal amount of 9% senior subordinated notes due 2013 and on May 7, 2003, Cinemark USA, Inc. issued an additional \$210 million aggregate principal amount of 9% senior subordinated notes due 2013, collectively referred to as the 9% senior subordinated notes. Interest is payable on February 1 and August 1 of each year. On April 6, 2004, as a result of the MDP Merger and in accordance with the terms of the indenture governing the 9% senior subordinated notes, Cinemark USA, Inc. made a change of control offer to purchase the 9% senior subordinated notes at a purchase price of 101% of the aggregate principal amount. Approximately \$17.8 million aggregate principal amount of the 9% senior subordinated notes were tendered. The payment of the change of control price was funded with available cash by Cinemark USA, Inc. on June 1, 2004. The unamortized bond premiums paid, and other fees of \$1.0 million related to the retirement of the 9% notes were recorded as a gain on early retirement of debt in our consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

During May 2006, as part of three open market purchases, Cinemark USA, Inc. repurchased \$10.0 million aggregate principal amount of its 9% senior subordinated notes for approximately \$11.0 million, including accrued and unpaid interest. The transactions were funded by Cinemark USA, Inc. with available cash from operations. As a result of the transactions, we recorded a loss on early retirement of debt of \$0.1 million during the year ended December 31, 2006, which included the write-off of unamortized debt issue costs and unamortized bond premium related to the retired subordinated notes.

As of December 31, 2006, Cinemark USA, Inc. had outstanding approximately \$332.2 million aggregate principal amount of 9% senior subordinated notes. Cinemark USA, Inc. may redeem all or part of the 9% senior subordinated notes on or after February 1, 2008.

The 9% senior subordinated notes are general, unsecured obligations and are subordinated in right of payment to the new senior secured credit facility and other senior indebtedness. The notes are guaranteed by certain of Cinemark USA, Inc.'s domestic subsidiaries. The guarantees are subordinated to the senior indebtedness of the subsidiary guarantors, including their guarantees of the new senior secured credit facility.

## **Table of Contents**

The notes are effectively subordinated to the indebtedness and other liabilities of Cinemark USA, Inc.'s nonguarantor subsidiaries.

The indenture governing the 9% senior subordinated notes contains covenants that limit, among other things, dividends, transactions with affiliates, investments, sales of assets, mergers, repurchases of our capital stock, liens and additional indebtedness. The dividend restriction contained in the indenture prevents Cinemark USA, Inc. from paying a dividend or otherwise distributing cash to its capital stockholders unless (1) it is currently not in default, and the distribution would not cause it to be in default, under the indenture; (2) it would be able to incur at least \$1.00 more of indebtedness without the ratio of its EBITDA (as defined in the indenture) for the four full fiscal quarters prior to the incurrence of such indebtedness to the amount of its consolidated interest expense (as defined in the indenture) for the quarter in which the indebtedness is incurred and the following three fiscal quarters (each calculated on a pro forma basis using certain assumptions and modifications specified in the indenture, and including the additional indebtedness then being incurred) falling below two to one (the senior sub notes debt incurrence ratio test); and (3) the aggregate amount of distributions made since February 11, 2003, including the distribution currently proposed, is less than the sum of (a) half of its consolidated net income (as defined in the indenture) since February 11, 2003, (b) the net proceeds to it from the issuance of stock since February 11, 2003, and (c) certain other amounts specified in the indenture, subject to certain adjustments specified in the indenture. The dividend restriction is subject to certain exceptions specified in the indenture.

Upon certain specified types of change of control of Cinemark USA, Inc., Cinemark USA, Inc. would be required under the indenture to make an offer to repurchase all of the 9% senior subordinated notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest through the date of repurchase. This initial public offering is not considered a change of control under the indenture.

On March 6, 2007, we commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of our 9% senior subordinated notes. As of the date of this prospectus, the outstanding principal amount of the 9% senior subordinated notes is approximately \$332.2 million. In connection with the tender offer, we are soliciting consents for certain proposed amendments to the indenture. We intend to use the proceeds from the Exhibitor Services Agreement modification payment, the preferred unit redemption and the sale of common units to NCM, Inc. in connection with the exercise of the over-allotment option and cash on hand to purchase our 9% senior subordinated notes pursuant to the tender offer and consent solicitation.

### *Debt Transactions in Connection with MDP Merger*

On March 16, 2004, in connection with the MDP Merger, Cinemark USA, Inc. initiated a tender offer for its then outstanding \$105 million aggregate principal amount 8 1/2% senior subordinated notes due 2008 and a consent solicitation to remove substantially all restrictive covenants in the indenture governing those notes. On March 25, 2004, a supplemental indenture removing substantially all of the covenants was executed and became effective on the date of the MDP Merger. In April 2004, Cinemark USA, Inc. redeemed approximately \$94.2 million aggregate principal amount of 8 1/2% senior subordinated notes that were tendered, pursuant to the tender offer, utilizing a portion of the proceeds from its former senior secured credit facility. On April 14, 2004, after the expiration of the tender offer, Cinemark USA, Inc. redeemed an additional \$50,000 aggregate principal amount of 8 1/2% senior subordinated notes that were tendered, leaving outstanding approximately \$10.8 million aggregate principal amount of 8 1/2% senior subordinated notes. The unamortized bond discount, tender offer repurchase costs, including premiums paid, and other fees of \$4.4 million related to the retirement of the 8 1/2% notes were recorded as a loss on early retirement of debt in our consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

On April 6, 2004, as a result of the consummation of the MDP Merger and in accordance with the terms of the indenture governing its 9% senior subordinated notes, Cinemark USA, Inc. made a change of control offer to purchase the 9% senior subordinated notes at a purchase price of 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, at the date of purchase. Approximately \$17.8 million in aggregate principal amount of the 9% senior subordinated notes were tendered and not withdrawn in the

## **Table of Contents**

change of control offer, which expired on May 26, 2004. Cinemark USA, Inc. paid the change of control price with available cash on June 1, 2004.

On July 28, 2004, Cinemark USA, Inc. provided notice to the holders of its remaining outstanding 8 1/2% senior subordinated notes due 2008 of its election to redeem all outstanding notes at a redemption price of 102.833% of the aggregate principal amount plus accrued interest. On August 27, 2004, Cinemark USA, Inc. redeemed the remaining \$10.8 million aggregate principal amount of notes utilizing available cash and borrowings under its former revolving credit line. The unamortized bond premium, tender offer repurchase costs, including premiums paid, and other fees of \$0.1 million related to the retirement of the 8 1/2% notes were recorded as a gain on early retirement of debt in our consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

### *New Senior Secured Credit Facility*

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

At December 31, 2006, there was \$1,117.2 million outstanding under the new term loan and no borrowings outstanding under the new revolving credit line. Approximately \$149.9 million was available for borrowing under the new revolving credit line, giving effect to a \$69,000 letter of credit outstanding. The average interest rate on outstanding borrowings under the new senior secured credit facility at December 31, 2006 was 7.4% per annum.

Under the term loan, principal payments of \$2.8 million are due each calendar quarter beginning December 31, 2006 through September 30, 2012 and increase to \$263.2 million each calendar quarter from December 31, 2012 to maturity at October 5, 2013. The term loan bears interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5 or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.75% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.75% to 2.00% per annum, in each case as adjusted pursuant to Cinemark USA, Inc.'s corporate credit rating. Borrowings under the revolving credit line bear interest, at Cinemark USA, Inc.'s option, at: (A) a base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5 and (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.50% to 2.00% per annum, in each case as adjusted pursuant to Cinemark USA, Inc.'s consolidated net senior secured leverage ratio as defined in the credit agreement. Cinemark USA, Inc. is required to pay a commitment fee calculated at the rate of 0.50% per annum on the average daily unused portion of the new revolving credit line, payable quarterly in arrears, which rate decreases to 0.375% per annum for any fiscal quarter in which Cinemark USA, Inc.'s consolidated net senior secured leverage ratio on the last day of such fiscal quarter is less than 2.25 to 1.0.

Cinemark USA, Inc.'s obligations under the new senior secured credit facility are guaranteed by Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., and certain of Cinemark USA, Inc.'s domestic subsidiaries and are secured by mortgages on certain fee and leasehold properties and security interests in substantially all of Cinemark USA, Inc.'s and the guarantors' personal property, including, without limitation, pledges of all of Cinemark USA, Inc.'s capital stock, all of the capital stock of Cinemark, Inc., CNMK Holding, Inc. and certain of Cinemark USA, Inc.'s domestic

subsidiaries and 65% of the voting stock of certain of its foreign subsidiaries.

## **Table of Contents**

The new senior secured credit facility contains usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on Cinemark USA, Inc.'s ability, and in certain instances, its subsidiaries and Cinemark Holdings, Inc.'s, Cinemark, Inc.'s and CNMK Holding, Inc.'s ability, to consolidate or merge or liquidate, wind up or dissolve; substantially change the nature of its business; sell, transfer or dispose of assets; create or incur indebtedness; create liens; pay dividends, repurchase stock and voluntarily repurchase or redeem the 93/4% senior discount notes or the 9% senior subordinated notes; and make capital expenditures and investments. The new senior secured credit facility also requires Cinemark USA, Inc. to satisfy a consolidated net senior secured leverage ratio covenant as determined in accordance with the new senior secured credit facility. The dividend restriction contained in the new senior secured credit facility prevents us and any of our subsidiaries from paying a dividend or otherwise distributing cash to its stockholders unless (1) we are not in default, and the distribution would not cause us to be in default, under the new senior secured credit facility; and (2) the aggregate amount of certain dividends, distributions, investments, redemptions and capital expenditures made since October 5, 2006, including the distribution currently proposed, is less than the sum of (a) the aggregate amount of cash and cash equivalents received by Cinemark Holdings, Inc. or Cinemark USA, Inc. as common equity since October 5, 2006, (b) Cinemark USA, Inc.'s consolidated EBITDA minus two times its consolidated interest expense, each as defined in the new senior secured credit facility, since October 1, 2006, (c) \$150,000,000 and (d) certain other amounts specified in the new senior secured credit facility, subject to certain adjustments specified in the new senior secured credit facility. The dividend restriction is subject to certain exceptions specified in the new senior secured credit facility.

The new senior secured credit facility also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, certain types of change of control, material money judgments and failure to maintain subsidiary guarantees. If an event of default occurs, all commitments under the new senior secured credit facility may be terminated and all obligations under the new senior secured credit facility could be accelerated by the lenders, causing all loans outstanding (including accrued interest and fees payable thereunder) to be declared immediately due and payable. This initial public offering is not considered a change of control under the new senior secured credit facility.

On March 14, 2007, Cinemark USA, Inc. amended its new senior secured credit facility to, among other things, modify the interest rate on the term loans under the new senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 0.75% per annum, or (B) a Eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case, the margin is a function of the corporate credit rating applicable to the borrower. The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the new senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM transactions or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans. The amendment was a condition precedent to the consummation of the tender offer for the 9% senior subordinated notes.

### *Former Senior Secured Credit Facility*

On April 2, 2004, Cinemark USA, Inc. amended its then existing senior secured credit facility in connection with the MDP Merger. The former senior secured credit facility provided for a \$260 million seven year term loan and a \$100 million six and one-half year revolving credit line. The net proceeds from the former senior secured credit facility were used to repay the term loan under its then existing senior secured credit facility of approximately \$163.8 million and to redeem the approximately \$94.2 million aggregate principal amount of its then outstanding \$105 million aggregate principal amount 8 1/2% senior subordinated notes due 2008 that were tendered pursuant to



the tender offer.

**Table of Contents**

On October 5, 2006, in connection with the Century acquisition, the \$253.5 million outstanding under the former senior secured credit facility was repaid in full with a portion of the proceeds from the new senior secured credit facility. The unamortized debt issue costs of \$5.8 million related to the former senior secured credit facility that was repaid in full were recorded as a loss on early retirement of debt in our consolidated statements of operations for the year ended December 31, 2006.

**Covenant Compliance**

The indenture governing the 93/4% senior discount notes requires Cinemark, Inc. to have a fixed charge coverage ratio (as determined under the indenture) of at least 2.0 to 1.0 in order to incur additional indebtedness, issue preferred stock or make certain restricted payments, including dividends to us. Fixed charge coverage ratio is defined as the ratio of consolidated cash flow of Cinemark, Inc. and its subsidiaries to their fixed charges for the four most recent fiscal quarters, giving pro forma effect to certain events as specified in the indenture. Fixed charges is defined as consolidated interest expense of Cinemark, Inc. and its subsidiaries, subject to certain adjustments as provided in the indenture. Consolidated cash flow as defined in the indenture is substantially consistent with our presentation of Adjusted EBITDA in this prospectus. Because Cinemark, Inc.'s failure to meet the fixed charge coverage ratio described above could restrict its ability to incur debt or make dividend payments, management believes that the indenture governing the 93/4% senior discount notes and these covenants and the Adjusted EBITDA and Adjusted EBITDA margins are material to us. As of December 31, 2006, Cinemark, Inc.'s fixed charge coverage ratio under the indenture was in excess of the 2.0 to 1.0 requirement described above.

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

**Table of Contents**

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

|                                                                                       | Year<br>ended<br>December 31,<br>2004 | Year ended<br>December 31,<br>2005<br>(In thousands) | Year ended<br>December 31,<br>2006 |
|---------------------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------|------------------------------------|
| Net Income (loss)                                                                     | \$ (14,320)                           | \$ (25,408)                                          | \$ 841                             |
| Add (deduct):                                                                         |                                       |                                                      |                                    |
| Income taxes                                                                          | 14,590                                | 9,408                                                | 12,685                             |
| Interest expense(1)                                                                   | 70,711                                | 84,082                                               | 109,328                            |
| Other (income) expense                                                                | 5,785                                 | (4,581)                                              | 4,515                              |
| Income (loss) from discontinued operations,<br>net of taxes                           | (2,590)                               |                                                      |                                    |
| Depreciation and amortization                                                         | 75,131                                | 81,952                                               | 95,821                             |
| Amortization of net favorable leases                                                  | 3,087                                 | 4,174                                                | 3,649                              |
| Amortization of tenant allowances                                                     |                                       |                                                      |                                    |
| Impairment of long-lived assets                                                       | 37,721                                | 51,677                                               | 28,537                             |
| Gain (loss) on sale of assets and other                                               | 3,089                                 | 4,436                                                | 7,645                              |
| Deferred lease expenses                                                               | 3,896                                 | 4,395                                                | 5,730                              |
| Stock option compensation and change of control expenses<br>related to the MDP Merger | 31,995                                |                                                      |                                    |
| Amortized compensation stock options                                                  | 145                                   |                                                      | 2,864                              |
| Adjusted EBITDA                                                                       | \$ 229,240                            | \$ 210,135                                           | \$ 271,615                         |

(1) Includes amortization of debt issue costs.

As of December 31, 2006, we are in full compliance with all agreements, including related covenants, governing our outstanding debt.

**Ratings**

We are rated by nationally recognized rating agencies. The significance of individual ratings varies from agency to agency. However, companies assigned ratings at the top end of the range have, in the opinion of certain rating agencies, the strongest capacity for repayment of debt or payment of claims, while companies at the bottom end of the range have the weakest capability. Ratings are always subject to change and there can be no assurance that our current ratings will continue for any given period of time. A downgrade of our debt ratings, depending on the extent, could increase the cost to borrow funds. Below are our latest ratings per category, which were current as of February 28, 2007.

|                 |                |                            |
|-----------------|----------------|----------------------------|
| <b>Category</b> | <b>Moody's</b> | <b>Standard and Poor's</b> |
|-----------------|----------------|----------------------------|

|                                                   |     |      |
|---------------------------------------------------|-----|------|
| Cinemark, Inc. 9 3/4% Senior Discount Notes       | B3  | CCC+ |
| Cinemark USA, Inc. Senior Secured Credit Facility | Ba2 | B    |
| Cinemark USA, Inc. 9% Senior Subordinated Notes   | B2  | CCC+ |

### **New Accounting Pronouncements**

On May 18, 2006, the State of Texas passed a bill to replace the current franchise tax with a new margin tax to be effective January 1, 2008. We estimate the new margin tax will not have a significant impact on our income tax expense or its deferred tax assets and liabilities.

In June 2006, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB No. 109* (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109 *Accounting for Income Taxes*, and recognition, measurement, presentation and disclosure of uncertain tax positions taken or

## **Table of Contents**

expected to be taken in income tax returns. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is recognition: The enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (1) an increase in a liability for income taxes payable or (2) a reduction of an income tax refund receivable or a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2). The Company will adopt FIN 48 in the first quarter of 2007. The Company is currently evaluating the impact the interpretation may have on its consolidated financial position, cash flows and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. Among other requirements, this statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are evaluating the impact of SFAS No. 157 on our consolidated financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin ( SAB ) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, which provides interpretive guidance regarding the consideration given to prior year misstatements when determining materiality in current year financial statements. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 did not have a significant impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are in the process of evaluating the impact of the adoption of this statement on our consolidated financial statements.

## **Seasonality**

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

## **Quantitative and Qualitative Disclosures About Market Risk**

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

## ***Interest Rate Risk***

An increase or decrease in interest rates would affect interest costs relating to our variable rate debt facilities. We and our subsidiaries are currently parties to variable rate debt facilities. At December 31, 2006, there was an aggregate of approximately \$1,126.7 million of variable rate debt outstanding under these

**Table of Contents**

facilities. Based on the interest rates in effect on the variable rate debt outstanding at December 31, 2006, a 1% increase in market interest rates would increase our annual interest expense by approximately \$11 million.

The tables below provide information about our long-term fixed rate and variable rate debt agreements as of December 31, 2005 and 2006:

**Expected Maturity as of December 31, 2006**

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

**Expected Maturity as of December 31, 2005**

|               | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>Thereafter</b> | <b>Total</b> | <b>Fair Value</b> | <b>Average Interest Rate</b> |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|-------------------|------------------------------|
| Fixed rate    | \$ 0.1      | \$          | \$          | \$          | \$          | \$ 939.5          | \$ 939.6     | \$ 792.8          | 9.5%                         |
| Variable rate | 6.8         | 5.5         | 4.3         | 4.1         | 185.1       | 61.1              | 266.9        | 268.4             | 6.6%                         |
| Total debt    | \$ 6.9      | \$ 5.5      | \$ 4.3      | \$ 4.1      | \$ 185.1    | \$ 1,000.6        | \$ 1,206.5   | \$ 1,061.2        |                              |

***Foreign Currency Exchange Rate Risk***

We are also exposed to market risk arising from changes in foreign currency exchange rates as a result of our international operations. Generally, we export from the U.S. certain of the equipment and construction interior finish items and other operating supplies used by our international subsidiaries. Principally all the revenues and operating expenses of our international subsidiaries are transacted in the country's local currency. Generally accepted accounting principles in the U.S. require that our subsidiaries use the currency of the primary economic environment in which they operate as their functional currency. If our subsidiaries operate in a highly inflationary economy, generally accepted accounting principles in the U.S. require that the U.S. dollar be used as the functional currency for the subsidiary. Currency fluctuations result in us reporting exchange gains (losses) or foreign currency translation adjustments relating to our international subsidiaries depending on the inflationary environment of the country in which we operate. As of December 31, 2006, none of the international countries in which we operate were considered highly inflationary. Based upon our equity ownership in our international subsidiaries as of December 31, 2006, holding everything else constant, a 10% immediate unfavorable change in each of the foreign currency exchange rates to which we are exposed would decrease the net fair value of our investments in our international subsidiaries by approximately \$30 million.

**Table of Contents**

**BUSINESS**

**Our Company**

We are a leader in the motion picture exhibition industry with 396 theatres and 4,488 screens in the U.S. and Latin America. Our circuit is the third largest in the U.S. with 281 theatres and 3,523 screens in 37 states. We are the most geographically diverse circuit in Latin America with 115 theatres and 965 screens in 12 countries. During the year ended December 31, 2006, over 215 million patrons attended our theatres, when giving effect to the Century acquisition as of the beginning of the year. Our modern theatre circuit features stadium seating for approximately 73% of our screens.

We selectively build or acquire new theatres in markets where we can establish and maintain a strong 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 32 years of industry experience and have successfully navigated us through multiple business cycles.

We grew our total revenue per patron at the highest CAGR during the last three fiscal years among the three largest motion picture exhibitors in the U.S. Revenues, operating income, net income and Adjusted EBITDA for the year ended December 31, 2006 were \$1,220.6 million, \$127.4 million, \$0.8 million, and \$271.6 million, respectively, with operating income and Adjusted EBITDA margins of 10.4% and 22.3%, respectively. On a pro forma basis for the Century acquisition, revenues, operating income, net loss and Adjusted EBITDA for the year ended December 31, 2006 were \$1,612.1 million, \$175.6 million, \$(3.5) million and \$360.4 million, respectively, with pro forma operating income and Adjusted EBITDA margins of 10.9% and 22.4%, respectively. At December 31, 2006, we had cash and cash equivalents of \$147.1 million and long-term debt, excluding capital leases, of \$1,911.7 million. Approximately \$1,126.7 million, or 59%, of our total long-term debt accrues interest at variable rates.

On April 2, 2004, an affiliate of MDP acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc. with Cinemark, Inc. continuing as the surviving corporation. Simultaneously with the merger, MDP purchased shares of common stock of Cinemark, Inc. for approximately \$518.2 million in cash. Management, including Lee Roy Mitchell, Chairman and then Chief Executive Officer, retained approximately 17% ownership interest in Cinemark, Inc. Concurrently with the closing of the MDP Merger, we entered into a number of financing transactions, which significantly increased our indebtedness. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.

In December 2004, MDP sold approximately 10% of its stock in Cinemark, Inc., to outside investors and in July 2005, Cinemark, Inc. issued additional shares to another outside investor.

Cinemark Holdings, Inc. was formed on August 2, 2006. 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. The Cinemark Share Exchange and the Century Theatres, Inc. acquisition were completed on October 5, 2006. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc.



As of December 31, 2006, MDP owned approximately 66% of our capital stock, Lee Roy Mitchell and the Mitchell Special Trust collectively owned approximately 14%, Syufy Enterprises, LP owned approximately 11%, outside investors owned approximately 8%, and certain members of management owned the remaining 1%.

## **Table of Contents**

### **Acquisition of Century Theatres, Inc.**

On October 5, 2006, we completed the acquisition of Century, a national theatre chain headquartered in San Rafael, California with 77 theatres and 1,017 screens in 12 states, for a purchase price of approximately \$681 million and the assumption of approximately \$360 million of Century debt. The acquisition of Century combines two family founded companies with common operating philosophies and cultures, strong operating performances and complementary geographic footprints. The key strategic benefits of the acquisition include:

***High Quality Theatres with Strong Operating Performance.*** Century's theatre circuit is among the most modern in the U.S. based on 77% of their screens featuring stadium seating. Prior to the Century acquisition, Century achieved strong performance with revenues of \$516.0 million, operating income of \$59.9 million, net income of \$18.1 million and Adjusted EBITDA of \$120.8 million and Adjusted EBITDA margin of 23.4% for its fiscal year ended September 28, 2006. These results are due in part to Century's operating philosophy which is similar to Cinemark's.

***Strengthens Our Geographic Footprint.*** The Century acquisition enhances our geographic diversity, strengthens our presence in key large- and medium-sized metropolitan and suburban markets such as Las Vegas, the San Francisco Bay Area and Tucson, and complements our existing footprint. The increased number of theatres and markets diversifies our revenues and broadens the composition of our overall portfolio.

***Leading Share in Attractive Markets.*** With the Century acquisition, we have a leading market share in a large number of attractive metropolitan and suburban markets. For the year ended December 31, 2006, on a pro forma basis, we ranked either first or second by box office revenues in 28 out of our top 30 U.S. markets, including Chicago, Dallas, Houston, Las Vegas, Salt Lake City and the San Francisco Bay Area.

### **Participation in National CineMedia**

In March 2005, Regal and AMC formed 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 companies in the country. The digital projectors currently used to display advertising will not 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 LEN 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 NCM, Inc.'s initial public offering and related transactions. As a result of these transactions, we will no longer receive a percentage of NCM's revenue but rather a

monthly theatre access fee which we expect will reduce the contractual amounts required to be paid to us by NCM. In addition, we expect 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 owned a 14% interest in NCM.

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.

**Table of Contents****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 5.7% over the last 35 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 2006 the motion picture exhibition industry experienced a marked improvement over 2005 with box office revenue increasing 5.5%, after a decrease of 5.7% in 2005 over the prior year. Strong revenue and attendance growth has been driven by a steadily growing number of movie releases, which, according to MPAA, reached an all-time high of 607 in 2006, up 11%. We believe this trend will continue into 2007 with a strong slate of franchise films, such as *Spider-Man 3*, *Shrek the Third*, *Pirates of the Caribbean: At World's End* and *Harry Potter and the Order of the Phoenix*.

The following table represents the results of a survey by MPAA Worldwide Market Research outlining the historical trends in U.S. box office revenues for the ten year period from 1996 to 2006.

| <b>Year</b> | <b>U.S. Box<br/>Office<br/>Revenues<br/>(\$ in millions)</b> | <b>Attendance<br/>(in millions)</b> | <b>Average<br/>Ticket<br/>Price</b> |
|-------------|--------------------------------------------------------------|-------------------------------------|-------------------------------------|
| 1996        | \$ 5,912                                                     | 1,339                               | \$ 4.42                             |
| 1997        | \$ 6,366                                                     | 1,388                               | \$ 4.59                             |
| 1998        | \$ 6,949                                                     | 1,481                               | \$ 4.69                             |
| 1999        | \$ 7,448                                                     | 1,465                               | \$ 5.06                             |
| 2000        | \$ 7,661                                                     | 1,421                               | \$ 5.39                             |
| 2001        | \$ 8,413                                                     | 1,487                               | \$ 5.65                             |
| 2002        | \$ 9,520                                                     | 1,639                               | \$ 5.80                             |
| 2003        | \$ 9,489                                                     | 1,574                               | \$ 6.03                             |
| 2004        | \$ 9,539                                                     | 1,536                               | \$ 6.21                             |
| 2005        | \$ 8,991                                                     | 1,403                               | \$ 6.41                             |
| 2006        | \$ 9,488                                                     | 1,449                               | \$ 6.55                             |

***International Markets***

International growth has also been strong. According to MPAA, global box office revenues grew steadily at a CAGR of 8.2% from 2003 to 2006 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. According to PwC, Latin America's estimated box office revenue CAGR was 8.4% over the same period.

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), strong 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 screen 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

## **Table of Contents**

which brands a film is one of the major factors in determining its success in downstream markets, such as home video, DVD, and network, syndicated and pay-per-view television.

***Increased Importance of International Markets for Box Office Success.*** International markets are becoming an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for \$16 billion, or 63% of 2006 total worldwide box office revenues according to MPAA with many international blockbusters such as *Pirates of the Caribbean: Dead Man's Chest*, *The Da Vinci Code*, *Ice Age: The Meltdown*, and *Mission Impossible III*. 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 5.5% and 6.3%, respectively, since 1995. Over the last three years, third party funding sources such as hedge funds have also provided over \$5 billion of incremental capital to fund new film content production. This has led to an increase in blockbuster features, which attract larger audiences to theatres.

***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, attendance has grown at a 1.6% CAGR over the last 35 years to 1.45 billion patrons in 2006. According to Nielsen Entertainment/NRG, 80% of moviegoers stated their overall theatre experience in 2006 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 \$6.55 in 2006. Average prices in 2006 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, range from approximately \$22.40 to \$61.60 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.

***Strong Operating Performance and Discipline.*** We generated operating income, net income and Adjusted EBITDA margin of \$127.4 million, \$0.8 million and 22.3%, respectively, for the year ended December 31, 2006. Our strong operating performance is a result of our financial discipline, such as negotiating favorable theatre level economics and controlling theatre operating costs. We believe 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, 2006, on a pro forma basis we ranked either first or second based on box office revenues in 28 out of our top 30 U.S. markets, including Chicago, Dallas, Houston, Las Vegas, Salt Lake City and the San Francisco Bay Area. On average, the population in over 80% of our domestic markets, including Dallas, Las Vegas and Phoenix, is expected to grow 61% 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 115 theatres and 965 screens in 12 countries, generating revenues of \$285.9 million for the year ended December 31, 2006. We have

## **Table of Contents**

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. Over the last three years, the CAGR of our international revenue has been greater than that of our U.S. operations. 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 79% of our first run auditoriums, the highest percentage among the three largest U.S. exhibitors, and 81% of our international screens also feature stadium seating. During 2006, we continued our organic expansion by building 210 screens. We currently have commitments to build 382 additional screens over the next four years.

***Strong 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, which enhances our cash flows, is our ownership of land and buildings. We own 45 properties with an aggregate value in excess of \$350 million. For the year ended December 31, 2006, on a pro forma basis adjusted to give effect to this offering at an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), we expect our leverage to be net debt to Adjusted EBITDA. 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.

***Strong 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 32 years of theatre operating experience executing a focused strategy which has led to strong 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 concessions revenues per patron at the highest CAGR during the last three 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.



## **Recent Developments**

### ***National CineMedia***

In March 2005, Regal and AMC formed NCM, and on July 15, 2005, we joined NCM, as one of the founding members. NCM operates the largest digital in-theatre network in the U.S. for cinema advertising and

## **Table of Contents**

non-film events and combines the cinema advertising and non-film events businesses of the three largest motion picture exhibition companies in the country. On February 13, 2007, NCM, Inc., a newly formed entity that now serves as a member and the sole manager of NCM, completed an initial public offering of its common stock. In connection with the NCM, Inc. public offering, NCM, Inc. became a member and the sole manager of NCM, and we amended the operating agreement of NCM and the Exhibitor Services Agreement pursuant to which NCM provides advertising, promotion and event services to our theatres.

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 owned a 14% interest in NCM. Prior to pricing the initial public offering of NCM, Inc., NCM completed a recapitalization whereby (1) each issued and outstanding Class A unit of NCM was split into 44,291 Class A units, and (2) following such split of Class A Units, each issued and outstanding Class A Unit was recapitalized into one common unit and one preferred unit. As a result, we received 14,159,437 common units and 14,159,437 preferred units. All existing preferred units of NCM, or 55,850,951 preferred units, held by us, Regal, AMC were redeemed on a pro rata basis on February 13, 2007. NCM utilized the proceeds of its new \$725.0 million term loan facility and a portion of the proceeds it received from NCM, Inc. from the initial public offering to redeem all of its outstanding preferred units. Each preferred unit was redeemed by NCM for \$13.7782 and we received approximately \$195.1 million as payment in full for redemption of all of our preferred units in NCM. Upon payment of such amount, each preferred unit was cancelled and the holders of the preferred units ceased to have any rights with respect to the preferred units.

NCM has also paid us a portion of the proceeds it received from NCM, Inc. in the initial public offering for agreeing to modify NCM's payment obligation under the prior exhibitor services agreement. The modification agreed to by us reflects a shift from circuit share expense under the prior exhibitor service agreement, which obligated NCM to pay us a percentage of revenue, to the monthly theatre access fee described below. The theatre access fee will significantly reduce the contractual amounts paid to us by NCM. In exchange for our agreement to so modify the agreement, NCM paid us approximately \$174 million upon execution of the Exhibitor Services Agreement on February 13, 2007. Regal and AMC similarly altered their exhibitor services arrangements with NCM.

At the closing of the initial public offering, the underwriters exercised their over-allotment option to purchase additional shares of common stock of NCM, Inc. at the initial public offering price, less underwriting discounts and commissions. In connection with the over-allotment option exercise, Regal, AMC and us each sold to NCM, Inc. common units of NCM on a pro rata basis at the initial public offering price, less underwriting discounts and expenses. We sold 1,014,088 common units to NCM, Inc. for proceeds of \$19.9 million, and upon completion of this sale of common units, we owned 13,145,349 common units of NCM, or a 14% interest. In the future, we expect to receive mandatory quarterly distributions of excess cash from NCM.

In consideration for NCM's exclusive access to our theatre attendees for on-screen advertising and use of off-screen locations within our theatres for the lobby entertainment network and lobby promotions, we will receive a monthly theatre access fee under the Exhibitor Services Agreement. The theatre access fee is composed of a fixed payment per patron, initially \$0.07, and a fixed payment per digital screen, which may be adjusted for certain enumerated reasons. The payment per theatre patron will increase by 8% every five years, with the first such increase taking effect after 2011, and the payment per digital screen, initially \$800 per digital screen per year, will increase annually by 5%, beginning after 2007. The theatre access fee paid in the aggregate to Regal, AMC and us will not be less than 12% of NCM's Aggregate Advertising Revenue (as defined in the Exhibitor Services Agreement), or it will be adjusted upward to reach this minimum payment. Additionally, with respect to any on-screen advertising time provided to our beverage concessionaire, we are required to purchase such time from NCM at a negotiated rate. The Exhibitor Services Agreement has, except with respect to certain limited services, a term of 30 years.

We intend to use the proceeds from the Exhibitor Services Agreement modification payment, the preferred unit redemption and the sale of common units to NCM, Inc. in connection with the exercise of the over-allotment option and cash on hand to purchase our 9% senior subordinated notes due 2013 issued by Cinemark USA, Inc. pursuant to an offer to purchase and consent solicitation.

**Table of Contents**

***Digital Cinema Implementation Partners LLC***

On February 12, 2007, we, along with AMC and Regal, entered into a joint venture known as Digital Cinema Implementation Partners LLC to explore the possibility of implementing digital cinema in our theatres and to establish agreements with major motion picture studios for the implementation and financing of digital cinema. In addition, DCIP has entered into a digital cinema services agreement with NCM for purposes of assisting DCIP in the development of digital cinema systems. Future digital cinema developments will be managed by DCIP, subject to certain approvals by us, AMC and Regal.

**Theatre Operations**

As of December 31, 2006, we operated 396 theatres and 4,488 screens in 37 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, 2006.

**Table of Contents*****United States Theatres***

| <b>State</b>        | <b>Total<br/>Theatres</b> | <b>Total<br/>Screens</b> |
|---------------------|---------------------------|--------------------------|
| Texas               | 75                        | 969                      |
| California          | 64                        | 729                      |
| Ohio                | 19                        | 207                      |
| Utah                | 12                        | 155                      |
| Nevada              | 9                         | 138                      |
| Colorado            | 7                         | 111                      |
| Illinois            | 8                         | 106                      |
| Arizona             | 7                         | 98                       |
| Kentucky            | 7                         | 83                       |
| Oregon              | 6                         | 82                       |
| Pennsylvania        | 5                         | 73                       |
| Louisiana           | 5                         | 68                       |
| Oklahoma            | 6                         | 67                       |
| New Mexico          | 4                         | 54                       |
| Virginia            | 4                         | 52                       |
| Michigan            | 3                         | 50                       |
| Indiana             | 5                         | 46                       |
| North Carolina      | 4                         | 41                       |
| Mississippi         | 3                         | 41                       |
| Florida             | 2                         | 40                       |
| Iowa                | 4                         | 39                       |
| Arkansas            | 3                         | 30                       |
| Georgia             | 2                         | 27                       |
| New York            | 2                         | 27                       |
| South Carolina      | 2                         | 22                       |
| Kansas              | 1                         | 20                       |
| Alaska              | 1                         | 16                       |
| New Jersey          | 1                         | 16                       |
| Missouri            | 1                         | 14                       |
| 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 | 280                       | 3,511                    |
| Canada              | 1                         | 12                       |
| <b>Total</b>        | <b>281</b>                | <b>3,523</b>             |



**Table of Contents*****International Theatres***

| <b>Country</b>     | <b>Total<br/>Theatres</b> | <b>Total<br/>Screens</b> |
|--------------------|---------------------------|--------------------------|
| Brazil             | 36                        | 311                      |
| Mexico             | 30                        | 293                      |
| Chile              | 12                        | 91                       |
| Central America(1) | 12                        | 80                       |
| Argentina          | 9                         | 77                       |
| Colombia           | 8                         | 50                       |
| Ecuador            | 4                         | 26                       |
| Peru               | 4                         | 37                       |
| <b>Total</b>       | <b>115</b>                | <b>965</b>               |

(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. A film zone can range from a radius of two to five miles in major metropolitan and suburban areas to up to fifteen miles in small towns. We currently operate theatres in 228 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 84% 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 965 screens we operate in international markets approximately 86% have no direct competition from other theatres.



## **Table of Contents**

Our film rental licenses in the U.S. typically state that rental fees are based on either mutually agreed upon firm terms 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. 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.

With the Century acquisition, we now operate nine art theatres with 36 screens operated under the Cine-Arts brand. Cine-Arts will allow 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 festival, have contributed to growth and interest in this genre. Recent hits such as *Brokeback Mountain* and *Little Miss Sunshine* have demonstrated the box office potential of art and independent films.

## **Concessions**

Concession sales are our second largest revenue source, representing approximately 31% of total pro forma revenues for the year ended December 31, 2006. 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. This training occurs through situational role-playing conducted at our Customer Satisfaction University as well as continued on-the-job training. 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.

Also, a year-round crew incentive called Pour More & Score is in place. All concession programs include a points-earning opportunity designed to primarily drive sales of drinks and popcorn. Theatres compete against their own prior year performance in an effort to win staff prizes.

*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 stations which allow customers to select their choice of refreshments and proceed to the cash register. This design permits efficient service, enhanced choice and superior visibility of concession items. As we continue to integrate Century into

our operations, we will evaluate this concession design against our historical design to determine the most optimum layout.

*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

## **Table of Contents**

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.

## **Marketing**

In the U.S., we rely on newspaper display advertisements, substantially paid for by film distributors, newspaper directory film schedules, generally paid for by us, and Internet advertising, which has emerged as a strong 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 may, over time, replace the traditional newspaper advertisements. 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. Over time, the Internet may allow us to reduce our advertising costs associated with newspaper directory advertisements. 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.

We also 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, some of our customers request to receive showtime information via their cellular phones.

Our marketing department also focuses on maximizing ancillary revenue generating opportunities, which include the following: 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 also sold online, via phone, fax, email and regular mail and fulfilled in-house from the local corporate office.

## **Online Sales**

Our patrons may purchase advance tickets for all of our domestic screens and 302 of our international screens by accessing our corporate website at [www.cinemark.com](http://www.cinemark.com) or [www.fandango.com](http://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, which is installed in all of our U.S. theatres and some of our international theatres, 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 can be integrated with the system to enhance its functions. In some of our international

## **Table of Contents**

locations, we use point of sale systems that have been developed by third parties for the motion picture industry, 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 84% of the 228 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 965 screens we operate outside of the U.S., approximately 86% 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 at first run and discount theatres are competitive with ticket prices of competing theatres.

We also face competition from a number of other motion picture exhibition delivery systems, such as DVD, 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 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 directors/vice presidents in charge of film licensing, marketing, 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. Training is conducted at the corporate office to establish consistent standards throughout our international operations.

## **Employees**

We have approximately 13,600 employees in the U.S., approximately 10% of whom are full time employees and 90% of whom are part time employees. We have approximately 5,100 employees in our international markets, approximately 47% of whom are full time employees and approximately 53% of whom are part time employees. Nineteen U.S. employees are represented by unions under collective bargaining

**Table of Contents**

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 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. Below is a breakdown of select financial information by geographic area:

|                         | <b>Period from<br/>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|-------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>Revenues(1)</b>      |                                                                                       |                                                                                       |                                                             |                                                             |
| U.S. and Canada         | \$ 175,563                                                                            | \$ 607,831                                                                            | \$ 757,902                                                  | \$ 936,684                                                  |
| Mexico                  | 17,801                                                                                | 58,347                                                                                | 74,919                                                      | 71,589                                                      |
| Brazil                  | 21,775                                                                                | 69,097                                                                                | 112,182                                                     | 128,555                                                     |
| Other foreign countries | 18,889                                                                                | 56,311                                                                                | 77,213                                                      | 85,710                                                      |
| Eliminations            | (403)                                                                                 | (969)                                                                                 | (1,619)                                                     | (1,944)                                                     |
| <b>Total</b>            | <b>\$ 233,625</b>                                                                     | <b>\$ 790,617</b>                                                                     | <b>\$ 1,020,597</b>                                         | <b>\$ 1,220,594</b>                                         |





**Table of Contents**

|                                              | <b>December 31,<br/>2005<br/>(Successor)</b> | <b>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>Theatre properties and equipment, net</b> |                                              |                                              |
| U.S. and Canada                              | \$ 646,841                                   | \$ 1,169,456                                 |
| Mexico                                       | 55,366                                       | 51,272                                       |
| Brazil                                       | 52,371                                       | 55,749                                       |
| Other foreign countries                      | 48,691                                       | 48,095                                       |
| <b>Total</b>                                 | <b>\$ 803,269</b>                            | <b>\$ 1,324,572</b>                          |

- (1) Revenues for all periods do not include results of the two United Kingdom theatres or the eleven Interstate theatres, which were sold during 2004, as the results of operations for these theatres are included as discontinued operations.

**Properties*****United States***

As of December 31, 2006, we operated 236 theatres, with 2,882 screens, pursuant to leases and own the land and building for 45 theatres, with 641 screens, in the U.S. During the year ended December 31, 2006, we opened 14 new theatres with 179 screens and acquired one theatre with 12 screens in an exchange for one of our theatres. As part of the Century acquisition, on October 5, 2006, we acquired 77 theatres, with 1,017 screens, in 12 states. 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, 2006, approximately 9% of our theatre leases in the U.S., covering 21 theatres with 158 screens, have remaining terms, including optional renewal periods, of less than five years and approximately 72% of our theatre leases in the U.S., covering 190 theatres with 2,543 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, 2006, internationally, we operated 115 theatres, with 965 screens, all of which are leased pursuant to ground or building leases. During the year ended December 31, 2006, we opened seven new theatres with 53 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. One international theatre with eight screens has a remaining term, including optional renewal periods, of less than five years. Approximately 29% of our international theatre leases, covering 33 theatres and 279 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 70% of our international theatre leases, covering 81 theatres and 678 screens, have remaining terms, including optional renewal periods, of more than 15 years.

See note 19 to our annual 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.

### **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 17, 2004. Under the consent order, we are required to make modifications to wheelchair seating locations in fourteen stadium-style movie theatres in California, Kentucky, Michigan, Ohio,

**Table of Contents**

Oregon and Tennessee, and spacing and companion seating modifications in 67 auditoriums at other stadium-styled movie theatres in Illinois, Kansas, Missouri, New York and Utah. 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 existing stadium-style movie theatres in the United States. 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 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.

**Table of Contents****MANAGEMENT****Executive Officers and Directors**

Set forth below is the name, age, position and a brief account of the business experience of our executive officers and directors:

| <b>Name</b>           | <b>Age</b> | <b>Position</b>                                                                   |
|-----------------------|------------|-----------------------------------------------------------------------------------|
| Lee Roy Mitchell      | 70         | Chairman of the Board; Director                                                   |
| Alan W. Stock         | 46         | Chief Executive Officer                                                           |
| Timothy Warner        | 62         | President; Chief Operating Officer                                                |
| Tandy Mitchell        | 56         | Executive Vice President; Assistant Secretary                                     |
| Robert Copple         | 48         | Executive Vice President; Treasurer; Chief Financial Officer; Assistant Secretary |
| Robert Carmony        | 49         | Senior Vice President-Operations                                                  |
| Michael Cavalier      | 40         | Senior Vice President-General Counsel; Secretary                                  |
| Walter Hebert, III    | 61         | Senior Vice President-Purchasing                                                  |
| Tom Owens             | 50         | Senior Vice President-Real Estate                                                 |
| John Lundin           | 57         | Vice President-Film Licensing                                                     |
| Don Harton            | 49         | Vice President-Construction                                                       |
| Terrell Falk          | 56         | Vice President-Marketing and Communications                                       |
| Benjamin D. Chereskin | 48         | Director                                                                          |
| James N. Perry, Jr.   | 46         | Director                                                                          |
| Robin P. Selati       | 41         | Director                                                                          |
| Vahe A. Dombalagian   | 33         | Director                                                                          |
| Enrique F. Senior     | 63         | Director                                                                          |
| Peter R. Ezersky      | 46         | Director                                                                          |
| Raymond W. Syufy      | 44         | Director                                                                          |
| Joseph E. Syufy       | 41         | Director                                                                          |

*Lee Roy Mitchell* has served as Chairman of the board since March 1996 and as a Director since our inception in 1987. Mr. Mitchell served as our Chief Executive Officer since our inception until December 2006. Mr. Mitchell was Vice Chairman of the Board of Directors from March 1993 until March 1996 and was President from our inception in 1987 until March 1993. From 1985 until 1987, Mr. Mitchell served as President and Chief Executive Officer of a predecessor corporation. Since March 1999, Mr. Mitchell serves as a director of Texas Capital Bancshares, Inc., a bank holding company. Mr. Mitchell has served on the Board of Directors of the National Association of Theatre Owners since 1991. Mr. Mitchell also serves on the Board of Directors of National CineMedia, L.L.C., Champions for Life and Dallas County Community College. Mr. Mitchell has been engaged in the motion picture exhibition business for over 50 years. Mr. Mitchell is the husband of Tandy Mitchell.

*Alan W. Stock* has served as Chief Executive Officer since December 2006. Mr. Stock served as President from March 1993 until December 2006 and as Chief Operating Officer from March 1992 until December 2006. Mr. Stock also served as a Director from April 1992 until April 2004. Mr. Stock was Senior Vice President from June 1989 until March 1993. Mr. Stock was General Manager from our inception in 1987 until March 1992.

*Timothy Warner* has served as President and Chief Operating Officer since December 2006. Mr. Warner served as Senior Vice President from May 2002 until December 2006 and President of Cinemark International, L.L.C. from August 1996 until December 2006. Mr. Warner has served on the Board of Directors of the National Association of Theatre Owners since 1982 and was the Chairman of the National Association of Theatre Owners International Committee from 2002 through 2004.

**Table of Contents**

*Tandy Mitchell* has served as Executive Vice President since June 1989 and Assistant Secretary since December 2003. Mrs. Mitchell also served as Vice Chairman of the board from March 1996 until April 2004. Mrs. Mitchell is the wife of Lee Roy Mitchell and sister of Walter Hebert, III.

*Robert Copple* has served as Executive Vice President since January 2007 and as Senior Vice President, Treasurer, Chief Financial Officer and Assistant Secretary since August 2000 and also served as a Director from September 2001 until April 2004. Mr. Copple was acting Chief Financial Officer from March 2000 until August 2000. From August 1997 until March 2000, Mr. Copple was President of PBA Development, Inc., an investment management and venture capital company controlled by Mr. Mitchell. From June 1993 until July 1997, Mr. Copple was Director of Finance of our company. Prior to joining our company, Mr. Copple was a Senior Manager with Deloitte & Touche, LLP where he was employed from 1982 until 1993.

*Robert Carmony* has served as Senior Vice President-Operations since July 1997, as Vice President Operations from March 1996 until July 1997 and as Director of Operations from June 1988 until March 1996.

*Michael Cavalier* has served as Senior Vice President-General Counsel since January 2006, as Vice President-General Counsel since August 1999, as Assistant Secretary from May 2001 until December 2003 and as Secretary since December 2003. From July 1997 until July 1999, Mr. Cavalier was General Counsel of our company and from July 1993 until July 1997 was Associate General Counsel.

*Walter Hebert, III* has served as Senior Vice President Purchasing since January 2007 and as Vice President Purchasing and Special Projects since July 1997 and was the Director of Purchasing from October 1996 until July 1997. From December 1995 until October 1996, Mr. Hebert was the President of 2 Day Video, Inc., a 21-store video chain that was our subsidiary. Mr. Hebert is the brother of Tandy Mitchell.

*Tom Owens* has served as Senior Vice President Real Estate since January 2007 and as Vice President-Development since December 2003 and as Director of Real Estate since April 2001. From 1998 until April 2001, Mr. Owens was President of NRE, a company he founded that specialized in the development and financing of motion picture theatres. From 1996 until 1998, Mr. Owens served as President of Silver Cinemas International, Inc., a motion picture exhibitor. From 1989 until 1996, Mr. Owens served as our Vice President Development.

*John Lundin* has served as Vice President-Film Licensing since September 2000 and as Head Film Buyer from September 1997 until September 2000 and was a film buyer from September 1994 until September 1997.

*Don Harton* has served as Vice President-Construction since July 1997. From August 1996 until July 1997, Mr. Harton was Director of Construction.

*Terrell Falk* has served as Vice President-Marketing and Communications since April 2001. From March 1998 until May 2001, Ms. Falk was Director of Large Format Theatres, overseeing the marketing and operations of our IMAX theatres.

*Benjamin D. Chereskin* has served as a Director since April 2004. Mr. Chereskin is a Managing Director of MDP and co-founded the firm in 1993. Previously, Mr. Chereskin was with First Chicago Venture Capital for nine years. Mr. Chereskin currently serves on the Board of Directors of Tuesday Morning Corporation and National CineMedia L.L.C.

*James N. Perry, Jr.* has served as a Director since April 2004. Mr. Perry is a Managing Director of MDP and co-founded the firm in 1993. Previously, Mr. Perry was with First Chicago Venture Capital for eight years. Mr. Perry

currently serves on the Board of Directors of Cbeyond Communications, Inc., Madison River Telephone Company, Intelsat Holdings, Ltd. and MetroPCS Communications, Inc.

*Robin P. Selati* has served as a Director since April 2004. Mr. Selati is a Managing Director of MDP and co-founded the firm in 1993. Previously, Mr. Selati was with Alex. Brown & Sons Incorporated, an investment bank. Mr. Selati currently serves on the Board of Directors of Tuesday Morning Corporation, Carrols Restaurant Group, Inc., Ruth's Chris Steak House, Inc. and Pierre Holding Corp.

## **Table of Contents**

*Vahe A. Dombalagian* has served as a Director since April 2004. Mr. Dombalagian is a Director of MDP and has been employed by the firm since July 2001. From August 1997 to August 1999, Mr. Dombalagian was an Associate with Texas Pacific Group, a private equity firm.

*Enrique F. Senior* has served as a Director since July 2005. Mr. Senior is a Managing Director of Allen & Company LLC, formerly Allen & Company Incorporated, and has been employed by the firm since 1973. Previously Mr. Senior was with White, Weld & Company for three years. Mr. Senior currently serves on the Board of Directors of Grupo Televisa S.A. de C.V. and Coca Cola FEMSA S.A. de C.V.

*Peter R. Ezersky* has served as a Director since April 2005. Mr. Ezersky is a Managing Principal of Quadrangle Group LLC and co-founded the firm in 2000. Previously, Mr. Ezersky was with Lazard Freres & Co. for ten years and The First Boston Corporation for four years. Mr. Ezersky currently serves on the Board of Directors of MGM Holdings, Dice Holdings and Publishing Group of America.

*Raymond W. Syufy* has served as a Director since October 2006. Mr. Syufy began working for Century in 1977 and held positions in each of the major departments within Century. In 1994, Mr. Syufy was named President of Century and was later appointed Chief Executive Officer and Chairman of the Board of Century. Mr. Syufy resigned as an officer and director of Century upon the consummation of the Century acquisition. Mr. Syufy currently serves as Chairman of the Board of the National Association of Theatre Owners of California and Nevada and as a director on the Board of Fandango, Inc. Mr. Syufy is the brother of Joseph Syufy.

*Joseph E. Syufy* has served as a Director since October 2006. Mr. Syufy began working for Century in 1981 and worked in various departments within Century. In 1998, Mr. Syufy was named President of Century and was later appointed Chief Executive Officer and then Vice Chairman of the Board of Century. Mr. Syufy resigned as an officer and director of Century upon the consummation of the Century acquisition. Mr. Syufy is the brother of Raymond Syufy.

## **Our Board of Directors and Committees**

*Board of Directors.* We expect that our amended and restated certificate of incorporation will be amended in connection with the offering to authorize the Board of Directors to have between                      and                      directors as determined by our Board of Directors. We expect that, upon completion of this offering, our Board of Directors will consist of                      members and will be divided into three classes that serve staggered three-year terms, as follows:

| <b>Class</b> | <b>Members</b> | <b>Expiration of Term</b> |
|--------------|----------------|---------------------------|
| Class I      |                |                           |
| Class II     |                |                           |
| Class III    |                |                           |

Newly elected directors and any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

The stockholders agreement currently contains a voting agreement pursuant to which the parties will vote their securities, and will take all other reasonably necessary or desirable actions, to elect and continue in office fourteen members of our Board of Directors, composed of two persons designated by Lee Roy Mitchell and the Mitchell Special Trust, or the Mitchell investors, nine persons designated by MDP, one person designated by Quadrangle



Capital Partners LP, Quadrangle Select Partners LP, Quadrangle (Cinemark) Capital Partners LP and Quadrangle Capital Partners A LP, or Quadrangle, and two persons designated by Syufy. Our Board of Directors currently has five vacancies. We expect that the stockholders' agreement will be amended and restated upon completion of this offering.

*Audit Committee.* Upon completion of this offering, our audit committee will include one director who satisfies the independence requirements of current SEC rules and the listing standards of the New York Stock

**Table of Contents**

Exchange. Within one year after completion of the offering, we expect that our audit committee will be composed of three members who will satisfy the independence requirements of current SEC rules and the listing standards of the New York Stock Exchange. We also expect that one of the members of the audit committee will qualify as an audit committee financial expert as defined under these rules and listing standards, and the other members of our audit committee will satisfy the financial literacy standards for audit committee members under these rules and listing standards.

The functions of the audit committee will include the following:

assist the Board of Directors in its oversight responsibilities regarding (1) the integrity of our financial statements, (2) our risk management compliance with legal and regulatory requirements, (3) our system of internal controls regarding finance and accounting and (4) our accounting, auditing and financial reporting processes generally, including the qualifications, independence and performance of the independent auditor;

prepare the report required by the SEC for inclusion in our annual proxy or information statement;

appoint, retain, compensate, evaluate and terminate our independent accountants;

approve audit and non-audit services to be performed by the independent accountants;

establish procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

perform such other functions as the Board of Directors may from time to time assign to the audit committee.

The specific functions and responsibilities of the audit committee will be set forth in an audit committee charter.

*Compensation Committee.* Upon completion of this offering, we expect that our compensation committee will consist of two or more members that qualify as outside directors under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The compensation committee will have a written charter setting forth the compensation committee's purpose and responsibilities. The principal responsibilities of the compensation committee will be to review and approve corporate goals and objectives relevant to the compensation of our officers, evaluate their performance in light of these goals, determine and approve our executive officers' compensation based on such evaluation, establish policies, and periodically determine matters involving compensation of officers, recommend changes in employee benefit programs, grant or recommend the grant of stock options and stock awards under our incentive plans and review the disclosures in the Compensation Discussion and Analysis and produce a committee report for inclusion in our proxy statement, information statement or annual report on Form 10-K, as required by the SEC.

*Other Committees.* Pursuant to our bylaws, our Board of Directors may, from time to time, establish other committees to facilitate the management of our business and operations. Because we are considered to be controlled by MDP under listing standards of the New York Stock Exchange, we are eligible for exemptions from provisions of these rules requiring a majority of independent directors, nominating and corporate governance and compensation committees composed entirely of independent directors as defined under the listing standards and written charters of these committees addressing specified matters. We intend to take advantage of certain of these exemptions. If we cease to be a controlled company within the meaning of these rules, we will be required to comply with these provisions after the specified transition periods.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers served as a member of the Board of Directors or the compensation committee of any entity that has one or more executive officers serving on our Board of Directors or on the compensation committee of our Board of Directors. Mr. Chereskin served as the only member of our compensation committee during the last completed fiscal year.

## **Table of Contents**

### **Executive Compensation**

#### ***Compensation Discussion and Analysis***

The compensation committee of the Board of Directors currently consists of one independent, non-employee director. The compensation committee is responsible for establishing the compensation for the company's chief executive officer and other senior executives, including all executive vice presidents. The compensation committee also establishes executive compensation policies, incentive compensation policies, employee benefit plans and determines cash and equity awards thereunder. In so doing, the compensation committee has the responsibility to develop, implement, and manage compensation policies and programs that seek to enhance our long term competitive advantage and sustainable profitability, thereby contributing to the value of our stockholders' investment. Our Board of Directors will adopt a written charter for the compensation committee setting forth the compensation committee's purpose and responsibilities.

#### ***Overview of Compensation Program***

Our compensation programs are designed to attract, retain, and motivate key executive personnel who possess the skills and qualities necessary to successfully perform in this industry. Elements of compensation for our executives include: annual salary, stock option awards and cash bonus awards. In making compensation decisions with respect to each of these elements, the compensation committee considers the competitive market for executives and compensation levels provided by comparable companies. The compensation committee intends to review the compensation practices of companies in our peer group and companies of comparable size and financial performance with whom we compete for talent.

#### ***Components of Compensation***

##### **Base Salary**

The compensation committee seeks to keep base salary competitive. Base salaries for the Chief Executive Officer and the other executive officers are determined by the compensation committee based on a variety of factors. These factors include the nature and responsibility of the position, the expertise of the individual executive, the competitiveness of the market for the executive's services and, except in the case of his own compensation, the recommendations of the chief executive officer.

##### **Annual Performance-Based Cash Incentive Compensation**

In setting compensation, the compensation committee considers annual cash incentives based on company performance to be an important tool in motivating and rewarding the performance of our executive officers. Performance-based cash incentive compensation is paid to our executive officers pursuant to our incentive bonus program.

Performance-based cash incentive compensation payouts to participants under our incentive bonus program are dependent upon our performance relative to Adjusted EBITDA target levels which are established at the beginning of each year. This plan provides named executive officers with a bonus of 20% of the executive's annual base salary if the minimum Adjusted EBITDA threshold is met and up to 80% of the executive's annual base salary if Adjusted EBITDA reaches the stretch goal. If our performance is between the minimum and maximum Adjusted EBITDA targets, such executives will receive a prorated bonus between 20% and 80% of his annual base salary. In 2005, the minimum Adjusted EBITDA target was not met and no plan participant received a bonus under our incentive bonus program. In 2006, the minimum Adjusted EBITDA target was met and plan participants qualified for a bonus to be

paid in 2007.

Long Term Equity Incentive Compensation

We believe that long-term performance is achieved through an ownership culture that encourages such performance by our executive officers through the use of stock and stock-based awards. In November 2006, our Board of Directors and the majority of our stockholders approved the 2006 Long Term Incentive Plan, or 2006 Plan, under which        shares of common stock are available for issuance to our selected

**Table of Contents**

employees, directors and consultants. The following awards may be granted under the 2006 Plan: (1) options intended to qualify as incentive stock options under Section 422 of the Code, (2) non-qualified stock options not specifically authorized or qualified for favorable federal income tax consequences, and (3) restricted stock awards consisting of shares of common stock that are subject to a substantial risk of forfeiture (vesting) restriction for some period of time. Our 2006 Plan was established to provide certain of our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders. The compensation committee believes that the use of stock and stock-based awards offers the best approach to achieving our compensation goals.

The 2006 Plan is substantially similar to the 2004 Long Term Incentive Plan, or 2004 Plan, created by Cinemark, Inc. The 2004 Plan was approved by Cinemark, Inc.'s Board of Directors and the majority of its stockholders on September 30, 2004. Under the 2004 Plan, Cinemark, Inc. made grants of options on two occasions. On September 30, 2004, options to purchase        shares were granted with 9.9% vesting on the grant date and the remainder vesting daily on a pro rata basis through April 2, 2009. On January 28, 2005, more options to purchase        shares were granted, which vest daily on a pro rata basis over five years. All options expire ten years after the date granted. In connection with the Century acquisition, we assumed the obligations of Cinemark, Inc. under the 2004 Plan to assure that stock acquired on exercise of an option issued under the 2004 Plan will be common stock of Cinemark Holdings, Inc. The terms of the option agreements entered into under the 2004 Plan will continue to govern the options. The option will otherwise be subject to the provisions in our 2006 Plan.

**Perquisites**

With limited exceptions, the compensation committee's policy is to provide benefits and perquisites to our executives that are substantially the same as those offered to our other employees at or above the level of vice president. The benefits and perquisites that may be available in addition to those available to our other employees include life insurance premiums and long term disability.

***Summary of Compensation for our Named Executive Officers***

**Lee Roy Mitchell**

For his service as our Chairman of the Board of Directors and Chief Executive Officer, Mr. Mitchell received a base salary of \$763,958 during 2006. Mr. Mitchell's base salary is subject to annual review for increase (but not decrease) each year by our Board of Directors or committee or delegate thereof. In addition, Mr. Mitchell is eligible to receive an annual cash incentive bonus upon our meeting certain performance targets established by our Board of Directors or the compensation committee, as described above. Mr. Mitchell qualifies for our 401(k) matching program, pursuant to which he received \$11,550 in company contributions in 2006. Mr. Mitchell is also entitled to additional fringe benefits including life insurance benefits of not less than \$5 million, disability benefits of not less than 66% of base salary, a luxury automobile and a membership at a country club. Upon Mr. Mitchell's termination of employment, he is entitled to severance payments, the amount of which depends upon the reason for the termination of employment. In any case, Mr. Mitchell will receive all accrued compensation and benefits as well as any vested stock options. If his employment is terminated without cause or he resigns for good reason, Mr. Mitchell will also receive his annual base salary for a period of twelve months and an amount equal to the most recent annual bonus he received prior to the date of termination.

**Alan W. Stock, Timothy Warner, Robert Copple and Robert Carmony**

For their service as officers, Alan W. Stock, Timothy Warner, Robert Copple and Robert Carmony received a base salary during 2006 of \$452,097, \$366,616, \$330,118 and \$318,247, respectively. The base salary of each of Messrs. Stock, Warner, Copple and Carmony is subject to annual review for increase (but not decrease) each year by

our Board of Directors or committee or delegate thereof. In addition, each of these employees is eligible to receive an annual cash incentive bonus upon our meeting certain performance targets established by our Board of Directors or the compensation committee, as described above. Messrs. Stock,

**Table of Contents**

Warner, Copple and Carmony each qualify for our 401(k) matching program, pursuant to which they each received \$11,550 in company contributions in 2006. Each of Messrs. Stock, Warner, Copple and Carmony is also entitled to certain additional benefits including life insurance and disability benefits.

*Compensation Committee*

Upon completion of this offering, we expect to have a compensation committee consisting of at least two or more members. The principal responsibilities of the compensation committee will be to review and approve corporate goals and objectives relevant to the compensation of our executive officers, evaluate their performance in light of these goals, determine and approve our executive officers compensation based on such evaluation and establish policies including with respect to the following:

the allocation between long-term and currently paid out compensation;

the allocation between cash and non-cash compensation, and among different forms of non-cash compensation;

the allocation among each different form of long-term award;

how the determination is made as to when awards are granted, including awards of equity-based compensation such as options; and

stock ownership guidelines and any policies regarding hedging the economic risk of such ownership.

*Summary Compensation*

The following table contains summary information concerning the total compensation earned during 2006 by our Chief Executive Officer, chief financial officer and our three other most highly compensated executive officers serving in this capacity as of December 31, 2006, whose total compensation exceeded \$100,000 for the fiscal year ended December 31, 2006.

**Summary Compensation Table for the Fiscal Year Ended December 31, 2006**

| Name and Principal Position                                   | Year | Salary<br>(\$) | Option<br>Awards<br>(\$)(1) | Non-Equity<br>Incentive<br>Plan | All Other            | Total<br>(\$) |
|---------------------------------------------------------------|------|----------------|-----------------------------|---------------------------------|----------------------|---------------|
|                                                               |      |                |                             | Compensation<br>(\$)(2)         | Compensation<br>(\$) |               |
| Lee Roy Mitchell<br>Chairman of the Board(3)                  | 2006 | \$ 763,958     | \$                          | \$ 385,773                      | \$ 24,701(4)         | \$ 1,174,432  |
| Alan W. Stock<br>Chief Executive Officer(3)                   | 2006 | 452,097        | 415,761                     | 227,698                         | 634,180(5)           | 1,729,736     |
| Timothy Warner<br>President and Chief Operating<br>Officer(3) | 2006 | 366,616        | 415,761                     | 184,645                         | 14,772(6)            | 981,794       |
| Robert Copple                                                 | 2006 | 330,118        | 415,761                     | 166,263                         | 16,631(7)            | 928,773       |



Executive Vice President and  
Chief Financial Officer  
Robert Carmony  
Senior Vice President  
Operations

|      |         |         |         |           |         |
|------|---------|---------|---------|-----------|---------|
| 2006 | 318,247 | 270,244 | 160,284 | 15,578(8) | 764,353 |
|------|---------|---------|---------|-----------|---------|

(1) These amounts represent the dollar amount of compensation cost we recognized during 2006 for awards granted during 2004 based on the grant date fair value of the named executive officer's option awards in accordance with SFAS 123(R). See note 10 to our consolidated financial statements for assumptions used in determining compensation expense on options granted in accordance with SFAS 123R.

(2) Bonuses were earned in 2006 and paid in March 2007.

## **Table of Contents**

- (3) Effective December 12, 2006, Mr. Mitchell stepped down as our Chief Executive Officer. Mr. Stock was elected to replace Mr. Mitchell as our Chief Executive Officer. Mr. Mitchell will continue to serve as our Chairman of the Board of Directors. Mr. Stock had previously served as our President since March 1993 and as Chief Operating Officer since March 1992. Effective December 12, 2006, Mr. Warner was elected to replace Mr. Stock as our President and Chief Operating Officer. Mr. Warner had previously served as our Senior Vice President since May 2002 and President of Cinemark International, L.L.C. since April 1996.
- (4) Represents an \$11,550 annual matching contribution to Mr. Mitchell's 401(k) savings plan, \$10,250 representing the value of the use of a company vehicle for one year and \$2,901 of life insurance premiums and disability insurance paid by us for the benefit of Mr. Mitchell.
- (5) Represents an \$11,550 annual matching contribution to Mr. Stock's 401(k) savings plan, \$3,793 of life insurance premiums and disability insurance paid by us for the benefit of Mr. Stock and payments of \$618,837 under Mr. Stock's profit participation agreement for certain of our theatres.
- (6) Represents an \$11,550 annual matching contribution to Mr. Warner's 401(k) savings plan and \$3,222 of life insurance premiums and disability insurance paid by us for the benefit of Mr. Warner.
- (7) Represents an \$11,550 annual matching contribution to Mr. Copple's 401(k) savings plan and \$5,081 of life insurance premiums and disability insurance paid by us for the benefit of Mr. Copple.
- (8) Represents an \$11,550 annual matching contribution to Mr. Carmony's 401(k) savings plan and \$4,028 of life insurance premiums and disability insurance paid by us for the benefit of Mr. Carmony.

## ***Grants of Plan-Based Awards***

There were no stock option grants or awards to the named executive officers during the fiscal year ended December 31, 2006.

## ***Employment Agreements***

### ***Lee Roy Mitchell***

We entered into an employment agreement with Lee Roy Mitchell pursuant to which Mr. Mitchell served as our Chief Executive Officer. The employment agreement became effective upon the consummation of the MDP Merger. Effective December 12, 2006, Mr. Mitchell stepped down as our Chief Executive Officer and will continue to serve as our Chairman of the Board of Directors, and his employment agreement was amended to reflect the change in duties. The initial term of the employment agreement is three years, ending on April 2, 2007, subject to an automatic extension for a one-year period, unless the employment agreement is terminated. Mr. Mitchell received a base salary of \$763,958 during 2006, which is subject to annual review for increase (but not decrease) each year by our Board of Directors or committee or delegate thereof. In addition, Mr. Mitchell is eligible to receive an annual cash incentive bonus upon our meeting certain performance targets established by our Board of Directors or the compensation committee for the fiscal year. Mr. Mitchell is also entitled to additional fringe benefits including life insurance benefits of not less than \$5 million, disability benefits of not less than 66% of base salary, a luxury automobile and a membership at a country club. The employment agreement provides for severance payments upon termination of employment, the amount and nature of which depends upon the reason for the termination of employment. If Mr. Mitchell resigns for good reason or is terminated by us without cause (as defined in the agreement), Mr. Mitchell will receive: accrued compensation (which includes base salary and a pro rata bonus) through the date of termination; any previously vested stock options and accrued benefits, such as retirement benefits, in accordance with the terms of

the plan or agreement pursuant to which such options or benefits were granted; his annual base salary as in effect at the time of termination for a period of twelve months following such termination; and an amount equal to the most recent annual bonus he received prior to the date of termination. Mr. Mitchell's equity-based or performance-based awards will become fully vested and exercisable upon such termination or resignation. Mr. Mitchell may choose to continue to participate in our benefit plans and insurance programs on the same terms as other actively employed senior executives for a one-year period.

**Table of Contents**

In the event Mr. Mitchell's employment is terminated due to his death or disability, Mr. Mitchell or his estate will receive: accrued compensation (which includes base salary and a pro rata bonus) through the date of termination; any previously vested stock options and accrued benefits, such as retirement benefits, in accordance with the terms of the plan or agreement pursuant to which such options or benefits were granted; his annual base salary as in effect at the time of termination for a period of six months following such termination; a lump sum payment equal to an additional six months of base salary payable six months after the date of termination; and any benefits payable to Mr. Mitchell and/or his beneficiaries in accordance with the terms of any applicable benefit plan.

In the event Mr. Mitchell's employment is terminated by us for cause or under a voluntary termination (as defined in the agreement), Mr. Mitchell will receive accrued base salary through the date of termination and any previously vested rights under a stock option or similar incentive compensation plan in accordance with the terms of such plan.

Mr. Mitchell will also be entitled, for a period of five years, to tax preparation assistance upon termination of his employment for any reason other than for cause or under a voluntary termination. The employment agreement contains various covenants, including covenants related to confidentiality, non-competition (other than certain permitted activities as defined therein) and non-solicitation.

*Tandy Mitchell, Alan Stock, Robert Copple, Timothy Warner, Robert Carmony, John Lundin and Michael Cavalier*

We entered into executive employment agreements with each of Alan Stock, Timothy Warner, Tandy Mitchell, Robert Copple, Robert Carmony, Michael Cavalier and John Lundin pursuant to which Mr. Stock, Mr. Warner, Mrs. Mitchell and Messrs. Copple, Carmony, Cavalier and Lundin serve, respectively, as our Chief Executive Officer, President, Executive Vice President, Senior Vice President and Chief Financial Officer, Senior Vice President of Operations, Senior Vice President-General Counsel and Vice President of Film Licensing. The employment agreements became effective upon the consummation of the MDP Merger. Effective December 12, 2006, Mr. Stock was elected to replace Mr. Mitchell as our Chief Executive Officer, Mr. Warner was elected to replace Mr. Stock as our President and Chief Operating Officer and their employment agreements were amended to reflect the change in duties. Effective January 25, 2006, Mr. Copple was promoted to Executive Vice President and his employment agreement was amended to reflect this change. The initial term of each employment agreement is three years, ending on April 2, 2007, subject to automatic extensions for a one-year period at the end of each year of the term, unless the agreement is terminated. Pursuant to the employment agreements, each of these individuals receives a base salary, which is subject to annual review for increase (but not decrease) each year by our Board of Directors or committee or delegate thereof. In addition, each of these executives is eligible to receive an annual cash incentive bonus upon our meeting certain performance targets established by our Board of Directors or the compensation committee for the fiscal year.

Our Board of Directors has adopted a stock option plan and granted each executive stock options to acquire such number of shares as set forth in that executive's employment agreement. The executive's stock options vest and become exercisable twenty percent per year on a daily pro rata basis and shall be fully vested and exercisable five years after the date of the grant, as long as the executive remains continuously employed by us. Upon consummation of a sale of our company, the executive's stock options will accelerate and become fully vested.

The employment agreement with each executive provides for severance payments on substantially the same terms as the employment agreement for Mr. Mitchell except that the executive will receive his or her annual base salary in effect at the time of termination for a two year period commencing on the date of termination (rather than for twelve months) and an amount equal to the most recent annual bonus he or she received prior to the date of termination pro rated for the number of days between such termination and its second anniversary (rather than a single annual bonus).

Each executive will also be entitled to office space and support services for a period of not more than three months following the date of any termination except for termination for cause. The employment

## **Table of Contents**

agreements contain various covenants, including covenants related to confidentiality, non-competition and non-solicitation.

### ***401(k) Plan***

We sponsor a defined contribution savings plan, or 401(k) Plan, whereby certain employees may elect to contribute, in whole percentages between 1% and 50% of such employee's compensation, provided no employee's elective contribution shall exceed the amount permitted under Section 402(g) of the Code (\$15,000 in 2006). We may make an annual discretionary matching contribution. For plan years beginning in 2002, our discretionary matching contributions immediately vest.

### ***2006 Long Term Incentive Plan***

Cinemark Holdings, Inc. was formed on August 2, 2006 in connection with the planned acquisition pursuant to a stock purchase agreement, dated August 7, 2006, of Century by Cinemark USA, Inc. The Century acquisition was completed on October 5, 2006. On October 5, 2006, pursuant to a Contribution and Exchange Agreement, dated August 7, 2006, among the then stockholders of Cinemark, Inc., the parties exchanged their shares of Class A common stock of Cinemark, Inc. for shares of common stock of Cinemark Holdings, Inc. In connection with the Century acquisition, we assumed the obligations of Cinemark, Inc. under the 2004 Plan to assure that stock acquired on exercise of an option issued under the 2004 Plan will be common stock of Cinemark Holdings, Inc. The terms of the option agreements entered into under the 2004 Plan will continue to govern the options. The options will otherwise be subject to the provisions in our 2006 Plan described below.

In November 2006, our Board of Directors and the majority of our stockholders approved the 2006 Plan under which        shares of common stock are available for issuance to our selected employees, directors and consultants. There are currently options to purchase        shares of common stock outstanding under the 2006 Plan with a weighted average exercise price of \$        per share. The board of Cinemark, Inc. has amended the 2004 Plan to provide that no additional awards may be granted under the 2004 Plan. The 2006 Plan is substantially similar to the 2004 Plan.

*Types of Awards.* The following awards may be granted under the 2006 Plan: (1) options intended to qualify as incentive stock options under Section 422 of the Code, (2) non-qualified stock options not specifically authorized or qualified for favorable federal income tax consequences, and (3) restricted stock awards consisting of shares of common stock that are subject to a substantial risk of forfeiture (vesting) restriction for some period of time.

*Administration.* The 2006 Plan is administered by our Board of Directors, or in the discretion of our Board of Directors, by a committee consisting of two or more of our directors. Authority to administer the 2006 Plan has been delegated to the compensation committee, or the administrator, which has full and final authority to make awards, establish the terms thereof, and administer and interpret the 2006 Plan in its sole discretion unless authority is specifically reserved to our Board of Directors under the 2006 Plan, our amended and restated certificate of incorporation or bylaws, or applicable law. The administrator may delegate duties to one or more of our executive officers, including the ability to make awards within designated parameters that do not involve    Covered Employees within the meaning of Section 162(m) of the Code or    insiders within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act. The 2006 Plan administrator has exclusive authority to determine employees to whom awards will be granted, the timing and manner of the grant of awards, the number of shares to be subject to any award, the purchase price or exercise price and medium of payment, vesting provisions and repurchase provisions and to specify the provisions of any agreement relating to such grant or sale, the duration and purpose of leaves of absence which may be granted to optionees and grantees without constituting termination of employment for purposes of the 2006 Plan and all other discretionary determinations necessary or advisable for administration of the 2006 Plan.



## **Table of Contents**

*Eligibility.* Any employee, director or consultant of our or any of our subsidiaries who is designated by the administrator is eligible to receive an award under the 2006 Plan. Incentive stock options may only be granted to a person employed by us or by one of our subsidiaries.

*Shares Subject to the 2006 Plan.* The aggregate number of shares which may be issued under the 2006 Plan consists of \_\_\_\_\_ shares of our common stock, subject to certain adjustments.

*Terms and Conditions of Options.* The exercise price for the shares subject to any option granted under the 2006 Plan may not be less than 100% of the fair market value of the shares of our common stock on the date the option is granted. However, the options issued under the 2004 Plan will continue to have the fair market value exercise price originally determined under the 2004 Plan on the original grant date of such options.

The purchase price for any shares purchased pursuant to exercise of an option must be paid in full upon exercise of the option in cash or, at the sole discretion of the administrator, upon such terms and conditions as it may approve, by transferring to us for redemption shares of previously acquired common stock at the fair market value or, provided our common stock is publicly traded, by a broker assisted cashless exercise procedure.

Incentive stock options are non-transferable, except as permitted by the administrator in its sole discretion. If an incentive stock option is granted to an employee who owns 10% or more of our common stock, the exercise price of that option may not be less than 110% of the fair market value of the common stock on the option grant date and the option is not exercisable after the expiration of five years from such option grant date. The 2006 Plan also provides for grants of nonqualified stock options to any employees, directors or consultants performing services for us or our subsidiaries. The exercise price for nonqualified stock options granted under the 2006 Plan may not be less than 100% of the fair market value of the common stock on the option grant date. Under the 2006 Plan, options vest according to the provisions of the applicable option agreement, and terminate on the tenth anniversary of the date of grant. Upon the sale of our company, all outstanding options become fully vested and exercisable.

No option is exercisable after the earliest of the following: (1) the expiration of ten years after the date the option is granted; (2) three months after the date the optionee's continuous service as an employee, director or consultant with us and our subsidiaries terminates if termination is for any reason other than permanent disability, death, or cause; (3) the date the optionee's continuous service terminates if termination is for cause; (4) one year after the date the optionee's continuous service terminates if termination is a result of death; or (5) six months after the date the optionee's continuous service terminates if termination is a result of permanent disability.

To the extent the aggregate fair market value (determined as of the time the option is granted) of stock with respect to which incentive stock options are exercisable by any employee for the first time during any calendar year exceeds \$100,000, the options or portions thereof will be treated as nonstatutory options and will not be treated as incentive stock options.

*Restricted Stock Awards.* The administrator may award (or sell at a purchase price determined by the administrator) restricted shares of our common stock to our employees, directors and consultants. The restricted stock may not be sold, assigned, transferred or otherwise disposed of for such period as the administrator shall determine. The vesting of an award of restricted stock will be determined by the administrator for each grant. In the event a recipient's continuous service to us terminates, we may reacquire that unvested shares acquired in consideration of past services and all unvested shares of restricted stock as of the date of termination will be forfeited. If restricted stock is acquired for consideration other than prior services, the forfeiture will be accomplished by repurchasing the shares at the lesser of the original purchase price or the current fair market value. The administrator, in its sole discretion, may (but shall not be required to) provide for payment of a concurrent cash award in an amount equal, in whole or in part, to the estimated after tax amount required to satisfy applicable federal, state or local tax withholding obligations arising from



the receipt and deemed vesting of restricted stock for which an election under Section 83(b) of the Code may be required. Until all restrictions upon restricted stock awarded to a participant have lapsed, the participant may not have rights to

**Table of Contents**

receive dividends and voting rights with respect to the restricted stock. The agreement evidencing the award of restricted stock will set forth any such terms and conditions. Upon a change of control of our company, all outstanding shares of restricted stock become fully vested.

*Effect of the Sale of Our Company.* Upon the sale of our company, all outstanding options become fully vested and exercisable and all outstanding shares of restricted stock become fully vested. At the time of a sale of our company, the administrator will cancel any or all outstanding options in exchange for a payment to the option holder in an amount equal to the value of the option under the terms of the sale of our company, minus any required withholding tax. In addition, the administrator will cause our company to purchase all restricted shares at a price determined according to the terms of the sale of our company. The payment of the applicable amounts described above may be made in cash or, if the transaction resulting in the sale of our company includes consideration in the form of securities, in a combination of cash and publicly traded securities, in the administrator's discretion.

*Effect of Mergers, Reorganizations and Consolidations on Awards.* In the event of our liquidation or merger, reorganization or consolidation with any other corporation in which we are not the surviving corporation or we become a subsidiary of another corporation, the maximum number of shares of common stock subject to options or awards under the 2006 Plan and the number of shares and exercise price per share subject to outstanding options or awards under the 2006 Plan will be appropriately adjusted by the administrator to reflect any increase or decrease in the number of outstanding shares of common stock. Any outstanding awards previously granted under the 2006 Plan must either (1) be assumed or replaced by substitute awards by the surviving corporation or (2) continued in accordance with their terms.

*Plan Amendments.* The 2006 Plan may be terminated or amended by our Board of Directors. Without the authorization and approval of the stockholders, however, our Board of Directors may not make any amendments which would (1) increase the total number of shares covered by the 2006 Plan, (2) change the class of persons eligible to participate, or (3) extend the term of the 2006 Plan beyond ten years from the date of adoption.

*Term of 2006 Plan.* Unless sooner terminated by our Board of Directors in its sole discretion, the 2006 Plan, as amended, will expire on September 29, 2014.

**Table of Contents*****Outstanding Equity Awards***

The following table sets forth certain information concerning unexercised options for each named executive officer outstanding as of December 31, 2006. There were no outstanding stock awards as of December 31, 2006.

**Outstanding Equity Awards at December 31, 2006 Table**

| Name             | Option Awards                                       |                                                     | Option Exercise Price (\$) | Option Expiration Date |
|------------------|-----------------------------------------------------|-----------------------------------------------------|----------------------------|------------------------|
|                  | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options |                            |                        |
|                  | (#)<br>Exercisable                                  | (#)<br>Unexercisable                                |                            |                        |
| Lee Roy Mitchell |                                                     |                                                     |                            |                        |
| Alan W. Stock    |                                                     |                                                     |                            | September 29, 2014     |
| Timothy Warner   |                                                     |                                                     |                            | September 29, 2014     |
| Robert Copple    |                                                     |                                                     |                            | September 29, 2014     |
| Robert Carmony   |                                                     |                                                     |                            | September 29, 2014     |

***Option Exercises***

There were no exercises of stock options by the named executive officers during the year ended December 31, 2006.

***Potential Payments upon Termination or Change-in-Control***

Our employment agreements with the named executive officers will require us to provide compensation to named executive officers in the event of a termination of employment by us without cause or by the named executive officer for good reason. The amount of compensation payable to each named executive officer upon such termination is listed in the table below assuming such triggering event occurred on December 31, 2006.

|                  | Salary     | Most Recent Bonus(1) | Medical / Dental | Other Life | Group Life | Disability(2) | Total        |
|------------------|------------|----------------------|------------------|------------|------------|---------------|--------------|
| Lee Roy Mitchell | \$ 763,958 | \$ 385,773           | \$ 4,864         |            | \$ 648     | \$ 2,253      | \$ 1,157,496 |
| Alan W. Stock    | 452,097    | 227,698              | 11,549           |            | 1,080      | 2,713         | 695,137      |
| Timothy Warner   | 366,616    | 184,645              | 9,753            |            | 1,092      | 2,130         | 564,236      |
| Robert Copple    | 330,118    | 166,263              | 11,549           | 890        | 1,071      | 3,120         | 513,011      |
| Robert Carmony   | 318,247    | 160,284              | 4,864            |            | 1,080      | 2,948         | 487,423      |

(1) Bonuses were earned in 2006 and paid in March 2007.

- (2) Amounts for disability include long-term disability, individual disability income protection insurance and short-term disability.

In addition, upon a change of control of our company, through the sale of capital stock of our company or a sale of substantially all of the assets of our company, all outstanding options will become fully vested and exercisable.

**Table of Contents*****Compensation of Directors***

The following table sets forth certain information concerning the compensation of our directors for year ended December 31, 2006.

**Director Compensation Table for the Fiscal Year Ended December 31, 2006**

| <b>Name</b>           | <b>Fees<br/>Earned or<br/>Paid in Cash<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|-----------------------|-----------------------------------------------------|-----------------------|
| Benjamin D. Chereskin |                                                     |                       |
| James N. Perry, Jr.   |                                                     |                       |
| Robin P. Selati       |                                                     |                       |
| Vahe A. Dombalagian   |                                                     |                       |
| Peter R. Ezersky      |                                                     |                       |
| Enrique F. Senior(1)  | \$ 219,746                                          | \$ 219,746            |
| Raymond W. Syufy(2)   |                                                     |                       |
| Joseph E. Syufy(2)    |                                                     |                       |

- (1) On January 19, 2007, we made a cash payment of \$219,746 to Mr. Senior for his services on our Board of Directors from July 26, 2004 through December 31, 2006.
- (2) Effective upon completion of the Century acquisition on October 5, 2006, we appointed Raymond W. Syufy and Joseph E. Syufy to our Board of Directors.

Our directors are reimbursed for expenses actually incurred for each Board of Directors meeting which they attend. In addition, our non-employee directors may receive a fee for each meeting of the Board of Directors attended. We may grant non-employee directors non-qualified stock options to purchase shares of our common stock on a periodic basis in an amount and with a vesting schedule to be determined by our Board of Directors. We have agreed to make quarterly payments to Mr. Senior in the amount of \$20,844 for services on our Board of Directors. We also anticipate that the chairperson of the audit committee, the compensation committee and the nominating and corporate governance committee, if any, will receive reasonable and customary additional annual retainers. Members of our Board of Directors who are also officers or employees of our company will not receive compensation for their services as director.

***Limitations of Liability and Indemnification of Directors and Officers******Amended and Restated Certificate of Incorporation and Bylaws***

Our amended and restated certificate of incorporation will provide that no director shall be personally liable to us or any of our stockholders for monetary damages resulting from breaches of their fiduciary duty as directors, except to the extent such limitation on or exemption from liability is not permitted under the Delaware General Corporation Law. The effect of this provision of our amended and restated certificate of incorporation is to eliminate our rights and those of our stockholders (through stockholders' derivative suits on our behalf) to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly

negligent behavior, except, as restricted by the Delaware General Corporation Law:

for any breach of the director's duty of loyalty to the company or its stockholders;

for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

**Table of Contents**

in respect of certain unlawful dividend payments or stock redemptions or repurchases; and

for any transaction from which the director derives an improper personal benefit.

This provision does not limit or eliminate our rights or the rights of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care.

Our amended and restated certificate of incorporation also provides that we will, to the fullest extent permitted by Delaware law, indemnify our directors and officers against losses that they may incur in investigations and legal proceedings resulting from their service.

Our bylaws include provisions relating to advancement of expenses and indemnification rights consistent with those provided in our amended and restated certificate of incorporation. In addition, our bylaws provide:

for a right of indemnitee to bring a suit in the event a claim for indemnification or advancement of expenses is not paid in full by us within a specified period of time; and

permit us to purchase and maintain insurance, at our expense, to protect us and any of our directors, officers and employees against any loss, whether or not we would have the power to indemnify that person against that loss under Delaware law.

*Liability Insurance*

We provide liability insurance for our current directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification from us is sought. We are not aware of any threatened litigation that may result in claims for indemnification from us.

**Table of Contents****PRINCIPAL AND SELLING STOCKHOLDERS****Beneficial Ownership**

The following table presents information regarding beneficial ownership of our common stock as of the date hereof, before and after this offering by:

- each person known by us to beneficially hold five percent or more of our outstanding common stock;
- each of our directors;
- each of our named executive officers;
- all of our executive officers and directors as a group; and
- the selling stockholders.

Beneficial ownership has been determined in accordance with the applicable rules and regulations, promulgated under the Securities Exchange Act. Unless indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of the date hereof are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Percentage ownership is based on \_\_\_\_\_ shares of common stock issued and outstanding as of the date hereof. As of the date hereof, there were \_\_\_\_\_ holders of record of our common stock.

| Names of Beneficial Owner                        | Beneficial Ownership Prior to the Offering |         | Shares to be Sold in the Offering | Beneficial Ownership Immediately After the Offering |         |
|--------------------------------------------------|--------------------------------------------|---------|-----------------------------------|-----------------------------------------------------|---------|
|                                                  | Number                                     | Percent |                                   | Number                                              | Percent |
| <b>5% Stockholders</b>                           |                                            |         |                                   |                                                     |         |
| Madison Dearborn Capital Partners IV, L.P.(1)(9) |                                            | 66.3%   |                                   |                                                     | %       |
| Quadrangle Capital Partners LP(2)                |                                            | 7.1%    |                                   |                                                     | %       |
| Syufy Enterprises LP(3)                          |                                            | 10.8%   |                                   |                                                     | %       |
| <b>Directors and Named Executive Officers</b>    |                                            |         |                                   |                                                     |         |
| Lee Roy Mitchell(4)                              |                                            | 14.2%   |                                   |                                                     | %       |
| Alan W. Stock(5)                                 |                                            | *       |                                   |                                                     | %       |
| Timothy Warner(6)                                |                                            | *       |                                   |                                                     | %       |



|                                                                     |       |   |
|---------------------------------------------------------------------|-------|---|
| Robert Copple(7)                                                    | *     | % |
| Robert Carmony(8)                                                   | *     | % |
| Benjamin D. Chereskin(9)                                            | 66.3% | % |
| James N. Perry, Jr.(9)                                              | 66.3% | % |
| Robin P. Selati(9)                                                  | 66.3% | % |
| Vahe A. Dombalagian(9)                                              | 66.3% | % |
| Enrique F. Senior                                                   |       | % |
| Peter R. Ezersky(10)                                                | 7.1%  | % |
| Raymond W. Syufy(11)                                                | 10.8% | % |
| Joseph E. Syufy(11)                                                 | 10.8% | % |
| All directors and executive officers as a group<br>(20 persons)(12) | 99.3% | % |

\* Represents less than 1%

(1) Includes shares owned by Northwestern University, shares owned by John Madigan and shares owned by K&E Investment Partners, L.P. 2004-B DIF. MDP has an irrevocable proxy to vote these shares in all matters subject to stockholder approval. The address of Madison Dearborn Capital Partners IV, L.P. is Three First National Plaza, Suite 3800, 70 West Madison Street, Chicago, Illinois 60602.

**Table of Contents**

- (2) Includes        shares owned by Quadrangle Select Partners LP,        shares owned by Quadrangle Capital Partners A LP and        shares owned by Quadrangle (Cinemark) Capital Partners LP. Quadrangle GP Investors LLC is the general partner of Quadrangle GP Investors LP. Quadrangle GP Investors LP is the general partner of Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP and Quadrangle (Cinemark) Capital Partners LP. Quadrangle Capital Partners LP disclaims beneficial ownership of all shares held by Quadrangle Select Partners LP and Quadrangle Capital Partners A LP. The address of Quadrangle Capital Partners LP is c/o Quadrangle Group LLC, 375 Park Avenue, New York, New York 10152.
- (3) The address of Syufy Enterprises LP is 150 Pelican Way, San Rafael, California 94901.
- (4) Includes        shares of common stock owned by the Mitchell Special Trust. Mr. Mitchell is the co-trustee of the Mitchell Special Trust. Mr. Mitchell expressly disclaims beneficial ownership of all shares held by the Mitchell Special Trust. Mr. Mitchell's address is c/o Cinemark, Inc., 3900 Dallas Parkway, Suite 500, Plano, Texas 75093.
- (5) Includes        shares of common stock issuable upon the exercise of options that may be exercised within 60 days of the date hereof.
- (6) Includes        shares of common stock issuable upon the exercise of options that may be exercised within 60 days of the date hereof.
- (7) Includes        shares of common stock issuable upon the exercise of options that may be exercised within 60 days of the date hereof.
- (8) Includes        shares of common stock issuable upon the exercise of options that may be exercised within 60 days of the date hereof.
- (9) The shares beneficially owned by MDCP IV may be deemed to be beneficially owned by Madison Dearborn Partners IV, L.P. (or MDP IV), the sole general partner of MDCP IV. John A. Canning, Jr., Paul J. Finnegan and Samuel M. Menco are the sole members of a limited partner committee of MDP IV that has the power, acting by majority vote, to vote or dispose of the shares beneficially held by MDCP IV. Messrs. Chereskin, Perry and Selati are each limited partners of MDP IV and Managing Directors and Members of Madison Dearborn Partners, LLC (the general partner of MDP IV), and therefore may be deemed to share beneficial ownership of the shares beneficially owned by MDCP IV. Mr. Dombalagian is a limited partner of MDP IV and a Director of Madison Dearborn Partners, LLC, and therefore may be deemed to share beneficial ownership of the shares beneficially owned by MDCP IV. Messrs. Canning, Finnegan, Menco, Chereskin, Perry, Selati and Dombalagian and MDP IV each hereby disclaims any beneficial ownership of any shares beneficially owned by MDCP IV. The address for each person named in this footnote is Three First National Plaza, Suite 3800, 70 West Madison Street, Chicago, Illinois 60602.
- (10) Mr. Ezersky is a Managing Member of Quadrangle GP Investors LLC, which is the general partner of Quadrangle GP Investors LP. Quadrangle GP Investors LP is the general partner of Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP and Quadrangle (Cinemark) Capital Partners LP, and he may therefore be deemed to share beneficial ownership of the        shares owned by Quadrangle Capital Partners LP, the        shares owned by Quadrangle Select Partners LP, the        shares owned by Quadrangle Capital Partners A LP and the        shares owned by Quadrangle (Cinemark) Capital Partners LP. Mr. Ezersky expressly disclaims beneficial ownership of the shares owned by Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP and Quadrangle (Cinemark) Capital Partners

LP.

- (11) Raymond Syufy and Joseph Syufy are executive officers of the general partner of Syufy Enterprises LP and they may therefore be deemed to share beneficial ownership of the      shares owned by Syufy Enterprises LP. Raymond Syufy and Joseph Syufy expressly disclaim beneficial ownership of the shares owned by Syufy Enterprises LP.
- (12) Includes      shares of common stock issuable upon the exercise of options that may be exercised within 60 days of the date hereof.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Certain Agreements**

We lease one theatre from Plitt Plaza Joint Venture, or Plitt Plaza. Plitt Plaza is indirectly owned by Lee Roy Mitchell. Annual rent is approximately \$0.12 million plus certain taxes, maintenance expenses and insurance. We recorded \$0.14 million, \$0.15 million and \$0.15 million of facility lease expense payable to Plitt Plaza during the year ended December 31, 2004, 2005 and 2006.

We manage one theatre for Laredo Theatre, Ltd., or Laredo. We are the sole general partner and own 75% of the limited partnership interests of Laredo. Lone Star Theatres, Inc. owns the remaining 25% of the limited partnership interests in Laredo and is 100% owned by Mr. David Roberts, Lee Roy Mitchell's son-in-law. Under the agreement, management fees are paid by Laredo to us at a rate of 5% of annual theatre revenues up to \$50 million and 3% of annual theatre revenues in excess of \$50 million. We recorded \$0.19 million, \$0.20 million and \$0.19 million of management fee revenue and received \$0.56 million, \$0.68 million and \$0.60 million in distributions during the years ended December 31, 2004, 2005, and 2006, respectively. As the sole general partner and the majority limited partner of Laredo, we control the affairs of the limited partnership and have the rights to dissolve the partnership or sell the theatre. We also have a license agreement with Laredo permitting Laredo to use the Cinemark service mark, name and corresponding logos and insignias in Laredo, Texas.

Our subsidiary, Century Theatres, Inc., leases 25 theatres and two parking facilities from Syufy Enterprises, LP or affiliates of Syufy, which owns approximately 10.8% of our issued and outstanding shares of common stock. Raymond Syufy and Joseph Syufy are two of our directors and are officers of the general partner of Syufy Enterprises, LP. Of these 27 leases, 22 have fixed minimum annual rent in an aggregate amount of approximately \$23.5 million.

Of these 22 leases with fixed minimum annual rent, 17 have a remaining lease term plus extension option(s) that exceed 30 years, four have a remaining lease term plus extension option(s) that exceed 18 years, and one has a remaining lease term of approximately three years. Three of these 22 leases have triggering events that allow us to convert the fixed minimum rent to a fixed percentage of gross sales as defined in the lease with the further right to terminate the lease if the theatre level cash flow drops below \$0. Five of these 22 leases have triggering events that allow us to terminate the lease prior to expiration of the term. The five leases without minimum annual rent have rent based upon a specified percentage of gross sales as defined in the lease with no minimum annual rent. Four of these percentage rent leases have a 12 month term plus automatic 12 month renewal options, and we have the right to terminate the lease if the theatre level cash flow drops below \$0. One of these percentage rent leases has a remaining term of 21 months, and Syufy has the right to terminate this lease prior to the end of the term.

Century also has an office lease with Syufy for corporate office space in San Rafael, California. The lease will expire in September 2008. The lease has a fixed minimum annual rent of approximately \$0.3 million.

**Profit Participation**

We entered into an amended and restated profit participation agreement on March 12, 2004 with Mr. Stock, which became effective April 2, 2004 and amends an amended and restated profit participation agreement with Mr. Stock effective May 19, 2002. Under the agreement, Mr. Stock receives a profit interest in two theatres once we have recovered our capital investment in these theatres plus our borrowing costs. Under the agreement, operating losses and disposition losses for any year are allocated 100% to our company. Operating profits and disposition profits for these theatres for any fiscal year are allocated first to our company to the extent of total operating losses and losses from any

disposition of these theatres. Thereafter, net cash from operations from these theatres or from any disposition of these theatres is paid first to our company until such payments equal our investment in these theatres, plus interest, and then 51% to our company and 49% to Mr. Stock. We paid \$0.4 million, \$0.7 million and \$0.6 million to Mr. Stock during the years ended December 31, 2004, 2005 and 2006, respectively, for amounts earned during 2004, 2005 and

## **Table of Contents**

2006, respectively. In the event that Mr. Stock's employment is terminated without cause, profits will be distributed according to a formula set forth in the profit participation agreement. Upon consummation of the offering, we intend to exercise an option to purchase Mr. Stock's interest in the theatres for a price equal to the greater of (1) stated price reduced by any payments received by Mr. Stock during the term and (2) 49% of adjusted theatre level cash flow multiplied by seven, plus cash and value of inventory associated with the two theatres, minus necessary reserves, minus accrued liabilities and accounts payable associated with the two theatres. As of the date of this prospectus, the price is expected to be approximately \$6.9 million. We do not intend to enter into similar arrangements with our executive officers in the future.

## **Stockholders Agreement**

On August 7, 2006, the following stockholders entered into a stockholder agreement with us: Madison Dearborn Capital Partners IV, L.P., Lee Roy Mitchell, The Mitchell Special Trust, Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP, Quadrangle (Cinemark) Capital Partners LP, Syufy Enterprises, LP, Century Theatres Holdings, LLC, Alan W. Stock, Timothy Warner, Robert Copple, Michael Cavalier, Northwestern University, K & E Investment Partners, LLC -2004-B DIF, Piola Investments, Ltd. and John Madigan. The stockholders agreement became effective on October 5, 2006 upon the consummation of the Century acquisition.

*Board Designation and Observer Rights.* Under the stockholders agreement, the size of our Board of Directors is set at fourteen. Our Board of Directors currently has five vacancies. MDP has the right to designate up to nine of the nominees for election to our Board of Directors as long as it continues to own at least 5% of our common stock. The Mitchell investors have the right to designate up to two of the nominees for election to our Board of Directors as long as they continue to beneficially own at least 9% of our common stock and will continue to have the right to designate up to one of the nominees for election to our Board of Directors if they beneficially own less than 9% but more than 3% of our common stock. Mr. Mitchell is a current designee of the Mitchell investors, whose term expires upon death, resignation or removal. Subject to certain exceptions, the parties have agreed to take all reasonably necessary action so that Mr. Mitchell will serve as the Chairman of the board. If the Mitchell investors beneficially own less than 3% of our common stock but more than 2% of our common stock, they will continue to have certain board observer rights. Quadrangle has the right to designate one of the nominees for election to our Board of Directors as long as they continue to own at least 3% of our common stock provided that at the time the Quadrangle investors no longer have rights to designate the director, the number of designees nominated by MDP shall be increased by one. If Quadrangle beneficially owns less than 3% of our common stock but more than 2% of our common stock, it will continue to have certain board observer rights. Peter R. Ezersky is the current Quadrangle designee, whose term expires upon death, resignation or removal. Syufy has the right to designate up to two of the nominees for election to our Board of Directors as long as it continues to own at least 7% of our common stock and will continue to have the right to designate up to one of the nominees for election to our Board of Directors if it beneficially owns less than 7% but more than 3% of our common stock. Joseph Syufy and Raymond W. Syufy are the current Syufy designees, whose terms expire upon death, resignation or removal. If Syufy beneficially owns less than 3% of our common stock but more than 2% of our common stock, it will continue to have certain board observer rights.

*Transfer restrictions.* Parties to the stockholders agreement may not transfer shares, other than in an exempt transfer, which includes transfers to affiliates, transfers to family members in the case of a natural person, transfers in connection with certain sales of our company approved by our Board of Directors or by MDP, transfers by MDP to Quadrangle and transfers by the management investors to us. Any such transferees will agree in writing to be bound by the provisions of the stockholders agreement. These transfer restrictions do not apply in the context of an initial public offering and terminate as to each share after the sale of that share pursuant to a registration under the Securities Act or Rule 144 promulgated thereunder.

*Rights of first refusal.* We and MDP are granted certain rights of first refusal in connection with certain sales of our shares by any of the other stockholders or their permitted assigns. We are granted certain rights of refusal in connection with certain transfers of our shares by MDP to any of our competitors. These rights of

## **Table of Contents**

first refusal do not apply in the context of our initial public offering and terminate as to each share after the sale of that share pursuant to a registration under the Securities Act or Rule 144 promulgated thereunder.

*Participation rights.* Pursuant to the stockholders agreement, the Mitchell investors, Quadrangle, Syufy, the other stockholders which acquired our common stock from MDP and the management investors are granted certain tag-along rights, which entitle them to participate in certain sales by MDP of the shares of our common stock held by MDP. These participation rights do not apply in the context of our initial public offering and terminate as to each share after the sale of that share pursuant to a registration under the Securities Act or Rule 144 promulgated thereunder.

*Sale of Cinemark, Inc.* Subject to certain exceptions, if our Board of Directors or MDP approves a sale of our company, each of the stockholders will vote for and consent to the approved sale and will take all necessary and desirable actions in connection with the consummation of the approved sale as reasonably requested by the Board of Directors or by MDP.

*Holdback agreement.* No management investor or his permitted transferee shall sell any of our equity securities or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 180-day period beginning on the effective date of any underwritten demand registration or any underwritten piggyback registration pursuant to the equity registration agreement.

*Preemptive rights.* If we propose to issue any additional shares of our common stock or of any other capital stock, or any securities convertible into or exchangeable or exercisable for shares of our capital stock, subject to certain exceptions, we will offer to each stockholder party to the stockholders agreement a portion of the number of such securities proposed to be sold in any such transaction. These rights do not apply in the context of an initial public offering.

*Anti-takeover measures.* Prior to the commencement of an initial public offering of our shares, MDP may request that our Board of Directors adopt reasonable and customary anti-takeover measures, except to the extent that our Board of Directors determines in the observance of its fiduciary duties that any such measures are not in the best interest of our stockholders, or the underwriter managing the initial public offering advises us that any such measures will adversely affect such offering or the offering price.

### ***Equity Registration Agreement***

On August 7, 2006, we entered into a registration agreement with the following stockholders: Madison Dearborn Capital Partners IV, L.P., Lee Roy Mitchell, The Mitchell Special Trust, Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP, Quadrangle (Cinemark) Capital Partners LP, Syufy Enterprises, LP, Century Theatres Holdings, LLC, Alan W. Stock, Timothy Warner, Robert Copple, Michael Cavalier, Northwestern University, K & E Investment Partners, LLC -2004-B DIF, Piola Investments, Ltd. and John Madigan. The registration agreement became effective on October 5, 2006 upon the consummation of the Century acquisition.

*Demand registrations.* Under the registration agreement, the holders of at least a majority of the registrable securities, as defined in the registration agreement, held by the MDP investors have the right at any time, subject to certain conditions, to require us to register any or all of their common stock under the Securities Act on a registration statement on Form S-1 or any similar long-form registration at our expense. The holders of a majority of the registrable securities held by the Mitchell investors have the right, upon the first to occur of (1) April 2, 2007, (2) 180 days after the completion of an initial public offering of our common stock, and (3) our achievement of certain financial targets as set forth therein for any two consecutive fiscal years prior to the end of 2008, subject to certain conditions, to require us to register any or all of their common stock on a registration statement on Form S-1 or any



similar long-form registration at our expense. The holders of a majority of the registrable securities held by Quadrangle or Syufy, each as a separate group, have the right, at any time after 180 days after the completion of an initial public offering of our common stock, subject to certain conditions, to require us to register at a certain minimum price any or all of their common stock on a registration statement on Form S-1 or any similar long-form registration at our expense. In addition, the holders of a majority of the registrable securities held by the MDP investors, the Mitchell

## **Table of Contents**

investors, Quadrangle and Syufy, each as a separate group, have the right any time after this offering, subject to conditions, to require us to register any or all of their common stock on a registration statement on Form S-3 or any similar short-form registration, if available. Upon an exercise of demand rights by a holder, all other holders of registrable securities are entitled to request the inclusion of their securities in such registration. We refer to each of these types of registrations as demand registrations.

We are not required, however, to effect any registration within 180 days of the effective date of a previous demand registration or a previous registration in which holders of the registrable securities were given piggyback rights. In addition, we may postpone for up to 180 days the filing or the effectiveness of a registration statement for a demand registration no more than once in any twelve month period, if our Board of Directors determines that the demand registration would reasonably be expected to have a material adverse effect on any proposal or plan by us or any of our subsidiaries to engage in any acquisition or sale of assets, or any merger, consolidation, tender offer, acquisition, recapitalization, reorganization or similar transaction.

*Piggyback registrations.* All holders of registrable securities are entitled to request the inclusion of their securities in any registration statement at our expense whenever we propose to register any offering of our equity securities (other than pursuant to a demand registration). The registration form to be used may be used for the registration of such registrable securities.

*Holdback agreement.* Each holder of registrable securities has agreed not to effect any public sale or distribution of our equity securities or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 180-day period beginning on the effective date of any underwritten demand registration or any underwritten piggyback registration (except as part of that registration or if the underwriters otherwise agree). We have agreed not to, and have agreed to cause any 5% holder of our common stock purchased from us (other than in a registered public offering) to agree not to, effect any public sale or distribution of our equity securities or any securities convertible into or exchangeable or exercisable for such securities, during the same time period.

*Indemnification.* In connection with all registrations pursuant to the registration agreement, we have agreed to indemnify the holders of registrable securities against liabilities relating to the registration, including liabilities under the Securities Act.

## **Policies and Procedures for Review and Approval of Related Party Transactions**

Concurrently with this offering, our Board of Directors will adopt policies and procedures for the review, approval and ratification of related party transactions. We expect that such policies and procedures will provide that related party transactions must be approved by our audit committee or a majority of our disinterested directors.

**Table of Contents**

**DESCRIPTION OF CAPITAL STOCK**

Our authorized capital stock consists of        shares of preferred stock, par value \$0.001 per share, and        shares of common stock, par value \$0.001 per share. Upon completion of this offering, there will be        shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. The following summary describes the terms of our capital stock upon completion of this offering and is qualified in its entirety by reference to our amended and restated certificate of incorporation and our bylaws filed as exhibits to this registration statement and the Delaware General Corporate Law.

**Common Stock**

Our common stockholders are entitled to one vote for each share held. Our common stockholders do not have cumulative voting rights. Subject to the rights of holders of any then outstanding shares of our preferred stock, our common stockholders are entitled to any dividends that may be declared by our Board of Directors. Holders of our common stock are entitled to share ratably in our net assets upon our dissolution or liquidation after payment or provision for all liabilities and any preferential liquidation rights of our preferred stock then outstanding. The shares of our common stock are not subject to any redemption provisions and are not convertible into any other shares of our capital stock. The rights, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock we may issue in the future.

**Preferred Stock**

Our Board of Directors may from time to time authorize the issuance of one or more classes or series of preferred stock without stockholder approval. Subject to the provisions of our amended and restated certificate of incorporation and limitations prescribed by law, our Board of Directors is authorized to adopt resolutions to issue shares, establish the number of shares, change the number of shares constituting any series, and provide or change the voting powers, designations, preferences and relative rights, qualifications, limitations or restrictions on shares of our preferred stock, including dividend rights, terms of redemption, conversion rights and liquidation preferences, in each case without any action or vote by our stockholders.

The availability of undesignated preferred stock could facilitate the adoption of a stockholder rights plan or other related actions, which would in turn enable our Board of Directors to discourage an attempt to obtain control of our company by means of an unsolicited tender offer, proxy contest, merger or otherwise. The issuance of preferred stock may adversely affect the rights of our common stockholders by, among other things:

restricting dividends on the common stock;

diluting the voting power of the common stock;

impairing the liquidation rights of the common stock;

delaying or preventing a change in control without further action by the stockholders; or

decreasing the market price of common stock.

**Effects of Authorized But Unissued Stock**

Upon consummation of the offering there will be \_\_\_\_\_ authorized shares of our common stock, \_\_\_\_\_ of which will be unissued and unreserved for specific purposes, and \_\_\_\_\_ authorized shares of preferred stock, undesignated as to series, all of which shall be unissued and available for our future issuance without stockholder approval. Of the shares of common stock available for future issuance, \_\_\_\_\_ shares have been reserved for issuance under our 2006 Plan.

Shares of common stock and preferred stock available for future issuance may be utilized for a variety of corporate purposes, including facilitating acquisitions or future public offerings to raise additional capital. We do not currently have any plans to issue additional shares of common stock or preferred stock, other than shares of common stock issuable under our 2006 Plan.

## **Table of Contents**

### **Options**

We have reserved            shares of our common stock for issuance under our 2006 Plan, of which            shares of common stock are issuable upon exercise of options outstanding as of the date hereof, including options to purchase            shares exercisable within 60 days of the date hereof.

### **Anti-Takeover Considerations and Special Provisions of the Amended and Restated Certificate of Incorporation, Bylaws and Delaware Law**

*Amended and Restated Certificate of Incorporation and Bylaws.* A number of provisions of our amended and restated certificate of incorporation and bylaws concern matters of corporate governance and the rights of our stockholders. Provisions such as those that grant our Board of Directors the ability to issue shares of preferred stock and to set the voting rights, preferences and other terms thereof may have an anti-takeover effect by discouraging takeover attempts not first approved by our Board of Directors, including takeovers which may be considered by some stockholders to be in their best interests. To the extent takeover attempts are discouraged, temporary fluctuations in the market price of our common stock, which may result from actual or rumored takeover attempts, may be moderated. Such provisions also could delay or frustrate the removal of incumbent directors or the assumption of control by stockholders, even if such removal or assumption would be beneficial to our stockholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest and could potentially depress the market price of our common stock. Our Board of Directors believes that these provisions are appropriate to protect the company's interests and the interests of our stockholders.

*Classified Board of Directors.* Our amended and restated certificate of incorporation divides our Board of Directors into three classes. The directors in each class serve in terms of three years and until their successors are duly elected and qualified. The terms of directors are staggered by class. The classification system of electing directors may tend to discourage a third party from making an unsolicited tender offer or otherwise attempting to obtain control of our company and may maintain the incumbency of our directors, as this structure generally increases the difficulty of, or may delay, replacing a majority of the directors. A majority of the directors then in office have the sole authority to elect a successor to fill any vacancies or newly created directorships.

*Meetings of Stockholders.* Our bylaws provide that annual meetings of our stockholders shall take place at the time and place established by our Board of Directors or may take place by remote communication, as determined by our Board of Directors. A special meeting of our stockholders may be called by the Chairman of the board or our Chief Executive Officer or President or pursuant to resolution of a majority of our whole board.

*Stockholder Action by Written Consent.* Except as provided in the following sentence, pursuant to the Delaware General Corporation Law, our bylaws and the requirements of the New York Stock Exchange, any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting of such holders, or may be effected by a consent in writing by such holders if the Board of Directors has approved in advance the taking of such action by written consent. Any action required or permitted to be taken at a special stockholders meeting may be taken without a meeting, without prior notice and without a vote, if the action is taken by persons who would be entitled to vote at a meeting and who hold shares having voting power equal to not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote were present and voted. The action must be evidenced by one or more written consents describing the action taken, signed by the stockholders entitled to take action without a meeting, and delivered to us in the manner prescribed by the Delaware General Corporation Law.

*Advance Notice Provisions.* Our bylaws provide that nominations for directors may not be made by stockholders at any annual or special meeting thereof unless the stockholder intending to make a nomination notifies us of its

intention a specified number of days in advance of the meeting and furnishes to us certain information regarding itself and the intended nominee. Our bylaws also require a stockholder to provide to our secretary advance notice of business to be brought by such stockholder before any annual or special meeting of our stockholders, as well as certain information regarding the stockholder and any material interest the

**Table of Contents**

stockholder may have in the proposed business. These provisions could delay stockholder actions, even if favored by the holders of a majority of our outstanding stock, until the next stockholders' meeting.

*Filling of Board Vacancies.* Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of our directors then in office and any director so chosen shall hold office for the remainder of the full term of the class of directors to which the new directorship was added or in which the vacancy occurred. Each such director will hold office until the next election of directors of that director's class, and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal. Stockholders are not permitted to fill vacancies.

*Amendment of the Bylaws.* Under Delaware law, the power to adopt, amend or repeal bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the Board of Directors the power to adopt, amend or repeal its bylaws. Our amended and restated certificate of incorporation and bylaws grant our Board of Directors the power to adopt, amend and repeal our bylaws at any regular or special meeting of the Board of Directors on the affirmative vote of a majority of the directors then in office. Our stockholders may adopt, amend or repeal our bylaws but only at any regular or special meeting of stockholders by an affirmative vote of holders of at least 66<sup>2</sup>/<sub>3</sub>% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

*Delaware Anti-Takeover Law.* We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents certain Delaware corporations, under certain circumstances, from engaging in a business combination with:

- a stockholder who owns 15% or more of our outstanding voting stock (otherwise known as an interested stockholder),
- an affiliate of an interested stockholder, or
- an associate of an interested stockholder,

for three years following the date that the stockholder became an interested stockholder. A business combination includes a merger or sale of more than 10% of our assets.

However, the above provisions of Section 203 do not apply if:

- our Board of Directors approves the transaction that made the stockholder an interested stockholder, prior to the date of that transaction;
- after the completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by our officers and directors; or
- on or subsequent to the date of the transaction, the business combination is approved by our Board of Directors and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

This statute could prohibit or delay mergers or other change in control attempts, and thus may discourage attempts to acquire us.

**Transfer Agent and Registrar**

We intend to retain \_\_\_\_\_ as the transfer agent and registrar for our common stock.

**Listing**

We intend to apply to list our common stock on the New York Stock Exchange under the trading symbol CNK.



**Table of Contents**

**SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock in the public market could adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, we will have \_\_\_\_\_ shares of our common stock assuming no exercise of outstanding options. Of the outstanding shares, all of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 promulgated under the Securities Act, may only be sold in compliance with the limitations described below. The remaining shares of our common stock will be deemed restricted securities as defined under Rule 144. Restricted securities may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom, including the exemptions provided by Regulation S and Rule 144 promulgated under the Securities Act. In addition, assuming no exercise of outstanding options, upon completion of this offering, we will have \_\_\_\_\_ shares of common stock issuable upon the exercise of outstanding stock options, which have a weighted average exercise price of \$ \_\_\_\_\_ per share, and we will have an aggregate of \_\_\_\_\_ shares of common stock reserved for future issuance under our 2006 Plan. Subject to the lock-up agreements described below, the provisions of Rule 144 or Regulation S, additional shares will be available for sale in the public market as follows:

**Lock-Up Agreements**

We, all of our directors and executive officers, holders of more than 5% of our outstanding stock and the selling stockholders are subject to lock-up agreements prohibiting the sale or other disposition of any shares of our common stock or any securities which may be converted into or exchanged or exercised for any common stock for a period of \_\_\_\_\_ days after the date of this prospectus, without the prior written consent of Lehman Brothers Inc., subject to certain exceptions.

**Registration Rights**

Certain stockholders which are parties to the registration rights agreement have rights to cause us to register under the Securities Act the sale of all or part of the shares of our capital stock owned by them. See Certain Relationships and Related Party Transactions.

**Rule 144**

In general, under Rule 144, a person, or group of persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year following the later of the date of the acquisition of such shares from us or one of our affiliates would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

1% of the number of shares of our common stock then outstanding; or

the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are subject to certain manner of sale provisions and notice requirements and the availability of current public information about us.

**Rule 144(k)**

Under Rule 144(k), a person who is not deemed to have been an one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years following the later of the date of the acquisition of such shares from us or one of our affiliates, is

**Table of Contents**

entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

**Regulation S**

In general, under Regulation S of the Securities Act, a person who is not one of our affiliates or a distributor would be entitled to sell securities in an offshore transaction provided that no directed selling efforts are made in the U.S. by such seller, an affiliate or any person acting on their behalf. Securities acquired overseas, whether or not pursuant to Regulation S, may be resold in the U.S. only if the securities are registered under the Securities Act or an exemption from registration is available.

**Stock Options**

Following the expiration of the      day lock-up period described above, we intend to file a registration statement on Form S-8 under the Securities Act to register all shares of our common stock subject to outstanding stock options and all shares of our common stock reserved for future issuance under our 2006 Plan. Shares of common stock registered under any registration statement will, subject to Rule 144 volume limitations applicable to affiliates, be available for sale in the open market.

## Table of Contents

### **MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS TO NON-U.S. HOLDERS**

#### **General**

The following summary discusses the material U.S. federal income and estate tax consequences of the ownership of our common stock by a Non-U.S. Holder (as defined below) as of the date hereof. This discussion assumes that a Non-U.S. Holder holds shares of our common stock as a capital asset (generally property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to Non-U.S. Holders in light of their personal circumstances. Special rules that may apply to certain Non-U.S. Holders, such as controlled foreign corporations, passive foreign investment companies, individuals who are U.S. expatriates, and partnerships or other pass-through entities, that are subject to special treatment under the Code, are not described herein. Those individuals or entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, possibly with retroactive effect, so as to result in U.S. federal income and estate tax consequences different from those discussed below. **Persons considering the purchase, ownership or disposition of our common stock should consult their own tax advisors concerning the U.S. federal income and estate tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

If a partnership holds our common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding our common stock should consult their tax advisors.

As used herein, a Non-U.S. Holder of our common stock means a beneficial owner that is an individual, corporation, trust or estate other than (1) an individual citizen or resident of the United States, (2) a corporation or business entity treated as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust (A) that is subject to the primary supervision of a court within the United States and with respect to which one or more U.S. persons has the authority to control all substantial decisions of the trust, or (B) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

#### **Dividends**

Dividends paid to a Non-U.S. Holder of our common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the Non-U.S. Holder, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain Internal Revenue Service, or the IRS, certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or a lower rate as may be specified by an applicable income tax treaty.

A Non-U.S. Holder of our common stock who wishes to claim an exemption from, or reduction in, withholding under the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, will be

required (a) to complete IRS Form W-8BEN (or successor form) and certify under penalties of perjury that such holder is a Non-U.S. Holder and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy certain relevant certification requirements of applicable Treasury regulations. Special certification and other requirements apply to certain Non-U.S. Holders that are pass-through entities rather than corporations or individuals.

## **Table of Contents**

A Non-U.S. Holder of our common stock eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS on a timely basis.

### **Gain on Disposition of Common Stock**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of our common stock unless (1) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States, and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the Non-U.S. Holder, (2) in the case of a Non-U.S. Holder who is an individual and holds the common stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, or (3) we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition and the Non-U.S. Holder's holding period for the common stock.

An individual Non-U.S. Holder described in clause (1) above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. An individual Non-U.S. Holder described in clause (2) above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). If a Non-U.S. Holder that is a foreign corporation falls under clause (1) above, it will be subject to tax on its gain under regular graduated U.S. federal income tax rates and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

The determination of whether a corporation is a U.S. real property holding corporation for U.S. federal income tax purposes involves a complex factual analysis, including a valuation of the corporation's assets. We have not determined at this time whether we are a U.S. real property holding corporation, although there is a possibility that we are or will become a U.S. real property holding corporation. If we are or become a U.S. real property holding corporation, then assuming our common stock is regularly traded on an established securities market, only a Non-U.S. Holder who holds or held (at any time during the shorter of the five-year period ending on the date of disposition and the Non-U.S. Holder's holding period for the common stock) more than 5% of our common stock will be subject to the U.S. federal income tax on the disposition of the common stock under these rules.

### **U.S. Estate Tax**

Common stock held by an individual Non-U.S. Holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Information Reporting and Backup Withholding**

Our company must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to that holder and the tax withheld with respect to those dividends, regardless of whether withholding was required. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provision of an applicable income tax treaty.

A Non-U.S. Holder will be subject to backup withholding for dividends paid to such holder unless applicable certification requirements are met, or such holder establishes another exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock paid within the United States or through certain U.S. related financial intermediaries, unless the

beneficial owner certifies under penalties of perjury that it is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person), or the beneficial owner establishes another exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability if the required information is furnished to the IRS.

**Table of Contents**

**UNDERWRITING**

Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, Lehman Brothers Inc. has agreed to purchase from us and the selling stockholders        shares of our common stock.

The underwriting agreement provides that the underwriter's obligation to purchase shares of our common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the shares of our common stock offered hereby (other than those shares of our common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;

the representations and warranties made by us and the selling stockholders to the underwriters are true;

there is no material change in our business or the financial markets; and

we deliver customary closing documents to the underwriter.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commissions we and the selling stockholders will pay to the underwriter. These amounts are shown assuming both no exercise and full exercise of the underwriter's option to purchase additional shares of our common stock. The underwriting fee is the difference between the initial price to the public and the amount the underwriter pays to us and the selling stockholders for the shares.

|                              | <b>Per Share</b> |                 | <b>Total</b>    |                 |
|------------------------------|------------------|-----------------|-----------------|-----------------|
|                              | <b>No</b>        | <b>Full</b>     | <b>No</b>       | <b>Full</b>     |
|                              | <b>Exercise</b>  | <b>Exercise</b> | <b>Exercise</b> | <b>Exercise</b> |
| Paid by us                   |                  |                 |                 |                 |
| Paid by selling stockholders |                  |                 |                 |                 |

The underwriter has advised us that it proposes to offer the shares of our common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriter, at such offering price less a selling concession not in excess of \$        per share. After the offering, the underwriter may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be \$        (excluding underwriting discounts and commissions). The selling stockholders will not pay any of the registration expenses. The selling stockholders may be deemed underwriters within the meaning of the Securities Act and may be subject to certain statutory liabilities of the Securities Act.

**Option to Purchase Additional Shares**

The selling stockholders have granted the underwriter an option exercisable for 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of        shares of our common



stock at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriter sells more than            shares of our common stock in connection with this offering.

### **Lock-Up Agreements**

We, all of our directors and executive officers, holders of more than 5% of our outstanding stock and the selling stockholders have agreed that, without the prior written consent of Lehman Brothers Inc., we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of our common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or

## **Table of Contents**

securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of our common stock or securities convertible, exercisable or exchangeable into common stock or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing for a period of days after the date of this prospectus.

The -day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the -day restricted period we issue an earnings release or material news or a material event relating to us occurs; or

prior to the expiration of the -day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the -day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of a material event, unless such extension is waived in writing by Lehman Brothers Inc.

Lehman Brothers Inc., in its sole discretion, may release our common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release our common stock and other securities from lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares of our common stock and other securities for which the release is being requested and market conditions at the time.

As described below under Directed Share Program, any participants in the directed share program will be subject to a -day lock up with respect to any shares sold to them pursuant to that program. This lock up will include an identical extension provision with respect to an earnings release, material news or event as the lock-up agreement described above. Any shares sold in the directed share program to our directors or officers will be subject to the lock-up agreement described above.

## **Offering Price Determination**

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the underwriter and us. In determining the initial public offering price of our common stock, the underwriter will consider:

the history and prospects for the industry in which we compete;

our financial information;

the ability of our management and our business potential and earning prospects;

the prevailing securities markets at the time of this offering; and

the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

## **Indemnification**

We and the selling stockholders have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act and liabilities incurred in connection with the directed share program referred to below, and to contribute to payments that the underwriter may be required to make for these liabilities.

## **Table of Contents**

### **Directed Share Program**

At our request, Lehman Brothers Inc. has reserved for sale at the initial public offering price up to            shares of our common stock offered hereby for officers, directors, employees and certain other persons associated with us. The number of shares of our common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriter to the general public on the same basis as the other shares of our common stock offered hereby. Any participants in this program will be prohibited from selling, pledging or assigning any shares sold to them pursuant to this program for a period of    days after the date of this prospectus. This    -day lock up period will be extended with respect to our issuance of an earnings release, or if a material news or a material event relating to us occurs, in the same manner as described above under    Lock-Up Agreements.

### **Stabilization, Short Positions and Penalty Bids**

The underwriter may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriter of shares of our common stock in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares of our common stock involved in the sales made by the underwriter in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares of our common stock involved is greater than the number of shares in their option to purchase additional shares. The underwriter may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares of our common stock in the open market. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares of our common stock available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering.

These stabilizing transactions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriter make representation that the underwriter will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by the underwriter and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular selling group member, prospective investors may be allowed to place orders online. The underwriter

## **Table of Contents**

may agree with us to allocate a specific number of shares of our common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter on the same basis as other allocations.

Other than the prospectus in electronic format, the information on the underwriter's or any selling group member's website and any information contained in any other website maintained by the underwriter or a selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriter or any selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

## **New York Stock Exchange**

We intend to apply to list our shares of common stock for quotation on the New York Stock Exchange under the symbol CNK. The underwriter will undertake to sell the shares of our common stock in this offering to a minimum of 2,000 beneficial owners in round lots of 100 or more units to meet the New York Stock Exchange distribution requirements for trading.

## **Discretionary Sales**

The underwriter has informed us that it does not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

## **Stamp Taxes**

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

## **European Economic Area**

In relating to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) the underwriter represents and warrants that it has not made and will not make an offer to the public of any shares which are subject to the offering contemplated by this prospectus in that Relevant Member State prior to the publication of a prospectus in relation to such shares which has been approved by the competent authority in that Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer to the public in that Relevant Member State of any such shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of such shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any such shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any

## **Table of Contents**

such shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

This is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as relevant persons). The shares of our common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this or any of its contents.

The underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us, and
- (b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relating to shares of our common stock in, from or otherwise involving the United Kingdom.

### **Relationships**

The underwriter may in the future perform investment banking and advisory services for us from time to time for which they may in the future receive customary fees and expenses. Lehman Brothers Inc. acted as initial purchaser in connection with the offerings of our 93/4% senior discount notes and our 9% senior subordinated notes. An affiliate of Lehman Brothers Inc. was the arranger and is a lender and the administrative agent under our new senior secured credit facility. Lehman Brothers Inc. is acting as dealer manager and solicitation agent in connection with Cinemark USA, Inc.'s offer to purchase and related consent solicitation of its 9% senior subordinated notes. We intend to use part of the net proceeds that we will receive from this offering to repay outstanding debt under our new senior secured credit facility or to repurchase all or a part of our 93/4% senior discount notes.



**Table of Contents**

**LEGAL MATTERS**

The validity of the shares of common stock offered by this prospectus will be passed upon for our company and the selling stockholders by Akin Gump Strauss Hauer & Feld LLP, Dallas, Texas. The underwriter is represented by Simpson Thacher & Bartlett LLP, New York, New York.

**EXPERTS**

The consolidated financial statements and related financial statement schedule of Cinemark Holdings, Inc. as of December 31, 2004, 2005 and 2006, and for the period from January 1, 2004 to April 1, 2004 (Predecessor), the period from April 2, 2004 to December 31, 2004 (Successor) and the years ended December 31, 2005 (Successor) and 2006 (Successor), included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for share-based compensation required under SFAS No. 123(R), *Share Based Payment* ), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Century Theatres, Inc. and subsidiaries as of September 28, 2006 and September 29, 2005 (restated), and for the years ended September 28, 2006 (restated), September 29, 2005 (restated) and September 30, 2004, included in this prospectus, have been audited by Grant Thornton LLP, independent certified public accountants, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act for the shares of common stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement or the accompanying exhibits and schedules. For further information about us and our common stock, we refer you to the registration statement and the accompanying exhibits and schedules. Statements contained in this prospectus regarding the contents of any contract or any other document to which we refer are not necessarily complete. In each instance, reference is made to the copy of the contract or document filed as an exhibit to the registration statement, and each statement is qualified in all respects by that reference. Copies of the registration statement and the accompanying exhibits and schedules may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained at the SEC's prescribed rates. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is [www.sec.gov](http://www.sec.gov).

After this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act. As a result, we will file periodic reports, proxy statements and other information with the Securities and Exchange Commission. After completion of this offering we intend to provide access to these reports on our website, [www.cinemark.com](http://www.cinemark.com). You may request paper copies of the filings, at no cost, by telephone at (972) 665-1000 or by mail at: Cinemark Holdings, Inc., 3900 Dallas Parkway, Suite 500, Plano, Texas 75093.

**Table of Contents**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

|                                                                                                                                                                                                                                                                                                  | <b>Page</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>CINEMARK HOLDINGS, INC. AND SUBSIDIARIES</b>                                                                                                                                                                                                                                                  |             |
| <b>CONSOLIDATED FINANCIAL STATEMENTS:</b>                                                                                                                                                                                                                                                        |             |
| <u>Report of Independent Registered Public Accounting Firm</u>                                                                                                                                                                                                                                   | F-2         |
| <u>Consolidated Balance Sheets, December 31, 2005 and 2006</u>                                                                                                                                                                                                                                   | F-3         |
| <u>Consolidated Statements of Operations for the Period from January 1, 2004 to April 1, 2004 (Predecessor), the Period from April 2, 2004 to December 31, 2004 (Successor) and the Years Ended December 31, 2005 (Successor) and 2006 (Successor)</u>                                           | F-4         |
| <u>Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the Period from January 1, 2004 to April 1, 2004 (Predecessor), the Period from April 2, 2004 to December 31, 2004 (Successor) and the Years Ended December 31, 2005 (Successor) and 2006 (Successor)</u> | F-5         |
| <u>Consolidated Statements of Cash Flows for the Period from January 1, 2004 to April 1, 2004 (Predecessor), the Period from April 2, 2004 to December 31, 2004 (Successor) and the Years Ended December 31, 2005 (Successor) and 2006 (Successor)</u>                                           | F-6         |
| <u>Notes to Consolidated Financial Statements</u>                                                                                                                                                                                                                                                | F-7         |
| Schedule I Condensed Financial Information of Registrant                                                                                                                                                                                                                                         | F-49        |
| <b>CENTURY THEATRES, INC. AND SUBSIDIARIES</b>                                                                                                                                                                                                                                                   |             |
| <b>CONSOLIDATED FINANCIAL STATEMENTS:</b>                                                                                                                                                                                                                                                        |             |
| <u>Report of Independent Certified Public Accountants</u>                                                                                                                                                                                                                                        | F-55        |
| <u>Consolidated Balance Sheets as of September 28, 2006 and September 29, 2005 (restated)</u>                                                                                                                                                                                                    | F-56        |
| <u>Consolidated Statements of Operations for the years ended September 28, 2006 (restated), September 29, 2005 (restated) and September 30, 2004</u>                                                                                                                                             | F-57        |
| <u>Consolidated Statement of Stockholders' Equity (Deficit) for the years ended September 28, 2006 (restated), September 29, 2005 (restated) and September 30, 2004</u>                                                                                                                          | F-58        |
| <u>Consolidated Statements of Cash Flows for the years ended September 28, 2006 (restated), September 29, 2005 (restated) and September 30, 2004</u>                                                                                                                                             | F-59        |
| <u>Notes to Consolidated Financial Statements</u>                                                                                                                                                                                                                                                | F-60        |

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Cinemark Holdings, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders equity, and cash flows for the years ended December 31, 2006 (Successor) and 2005 (Successor), the period from April 2 through December 31, 2004 (Successor), and the period from January 1 through April 1, 2004 (Predecessor). Our audits include the financial statement schedule listed in the index at F-49. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cinemark Holdings, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years ended December 31, 2006 (Successor) and 2005 (Successor), the period from April 2 through December 31, 2004 (Successor), and the period from January 1 through April 1, 2004 (Predecessor) in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2006 the Company changed its method of accounting for share based compensation to adopt Statement of Financial Accounting Standard No. 123(R), *Share Based Payment*.

/s/ Deloitte & Touche LLP

Dallas, Texas  
March 15, 2007

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

|                                                | December 31,<br>2005              | December 31,<br>2006 |
|------------------------------------------------|-----------------------------------|----------------------|
|                                                | (In thousands, except share data) |                      |
| ASSETS                                         |                                   |                      |
| CURRENT ASSETS                                 |                                   |                      |
| Cash and cash equivalents                      | \$ 182,199                        | \$ 147,099           |
| Inventories                                    | 4,546                             | 6,058                |
| Accounts receivable                            | 15,405                            | 31,165               |
| Income tax receivable                          |                                   | 8,946                |
| Current deferred tax asset                     |                                   | 4,661                |
| Prepaid expenses and other                     | 4,538                             | 8,424                |
| Total current assets                           | 206,688                           | 206,353              |
| THEATRE PROPERTIES AND EQUIPMENT               |                                   |                      |
| Land                                           | 89,919                            | 104,578              |
| Buildings                                      | 277,774                           | 423,273              |
| Property under capital lease                   |                                   | 143,776              |
| Theatre furniture and equipment                | 370,322                           | 533,775              |
| Leasehold interests and improvements           | 354,347                           | 513,191              |
| Theatres under construction                    | 14,538                            | 18,113               |
| Total                                          | 1,106,900                         | 1,736,706            |
| Less accumulated depreciation and amortization | 303,631                           | 412,134              |
| Theatre properties and equipment, net          | 803,269                           | 1,324,572            |
| OTHER ASSETS                                   |                                   |                      |
| Goodwill                                       | 551,537                           | 1,205,423            |
| Intangible assets net                          | 246,181                           | 360,752              |
| Investments in and advances to affiliates      | 11,193                            | 11,390               |
| Deferred charges and other assets net          | 45,984                            | 63,092               |
| Total other assets                             | 854,895                           | 1,640,657            |
| TOTAL ASSETS                                   | \$ 1,864,852                      | \$ 3,171,582         |

**LIABILITIES AND STOCKHOLDERS EQUITY**

|                                              |          |           |
|----------------------------------------------|----------|-----------|
| <b>CURRENT LIABILITIES</b>                   |          |           |
| Current portion of long-term debt            | \$ 6,871 | \$ 14,259 |
| Current portion of capital lease obligations |          | 3,649     |
| Accounts payable                             | 47,234   | 47,272    |
| Income tax payable                           | 13,144   |           |
| Accrued film rentals                         | 21,441   | 47,862    |

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|                                                                                                                                                                                                              |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Accrued interest                                                                                                                                                                                             | 15,333              | 23,706              |
| Accrued payroll                                                                                                                                                                                              | 11,226              | 21,686              |
| Accrued property taxes                                                                                                                                                                                       | 16,345              | 22,165              |
| Accrued other current liabilities                                                                                                                                                                            | 28,473              | 50,223              |
| Total current liabilities                                                                                                                                                                                    | 160,067             | 230,822             |
| <b>LONG-TERM LIABILITIES</b>                                                                                                                                                                                 |                     |                     |
| Long-term debt, less current portion                                                                                                                                                                         | 1,048,224           | 1,897,394           |
| Capital lease obligations, less current portion                                                                                                                                                              |                     | 112,178             |
| Deferred income taxes                                                                                                                                                                                        | 102,152             | 198,320             |
| Deferred lease expenses                                                                                                                                                                                      | 9,569               | 14,286              |
| Deferred revenues and other long-term liabilities                                                                                                                                                            | 9,069               | 12,672              |
| Total long-term liabilities                                                                                                                                                                                  | 1,169,014           | 2,234,850           |
| <b>COMMITMENTS AND CONTINGENCIES (see Note 19)</b>                                                                                                                                                           |                     |                     |
| <b>MINORITY INTERESTS IN SUBSIDIARIES</b>                                                                                                                                                                    | 16,422              | 16,613              |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                  |                     |                     |
| Class A common stock, \$0.001 par value: 40,000,000 shares authorized,<br>27,896,316 shares issued and outstanding at December 31, 2005 and<br>31,286,338 shares issued and outstanding at December 31, 2006 | 28                  | 31                  |
| Additional paid-in-capital                                                                                                                                                                                   | 532,599             | 685,495             |
| Retained earnings (deficit)                                                                                                                                                                                  | (8,533)             | (7,692)             |
| Accumulated other comprehensive income (loss)                                                                                                                                                                | (4,745)             | 11,463              |
| Total stockholders' equity                                                                                                                                                                                   | 519,349             | 689,297             |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                            | <b>\$ 1,864,852</b> | <b>\$ 3,171,582</b> |

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

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                                                                    | <b>Period from<br/>January 1,<br/>2004 to<br/>April 1,<br/>2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>(In thousands)</b>                                                              |                                                                                       |                                                                                   |                                                             |                                                             |
| <b>REVENUES</b>                                                                    |                                                                                       |                                                                                   |                                                             |                                                             |
| Admissions                                                                         | \$ 149,134                                                                            | \$ 497,865                                                                        | \$ 641,240                                                  | \$ 760,275                                                  |
| Concession                                                                         | 72,480                                                                                | 249,141                                                                           | 320,072                                                     | 375,798                                                     |
| Other                                                                              | 12,011                                                                                | 43,611                                                                            | 59,285                                                      | 84,521                                                      |
| Total revenues                                                                     | 233,625                                                                               | 790,617                                                                           | 1,020,597                                                   | 1,220,594                                                   |
| <b>COST OF OPERATIONS</b>                                                          |                                                                                       |                                                                                   |                                                             |                                                             |
| Film rentals and advertising                                                       | 78,678                                                                                | 270,138                                                                           | 347,727                                                     | 405,987                                                     |
| Concession supplies                                                                | 11,989                                                                                | 41,772                                                                            | 52,507                                                      | 59,020                                                      |
| Salaries and wages                                                                 | 23,989                                                                                | 79,095                                                                            | 101,431                                                     | 118,616                                                     |
| Facility lease expense                                                             | 30,915                                                                                | 97,829                                                                            | 138,477                                                     | 161,374                                                     |
| Utilities and other                                                                | 26,282                                                                                | 86,684                                                                            | 123,831                                                     | 144,808                                                     |
| General and administrative expenses                                                | 11,869                                                                                | 39,803                                                                            | 50,884                                                      | 67,768                                                      |
| Stock option compensation and change of control expenses related to the MDP merger | 31,995                                                                                |                                                                                   |                                                             |                                                             |
| Depreciation and amortization                                                      | 16,865                                                                                | 58,266                                                                            | 81,952                                                      | 95,821                                                      |
| Amortization of favorable leases                                                   |                                                                                       | 3,087                                                                             | 4,174                                                       | 3,649                                                       |
| Impairment of long-lived assets                                                    | 1,000                                                                                 | 36,721                                                                            | 51,677                                                      | 28,537                                                      |
| (Gain) loss on sale of assets and other                                            | (513)                                                                                 | 3,602                                                                             | 4,436                                                       | 7,645                                                       |
| Total cost of operations                                                           | 233,069                                                                               | 716,997                                                                           | 957,096                                                     | 1,093,225                                                   |
| <b>OPERATING INCOME</b>                                                            | 556                                                                                   | 73,620                                                                            | 63,501                                                      | 127,369                                                     |
| <b>OTHER INCOME (EXPENSE)</b>                                                      |                                                                                       |                                                                                   |                                                             |                                                             |
| Interest expense                                                                   | (11,972)                                                                              | (56,231)                                                                          | (81,342)                                                    | (105,986)                                                   |
| Amortization of debt issue costs                                                   | (590)                                                                                 | (1,918)                                                                           | (2,740)                                                     | (3,342)                                                     |
| Interest income                                                                    | 494                                                                                   | 1,476                                                                             | 6,600                                                       | 7,040                                                       |
| Foreign currency exchange gain (loss)                                              | 170                                                                                   | (436)                                                                             | (1,276)                                                     | (258)                                                       |
| Loss on early retirement of debt                                                   |                                                                                       | (3,309)                                                                           | (46)                                                        | (8,283)                                                     |
| Dividend income                                                                    |                                                                                       |                                                                                   |                                                             | 101                                                         |
| Equity in income (loss) of affiliates                                              | 37                                                                                    | 136                                                                               | 227                                                         | (1,646)                                                     |
| Minority interests in income of subsidiaries                                       | (1,466)                                                                               | (2,887)                                                                           | (924)                                                       | (1,469)                                                     |
| Total other expenses                                                               | (13,327)                                                                              | (63,169)                                                                          | (79,501)                                                    | (113,843)                                                   |
|                                                                                    | (12,771)                                                                              | 10,451                                                                            | (16,000)                                                    | 13,526                                                      |

INCOME (LOSS) FROM CONTINUING  
OPERATIONS BEFORE INCOME TAXES

|              |         |        |       |        |
|--------------|---------|--------|-------|--------|
| Income taxes | (3,703) | 18,293 | 9,408 | 12,685 |
|--------------|---------|--------|-------|--------|

INCOME (LOSS) FROM CONTINUING  
OPERATIONS AFTER INCOME TAXES

|  |         |         |          |     |
|--|---------|---------|----------|-----|
|  | (9,068) | (7,842) | (25,408) | 841 |
|--|---------|---------|----------|-----|

|                                                                          |         |       |  |  |
|--------------------------------------------------------------------------|---------|-------|--|--|
| Income (loss) from discontinued operations,<br>net of taxes (See Note 7) | (1,565) | 4,155 |  |  |
|--------------------------------------------------------------------------|---------|-------|--|--|

|                   |             |            |             |        |
|-------------------|-------------|------------|-------------|--------|
| NET INCOME (LOSS) | \$ (10,633) | \$ (3,687) | \$ (25,408) | \$ 841 |
|-------------------|-------------|------------|-------------|--------|

EARNINGS PER SHARE Basic/Diluted

|                                                                |           |           |           |         |
|----------------------------------------------------------------|-----------|-----------|-----------|---------|
| Income (loss) from continuing operations<br>after income taxes | \$ (0.22) | \$ (0.28) | \$ (0.91) | \$ 0.03 |
|----------------------------------------------------------------|-----------|-----------|-----------|---------|

|                                            |        |      |  |  |
|--------------------------------------------|--------|------|--|--|
| Income (loss) from discontinued operations | (0.04) | 0.15 |  |  |
|--------------------------------------------|--------|------|--|--|

|                   |           |           |           |         |
|-------------------|-----------|-----------|-----------|---------|
| Net income (loss) | \$ (0.26) | \$ (0.13) | \$ (0.91) | \$ 0.03 |
|-------------------|-----------|-----------|-----------|---------|

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

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME  
(LOSS)  
PERIOD FROM JANUARY 1, 2004 TO APRIL 1, 2004 (PREDECESSOR), PERIOD FROM APRIL 2, 2004  
TO DECEMBER 31, 2004 (SUCCESSOR), AND YEARS ENDED DECEMBER 31, 2005 (SUCCESSOR) AND  
2006 (SUCCESSOR)**

|                                                                    | Class A<br>Common Stock<br>Shares |       | Class B<br>Common Stock<br>Shares |       | Additional<br>Paid-in<br>Capital | Unearned<br>Compensation<br>Stock<br>Options<br>(In thousands) | Retained<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total                 | Comprehensive<br>Income<br>(Loss) |
|--------------------------------------------------------------------|-----------------------------------|-------|-----------------------------------|-------|----------------------------------|----------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------|-----------------------|-----------------------------------|
| Predecessor balance at<br>December 31, 2003                        | 19,664                            | \$ 20 | 20,949                            | \$ 21 | \$ 40,369                        | \$ (1,740)                                                     | \$ 124,821<br>(10,633)            | \$ (86,545)                                               | \$ 76,946<br>(10,633) | (10,633)                          |
| Amortization of<br>deferred<br>compensation                        |                                   |       |                                   |       |                                  | 145                                                            |                                   |                                                           | 145                   |                                   |
| Foreign currency<br>translation adjustment                         |                                   |       |                                   |       |                                  |                                                                |                                   | 6                                                         | 6                     |                                   |
| Write-off of unearned<br>compensation related<br>to Madison Merger |                                   |       |                                   |       |                                  | 1,595                                                          |                                   |                                                           | 1,595                 |                                   |
| Successor balance at<br>April 1, 2004                              | 19,664                            | \$ 20 | 20,949                            | \$ 21 | \$ 40,369                        | \$                                                             | \$ 114,188                        | \$ (86,539)                                               | \$ 68,059             | \$ (10,633)                       |
| Business combination<br>merger:                                    |                                   |       |                                   |       |                                  |                                                                |                                   |                                                           |                       |                                   |
| Management rollover                                                | 4,727                             | 5     |                                   |       | 9,459                            |                                                                | 20,562                            | \$ (14,712)                                               | 15,314                |                                   |
| Exchange of stock to<br>common                                     | 22,948                            | 23    |                                   |       | 518,222                          |                                                                |                                   |                                                           | 518,245               | (3,687)                           |
| Foreign currency<br>translation adjustment                         |                                   |       |                                   |       |                                  |                                                                | (3,687)                           |                                                           | (3,687)               | (3,687)                           |
|                                                                    |                                   |       |                                   |       |                                  |                                                                |                                   | 3,328                                                     | 3,328                 | 3,328                             |
| Successor balance at<br>December 31, 2004                          | 27,675                            | \$ 28 |                                   | \$    | \$ 527,681                       | \$                                                             | \$ 16,875                         | \$ (11,384)                                               | \$ 533,200            | \$ (11,384)                       |
| Business combination<br>merger:                                    |                                   |       |                                   |       |                                  |                                                                |                                   |                                                           |                       |                                   |
| Exchange of stock<br>to common                                     | 221                               |       |                                   |       | 5,000                            |                                                                | (25,408)                          |                                                           | (25,408)              | (25,408)                          |
| Adjustment<br>related to MDP<br>fees                               |                                   |       |                                   |       | (82)                             |                                                                |                                   |                                                           | (82)                  | (82)                              |
|                                                                    |                                   |       |                                   |       |                                  |                                                                |                                   | 6,639                                                     | 6,639                 | 6,639                             |



gn currency  
ation adjustment

essor balance at  
nber 31, 2005

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(4,745) \$

519,349 \$

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841

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ise of stock

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2

35

35

option

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ation adjustment

16,208

16,208

16

essor balance at

nber 31, 2006

31,286

\$ 31

\$

\$ 685,495 \$

\$ (7,692) \$

11,463 \$

689,297 \$

17

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

F-5

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                                                    | <b>Period<br/>from<br/>January 1,<br/>2004 to<br/>April 1,<br/>2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004 to<br/>December 31,<br/>2004<br/>(Successor)<br/>(In thousands)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>2006<br/>(Successor)</b> |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------|
| <b>OPERATING ACTIVITIES</b>                                                                        |                                                                                           |                                                                                                      |                                                             |                             |
| Net income (loss)                                                                                  | \$ (10,633)                                                                               | \$ (3,687)                                                                                           | \$ (25,408)                                                 | \$ 841                      |
| Adjustments to reconcile net income (loss) to cash<br>provided by operating activities:            |                                                                                           |                                                                                                      |                                                             |                             |
| Depreciation                                                                                       | 16,705                                                                                    | 52,035                                                                                               | 71,870                                                      | 90,081                      |
| Amortization of intangible and other assets                                                        | 160                                                                                       | 9,318                                                                                                | 14,256                                                      | 9,389                       |
| Amortization of long-term prepaid rents                                                            | 497                                                                                       | 1,216                                                                                                | 1,258                                                       | 1,013                       |
| Amortization of debt issue costs                                                                   | 590                                                                                       | 1,918                                                                                                | 2,740                                                       | 3,342                       |
| Amortization of deferred revenues, deferred lease<br>incentives and other                          | (146)                                                                                     | (746)                                                                                                | (660)                                                       | (424)                       |
| Amortization of debt premium                                                                       | (366)                                                                                     | (2,437)                                                                                              | (3,105)                                                     | (3,096)                     |
| Impairment of long-lived assets                                                                    | 1,000                                                                                     | 36,721                                                                                               | 51,677                                                      | 28,537                      |
| Stock option compensation expense                                                                  | 145                                                                                       |                                                                                                      |                                                             | 2,864                       |
| (Gain) loss on sale of assets and other                                                            | (513)                                                                                     | 3,602                                                                                                | 4,436                                                       | 7,645                       |
| Write-off unamortized debt issue costs and debt<br>premium related to the early retirement of debt |                                                                                           | (1,727)                                                                                              | 46                                                          | 5,811                       |
| Write-off unearned compensation related to the<br>MDP merger                                       |                                                                                           | 1,595                                                                                                |                                                             |                             |
| Accretion of interest on senior discount notes                                                     | 96                                                                                        | 26,635                                                                                               | 38,549                                                      | 40,425                      |
| Deferred lease expenses                                                                            | 63                                                                                        | 2,120                                                                                                | 3,137                                                       | 4,717                       |
| Deferred income tax expenses                                                                       | (9,531)                                                                                   | 16,924                                                                                               | (12,332)                                                    | (7,011)                     |
| Equity in (income) loss of affiliates                                                              | (37)                                                                                      | (136)                                                                                                | (227)                                                       | 1,646                       |
| Minority interests in income of subsidiaries                                                       | 1,466                                                                                     | 2,887                                                                                                | 924                                                         | 1,469                       |
| Other                                                                                              | 1,869                                                                                     | (2,791)                                                                                              | 202                                                         |                             |
| Changes in assets and liabilities:                                                                 |                                                                                           |                                                                                                      |                                                             |                             |
| Inventories                                                                                        | 219                                                                                       | (133)                                                                                                | (309)                                                       | 787                         |
| Accounts receivable                                                                                | 1,769                                                                                     | 1,931                                                                                                | (4,102)                                                     | (9,884)                     |
| Prepaid expenses and other                                                                         | (780)                                                                                     | 2,367                                                                                                | (649)                                                       | 1,678                       |
| Other assets                                                                                       | (3,255)                                                                                   | (4,193)                                                                                              | (12,373)                                                    | (2,370)                     |
| Advances with affiliates                                                                           | (454)                                                                                     | 508                                                                                                  | (121)                                                       | (143)                       |
| Accounts payable and accrued liabilities                                                           | 11,254                                                                                    | (19,254)                                                                                             | 14,082                                                      | 82                          |
| Interest paid on repurchased senior discount notes                                                 |                                                                                           |                                                                                                      |                                                             | (5,381)                     |
| Other long-term liabilities                                                                        | 100                                                                                       | 549                                                                                                  | 1,198                                                       | 5,734                       |

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|                                                                                           |            |            |            |            |
|-------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| Income tax receivable/payable                                                             | (118)      | (12,236)   | 20,181     | (22,090)   |
| Net cash provided by operating activities                                                 | 10,100     | 112,986    | 165,270    | 155,662    |
| INVESTING ACTIVITIES                                                                      |            |            |            |            |
| Additions to theatre properties and equipment                                             | (17,850)   | (63,158)   | (75,605)   | (107,081)  |
| Proceeds from sale of theatre properties and equipment                                    | 262        | 12,683     | 1,317      | 6,446      |
| Acquisition of Century Theatres, Inc., net of cash acquired                               |            |            |            | (531,383)  |
| Purchase of shares in National CineMedia                                                  |            |            | (7,329)    |            |
| Purchase of minority partner shares in Cinemark Brasil                                    |            | (44,958)   |            |            |
| Purchase of minority partner shares in Cinemark Mexico                                    |            | (5,379)    |            |            |
| Other                                                                                     | 1,378      | 75         |            | 271        |
| Net cash used for investing activities                                                    | (16,210)   | (100,737)  | (81,617)   | (631,747)  |
| FINANCING ACTIVITIES                                                                      |            |            |            |            |
| Issuance of common stock                                                                  |            |            | 5,000      | 35         |
| Proceeds from MDP as a result of the merger                                               |            | 518,245    |            |            |
| Net payments to stockholders, option holders and other payments related to the MDP merger |            | (835,704)  |            |            |
| Issuance of senior discount notes                                                         | 360,000    |            |            |            |
| Repurchase of senior discount notes                                                       |            |            | (1,302)    | (24,950)   |
| Repurchase of senior subordinated notes                                                   |            | (122,750)  |            | (10,000)   |
| Proceeds from new senior secured credit facility                                          |            |            |            | 1,120,000  |
| Proceeds from other long-term debt                                                        | 692        | 290,754    | 660        | 2,330      |
| Payoff of long-term debt assumed in Century acquisition                                   |            |            |            | (360,000)  |
| Payoff of former senior secured credit facility                                           |            | (163,764)  |            | (253,500)  |
| Repayments of other long-term debt                                                        | (2,267)    | (34,039)   | (6,671)    | (8,895)    |
| Payments on capital leases                                                                |            |            |            | (839)      |
| Debt issue costs                                                                          | (10,491)   | (13,863)   | (239)      | (22,926)   |
| Other                                                                                     | (951)      | (305)      | (1,198)    | (1,278)    |
| Net cash provided by (used for) financing activities                                      | 346,983    | (361,426)  | (3,750)    | 439,977    |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS                              | (45)       | 1,275      | 2,048      | 1,008      |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                          | 340,828    | (347,902)  | 81,951     | (35,100)   |
| CASH AND CASH EQUIVALENTS:                                                                |            |            |            |            |
| Beginning of period                                                                       | 107,322    | 448,150    | 100,248    | 182,199    |
| End of period                                                                             | \$ 448,150 | \$ 100,248 | \$ 182,199 | \$ 147,099 |

SUPPLEMENTAL INFORMATION (see Note 17)

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



**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except share and per share data)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Business* Cinemark Holdings, Inc. and subsidiaries (the Company) are leaders in the motion picture exhibition industry in terms of both revenues and the number of screens in operation, with theatres in the United States ( U.S. ), Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia. The Company also managed additional theatres in the U.S., Canada, Brazil, Colombia and Taiwan during the year ended December 31, 2006.

*Basis of Presentation* On April 2, 2004, an affiliate of Madison Dearborn Partners, LLC, or MDP, acquired approximately 83% of the capital stock of Cinemark, Inc., pursuant to which a newly formed subsidiary owned by an affiliate of MDP was merged with and into Cinemark, Inc., with Cinemark, Inc. continuing as the surviving corporation (the MDP Merger). Simultaneously, an affiliate of MDP purchased shares of Cinemark, Inc.'s common stock for \$518,245 in cash and became Cinemark, Inc.'s controlling stockholder, owning approximately 83% of Cinemark, Inc.'s capital stock. Lee Roy Mitchell, Chairman and then Chief Executive Officer, and the Mitchell Special Trust collectively retained approximately 16% ownership of Cinemark, Inc.'s capital stock with certain members of management owning the remaining 1%. (See Note 3). In December 2004, MDP sold approximately 10% of its stock in the Company to outside investors and in July 2005, the Company issued an additional 221,400 shares to another outside investor.

On August 2, 2006, Cinemark Holdings, Inc. was formed as the Delaware holding company of Cinemark, Inc., which is the holding company of Cinemark USA, 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. Prior to October 5, 2006, Cinemark Holdings, Inc. had no assets, liabilities or operations. On October 5, 2006, Cinemark, Inc. became a wholly owned subsidiary of Cinemark Holdings, Inc.

As of December 31, 2006, subsequent to the Cinemark Share Exchange and the Century Acquisition, MDP owned approximately 66% of the Company's capital stock, outside investors owned approximately 8%, Lee Roy Mitchell and the Mitchell Special Trust collectively owned approximately 14%, Syufy Enterprises LP owned approximately 11% and certain members of management owned the remaining 1%.

The accompanying consolidated financial statements are reflective of the change in reporting entity that occurred as a result of the Cinemark Share Exchange. Cinemark Holdings, Inc.'s consolidated financial statements reflect the accounting basis of its stockholders for all periods presented. This accounting basis differs from that previously presented on Cinemark, Inc.'s historical consolidated financial statements due to the fact that MDP's basis which resulted from the MDP Merger was not pushed-down to Cinemark, Inc. as the MDP Merger was accounted for as a leveraged recapitalization at the Cinemark, Inc. entity level. Accordingly, Cinemark Holdings, Inc.'s financial statements for periods preceding the MDP Merger are presented as Predecessor and for the periods subsequent to the MDP Merger are presented as Successor.

*Principles of Consolidation* The consolidated financial statements include the accounts of Cinemark Holdings, Inc. and subsidiaries. Majority-owned subsidiaries that the Company has control of are consolidated while those

subsidiaries of which the Company owns between 20% and 50% and does not control are accounted for as affiliates under the equity method. Those subsidiaries of which the Company owns less than 20% are accounted for as affiliates under the cost 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. All intercompany balances and transactions are eliminated in consolidation.

F-7

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

*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.

*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 \$73, \$334, \$74, and \$86 of interest incurred during the development and construction of theatres in the period from January 1, 2004 to April 1, 2004, the period from April 2, 2004 to December 31, 2004, and the years ended December 31, 2005, and 2006, respectively. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| <b>Category</b>                      | <b>Useful Life</b>                  |
|--------------------------------------|-------------------------------------|
| 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 |

The Company evaluates theatre properties and equipment for impairment in conjunction with the preparation of its quarterly consolidated financial statements or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. When estimated undiscounted 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 undiscounted cash flows. The multiple was eight times for the evaluation performed as of December 31, 2006 and seven times as of December 31, 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.

*Goodwill and Other Intangible Assets* Goodwill is the excess of cost over fair value of theatre businesses acquired. 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 its annual goodwill impairment

evaluation as of December 31, 2006 and seven times as of December 31, 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.

F-8

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

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

| <b>Intangible Asset</b>    | <b>Amortization Method</b>                                                                                                                                                     |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Goodwill                   | Indefinite-lived                                                                                                                                                               |
| Tradenname                 | Indefinite-lived                                                                                                                                                               |
| Capitalized licensing fees | Straight-line method over 15 years. The remaining terms of the underlying agreements range from 8 to 13 years.                                                                 |
| Vendor contracts           | Straight-line method over the terms of the underlying contracts. The remaining terms of the underlying contracts range from 1 to 16 years.                                     |
| Net favorable leases       | Based on the pattern in which the economic benefits are realized over the terms of the lease agreements. The remaining terms of the lease agreements range from 1 to 30 years. |
| Other intangible assets    | Straight-line method over the terms of the underlying agreements. The remaining term of the underlying agreement is 12 years.                                                  |

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

*Lease Accounting* The Company accounts for leased properties under the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 13, *Accounting for Leases* , and other authoritative accounting literature. SFAS No. 13 requires that the Company evaluate each lease for classification as either a capital lease or an operating lease. According to SFAS No. 13, if substantially all of the benefits and risks of ownership have been transferred to the lessee, the lessee records the lease as a capital lease at its inception. The Company performs this evaluation at the inception of the lease and when a modification is made to a lease. If the lease agreement calls for a scheduled rent increase during the lease term, the Company, in accordance with Financial Accounting Standards Board ( FASB ) Technical Bulletin 85-3, *Accounting for Operating Leases with Scheduled Rent Increases* , recognizes the lease expense on a straight-line basis over the lease term as deferred lease expense. The Company determines the straight-line rent expense impact of an operating lease upon inception of the lease. For leases in which the Company is involved with construction of the theatre, the Company accounts for the lease during the construction period under the provisions of Emerging Issues Task Force ( EITF ) 97-10, *The Effect of Lessee Involvement in Asset Construction* . The landlord is typically responsible for constructing a theatre using guidelines and specifications agreed to by the

Company and assumes substantially all of the risk of construction. In accordance with EITF 97-10, if the Company concludes that it has substantially all of the construction period risks, it records a construction asset and related liability for the amount of total project costs incurred during the construction period. At the end of the construction period, the Company considers SFAS No. 98, *Accounting for Leases: Sale-leaseback Transactions Involving Real Estate*, to determine if the transaction qualifies for sale-leaseback accounting treatment in regards to lease classification.

F-9

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

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

*Revenue and Expense Recognition* Revenues are recognized when admissions and concession sales are received at the box office. Other revenues primarily consist of screen advertising. Screen advertising revenues are recognized over the period that the related advertising is delivered on-screen or in-theatre. The Company records proceeds from the sale of gift cards and other advanced sale-type certificates in current liabilities and recognizes admissions and concession revenue when a holder redeems the card or certificate. The Company recognizes unredeemed gift cards and other advanced sale-type certificates as revenue only after such a period of time indicates, based on historical experience, the likelihood of redemption is remote, and based on applicable laws and regulations. In evaluating the likelihood of redemption, the Company considers the period outstanding, the level and frequency of activity, and the period of inactivity. The Company recognized unredeemed gift cards and other advance sale-type certificates as revenues in the amount of \$233, \$3,285, \$3,374 and \$4,421 during the period from January 1, 2004 to April 1, 2004, the period from April 2, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, respectively.

Film rental costs are accrued based on the applicable box office receipts and either the mutually agreed upon firm terms established prior to the opening of the picture or estimates of the final mutually agreed upon settlement, which occurs at the conclusion of the picture run, subject to the film licensing arrangement. Estimates are based on the expected success of a film over the length of its run in the theatres. The success of a film can typically be determined a few weeks after a film is released when initial box office performance of the film is known. Accordingly, final settlements typically approximate estimates since box office receipts are known at the time the estimate is made and the expected success of a film over the length of its run in theatres can typically be estimated early in the film's run. The final film settlement amount is negotiated at the conclusion of the film's run based upon how a film actually performs. If actual settlements are higher than those estimated, additional film rental costs are recorded at that time. The Company recognizes advertising costs and any sharing arrangements with film distributors in the same accounting period. The Company's advertising costs are expensed as incurred. Advertising expenses for the period from January 1, 2004 to April 1, 2004, the period from April 2, 2004 to December 31, 2004, and the years ended December 31, 2005 and 2006 were \$3,136, \$11,180, \$15,927, and \$15,726, respectively.

*Stock Option Accounting* Subsequent to the MDP Merger, the Company established a long term incentive plan (see Note 16). The weighted average fair value per share of stock options granted by the Company during the period from April 2, 2004 to December 31, 2004 was \$22.58 (all of which had an exercise price equal to the market value at the date of grant). For each 2004 grant, compensation expense under the fair value method of SFAS No. 123 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0 percent; an expected life of 6.5 years; expected volatility of approximately 39 percent; and a risk-free interest rate of 3.79 percent. The weighted average fair value per share of stock options granted by the Company during 2005 was \$22.58 (all of which had an exercise price equal to the market value at the date of grant). For the 2005 grant, compensation expense under the fair value method of SFAS No. 123 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0 percent; an expected life of 6.5 years; expected volatility of approximately 44 percent; and a risk-free interest rate of 3.93 percent.

In December 2004, the FASB issued SFAS No. 123(R), *Share Based Payment*, which established accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. SFAS No. 123(R) eliminated the intrinsic value measurement objective in Accounting Principles Board ( APB ) Opinion No. 25 and generally requires a Company to measure the cost of employee services

F-10

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires grant date fair value to be estimated using either an option-pricing model, consistent with the terms of the award, or a market observed price, if such a price exists. Such costs must be recognized over the period during which an employee is required to provide service in exchange for the award (which is usually the vesting period). The standard also requires a Company to estimate the number of instruments that will ultimately be forfeited, rather than accounting for forfeitures as they occur.

The Company applied SFAS No. 123(R) using the modified prospective method, under which it recognized compensation cost for all awards granted, modified or settled on or after January 1, 2006 and for the unvested portion of previously granted awards that were outstanding on January 1, 2006. Accordingly, prior periods have not been restated. The Company had approximately 1,538,062 unvested options outstanding on January 1, 2006 and recorded compensation expense of \$2,864 and a tax benefit of approximately \$1,003 during the year ended December 31, 2006. As of December 31, 2006, the unrecognized compensation expense related to these unvested options was \$6,444 and the weighted average period over which this remaining compensation expense will be recognized is approximately 2.25 years.

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

|                                                                   | <b>Period from<br/>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Net loss as reported                                              | \$ (10,633)                                                                           | \$ (3,687)                                                                            | \$ (25,408)                                                 |
| Compensation expense included in reported net loss, net of tax(1) | 88                                                                                    |                                                                                       |                                                             |
| Compensation expense under fair-value method, net of tax          | (162)                                                                                 | (2,057)                                                                               | (2,964)                                                     |
| Pro-forma net loss                                                | \$ (10,707)                                                                           | \$ (5,744)                                                                            | \$ (28,372)                                                 |
| Basic and diluted loss per share                                  |                                                                                       |                                                                                       |                                                             |
| As reported                                                       | \$ (0.26)                                                                             | \$ (0.13)                                                                             | \$ (0.91)                                                   |
| Pro-forma                                                         | \$ (0.26)                                                                             | \$ (0.21)                                                                             | \$ (1.02)                                                   |

- (1) Amount included in net loss for the period from January 1, 2004 to April 1, 2004 excludes compensation expense of \$16,245 related to the MDP Merger.

*Income Taxes* The Company uses an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes are provided when tax laws and financial accounting standards differ with respect to the amount of income for a year and the bases of assets and liabilities. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not that such assets will be realized. Income taxes are provided on unremitted earnings from foreign subsidiaries unless such earnings are expected to be indefinitely reinvested. Income taxes have also been provided for potential tax assessments. The related tax accruals are recorded in accordance with SFAS No. 5, *Accounting for Contingencies* . To the extent contingencies are probable and estimable, an accrual is recorded within current

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

liabilities in the consolidated balance sheet. To the extent tax accruals differ from actual payments or assessments, the accruals will be adjusted.

*Segments* As of December 31, 2006, we managed our business under two reportable operating segments, U.S. markets and international markets, in accordance with SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*. See Note 20.

*Use of Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates.

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

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

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

*Comprehensive Income (Loss)* Total comprehensive income (loss) for the years ended December 31, 2006 and 2005, the period from April 2, 2004 to December 31, 2004 and the period from January 1, 2004 to April 1, 2004 was \$17,049, \$(18,769), \$(359) and \$(10,627), respectively. Total comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments.

**2. NEW ACCOUNTING PRONOUNCEMENTS**

On May 18, 2006, the State of Texas passed a bill to replace the current franchise tax with a new margin tax to be effective January 1, 2008. The Company estimates the new margin tax will not have a significant impact on its income tax expense or its deferred tax assets and liabilities.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes*, recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step is recognition: The enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate



**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (1) an increase in a liability for income taxes payable or (2) a reduction of an income tax refund receivable or a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2). The Company will adopt FIN 48 in the first quarter of 2007. The Company is currently evaluating the impact the Interpretation may have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. Among other requirements, this statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is evaluating the impact of SFAS No. 157 on its consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ( SAB ) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, which provides interpretive guidance regarding the consideration given to prior year misstatements when determining materiality in current year financial statements. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 did not have a significant impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the impact of the adoption of this statement on its consolidated financial statements.

**3. MERGER WITH MADISON DEARBORN PARTNERS AND RELATED REFINANCING OF CERTAIN LONG-TERM DEBT**

The MDP Merger was completed on April 2, 2004, at which time a newly formed subsidiary of an affiliate of MDP was merged with and into the Company, with the Company continuing as the surviving corporation. Simultaneously, an affiliate of MDP purchased shares of the Company's common stock for \$518,245 in cash and became the Company's controlling stockholder, owning approximately 83% of the Company's capital stock. Lee Roy Mitchell, the Company's then Chief Executive Officer, and the Mitchell Special Trust collectively retained approximately 16% ownership of the Company's capital stock with certain members of management owning the remaining 1%. In connection with the acquisition of Century, on October 5, 2006, the Company completed the Cinemark Share Exchange. The Cinemark Share Exchange represents a transaction between entities under common control in which the accounting basis of its stockholders is different than the accounting basis as reflected in the historical Cinemark, Inc. financial statements as the MDP Merger was accounted for as a leveraged recapitalization at the Cinemark, Inc. entity level. In accordance with generally accepted accounting principles, the Company recast its consolidated financial statements to reflect the

stepped-up accounting basis of its stockholders. The higher accounting basis resulted principally from the purchase accounting that was applied to the MDP Merger as of April 2, 2004. The recasted periods following the MDP Merger reflect the increased expense associated with the depreciation and amortization of the higher asset base as well as any charges taken as a result of performing the

F-13

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

impairment evaluations in accordance with the Company's accounting policies. The following table represents the allocation of MDP purchase price to the proportionate share of assets acquired and liabilities assumed:

|                               |            |
|-------------------------------|------------|
| Current assets                | \$ 79,967  |
| Fixed assets                  | 650,653    |
| Goodwill                      | 620,540    |
| Tradenname                    | 173,882    |
| Net favorable leases          | 31,047     |
| Vendor contracts              | 52,012     |
| Internally developed software | 1,626      |
| Other long term assets        | 42,384     |
| Current liabilities           | (90,940)   |
| Other long term liabilities   | (120,232)  |
| Long-term debt                | (922,694)  |
| Total                         | \$ 518,245 |

The tradenname, net favorable leases and vendor contracts are presented as intangible assets on the Company's consolidated balance sheets as of December 31, 2006 and 2005. Goodwill represents the excess of the cost of the MDP Merger over the net of the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. The goodwill recorded as a result of the MDP merger is not deductible for tax purposes.

On March 31, 2004, the Company issued \$577,173 aggregate principal amount at maturity of 93/4% senior discount notes due 2014. The gross proceeds at issuance of \$360,000 were used to fund in part the MDP Merger. Interest on the notes accretes until March 15, 2009 up to their aggregate principal amount. Cash interest will accrue and be payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2009. Due to the Company's holding company status, payments of principal and interest under these notes will be dependent on loans, dividends and other payments from the Company's subsidiaries. The Company may redeem all or part of the 93/4% senior discount notes on or after March 15, 2009.

Upon consummation of the MDP Merger, all of the Company's outstanding stock options immediately vested and the majority were repurchased, which resulted in compensation expense of \$16,245. Compensation expense, which was included in general and administrative expenses for the period from January 1, 2004 to April 1, 2004, consisted of the write-off of the unamortized unearned compensation expense for options outstanding as of the date of the MDP Merger and the impact of the cash settlement of these options. As part of the transaction, the Company paid change of control fees and other management compensation expenses of \$15,750, which were also included in general and administrative expenses on the Company's consolidated statements of operations for the period from January 1, 2004 to April 1, 2004.

As a result of the MDP Merger, the Company's Brazilian partners exercised their option to cause the Company to purchase all of their shares of common stock of Cinemark Brasil S.A., which represented 47.2% of total common

stock of Cinemark Brasil S.A. See Note 5.

*Refinancing of Certain Long-Term Debt Associated with MDP Merger* On March 16, 2004, the Company initiated a tender offer for its then outstanding \$105,000 aggregate principal amount 8 1/2% senior subordinated notes due 2008 and a consent solicitation to remove substantially all restrictive covenants in the indenture governing those notes. On March 25, 2004, the Company executed a supplemental indenture removing substantially all of the covenants, which became effective on the date of the MDP Merger. Additionally, on the date of the MDP Merger, the Company amended its then existing senior secured credit

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

facility to provide for a \$260,000 seven year term loan and a \$100,000 six and one-half year revolving credit line, which was left undrawn. The net proceeds from the amended senior secured credit facility were used to repay the term loan under the Company's then existing senior secured credit facility of approximately \$163,764 and to redeem the approximately \$94,165 aggregate principal amount of the Company's then outstanding \$105,000 aggregate principal amount of 8 1/2% senior subordinated notes that were tendered pursuant to the tender offer. The tender offer was made at 104.5% of the aggregate principal amount of the notes tendered on or prior to the consent date and at 101.5% of the aggregate principal amount of the notes tendered subsequent to the consent date but prior to the expiration date.

On April 6, 2004, as a result of the consummation of the MDP Merger and in accordance with the terms of the indenture governing the Company's 9% senior subordinated notes due 2013, the Company made a change of control offer to purchase the 9% senior subordinated notes at a purchase price of 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, at the date of purchase. Approximately \$17,750 aggregate principal amount of the 9% senior subordinated notes were tendered and not withdrawn in the change of control offer, which expired on May 26, 2004. The Company paid the change of control price with available cash on June 1, 2004.

On July 28, 2004, the Company provided notice to the holders of the remaining outstanding 8 1/2% senior subordinated notes due 2008 of its election to redeem all outstanding notes at a redemption price of 102.833% of the aggregate principal amount plus accrued interest. On August 27, 2004, the Company redeemed the remaining \$10,835 aggregate principal amount of notes utilizing available cash and borrowings under the Company's amended revolving credit line.

See Note 12 for further discussion of long-term debt.

#### **4. ACQUISITION OF CENTURY THEATRES, INC. AND RELATED REFINANCING OF CERTAIN LONG-TERM DEBT**

On October 5, 2006, the Company completed its acquisition of Century Theatres, Inc. ( Century ), a national theatre chain headquartered in San Rafael, California with approximately 77 theatres in 12 states, for a purchase price of approximately \$681,225 and the assumption of approximately \$360,000 of debt of Century. Of the total purchase price, \$150,000 consisted of the issuance of shares of the Company's common stock. The Company also incurred approximately \$7,448 in transaction costs.

The transaction was accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* . As of December 31, 2006, the Company has not finalized its valuations of the fixed and intangible assets. The following table represents the preliminary allocation of purchase price to the assets acquired and liabilities assumed:

|                        |           |
|------------------------|-----------|
| Current assets(1)      | \$ 32,635 |
| Fixed assets           | 519,053   |
| Goodwill               | 658,546   |
| Tradename              | 136,000   |
| Other long term assets | 4,956     |

|                             |              |
|-----------------------------|--------------|
| Net unfavorable leases      | (9,360)      |
| Current liabilities         | (74,488)     |
| Other long term liabilities | (218,669)    |
| Total                       | \$ 1,048,673 |

(1) Includes \$7,290 of cash.

F-15

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

The tradename and net unfavorable leases are presented as intangible assets on the Company's consolidated balance sheet as of December 31, 2006. Goodwill represents the excess of the cost of acquiring Century over the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. The goodwill recorded as a result of the Century Acquisition is not deductible for tax purposes.

On October 5, 2006, the Company entered into a new senior secured credit facility which provides for a \$1,120,000 term loan and a \$150,000 revolving credit line. The net proceeds of the new term loan were used to fund a portion of the \$531,225 cash portion of the purchase price, to pay off approximately \$360,000 under Century's existing senior credit facility and to refinance amounts under its existing senior secured credit facility of approximately \$253,500. The Company used approximately \$53,000 of its existing cash to fund the payment of the remaining portion of the purchase price and related transaction expenses. Additionally, the Company advanced approximately \$17,000 of cash to Century to satisfy working capital obligations. See Note 12 for further discussion of long-term debt.

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

The acquisition is reflected in the Company's consolidated statement of operations for the period subsequent to the transaction date and is reported in the Company's U.S. segment. The pro forma financial information presented below sets forth the Company's pro forma consolidated statements of operations for the years ended December 31, 2005 and 2006 to give effect to the Century Acquisition as if the acquisition had occurred at the beginning of each period. This information is presented for comparative purposes only and does not purport to represent what the Company's results of operations would have been had the transaction occurred on the date indicated or to project its results of operations for any future period.

|                                        | <b>Pro Forma<br/>Year Ended<br/>December 31,<br/>2005</b> | <b>Pro Forma<br/>Year Ended<br/>December 31,<br/>2006</b> |
|----------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                                        | <b>(unaudited)</b>                                        |                                                           |
| Revenues                               |                                                           |                                                           |
| Admissions                             | \$ 982,699                                                | \$ 1,029,881                                              |
| Concession                             | 457,190                                                   | 487,416                                                   |
| Other                                  | 74,559                                                    | 94,807                                                    |
| Total revenues                         | \$ 1,514,448                                              | \$ 1,612,104                                              |
| Cost of operations                     |                                                           |                                                           |
| Film rentals and advertising           | 526,002                                                   | 546,144                                                   |
| Concession supplies                    | 72,631                                                    | 75,359                                                    |
| Salaries and wages                     | 154,072                                                   | 160,689                                                   |
| Facility lease expense                 | 194,394                                                   | 206,950                                                   |
| Utilities and other                    | 169,507                                                   | 184,699                                                   |
| General and administrative expenses(1) | 77,338                                                    | 84,619                                                    |
| Depreciation and amortization(2)(3)    | 140,994                                                   | 141,416                                                   |
| Asset impairment loss                  | 51,677                                                    | 28,943                                                    |
| Loss on sale of assets and other       | 9,393                                                     | 7,706                                                     |
| Total cost of operations               | 1,396,008                                                 | 1,436,525                                                 |
| Operating income                       | 118,440                                                   | 175,579                                                   |
| Interest expense(4)                    | (162,131)                                                 | (168,051)                                                 |
| Other income (expense)                 | 6,105                                                     | (4,556)                                                   |
| Income (loss) before taxes             | (37,586)                                                  | 2,972                                                     |
| Income taxes(5)                        | 2,176                                                     | 6,520                                                     |
| Net loss                               | \$ (39,762)                                               | \$ (3,548)                                                |



|                                  |    |        |    |        |
|----------------------------------|----|--------|----|--------|
| Basic and diluted loss per share | \$ | (1.28) | \$ | (0.11) |
|----------------------------------|----|--------|----|--------|

- (1) Gives effect to the elimination of change of control payments of \$15,672 to Century's management for the year ended December 31, 2006.
- (2) Reflects increase in depreciation related to the fair value of the theatre properties and equipment pursuant to purchase accounting for the Century Acquisition.

F-17

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

- (3) Reflects the amortization associated with intangible assets recorded pursuant to purchase accounting for the Century Acquisition.
- (4) Reflects interest expense and amortization of debt issue costs resulting from the changes to the Company's debt structure pursuant to the Century Acquisition.
- (5) Reflects the tax effect of the aforementioned proforma adjustments at the Company's statutory income tax rate of 39%.

**5. OTHER ACQUISITIONS**

***Cinemark Brasil, S.A.***

As a result of the MDP Merger, the Company's Brazilian partners exercised their option to cause the Company to purchase all of their shares of common stock of Cinemark Brasil S.A., which represented 47.2% of total common stock of Cinemark Brasil S.A. The Company, through its subsidiary Brasil Holdings, LLC, directly and indirectly purchased the partners' shares of Cinemark Brasil S.A. for \$44,958 with available cash on August 18, 2004. The Company also incurred \$771 of legal, accounting and other direct costs, which were capitalized as part of the acquisition. Prior to the acquisition, Cinemark Brasil S.A. was reported as a consolidated subsidiary and the Brazilian partners' 47.2% interest was shown as minority interest in subsidiaries on the Company's consolidated balance sheet. As a result of this acquisition, the Company owns 100% of the common stock in Cinemark Brasil S.A. The Company accounted for the purchase as a step acquisition and finalized its purchase accounting during June 2005. The following assets and liabilities were recorded at their estimated fair values. Net book value of all other assets and liabilities approximated fair value and therefore did not require adjustment.

|                                          |           |
|------------------------------------------|-----------|
| Net favorable leases                     | \$ 730    |
| Vendor contracts                         | 2,231     |
| Goodwill                                 | 23,962    |
| Reduction of minority interest liability | 18,806    |
|                                          | \$ 45,729 |

The net favorable leases and vendor contracts are presented as intangible assets on the Company's consolidated balance sheets as of December 31, 2006 and 2005. The goodwill recorded as a result of the acquisition is deductible for tax purposes in Brazil.

***Cinemark Mexico***

On September 15, 2004, the Company purchased shares of common stock of its Mexican subsidiary from its Mexican partners, increasing its ownership interest in the Mexican subsidiary from 95.0% to 99.4%. The purchase price was

\$5,379 and was funded with available cash and borrowings on the Company's amended revolving credit line. Prior to the acquisition, Cinemark Mexico USA was reported as a consolidated subsidiary and the Mexican partners' 4.4% interest was shown as minority interest in subsidiaries on the Company's consolidated balance sheet. The Company accounted for the purchase as a step acquisition and finalized its purchase accounting during June 2005. The following assets and liabilities were recorded at their estimated fair values. Net book value of all other assets and liabilities approximated fair value and therefore did not require adjustment.

F-18

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

|                                          |          |
|------------------------------------------|----------|
| Vendor contract                          | \$ 439   |
| Net favorable leases                     | 480      |
| Tradenname                               | 1,179    |
| Goodwill                                 | 1,715    |
| Reduction of minority interest liability | 1,566    |
|                                          | \$ 5,379 |

The vendor contract, net favorable leases and tradenname are presented as intangible assets on the Company's consolidated balance sheets as of December 31, 2006 and 2005. The goodwill recorded as a result of the acquisition is not deductible for tax purposes.

**6. INVESTMENT IN NATIONAL CINEMEDIA LLC**

On July 15, 2005, Cinemark Media, Inc., a wholly-owned subsidiary of the Company, purchased a 20.7% interest in National CineMedia LLC ( "National CineMedia" ) for approximately \$7,329. National CineMedia is a joint venture between Regal Entertainment Inc. ( "Regal" ), AMC Entertainment Inc. ( "AMC" ) and the Company. National CineMedia provides marketing, sales and distribution of cinema advertising and promotional products; business communications and training services; and the distribution of digital alternative content. As part of the transaction, the Company and National CineMedia entered into an exhibitor services agreement, pursuant to which National CineMedia provides advertising, promotion and event services to the Company's theatres, and a software license agreement in connection with the licensing of certain software and related rights.

The Company is accounting for its investment in National CineMedia under the equity method of accounting. The Company's investment in National CineMedia is included in investments in and advances to affiliates on the Company's consolidated balance sheets as of December 31, 2006 and 2005. During the year ended December 31, 2006, the Company received a \$271 return of its capital investment from National CineMedia and recorded an equity loss of \$1,705. As of December 31, 2006, the Company's investment in National CineMedia was approximately \$5,353. The Company recognized \$72 and \$29,388 of other revenue from National CineMedia during the years ended December 31, 2005 and 2006, respectively. The Company had a receivable due from National CineMedia of \$811 and \$13,386 as of December 31, 2005 and 2006, respectively, related to screen advertising and other ancillary revenue.

Under the terms of its agreement with National CineMedia, the Company was required to install digital distribution technology in certain of its domestic theatres. During 2005 and 2006, the Company spent approximately \$21,000 for digital projectors and related equipment necessary to show various digital media. As a result of the Century Acquisition, the Company committed to install digital distribution technology in a majority of the theatres acquired. The Company estimates the cost of the digital projectors and related equipment necessary to show various digital media in the Century theatres will be approximately \$6,600. As of December 31, 2006, the Company had spent approximately \$3,800 of this amount and expects to spend the remaining \$2,800 during the first quarter of 2007.

On October 12, 2006, National CineMedia, Inc., or NCM, Inc., filed a registration statement with the SEC for its initial public offering. On February 13, 2007, NCM, Inc. completed its initial public offering of its common stock. In

connection with the NCM Inc. public offering, NCM Inc. became a member and the sole manager of NCM, and the Company entered into or amended various agreements with NCM and NCM Inc. including the Third Amended and Restated Limited Liability Company Operating Agreement of NCM, by and among the founding members and NCM Inc. and an Exhibitor Services Agreement, by and between the Company and NCM. Prior to the initial public offering of NCM Inc. common stock, the Company's ownership

F-19

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

interest in NCM was approximately 25% and subsequent to the completion of the offering the Company held a 14% interest in NCM. In connection with NCM Inc. initial public offering and the modification of the foregoing agreements, NCM paid the Company an aggregate of \$389,003. See Note 24.

**7. DISCONTINUED OPERATIONS**

As of March 31, 2004, the Company's two United Kingdom theatres met the criteria of assets held for sale in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. On April 30, 2004, the Company sold its two United Kingdom theatres through the sale of all of the capital stock of Cinemark Theatres UK, Ltd., its United Kingdom subsidiary. The Company received \$2,646 in proceeds upon closing of the transaction and \$540 once the final working capital position was determined in accordance with the stock purchase agreement. The sale resulted in a loss of \$463, which is included in income (loss) from discontinued operations in the Company's consolidated statements of operations.

On December 23, 2004, the Company sold eleven discount theatres ( Interstate theatres ) through the sale of all of the capital stock of Interstate Holdings, Inc. The Company received \$5,810 in proceeds upon closing of the transaction. The sale resulted in a gain of \$1,720, which is included in income (loss) from discontinued operations in the Company's consolidated statements of operations.

The results of operations for the United Kingdom and Interstate theatres have been classified as discontinued operations for all periods presented. Amounts reported as discontinued operations in the Company's consolidated statements of operations include the following components:

|                                     | <b>Period from<br/>January 1, 2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> |
|-------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Admissions                          | \$ 1,730                                                                          | \$ 3,163                                                                          |
| Concession                          | 1,285                                                                             | 4,056                                                                             |
| Other                               | 326                                                                               | 811                                                                               |
| Total revenues                      | \$ 3,341                                                                          | \$ 8,030                                                                          |
| Cost of operations                  |                                                                                   |                                                                                   |
| Film rentals and advertising        | 757                                                                               | 1,434                                                                             |
| Concession supplies                 | 262                                                                               | 643                                                                               |
| Salaries and wages                  | 628                                                                               | 1,638                                                                             |
| Facility lease expense              | 608                                                                               | 1,076                                                                             |
| Utilities and other                 | 634                                                                               | 1,581                                                                             |
| General and administrative expenses | 277                                                                               | 220                                                                               |
| Depreciation and amortization       | 83                                                                                | 212                                                                               |

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|                                                     |            |          |
|-----------------------------------------------------|------------|----------|
| (Gain) loss on sale of assets and other             | 1,800      | (3,057)  |
| Total cost of operations                            | 5,049      | 3,747    |
| Operating income (loss)                             | (1,708)    | 4,283    |
| Minority interests in (income) loss of subsidiaries | 14         | (55)     |
| Income (loss) before income taxes                   | (1,694)    | 4,228    |
| Income taxes                                        | (129)      | 73       |
| Income (loss) from discontinued operations          | \$ (1,565) | \$ 4,155 |

F-20

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

Net cash flows from operating, investing and financing activities related to the United Kingdom and Interstate theatres were immaterial for all periods presented and are included in the respective sections of the statements of cash flows.

**8. EARNINGS PER SHARE**

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

|                                                                                                    | <b>Period from<br/>January 1, 2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Income (loss) from continuing operations after income taxes                                        | \$ (9,068)                                                                        | \$ (7,842)                                                                        | \$ (25,408)                                                 | \$ 841                                                      |
| Basic:                                                                                             |                                                                                   |                                                                                   |                                                             |                                                             |
| Weighted average common shares outstanding                                                         | 40,614                                                                            | 27,675                                                                            | 27,784                                                      | 28,713                                                      |
| Income (loss) from continuing operations after income taxes per common share                       | \$ (0.22)                                                                         | \$ (0.28)                                                                         | \$ (0.91)                                                   | \$ 0.03                                                     |
| Diluted:                                                                                           |                                                                                   |                                                                                   |                                                             |                                                             |
| Weighted average common shares outstanding                                                         | 40,614                                                                            | 27,675                                                                            | 27,784                                                      | 28,713                                                      |
| Common equivalent shares for stock options                                                         |                                                                                   |                                                                                   |                                                             | 565                                                         |
| Weighted average common and common equivalent shares outstanding                                   | 40,614                                                                            | 27,675                                                                            | 27,784                                                      | 29,278                                                      |
| Income (loss) from continuing operations after income taxes per common and common equivalent share | \$ (0.22)                                                                         | \$ (0.28)                                                                         | \$ (0.91)                                                   | \$ 0.03                                                     |



Common equivalent shares for stock options of 527 were excluded from the diluted earnings (loss) per share calculation for the period from January 1, 2004 to April 1, 2004 because they were anti-dilutive.

F-21

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)****9. GOODWILL AND OTHER INTANGIBLE ASSETS    NET**

The Company's goodwill is as follows:

|                                                                        | <b>U.S.<br/>Operating<br/>Segment</b> | <b>International<br/>Operating<br/>Segment</b> | <b>Total</b> |
|------------------------------------------------------------------------|---------------------------------------|------------------------------------------------|--------------|
| Successor balance at December 31, 2004                                 | \$ 441,232                            | \$ 169,724                                     | \$ 610,956   |
| Impairment charges                                                     | (38,403)                              | (6,898)                                        | (45,301)     |
| Purchase from minority investors purchase price allocation adjustments |                                       | (5,059)                                        | (5,059)      |
| Foreign currency translation adjustments and other                     | (1,432)                               | (7,627)                                        | (9,059)      |
| Successor balance at December 31, 2005                                 | \$ 401,397                            | \$ 150,140                                     | \$ 551,537   |
| Acquisition of Century Theatres, Inc.                                  | 658,546                               |                                                | 658,546      |
| Impairment charges                                                     | (5,116)                               | (8,478)                                        | (13,594)     |
| Foreign currency translation adjustments and other                     | 1,989                                 | 6,945                                          | 8,934        |
| Successor balance at December 31, 2006                                 | \$ 1,056,816                          | \$ 148,607                                     | \$ 1,205,423 |

See Note 4 regarding the acquisition of Century Theatres, Inc. and Note 5 regarding the purchase price allocation adjustments for Brazil and Mexico.

Impairment charges for 2005 and 2006 relate to goodwill associated with theatre properties. The Company records 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.

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

As of December 31, intangible assets net, consisted of the following:

|                                                 | Balance at<br>December 31,<br>2005<br>(Successor) | Additions  | Amortization | Impairment | Foreign<br>Currency<br>Translation<br>Adjustments<br>and<br>Other | Balance at<br>December 31,<br>2006<br>(Successor) |
|-------------------------------------------------|---------------------------------------------------|------------|--------------|------------|-------------------------------------------------------------------|---------------------------------------------------|
| <i>Intangible assets with finite lives:</i>     |                                                   |            |              |            |                                                                   |                                                   |
| Capitalized licensing fees:                     |                                                   |            |              |            |                                                                   |                                                   |
| Gross carrying amount                           | \$ 5,138                                          | \$         | \$           | \$         | \$                                                                | \$ 5,138                                          |
| Accumulated amortization                        | (791)                                             |            | (348)        |            |                                                                   | (1,139)                                           |
| Net carrying amount                             | \$ 4,347                                          | \$         | \$ (348)     | \$         | \$                                                                | \$ 3,999                                          |
| Vendor contracts:                               |                                                   |            |              |            |                                                                   |                                                   |
| Gross carrying amount                           | 56,559                                            |            |              |            | (33)                                                              | 56,526                                            |
| Accumulated amortization                        | (14,962)                                          |            | (4,962)      |            |                                                                   | (19,924)                                          |
| Net carrying amount                             | \$ 41,597                                         | \$         | \$ (4,962)   | \$         | \$ (33)                                                           | \$ 36,602                                         |
| Net favorable leases:                           |                                                   |            |              |            |                                                                   |                                                   |
| Gross carrying amount                           | 32,677                                            | (9,360)    |              |            | (1,318)                                                           | 21,999                                            |
| Accumulated amortization                        | (7,262)                                           |            | (3,427)      | (1,334)    |                                                                   | (12,023)                                          |
| Net carrying amount                             | \$ 25,415                                         | \$ (9,360) | \$ (3,427)   | \$ (1,334) | \$ (1,318)                                                        | \$ 9,976                                          |
| Other intangible assets:                        |                                                   |            |              |            |                                                                   |                                                   |
| Gross carrying amount                           | 1,663                                             |            |              |            | (1,593)                                                           | 70                                                |
| Accumulated amortization                        | (557)                                             |            | (229)        |            | 770                                                               | (16)                                              |
| Net carrying amount                             | \$ 1,106                                          | \$         | \$ (229)     | \$         | \$ (823)                                                          | \$ 54                                             |
| Total net intangible assets with finite lives   | \$ 72,465                                         | \$ (9,360) | \$ (8,966)   | \$ (1,334) | \$ (2,174)                                                        | \$ 50,631                                         |
| <i>Intangible assets with indefinite lives:</i> |                                                   |            |              |            |                                                                   |                                                   |
| Tradename                                       | 173,713                                           | 136,000    |              |            | 405                                                               | 310,118                                           |

|                                     |   |   |
|-------------------------------------|---|---|
| Other unamortized intangible assets | 3 | 3 |
|-------------------------------------|---|---|

|                         |     |    |         |    |         |    |         |    |         |    |         |    |         |
|-------------------------|-----|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|
| Total intangible assets | net | \$ | 246,181 | \$ | 126,640 | \$ | (8,966) | \$ | (1,334) | \$ | (1,769) | \$ | 360,752 |
|-------------------------|-----|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|

During the year ended December 31, 2006, the Company recorded net unfavorable leases of \$9,360 and a tradename intangible asset of \$136,000 as part of a preliminary purchase price allocation related to the Century Acquisition (see note 4).

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

Amortization expense for the year ended December 31, 2006 included \$8,966 of amortization for intangible assets and \$423 of amortization for other assets. Estimated aggregate future amortization expense for intangible assets is as follows:

|                                      |           |
|--------------------------------------|-----------|
| For the year ended December 31, 2007 | \$ 7,066  |
| For the year ended December 31, 2008 | 6,673     |
| For the year ended December 31, 2009 | 5,832     |
| For the year ended December 31, 2010 | 5,542     |
| For the year ended December 31, 2011 | 4,937     |
| Thereafter                           | 20,581    |
| Total                                | \$ 50,631 |

**10. IMPAIRMENT OF LONG-LIVED ASSETS**

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews 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.

The Company considers actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, theatre goodwill carrying values, amortizing intangible assets 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 in its assessment of impairment of individual theatre assets. Long-lived assets are evaluated for impairment on an individual theatre basis, which the Company believes is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods for leased properties and a period of twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset's carrying value, the Company then compares the carrying value of the asset with its estimated fair value. Fair value is determined based on a multiple of undiscounted cash flows, which was seven times as of December 31, 2005 and eight times as of December 31, 2006. When estimated fair value is determined to be lower than the carrying value of the long-lived asset, the asset 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.

The Company's long-lived asset impairment losses are summarized in the following table:

| Period from | Period from |
|-------------|-------------|
|-------------|-------------|

|                                  | <b>January 1,<br/>2004 to<br/>April 1,<br/>2004<br/>(Predecessor)</b> | <b>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| United States theatre properties | \$ 1,000                                                              | \$ 973                                                                | \$ 5,626                                                    | \$ 9,467                                                    |
| International theatre properties |                                                                       |                                                                       | 750                                                         | 4,142                                                       |
| Subtotal                         | \$ 1,000                                                              | \$ 973                                                                | \$ 6,376                                                    | \$ 13,609                                                   |
| Intangible assets (see Note 9)   |                                                                       |                                                                       |                                                             | 1,334                                                       |
| Goodwill (see Note 9)            |                                                                       | 35,748                                                                | 45,301                                                      | 13,594                                                      |
| Impairment of long-lived assets  | \$ 1,000                                                              | \$ 36,721                                                             | \$ 51,677                                                   | \$ 28,537                                                   |

F-24

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)****11. DEFERRED CHARGES AND OTHER ASSETS NET**

As of December 31, deferred charges and other assets net consisted of the following:

|                                          | <b>2005</b> | <b>2006</b> |
|------------------------------------------|-------------|-------------|
| Debt issue costs                         | \$ 27,330   | \$ 39,646   |
| Less: Accumulated amortization           | (5,218)     | (4,794)     |
| Subtotal                                 | 22,112      | 34,852      |
| Long-term prepaid rents                  | 11,782      | 16,283      |
| Construction advances and other deposits | 2,026       | 1,869       |
| Equipment to be placed in service        | 3,744       | 3,990       |
| Brazil value added tax deposit           | 3,602       | 3,943       |
| Other                                    | 2,718       | 2,155       |
| Total                                    | \$ 45,984   | \$ 63,092   |

During the year ended December 31, 2006, the Company incurred new debt issue costs of \$22,767 related to the new senior secured credit facility and wrote-off \$5,782 of existing debt issue costs as a result of the payoff of its term loan under its former senior secured credit facility, both of which occurred in conjunction with the Century Acquisition (see Notes 4 and 12 for further discussion.). Additionally, the Company wrote-off \$222 of debt issue costs related to its repurchase of \$10,000 of its 9% senior subordinated notes and \$961 of debt issue costs related to its repurchase of \$39,775 aggregate principal amount at maturity of its 93/4% senior discount notes. (See Note 12.)

**12. LONG-TERM DEBT**

Long-term debt as of December 31 consisted of the following:

|                                                          | <b>2005</b> | <b>2006</b> |
|----------------------------------------------------------|-------------|-------------|
| Cinemark, Inc. 93/4% senior discount notes due 2014      | \$ 423,978  | \$ 434,073  |
| Cinemark USA, Inc. 9% senior subordinated notes due 2013 | 364,170     | 350,820     |
| Cinemark USA, Inc. Term Loan                             | 255,450     | 1,117,200   |
| Other long-term debt                                     | 11,497      | 9,560       |
| Total long-term debt                                     | 1,055,095   | 1,911,653   |
| Less current portion                                     | 6,871       | 14,259      |

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Long-term debt, less current portion | \$ 1,048,224 | \$ 1,897,394 |
|--------------------------------------|--------------|--------------|

***Senior Discount Notes***

On March 31, 2004, in connection with the MDP merger, the Company issued \$577,173 aggregate principal amount at maturity of 9 3/4% senior discount notes due 2014. The gross proceeds at issuance of \$360,000 were used to fund in part the MDP Merger. Interest on the notes accretes until March 15, 2009 up to their aggregate principal amount. Cash interest will accrue and be payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2009. Due to the Company's holding company status, payments of principal and interest under these notes will be dependent on loans, dividends and other payments from the Company's subsidiaries. The Company may redeem all or part of the 9 3/4% senior discount notes on or after March 15, 2009.

F-25



**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

On September 22, 2005, the Company repurchased \$1,840 aggregate principal amount at maturity of the 93/4% senior discount notes as part of an open market purchase for approximately \$1,302, including accreted interest. During May 2006, as part of four open market purchases, the Company repurchased \$39,775 aggregate principal amount at maturity of the 93/4% senior discount notes for approximately \$31,745, including accreted interest of \$5,381 and a \$1,414 cash premium paid. The Company funded these transactions with available cash from its operations. The open market repurchase costs, including premiums paid and a portion of the unamortized debt issue costs of \$46 and \$2,375 related to the repurchase of the 93/4% senior discount notes were recorded as a loss on early retirement of debt in the Company's consolidated statements of operations for the years ended December 31, 2005 and 2006, respectively. As of December 31, 2006, the accreted principal balance of the notes was \$434,073 and the aggregate principal amount at maturity will be \$535,558.

The indenture governing the 93/4% senior discount notes contains covenants that limit, among other things, dividends, transactions with affiliates, investments, sales of assets, mergers, repurchases of capital stock, liens and additional indebtedness. The dividend restriction contained in the indenture prevents the Company from paying a dividend or otherwise distributing cash to its stockholders unless (1) it is not in default, and the distribution would not cause it to be in default, under the indenture; (2) it would be able to incur at least \$1.00 more of indebtedness without the ratio of its consolidated cash flow to its fixed charges (each as defined in the indenture, and calculated on a pro forma basis for the most recently ended four full fiscal quarters for which internal financial statements are available, using certain assumptions and modifications specified in the indenture, and including the additional indebtedness then being incurred) falling below two to one; and (3) the aggregate amount of distributions made since March 31, 2004, including the distribution proposed, is less than the sum of (a) half of its consolidated net income (as defined in the indenture) since February 11, 2003, (b) the net proceeds to it from the issuance of stock since April 2, 2004, and (c) certain other amounts specified in the indenture, subject to certain adjustments specified in the indenture. The dividend restriction is subject to certain exceptions specified in the indenture.

The indenture governing the 93/4% senior discount notes requires Cinemark, Inc. to have a fixed charge coverage ratio (as determined under the indenture) of at least 2.0 to 1.0 in order to incur certain additional indebtedness, issue preferred stock or make certain restricted payments, including dividends to the Company. Fixed charge coverage ratio is defined as the ratio of consolidated cash flow of Cinemark, Inc. and its subsidiaries to their fixed charges for the four most recent full fiscal quarters, giving pro forma effect to certain events as specified in the indenture. Fixed charges is defined as consolidated interest expense of Cinemark, Inc. and its subsidiaries, subject to certain adjustments as provided in the indenture. Consolidated cash flow as defined in the indenture is substantially consistent with our presentation of Adjusted EBITDA. Because Cinemark, Inc.'s failure to meet the fixed charge coverage ratio described above could restrict its ability to incur debt or make dividend payments, management believes that the indenture governing the 93/4% senior discount notes and these covenants and Adjusted EBITDA and Adjusted EBITDA margins are material to us. As of December 31, 2006, Cinemark, Inc.'s fixed charge coverage ratio under the indenture was in excess of the 2.0 to 1.0 requirement described above.

The indenture governing the 93/4% senior discount notes allows the Company to incur additional indebtedness if it satisfies the senior discount notes debt incurrence ratio described above, and in certain other circumstances. The Company's subsidiaries have no obligation, contingent or otherwise, to pay the amounts due under the 93/4% senior discount notes or to make funds available to pay those amounts. The 93/4% senior discount notes are general, unsecured senior obligations of the Company that are effectively subordinated to indebtedness and other liabilities of

the Company's subsidiaries.

Upon certain specified types of change of control, which excludes an initial public offering, the Company would be required under the indenture to make an offer to repurchase all of the 93/4% senior discount notes at

F-26

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

a price equal to 101% of the accreted value of the notes plus accrued and unpaid interest, if any, through the date of purchase.

***Senior Subordinated Notes***

On March 16, 2004, in connection with the MDP Merger, the Company initiated a tender offer for its then outstanding \$105,000 aggregate principal amount 8 1/2% senior subordinated notes due 2008 and a consent solicitation to remove substantially all restrictive covenants in the indenture governing those notes. On March 25, 2004, the Company executed a supplemental indenture removing substantially all of the covenants, which became effective on the date of the MDP Merger. Additionally, on the date of the MDP Merger, the Company amended its then existing senior secured credit facility to provide for a \$260,000 seven year term loan and a \$100,000 six and one-half year revolving credit line, which was left undrawn. The net proceeds from the amended senior secured credit facility were used to repay the term loan under the Company's then existing senior secured credit facility of approximately \$163,764 and to redeem the approximately \$94,165 aggregate principal amount of the Company's then outstanding \$105,000 aggregate principal amount of 8 1/2% senior subordinated notes that were tendered pursuant to the tender offer. The tender offer was made at 104.5% of the aggregate principal amount of the notes tendered on or prior to the consent date and at 101.5% of the aggregate principal amount of the notes tendered subsequent to the consent date but prior to the expiration date. The unamortized bond discount, tender offer repurchase costs, including premiums paid, and other fees of \$4,411 related to the retirement of the 8 1/2% notes were recorded as a loss on early retirement of debt in the Company's consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

On April 6, 2004, as a result of the consummation of the MDP Merger and in accordance with the terms of the indenture governing the Company's 9% senior subordinated notes due 2013, the Company made a change of control offer to purchase the 9% senior subordinated notes at a purchase price of 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, at the date of purchase. Approximately \$17,750 aggregate principal amount of the 9% senior subordinated notes were tendered and not withdrawn in the change of control offer, which expired on May 26, 2004. The Company paid the change of control price with available cash on June 1, 2004. The unamortized bond premium, unamortized debt issue costs, tender offer repurchase costs, including premiums paid, and other fees of \$1,057 related to the retirement of the 9% notes were recorded as a gain on early retirement of debt in the Company's consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

On July 28, 2004, the Company provided notice to the holders of the remaining outstanding 8 1/2% senior subordinated notes due 2008 of its election to redeem all outstanding notes at a redemption price of 102.833% of the aggregate principal amount plus accrued interest. On August 27, 2004, the Company redeemed the remaining \$10,835 aggregate principal amount of notes utilizing available cash and borrowings under the Company's amended revolving credit line. The unamortized bond premium, tender offer repurchase costs, including premiums paid, and other fees of \$45 related to the retirement of the 8 1/2% notes were recorded as a gain on early retirement of debt in the Company's consolidated statements of operations for the period from April 2, 2004 to December 31, 2004.

During May 2006, as part of three open market purchases, the Company repurchased \$10,000 aggregate principal amount of its 9% senior subordinated notes for approximately \$10,977, including the cash premium paid and accrued and unpaid interest. The transactions were funded with available cash from operations. As a result of the transactions, the Company recorded a loss on early retirement of debt of \$126 during the year ended December 31, 2006, which included the write-off of unamortized debt issue costs and unamortized bond premium related to the retired senior

subordinated notes.

F-27

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

As of December 31, 2006, the Company had outstanding \$332,250 aggregate principal amount of 9% senior subordinated notes due 2013. Interest is payable on February 1 and August 1 of each year. The Company may redeem all or part of the existing 9% notes on or after February 1, 2008.

The 9% senior subordinated notes are general, unsecured obligations and are subordinated in right of payment to the new senior secured credit facility or other senior indebtedness. The notes are guaranteed by certain of the Company's domestic subsidiaries. The guarantees are subordinated to the senior debt of the subsidiary guarantors, including their guarantees of the new senior secured credit facility. The notes are effectively subordinated to the indebtedness and other liabilities of the Company's non-guarantor subsidiaries.

The indenture governing the 9% senior subordinated notes contains covenants that limit, among other things, dividends, transactions with affiliates, investments, sales of assets, mergers, repurchases of our capital stock, liens and additional indebtedness. The dividend restriction contained in the indenture prevents the Company from paying a dividend or otherwise distributing cash to its capital stockholders unless (1) it is currently not in default, and the distribution would not cause it to be in default, under the indenture; (2) it would be able to incur at least \$1.00 more of indebtedness without the ratio of its EBITDA (as defined in the indenture) for the four full fiscal quarters prior to the incurrence of such indebtedness to the amount of its consolidated interest expense (as defined in the indenture) for the quarter in which the indebtedness is incurred and the following three fiscal quarters (each calculated on a pro forma basis using certain assumptions and modifications specified in the indenture, and including the additional indebtedness then being incurred) falling below two to one (the senior sub notes debt incurrence ratio test); and (3) the aggregate amount of distributions made since February 11, 2003, including the distribution currently proposed, is less than the sum of (a) half of its consolidated net income (as defined in the indenture) since February 11, 2003, (b) the net proceeds to it from the issuance of stock since February 11, 2003, and (c) certain other amounts specified in the indenture, subject to certain adjustments specified in the indenture. The dividend restriction is subject to certain exceptions specified in the indenture.

The indenture governing the senior subordinated notes allows the Company to incur additional indebtedness if it satisfies the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances.

Upon certain specified types of change of control, which excludes an initial public offering, the Company would be required to make an offer to repurchase the senior subordinated notes at a price equal to 101% of the principal amount outstanding plus accrued and unpaid interest through the date of repurchase.

On March 6, 2007, the Company commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of its 9% senior subordinated notes, of which \$332,250 aggregate principal amount remains outstanding. In connection with the tender offer, the Company is soliciting consents for certain proposed amendments to the indenture pursuant to which the 9% senior subordinated notes were issued. The Company expects to fund the repurchase with the net proceeds received from NCM in connection with the consummation of its initial public offering and modification of certain agreements with NCM.

***New Senior Secured Credit Facility***

On October 5, 2006, in connection with the Century acquisition, the Company entered into a new senior secured credit facility. The net proceeds of the new term loan were used to fund a portion of the \$531,225 cash portion of the purchase price, to pay off approximately \$360,000 under Century's existing senior credit facility and to refinance amounts under its existing senior secured credit facility of \$253,500. The Company used approximately \$53,000 of its existing cash to fund the payment of the remaining portion of the purchase price and related transaction expenses.

F-28

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

The new senior secured credit facility provides for a seven year term loan of \$1,120,000 and a \$150,000 revolving credit line that matures in six years unless the Company's 9% senior subordinated notes have not been refinanced by August 1, 2012 with indebtedness that matures no earlier than seven and one-half years after the closing date of the new senior secured credit facility, in which case the maturity date of the revolving credit line becomes August 1, 2012. The revolving credit line was left undrawn at closing. The revolving credit line is used for general corporate purposes.

At December 31, 2006, there was \$1,117,200 outstanding under the new term loan and no borrowings outstanding under the new revolving credit line. Approximately \$149,931 was available for borrowing under the new revolving credit line, giving effect to a \$69 letter of credit outstanding. The average interest rate on outstanding borrowings under the new senior secured credit facility at December 31, 2006 was 7.4% per annum.

Under the term loan, principal payments of \$2,800 are due each calendar quarter beginning December 31, 2006 through September 30, 2012 and increase to \$263,200 each calendar quarter from December 31, 2012 to maturity at October 5, 2013. The term loan bears interest, at the Company's option, at (A) the base rate equal to the higher of (i) the prime lending rate as set forth on the British Bank Association Telerate page 5 or (ii) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.75% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.75% to 2.00% per annum, in each case as adjusted pursuant to the Company's corporate credit rating. Borrowings under the \$150,000 revolving credit line bear interest, at the Company's option, at (A) a base rate equal to the higher of (i) the prime lending rate as set forth on the British Banking Association Telerate page 5 and (ii) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 1.00% per annum, or (B) a eurodollar rate plus a margin that ranges from 1.50% to 2.00% per annum, in each case as adjusted pursuant to the Company's consolidated net senior secured leverage ratio as defined in the new credit agreement. The Company is required to pay a commitment fee calculated at the rate of 0.50% per annum on the average daily unused portion of the new revolving credit line, payable quarterly in arrears, which rate decreases to 0.375% per annum for any fiscal quarter in which the Company's consolidated net senior secured leverage ratio on the last day of such fiscal quarter is less than 2.25 to 1.0.

The Company's obligations under the new senior secured credit facility are guaranteed by Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., and certain of the Company's subsidiaries and are secured by mortgages on certain fee and leasehold properties and security interests in substantially all of the Company's personal property, including without limitation, pledges of all of the Company's capital stock, all of the capital stock of CNMK Holding, Inc., and certain of the Company's domestic subsidiaries and 65% of the voting stock of certain of the Company's foreign subsidiaries.

The new senior secured credit facility contains usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on Cinemark USA, Inc.'s ability, and in certain instances, its subsidiaries' and Cinemark Holdings, Inc.'s, Cinemark, Inc.'s and CNMK Holding, Inc.'s ability, to consolidate or merge or liquidate, wind up or dissolve; substantially change the nature of its business; sell, transfer or dispose of assets; create or incur indebtedness; create liens; pay dividends, repurchase stock and voluntarily repurchase or redeem the 93/4% senior discount notes or the 9% senior subordinated notes; and make capital expenditures and investments. The new senior secured credit facility also requires the Company to satisfy a consolidated net senior secured leverage ratio covenant as determined in accordance with the new senior secured credit facility. The dividend restriction contained in the new

senior secured credit facility prevents the Company and any of its subsidiaries from paying a dividend or otherwise distributing cash to its stockholders unless (1) the Company is not in default, and the distribution would not cause it to be in default, under the new senior secured credit facility; and (2) the aggregate amount of certain dividends, distributions, investments, redemptions and capital expenditures made since October 5, 2006, including the distribution

F-29

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands, except share and per share data)**

currently proposed, is less than the sum of (a) the aggregate amount of cash and cash equivalents received by Cinemark Holdings, Inc. or Cinemark USA, Inc. as common equity since October 5, 2006, (b) Cinemark USA, Inc.'s consolidated EBITDA minus two times its consolidated interest expense, each as defined in the new senior secured credit facility, since October 1, 2006, (c) \$150,000 and (d) certain other amounts specified in the new senior secured credit facility, subject to certain adjustments specified in the new senior secured credit facility. The dividend restriction is subject to certain exceptions specified in the new senior secured credit facility.

The new senior secured credit facility also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, certain types of change of control, material money judgments and failure to maintain subsidiary guarantees. If an event of default occurs, all commitments under the new senior secured credit facility may be terminated and all obligations under the new senior secured credit facility could be accelerated by the lenders, causing all loans outstanding (including accrued interest and fees payable thereunder) to be declared immediately due and payable. This proposed initial public offering is not considered a change of control under the new senior secured credit facility.

On March 14, 2007, Cinemark USA, Inc. amended its new senior secured credit facility to, among other things, modify the interest rate on the term loans under the new senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 0.75% per annum, or (B) a Eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case the margin is a function of the corporate credit rating applicable to the borrower. The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the new senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM transactions or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans. The amendment was a condition precedent to the consummation of the tender offer for the senior subordinated notes.

***Former Senior Secured Credit Facility***

On April 2, 2004, the Company amended its then existing senior secured credit facility in connection with the MDP Merger. The amended senior secured credit facility provided for a \$260,000 seven year term loan and a \$100,000 six and one-half year revolving credit line. The net proceeds from the amended senior secured credit facility were used to repay the then existing term loan of approximately \$163,764 and to redeem the approximately \$94,165 aggregate principal amount of the Company's then outstanding \$105,000 aggregate principal amount 8 1/2% senior subordinated notes due 2008 that were tendered pursuant to the tender offer.

On October 5, 2006, in connection with the Century Acquisition, the \$253,500 outstanding under the former senior secured credit facility was repaid in full with a portion of the proceeds from the new senior secured credit facility. The unamortized debt issue costs of \$5,782 related to the former senior secured credit facility that was repaid in full were recorded as a loss on early retirement of debt in the Company's consolidated statements of operations for the year ended December 31, 2006.



**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)*****Covenant Compliance and Debt Maturity***

As of December 31, 2006, the Company was in full compliance with all agreements, including related covenants, governing its outstanding debt. The Company's long-term debt at December 31, 2006 matures as follows:

|            |              |
|------------|--------------|
| 2007       | \$ 14,259    |
| 2008       | 14,932       |
| 2009       | 12,803       |
| 2010       | 12,366       |
| 2011       | 11,200       |
| Thereafter | 1,846,093    |
| Total      | \$ 1,911,653 |

The estimated fair value of the Company's long-term debt at December 31, 2006 was approximately \$1,958,845. This amount does not include prepayment penalties that would be incurred upon the early extinguishment of certain debt issues.

Debt issue costs of \$39,646, net of accumulated amortization of \$4,794, related to the senior discount notes, senior subordinated notes, the new senior secured credit facility and other debt agreements, are included in deferred charges and other assets net, on the consolidated balance sheets at December 31, 2006.

**13. FOREIGN CURRENCY TRANSLATION**

The accumulated other comprehensive income (loss) account in stockholders' equity of \$(4,745) and \$11,463 at December 31, 2005 and December 31, 2006, respectively, primarily relates to the cumulative foreign currency adjustments from translating the financial statements of Cinemark Brasil S.A. into U.S. dollars.

In 2006 and 2005, all foreign countries where the Company has operations, including Brazil were deemed non-highly inflationary. Thus, any fluctuation in the currency results in a cumulative foreign currency translation adjustment to the accumulated other comprehensive loss account recorded as an increase in, or reduction of, stockholders' equity.

On December 31, 2006, the exchange rate for the Brazilian real was 2.14 reals to the U.S. dollar (the exchange rate was 2.34 reals to the U.S. dollar at December 31, 2005). As a result, the effect of translating the December 31, 2006 Brazilian financial statements into U.S. dollars is reflected as a cumulative foreign currency translation adjustment to the accumulated other comprehensive income (loss) account as an increase in stockholders' equity of \$14,954. At December 31, 2006, the total assets of the Company's Brazilian subsidiaries were U.S. \$159,658.

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)****14. INVESTMENTS IN AND ADVANCES TO AFFILIATES**

The Company had the following investments in and advances to affiliates at December 31:

|                                                                          | <b>2005</b> | <b>2006</b> |
|--------------------------------------------------------------------------|-------------|-------------|
| Investment in National CineMedia LLC investment, at equity               | \$ 7,329    | \$ 5,353    |
| Cinemark Theatres Alberta, Inc. investment, at equity 50% interest       | 612         | 617         |
| Fandango, Inc. investment, at cost 7% interest                           | 171         | 2,142       |
| Cinemark Core Pacific, Ltd. (Taiwan) investment, at cost<br>14% interest | 1,383       | 1,383       |
| Other                                                                    | 1,698       | 1,895       |
| Total                                                                    | \$ 11,193   | \$ 11,390   |

During the year ended December 31, 2005, Cinemark Media, Inc., a wholly-owned subsidiary of the Company, purchased a 20.7% interest in National CineMedia LLC for approximately \$7,329. See Note 6 to the consolidated financial statements for further discussion of the investment and the Company's ownership interest. See Note 24 for discussion of National CineMedia's initial public offering and related funds received by the Company.

During the year ended December 31, 2006, as a result of the Company's acquisition of Century, the Company's investment in Fandango, Inc. increased from 1% to approximately 7%.

**15. MINORITY INTERESTS IN SUBSIDIARIES**

Minority ownership interests in subsidiaries of the Company are as follows at December 31:

|                                                                 | <b>2005</b> | <b>2006</b> |
|-----------------------------------------------------------------|-------------|-------------|
| Cinemark Partners II 49.2% interest                             | \$ 8,554    | \$ 8,862    |
| Cinemark Equity Holdings Corp. (Central America) 49.9% interest | 2,577       | 2,263       |
| Cinemark Colombia, S.A. 49.0% interest                          | 2,333       | 2,483       |
| Greeley Ltd. 49.0% interest                                     | 1,491       | 1,422       |
| Cinemark del Ecuador, S.A. 40.0% interest                       | 932         | 994         |
| Cinemark de Mexico, S.A. de C.V. 0.6% interest                  | 272         | 346         |
| Others                                                          | 263         | 243         |
| Total                                                           | \$ 16,422   | \$ 16,613   |

## 16. CAPITAL STOCK

*Common Stock* Common stockholders are entitled to vote on all matters submitted to a vote of the Company's stockholders. Subject to the rights of holders of any then outstanding shares of the Company's preferred stock, the Company's common stockholders are entitled to any dividends that may be declared by the Board of Directors. The shares of the Company's common stock are not subject to any redemption provisions. The Company has no issued and outstanding shares of preferred stock.

The Company's ability to pay dividends is effectively limited by its status as a holding company and the terms of its subsidiaries' indentures and new senior secured credit facility, which also significantly restrict the ability of certain of the Company's subsidiaries to pay dividends directly or indirectly to the Company. Furthermore, certain of the Company's foreign subsidiaries currently have a deficit in retained earnings which prevents the Company from declaring and paying dividends from those subsidiaries.

F-32

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

*Stock Option Plans* Upon consummation of the MDP Merger on April 2, 2004, all the Company's stock options outstanding prior to the MDP Merger immediately vested and the majority were repurchased and the then existing stock option plans, which included the Independent Director Stock Options and the Long Term Incentive Plan, were terminated.

On September 30, 2004, the Company's Board of Directors and the majority of its stockholders approved the 2004 Long Term Incentive Plan (the 2004 Plan) under which 3,074,991 shares of common stock are available for issuance to selected employees, directors and consultants of the Company. The 2004 Plan provides for restricted share grants, incentive option grants and nonqualified option grants.

On September 30, 2004, the Company granted options to purchase 2,361,590 shares of its common stock under the 2004 Plan at an exercise price of \$22.58 per option. The exercise price was equal to the fair market value of the Company's common stock on the date of grant. Options to purchase 234,219 shares vested immediately and the remaining options granted in 2004 vest daily over the period ending April 1, 2009. The options expire ten years from the grant date. On January 28, 2005, the Company granted options to purchase 4,075 shares of its common stock under the Plan at an exercise price of \$22.58 per option (equal to the market value at the date of grant). The options vest daily over five years and the options expire ten years from the grant date.

For each 2004 and 2005 grant, the fair values of the options were estimated on the dates of grant using the Black-Scholes option-pricing model with the following assumptions:

|                         | <b>September 30,<br/>2004<br/>Grant</b> | <b>January 28,<br/>2005<br/>Grant</b> |
|-------------------------|-----------------------------------------|---------------------------------------|
| Expected life           | 6.5 years                               | 6.5 years                             |
| Expected volatility(1)  | 39%                                     | 44%                                   |
| Risk-free interest rate | 3.79%                                   | 3.93%                                 |
| Dividend yield          | 0%                                      | 0%                                    |

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

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

On August 2, 2006, Cinemark Holdings, Inc. was formed as the Delaware holding company of Cinemark, Inc. Under a share exchange agreement dated August 8, 2006, each outstanding share and option to purchase shares of Cinemark, Inc.'s common stock was exchanged for an equivalent number of shares and options to purchase shares of Cinemark Holdings, Inc. common stock. The share exchange was completed on October 5, 2006.

In November 2006, the Board of Directors amended the 2004 Plan to provide that no additional awards may be granted under the 2004 Plan. At that time, the Board and the majority of the Company's stockholders approved the 2006 Long Term Incentive Plan (the "2006 Plan"). The 2006 Plan is substantially similar to the 2004 Plan.

F-33

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

A summary of Plan activity and related information for the period from April 2, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 is as follows:

|                                       | <b>2004</b>   |                                                    | <b>2005</b>   |                                                    | <b>2006</b>   |                                                    |
|---------------------------------------|---------------|----------------------------------------------------|---------------|----------------------------------------------------|---------------|----------------------------------------------------|
|                                       | <b>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |
| Outstanding at January 1              |               | \$                                                 | 2,361,590     | \$ 22.58                                           | 2,365,665     | \$ 22.58                                           |
| Granted                               | 2,361,590(1)  | \$ 22.58                                           | 4,075         | \$ 22.58                                           |               | \$                                                 |
| Forfeited                             |               | \$                                                 |               | \$                                                 | (4,594)       | \$ 22.58                                           |
| Exercised                             |               | \$                                                 |               | \$                                                 | (1,556)       | \$ 22.58                                           |
| Outstanding at<br>December 31         | 2,361,590     | \$ 22.58                                           | 2,365,665     | \$ 22.58                                           | 2,359,515     | \$ 22.58                                           |
| Options exercisable at<br>December 31 | 353,211       | \$ 22.58                                           | 827,603       | \$ 22.58                                           | 1,296,040     | \$ 22.58                                           |

(1) Options granted on September 30, 2004, subsequent to change in accounting basis.

All options outstanding at December 31, 2006 have a remaining contractual life of approximately 7.75 years.

A participant's options under the Plan are forfeited if the participant's service to the Company or any of its subsidiaries is terminated for cause. At any time before the common stock becomes listed or admitted to unlisted trading privileges on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers or if sale or bid and other offer quotations are reported for that class of common stock on the NASDAQ National Market, the Company or a designee shall have the right to purchase any shares of common stock acquired on exercise of an option, any restricted shares issued under the Plan and any exercisable options granted under the Plan. The purchase price in such event shall be determined as provided in the Plan.



Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)****17. SUPPLEMENTAL CASH FLOW INFORMATION**

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

|                                                                                                                | <b>Period from<br/>January 1,<br/>2004 to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2,<br/>2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Cash paid for interest                                                                                         | \$ 23,307                                                                         | \$ 23,379                                                                             | \$ 45,166                                                   | \$ 65,716                                                   |
| Net cash paid for income taxes                                                                                 | \$ 5,070                                                                          | \$ 11,612                                                                             | \$ 2,911                                                    | \$ 27,044                                                   |
| Noncash investing and financing activities:                                                                    |                                                                                   |                                                                                       |                                                             |                                                             |
| Change in construction lease obligations<br>related to construction of theatres                                | \$                                                                                | \$ 6,463                                                                              | \$ (4,312)                                                  | \$ 395                                                      |
| Changes in accounts payable and accrued<br>expenses for the acquisition of theatre<br>properties and equipment | \$ 1,609                                                                          | \$ (2,758)                                                                            | \$ 8,945                                                    | \$ 3,662                                                    |
| Exchange of theatre properties                                                                                 | \$                                                                                | \$                                                                                    | \$                                                          | \$ 5,400                                                    |
| Issuance of common stock as a result of the<br>Century Acquisition                                             | \$                                                                                | \$                                                                                    | \$                                                          | \$ 150,000                                                  |

**18. INCOME TAXES**

Income (loss) from continuing operations before income taxes consisted of the following:

|                                                                  | <b>Period from<br/>January 1,<br/>2004 to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2,<br/>2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Income (loss) from continuing operations<br>before income taxes: |                                                                                   |                                                                                       |                                                             |                                                             |
| U.S.                                                             | \$ (26,030)                                                                       | \$ 3,312                                                                              | \$ (21,925)                                                 | \$ 7,315                                                    |
| Foreign                                                          | 13,259                                                                            | 7,139                                                                                 | 5,925                                                       | 6,211                                                       |
| Total                                                            | \$ (12,771)                                                                       | \$ 10,451                                                                             | \$ (16,000)                                                 | \$ 13,526                                                   |

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|                        |    |         |    |        |    |          |    |          |
|------------------------|----|---------|----|--------|----|----------|----|----------|
| Federal                | \$ | (5,668) | \$ | 8,397  | \$ | 17,653   | \$ | 19,280   |
| Foreign                |    | 443     |    | 3,565  |    | 2,115    |    | 2,416    |
| State                  |    | (537)   |    | 997    |    | 1,972    |    | 868      |
| Total current expense  |    | (5,762) |    | 12,959 |    | 21,740   |    | 22,564   |
| Deferred:              |    |         |    |        |    |          |    |          |
| Federal                |    | 1,791   |    | 1,142  |    | (9,778)  |    | (14,532) |
| Foreign                |    |         |    | 4,830  |    | 24       |    | 4,354    |
| State                  |    | 268     |    | (638)  |    | (2,578)  |    | 299      |
| Total deferred expense |    | 2,059   |    | 5,334  |    | (12,332) |    | (9,879)  |
| Income tax expense     | \$ | (3,703) | \$ | 18,293 | \$ | 9,408    | \$ | 12,685   |

F-35

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

A reconciliation between income tax expense and taxes computed by applying the applicable statutory federal income tax rate to income (loss) from continuing operations before income taxes follows:

|                                                                       | <b>Period from<br/>January 1,<br/>2004 to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2,<br/>2004 to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Computed normal tax expense                                           | \$ (4,470)                                                                        | \$ 3,658                                                                              | \$ (5,600)                                                  | \$ 4,734                                                    |
| Goodwill                                                              | (11)                                                                              | 11,587                                                                                | 14,310                                                      | 4,722                                                       |
| Foreign inflation adjustments                                         | 134                                                                               | 402                                                                                   | (2,332)                                                     | 1,803                                                       |
| State and local income taxes, net of federal income tax benefit       | (175)                                                                             | 348                                                                                   | 1,030                                                       | 759                                                         |
| Foreign losses not benefited and other changes in valuation allowance | (800)                                                                             | (1,672)                                                                               | (448)                                                       | 1,926                                                       |
| Foreign tax rate differential                                         | 991                                                                               | 2,972                                                                                 | (33)                                                        | 946                                                         |
| Foreign dividends including Section 965                               |                                                                                   |                                                                                       | 3,158                                                       | 578                                                         |
| Other net                                                             | 628                                                                               | 998                                                                                   | (677)                                                       | (2,783)                                                     |
| Income tax expense                                                    | \$ (3,703)                                                                        | \$ 18,293                                                                             | \$ 9,408                                                    | \$ 12,685                                                   |

F-36

**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

The tax effects of significant temporary differences and tax loss and tax credit carryforwards comprising the net long-term deferred income tax liability at December 31, 2005 and 2006 consisted of the following:

|                                                                        | <b>2005</b> | <b>2006</b> |
|------------------------------------------------------------------------|-------------|-------------|
| Deferred liabilities:                                                  |             |             |
| Theatre properties and equipment                                       | \$ 36,432   | \$ 125,950  |
| Deferred intercompany sale                                             | 2,961       | 7,207       |
| Intangible asset contracts                                             | 13,084      | 12,394      |
| Intangible asset tradenames                                            | 63,627      | 117,019     |
| Intangible asset net favorable leases                                  | 7,988       | 3,695       |
| Total deferred liabilities                                             | 124,092     | 266,265     |
| Deferred assets:                                                       |             |             |
| Deferred lease expenses                                                | 3,014       | 3,937       |
| Theatre properties and equipment                                       | 6,772       | 5,915       |
| Deferred gain on sale leasebacks                                       | 208         |             |
| Property under capital lease                                           |             | 44,477      |
| Long-term debt                                                         | 3,435       | 7,598       |
| Debt issue costs                                                       | 2,439       | 2,194       |
| Tax loss carryforward                                                  | 13,549      | 15,535      |
| AMT and other credit carryforwards                                     | 2,159       | 2,583       |
| Other expenses, not currently deductible for tax purposes              | (2,701)     | (771)       |
| Total deferred assets                                                  | 28,875      | 81,468      |
| Net long-term deferred income tax liability before valuation allowance | 95,217      | 184,797     |
| Valuation allowance                                                    | 6,935       | 8,862       |
| Net long-term deferred income tax liability                            | \$ 102,152  | \$ 193,659  |
| Net deferred tax liability Foreign                                     | \$ 8,035    | \$ 11,256   |
| Net deferred tax liability U.S.                                        | 94,117      | 182,403     |
| Total of all deferrals                                                 | \$ 102,152  | \$ 193,659  |

The Company's valuation allowance increased from \$6,935 at December 31, 2005 to \$8,862 at December 31, 2006. This change was primarily due to an increase to the valuation allowance on the net operating loss in Mexico.

The foreign net operating losses began expiring in 2002; however, some losses may be carried forward indefinitely. The Company's foreign tax credit carryforwards begin expiring in 2008. The Company's state net operating loss carryforward will expire in 2007 through 2024. The amount of the state net operating loss carryforward that will expire in 2007 is \$154.

On October 22, 2004, the American Jobs Creation Act was signed into law. The Act provides, among other things, a special one-time deduction for certain foreign earnings that are repatriated to and reinvested in the United States. During 2005, the Company repatriated approximately \$36,000 of unremitted earnings from certain of its non-U.S. subsidiaries under the provisions of the Act. As a result, the Company recorded income tax expense and a related income tax liability, net of foreign tax benefits, of \$1,537 during 2005.

F-37

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

Management continues to reinvest the undistributed earnings of its foreign subsidiaries. Accordingly, deferred U.S. federal and state income taxes are not provided on the undistributed earnings of these foreign subsidiaries. As of December 31, 2006, the cumulative amount of undistributed earnings of these foreign subsidiaries on which the Company has not recognized income taxes was approximately \$92,000.

The Company is routinely under audit in various jurisdictions and is currently under examination in the United States by the IRS and in Mexico by Hacienda. The Company believes that it is adequately reserved for the probable outcome of these examinations.

**19. COMMITMENTS AND CONTINGENCIES**

*Leases* The Company conducts a significant part of its theatre operations in leased properties under noncancelable operating and capital leases with terms generally ranging from 10 to 25 years. In addition to the minimum annual lease payments, some of the leases provide for contingent rentals based on operating results of the theatre and most require the payment of taxes, insurance and other costs applicable to the property. The Company can renew, at its option, a substantial portion of the leases at defined or then market rental rates for various periods. Some leases also provide for escalating rent payments throughout the lease term. A liability for deferred lease expenses of \$9,569 and \$14,286 at December 31, 2005 and 2006, respectively, has been provided to account for lease expenses on a straight-line basis, where lease payments are not made on such basis. Rent expense was as follows:

|                               | <b>Period from<br/>January 1,<br/>2004 to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|-------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Fixed rent expense            | \$ 26,230                                                                         | \$ 78,724                                                                             | \$ 110,995                                                  | \$ 130,726                                                  |
| Contingent rent expense       | 4,685                                                                             | 19,105                                                                                | 27,482                                                      | 30,648                                                      |
| Facility lease expense        | 30,915                                                                            | 97,829                                                                                | 138,477                                                     | 161,374                                                     |
| Corporate office rent expense | 350                                                                               | 1,056                                                                                 | 1,432                                                       | 1,609                                                       |
| Total rent expense            | \$ 31,265                                                                         | \$ 98,885                                                                             | \$ 139,909                                                  | \$ 162,983                                                  |

Future minimum lease payments under noncancelable operating and capital leases that have initial or remaining terms in excess of one year at December 31, 2006 are due as follows:

|                             |                           |
|-----------------------------|---------------------------|
| <b>Operating<br/>Leases</b> | <b>Capital<br/>Leases</b> |
|-----------------------------|---------------------------|

|                                                 |              |            |
|-------------------------------------------------|--------------|------------|
| 2007                                            | \$ 163,681   | \$ 16,062  |
| 2008                                            | 168,123      | 16,092     |
| 2009                                            | 166,593      | 16,147     |
| 2010                                            | 162,273      | 16,401     |
| 2011                                            | 157,785      | 15,362     |
| Thereafter                                      | 1,185,739    | 154,783    |
| Total                                           | \$ 2,004,194 | \$ 234,847 |
| Amounts representing interest                   |              | (119,020)  |
| Present value of future minimum payments        |              | \$ 115,827 |
| Current portion of capital lease obligations    |              | 3,649      |
| Capital lease obligations, less current portion |              | \$ 112,178 |

F-38

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands, except share and per share data)**

*Employment Agreements* On March 12, 2004, the Company entered into new employment agreements with certain executives which became effective upon the consummation of the MDP Merger on April 2, 2004. In addition, in connection with the MDP Merger, the Company paid a one-time special bonus in the amount of \$2,400 to Lee Roy Mitchell and in the amount of \$50 to each of Alan Stock, Tim Warner and Robert Copple. Set forth below is a summary of the Company's employment agreements.

***Lee Roy Mitchell***

The Company entered into an employment agreement with Lee Roy Mitchell pursuant to which Mr. Mitchell currently serves as the Company's Chairman. The employment agreement became effective upon the consummation of the MDP Merger. The initial term of the employment agreement is three years, subject to an automatic extension for a one-year period, unless the employment agreement is terminated. Mr. Mitchell received a base salary of \$764 during 2006, which is subject to annual review for increase (but not decrease) each year by the Company's Board of Directors or committee or delegate thereof. In addition, Mr. Mitchell is eligible to receive an annual cash incentive bonus upon the Company meeting certain performance targets established by the board or the compensation committee for the fiscal year. Mr. Mitchell is also entitled to additional fringe benefits including life insurance benefits of not less than \$5,000, disability benefits of not less than 66% of base salary, a luxury automobile and a membership at a country club. The employment agreement provides for severance payments upon termination of employment, the amount and nature of which depends upon the reason for the termination of employment. If Mr. Mitchell resigns for good reason or is terminated by the Company without cause (as defined in the agreement), Mr. Mitchell will receive: accrued compensation (which includes base salary and a pro rata bonus) through the date of termination; any previously vested stock options and accrued benefits, such as retirement benefits, in accordance with the terms of the plan or agreement pursuant to which such options or benefits were granted; his annual base salary as in effect at the time of termination for a period of twelve months following such termination; and an amount equal to the most recent annual bonus he received prior to the date of termination. Mr. Mitchell's equity-based or performance-based awards will become fully vested and exercisable upon such termination or resignation. Mr. Mitchell may choose to continue to participate in the Company's benefit plans and insurance programs on the same terms as other actively employed senior executives for a one-year period. Furthermore, so long as Mr. Mitchell remains the Company's Chairman, he will possess approval rights over certain significant transactions that may be pursued by the Company.

In the event Mr. Mitchell's employment is terminated due to his death or disability, Mr. Mitchell or his estate will receive: accrued compensation (which includes base salary and a pro rata bonus) through the date of termination; any previously vested stock options and accrued benefits, such as retirement benefits, in accordance with the terms of the plan or agreement pursuant to which such options or benefits were granted; his annual base salary as in effect at the time of termination for a period of six months following such termination; a lump sum payment equal to an additional six months of base salary payable six months after the date of termination; and any benefits payable to Mr. Mitchell and or his beneficiaries in accordance with the terms of any applicable benefit plan.

In the event Mr. Mitchell's employment is terminated by the Company for cause or under a voluntary termination (as defined in the agreement), Mr. Mitchell will receive: accrued base salary through the date of termination; and any previously vested rights under a stock option or similar incentive compensation plan in accordance with the terms of such plan.



Mr. Mitchell will also be entitled, for a period of five years, to tax preparation assistance upon termination of his employment for any reason other than for cause or under a voluntary termination. The employment agreement contains various covenants, including covenants related to confidentiality, non-competition (other than certain permitted activities as defined therein) and non-solicitation.

F-39

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

***Tandy Mitchell, Alan Stock, Robert Copple, Timothy Warner, Robert Carmony, John Lundin and Michael Cavalier***

The Company entered into executive employment agreements with each of Tandy Mitchell, Alan Stock, Robert Copple, Timothy Warner, Robert Carmony, John Lundin and Michael Cavalier pursuant to which Mrs. Mitchell and Messrs. Stock, Copple, Warner, Carmony, Lundin and Cavalier currently serve, respectively, as the Company's Executive Vice President, Chief Executive Officer, Executive Vice President and Chief Financial Officer, President and Chief Operating Officer, Senior Vice President of Operations, Vice President of Film Licensing and Senior Vice President General Counsel. The employment agreements became effective upon the consummation of the MDP Merger. The initial term of each employment agreement is three years, subject to automatic extensions for a one-year period at the end of each year of the term, unless the agreement is terminated. Pursuant to the employment agreements, each of these individuals receives a base salary, which is subject to annual review for increase (but not decrease) each year by the Company's Board of Directors or committee or delegate thereof. In addition, each of these executives is eligible to receive an annual cash incentive bonus upon the Company's meeting certain performance targets established by the Company's Board of Directors or the compensation committee for the fiscal year.

The Company's Board of Directors has adopted a stock option plan and granted each executive stock options to acquire such number of shares as set forth in that executive's employment agreement. The executive's stock options vest and become exercisable twenty percent per year on a daily pro rata basis and shall be fully vested and exercisable five years after the date of the grant, as long as the executive remains continuously employed by the Company. Upon consummation of a sale of the Company, the executive's stock options will accelerate and become fully vested.

The employment agreement with each executive provides for severance payments on substantially the same terms as the employment agreement for Mr. Mitchell in that the executive will receive his or her annual base salary in effect at the time of termination for a period commencing on the date of termination and ending on the second anniversary of the effective date (rather than for twelve months); and an amount equal to the most recent annual bonus he or she received prior to the date of termination pro rated for the number of days between such termination and the second anniversary of the effective date (rather than a single annual bonus).

Each executive will also be entitled to office space and support services for a period of not more than three months following the date of any termination except for termination for cause. The employment agreements contain various covenants, including covenants related to confidentiality, non-competition and non-solicitation.

***Retirement Savings Plan*** The Company has a 401(k) retirement savings plan for the benefit of all employees and makes contributions as determined annually by the Board of Directors. Contribution payments of \$1,382 and \$1,295 were made in 2005 (for plan year 2004) and 2006 (for plan year 2005), respectively. A liability of \$1,604 has been recorded at December 31, 2006 for contribution payments to be made in 2007 (for plan year 2006).

***Letters of Credit and Collateral*** The Company had outstanding letters of credit of \$69, in connection with property and liability insurance coverage, at December 31, 2005 and 2006.

***Litigation and Litigation Settlements*** **DOJ Litigation** In March 1999, the Department of Justice (DOJ) filed suit in the U.S. District Court, Northern District of Ohio, Eastern Division, against the Company alleging certain violations of

the Americans with Disabilities Act of 1990 (the ADA ) relating to the Company's wheelchair seating arrangements and seeking remedial action. An order granting summary judgment to the Company was issued in November 2001. The Department of Justice appealed the district court's ruling with the Sixth Circuit Court of Appeals. On November 7, 2003, the Sixth Circuit Court of Appeals reversed the summary judgment and sent the case back to the district court for further review without

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

deciding whether wheelchair seating at the Company's theatres comply with the ADA. The Sixth Circuit Court of Appeals also stated that if the district court found that the theatres did not comply with the ADA, any remedial action should be prospective only. The Company and the United States have resolved this lawsuit. A Consent Order was entered by the U.S. District Court for the Northern District of Ohio, Eastern Division, on November 17, 2004. This Consent Order fully and finally resolves the *United States v. Cinemark USA, Inc.* lawsuit, and all claims asserted against the Company in that lawsuit have been dismissed with prejudice. Under the Consent Order, the Company will make modifications to wheelchair seating locations in fourteen stadium-style movie theatres within the Sixth Circuit and elsewhere, and spacing and companion seating modifications at 67 auditoriums at other stadium-styled movie theatres. These modifications must be completed during the five-year period commencing on the date the Consent Order was executed. Upon completion of these modifications, such theatres will comply with all existing and pending ADA wheelchair seating requirements, and no further modifications will be necessary to remaining stadium-style movie theatres in the United States to comply with the wheelchair seating requirements of the ADA. Under the Consent Order, the DOJ approved the seating plans for nine stadium-styled movie theatres under construction. The Company and the DOJ have also created a safe harbor framework for the Company to construct all of its 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. The Company believes that its obligations under the Consent Order are not material in the aggregate to its financial position, results of operations and cash flows.

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

**20. SEGMENTS**

At December 31, 2006, the Company identified its international market and its U.S. market as separate reportable operating segments. The international segment consists of operations in Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Columbia. The U.S. segment includes U.S. and Canada operations. Each segment's revenue is derived from admissions and concessions sales and other ancillary revenues, primarily screen advertising. The primary measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, as defined in the reconciliation table below. The Company's management evaluates the performance of its assets on a consolidated basis.

Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

Below is a breakdown of select financial information by reportable operating segment (in 000 s):

|                | <b>Period from<br/>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|----------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Revenues       |                                                                                       |                                                                                       |                                                             |                                                             |
| U.S.           | \$ 175,563                                                                            | \$ 607,831                                                                            | \$ 757,902                                                  | \$ 936,684                                                  |
| International  | 58,465                                                                                | 183,755                                                                               | 264,314                                                     | 285,854                                                     |
| Eliminations   | (403)                                                                                 | (969)                                                                                 | (1,619)                                                     | (1,944)                                                     |
| Total revenues | \$ 233,625                                                                            | \$ 790,617                                                                            | \$ 1,020,597                                                | \$ 1,220,594                                                |

|                       | <b>Period from<br/>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|-----------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Adjusted EBITDA       |                                                                                       |                                                                                       |                                                             |                                                             |
| U.S.                  | \$ 37,154                                                                             | \$ 139,583                                                                            | \$ 155,987                                                  | \$ 217,845                                                  |
| International         | 13,454                                                                                | 39,049                                                                                | 54,148                                                      | 53,770                                                      |
| Total Adjusted EBITDA | \$ 50,608                                                                             | \$ 178,632                                                                            | \$ 210,135                                                  | \$ 271,615                                                  |

|                      | <b>December 31,<br/>2005<br/>(Successor)</b> | <b>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------|----------------------------------------------|----------------------------------------------|
|                      | <b>(in thousands)</b>                        |                                              |
| Capital Expenditures |                                              |                                              |
| U.S.                 | \$ 56,262                                    | \$ 80,786                                    |
| International        | 19,343                                       | 26,295                                       |

|                            |    |        |    |         |
|----------------------------|----|--------|----|---------|
| Total Capital Expenditures | \$ | 75,605 | \$ | 107,081 |
|----------------------------|----|--------|----|---------|

F-42

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

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

|                                                                                    | <b>Period from<br/>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>Period from<br/>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Net income (loss)                                                                  | \$ (10,633)                                                                           | \$ (3,687)                                                                            | \$ (25,408)                                                 | \$ 841                                                      |
| Add (deduct):                                                                      |                                                                                       |                                                                                       |                                                             |                                                             |
| Income taxes                                                                       | (3,703)                                                                               | 18,293                                                                                | 9,408                                                       | 12,685                                                      |
| Interest expense(1)                                                                | 12,562                                                                                | 58,149                                                                                | 84,082                                                      | 109,328                                                     |
| Other (income) expense                                                             | 765                                                                                   | 5,020                                                                                 | (4,581)                                                     | 4,515                                                       |
| (Income) loss from discontinued operations, net of taxes                           | 1,565                                                                                 | (4,155)                                                                               |                                                             |                                                             |
| Depreciation and amortization                                                      | 16,865                                                                                | 58,266                                                                                | 81,952                                                      | 95,821                                                      |
| Amortization of net favorable leases                                               |                                                                                       | 3,087                                                                                 | 4,174                                                       | 3,649                                                       |
| Impairment of long-lived assets                                                    | 1,000                                                                                 | 36,721                                                                                | 51,677                                                      | 28,537                                                      |
| (Gain) loss on sale of assets and other                                            | (513)                                                                                 | 3,602                                                                                 | 4,436                                                       | 7,645                                                       |
| Deferred lease expenses                                                            | 560                                                                                   | 3,336                                                                                 | 4,395                                                       | 5,730                                                       |
| Stock option compensation and change of control expenses related to the MDP Merger | 31,995                                                                                |                                                                                       |                                                             |                                                             |
| Amortized compensation-stock options                                               | 145                                                                                   |                                                                                       |                                                             | 2,864                                                       |
| Adjusted EBITDA                                                                    | \$ 50,608                                                                             | \$ 178,632                                                                            | \$ 210,135                                                  | \$ 271,615                                                  |

(1) Includes amortization of debt issue costs.

***Financial Information by Geographic Area***

The Company has 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. Below is a breakdown of select financial information by geographic area:

**Period from                      Period from**

|                         | <b>January 1,<br/>2004<br/>to<br/>April 1, 2004<br/>(Predecessor)</b> | <b>April 2, 2004<br/>to<br/>December 31,<br/>2004<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2005<br/>(Successor)</b> | <b>Year Ended<br/>December 31,<br/>2006<br/>(Successor)</b> |
|-------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>Revenues(1)</b>      |                                                                       |                                                                       |                                                             |                                                             |
| U.S. and Canada         | \$ 175,563                                                            | \$ 607,831                                                            | \$ 757,902                                                  | \$ 936,684                                                  |
| Mexico                  | 17,801                                                                | 58,347                                                                | 74,919                                                      | 71,589                                                      |
| Brazil                  | 21,775                                                                | 69,097                                                                | 112,182                                                     | 128,555                                                     |
| Other foreign countries | 18,889                                                                | 56,311                                                                | 77,213                                                      | 85,710                                                      |
| Eliminations            | (403)                                                                 | (969)                                                                 | (1,619)                                                     | (1,944)                                                     |
| <b>Total</b>            | <b>\$ 233,625</b>                                                     | <b>\$ 790,617</b>                                                     | <b>\$ 1,020,597</b>                                         | <b>\$ 1,220,594</b>                                         |

F-43



Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands, except share and per share data)**

|                                              | <b>December 31,<br/>2005<br/>(Successor)</b> | <b>December 31,<br/>2006<br/>(Successor)</b> |
|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>Theatre properties and equipment, net</b> |                                              |                                              |
| U.S. and Canada                              | \$ 646,841                                   | \$ 1,169,456                                 |
| Mexico                                       | 55,366                                       | 51,272                                       |
| Brazil                                       | 52,371                                       | 55,749                                       |
| Other foreign countries                      | 48,691                                       | 48,095                                       |
| <b>Total</b>                                 | <b>\$ 803,269</b>                            | <b>\$ 1,324,572</b>                          |

- (1) Revenues for all periods do not include results of the two United Kingdom theatres or the eleven Interstate theatres, which were sold during 2004, as the results of operations for these theatres are included as discontinued operations.

**21. OTHER RELATED PARTY TRANSACTIONS**

The Company leases one theatre from Plitt Plaza Joint Venture ( Plitt Plaza ) on a month-to-month basis. Plitt Plaza is indirectly owned by Lee Roy Mitchell. Annual rent is approximately \$118 plus certain taxes, maintenance expenses and insurance. The Company recorded \$152 and \$149 of facility lease and other operating expenses payable to Plitt Plaza joint venture during the years ended December 31, 2005 and 2006, respectively.

The Company manages one theatre for Laredo Theatre, Ltd. ( Laredo ). The Company is the sole general partner and owns 75% of the limited partnership interests of Laredo. Lone Star Theatres, Inc. owns the remaining 25% of the limited partnership interests in Laredo and is 100% owned by Mr. David Roberts, Lee Roy Mitchell's son-in-law. Under the agreement, management fees are paid by Laredo to the Company at a rate of 5% of annual theatre revenues up to \$50,000 and 3% of annual theatre revenues in excess of \$50,000. The Company recorded \$201 and \$191 of management fee revenues during the years ended December 31, 2005 and 2006, respectively, and received \$675 and \$600 of distributions from Laredo during the years ended December 31, 2005 and 2006, respectively. All such amounts are included in the Company's consolidated financial statements with the intercompany amounts eliminated in consolidation.

The Company leases 25 theatres and two parking facilities from Syufy Enterprises, LP ( Syufy ) or affiliates of Syufy, which owns approximately 10.8% of the Company's issued and outstanding shares of common stock. Raymond Syufy and Joseph Syufy are two of the Company's directors and are officers of the general partner of Syufy Enterprises, LP. Of these 27 leases, 22 have fixed minimum annual rent in an aggregate amount of approximately \$23.5 million. Of these 22 leases with fixed minimum annual rent, 17 have a remaining lease term plus extension option(s) that exceed 30 years, four have a remaining lease term plus extension option(s) that exceed 18 years, and one has a remaining lease term of approximately three years. Three of these 22 leases have triggering events that allow the Company to convert the fixed minimum rent to a fixed percentage of gross sales as defined in the lease with the further right to terminate the lease if the theatre level cash flow drops below \$0. Five of these 22 leases have triggering events that

allow the Company to terminate the lease prior to expiration of the term. These five leases without minimum annual rent have rent based upon a specified percentage of gross sales as defined in the lease with no minimum annual rent. Four of these percentage rent leases have a 12 month term plus automatic 12 month renewal options, and the Company has the right to terminate the lease if the theatre level cash flow drops below \$0. One of these percentage rent leases has a remaining term of 21 months, and Syufy has the right to terminate this lease prior to the end of the term.

F-44

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**Table of Contents****CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

The Company also has an office lease with Syufy for corporate office space in San Rafael, California. The lease will expire in September 2008. The lease has a fixed minimum annual rent of approximately \$0.3 million.

The Company entered into an amended and restated profit participation agreement on March 12, 2004 with its former President and current Chief Executive Officer, Alan Stock, which became effective upon consummation of the MDP Merger and amends a profit participation agreement with Mr. Stock in effect since May 2002. Under the agreement, Mr. Stock receives a profit interest in two theatres once the Company has recovered its capital investment in these theatres plus its borrowing costs. During the years ended December 31, 2005 and 2006, the Company recorded \$633 and \$620, respectively, in profit participation expense payable to Mr. Stock, which is included in general and administrative expense in the Company's consolidated statements of operations. During 2006, the Company paid \$619 to Mr. Stock for amounts earned during 2005 and 2006. In the event that Mr. Stock's employment is terminated without cause, profits will be distributed according to a formula set forth in the profit participation agreement. Upon consummation of an initial public offering, the Company intends to exercise an option to purchase Mr. Stock's interest in the theatres for a price as of December 31, 2006 of approximately \$6,900 calculated pursuant to the terms of the profit participation agreement.

**22. VALUATION AND QUALIFYING ACCOUNTS**

The Company's valuation allowance for deferred tax assets for the period from January 1, 2004 to April 1, 2004, the period from April 2, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 were as follows:

|                                          | <b>Valuation Allowance<br/>for Deferred<br/>Tax Assets</b> |
|------------------------------------------|------------------------------------------------------------|
| Predecessor balance at December 31, 2003 | \$ 13,017                                                  |
| Additions                                |                                                            |
| Deductions                               | (800)                                                      |
| Predecessor balance at April 1, 2004     | \$ 12,217                                                  |
| Additions                                | 999                                                        |
| Deductions                               | (5,833)                                                    |
| Successor balance at December 31, 2004   | \$ 7,383                                                   |
| Additions                                | 2,232                                                      |
| Deductions                               | (2,680)                                                    |
| Successor balance at December 31, 2005   | \$ 6,935                                                   |
| Additions                                | 4,225                                                      |
| Deductions                               | (2,298)                                                    |

|                                        |    |       |
|----------------------------------------|----|-------|
| Successor balance at December 31, 2006 | \$ | 8,862 |
|----------------------------------------|----|-------|

F-45

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Table of Contents**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)****23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

|                              | <b>2005 (Successor)</b>  |                           |                          |                              |                      |
|------------------------------|--------------------------|---------------------------|--------------------------|------------------------------|----------------------|
|                              | <b>First<br/>Quarter</b> | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter(1)</b> | <b>Full<br/>Year</b> |
| Revenues                     | \$ 237,681               | \$ 253,027                | \$ 256,300               | \$ 273,589                   | \$ 1,020,597         |
| Operating income (loss)      | \$ 26,277                | \$ 28,043                 | \$ 24,519                | \$ (15,338)                  | \$ 63,501            |
| Net income (loss)            | \$ 4,453                 | \$ 5,865                  | 2,260                    | \$ (37,986)                  | \$ (25,408)          |
| Net income (loss) per share: |                          |                           |                          |                              |                      |
| Basic                        | \$ 0.16                  | \$ 0.21                   | \$ 0.08                  | \$ (1.37)                    | \$ (0.91)            |
| Diluted                      | \$ 0.16                  | \$ 0.21                   | \$ 0.08                  | \$ (1.37)                    | \$ (0.91)            |

|                              | <b>2006 (Successor)</b>  |                           |                          |                                 |                      |
|------------------------------|--------------------------|---------------------------|--------------------------|---------------------------------|----------------------|
|                              | <b>First<br/>Quarter</b> | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter(2)(3)</b> | <b>Full<br/>Year</b> |
| Revenues                     | \$ 245,989               | \$ 295,105                | \$ 287,995               | \$ 391,505                      | \$ 1,220,594         |
| Operating income             | \$ 24,574                | \$ 43,482                 | \$ 30,131                | \$ 29,182                       | \$ 127,369           |
| Net income (loss)            | \$ 5,790                 | \$ 13,104                 | \$ 2,276                 | \$ (20,329)                     | \$ 841               |
| Net income (loss) per share: |                          |                           |                          |                                 |                      |
| Basic                        | \$ 0.21                  | \$ 0.47                   | \$ 0.08                  | \$ (0.65)                       | \$ 0.03              |
| Diluted                      | \$ 0.20                  | \$ 0.46                   | \$ 0.08                  | \$ (0.65)                       | \$ 0.03              |

- (1) During the fourth quarter of 2005, the Company recorded goodwill impairment charges of \$45.3 million.
- (2) During the fourth quarter of 2006, the Company acquired Century Theatres, Inc. (see Note 4).
- (3) During the fourth quarter of 2006, the Company recorded goodwill impairment charges of \$13.6 million and recorded additional interest expense related to the new senior secured credit facility.

**24. SUBSEQUENT EVENT NATIONAL CINEMEDIA**

In March 2005, Regal and AMC formed National CineMedia, LLC, or NCM, and on July 15, 2005, the Company joined NCM, as one of the founding members along with Regal and AMC. NCM operates the largest digital in-theatre network in the U.S. for providing cinema advertising and non-film events and combines the cinema advertising and non-film events businesses of the three largest motion picture companies in the U.S. On February 13, 2007, NCM, Inc., a newly formed entity that now serves as a member and the sole manager of NCM, completed an initial public offering of its common stock. In connection with the NCM, Inc. public offering, NCM, Inc. became a member and the

sole manager of NCM, and the Company amended the operating agreement of NCM and the Exhibitor Services Agreement pursuant to which NCM provides advertising, promotion and event services to the Company's theatres.

Prior to the initial public offering of NCM, Inc. common stock, the Company's ownership interest in NCM was approximately 25% and subsequent to the completion of the offering the Company held a 14% interest in NCM. Prior to pricing the initial public offering of NCM, Inc., NCM completed a recapitalization whereby (1) each issued and outstanding Class A unit of NCM was split into 44,291 Class A units, and (2) following such split of Class A Units each issued and outstanding Class A Unit was recapitalized into one common unit and one preferred unit. As a result, the Company received 14,159,437 common units and 14,159,437 preferred units. All existing preferred units of NCM, or 55,850,951 preferred units, held by the

**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands, except share and per share data)**

Company, Regal, AMC were redeemed on a pro rata basis on February 13, 2007. NCM utilized the proceeds of its new \$725,000 term loan facility and a portion of the proceeds it received from NCM, Inc. from its initial public offering to redeem all of its outstanding preferred units. Each preferred unit was redeemed for \$13.7782 and the Company received approximately \$195,092 as payment in full for redemption of all of the Company's preferred units in NCM. Upon payment of such amount, each preferred unit was cancelled and the holders of the preferred units ceased to have any rights with respect to the preferred units.

NCM has also paid the Company a portion of the proceeds it received from NCM, Inc. in the initial public offering for agreeing to modify NCM's payment obligation under the prior exhibitor services agreement. The modification agreed to by the Company reflects a shift from circuit share expense under the prior exhibitor service agreement, which obligated NCM to pay the Company a percentage of revenue, to the monthly theatre access fee described below. The theatre access fee will significantly reduce the contractual amounts paid to the Company by NCM. In exchange for the Company's agreement to so modify the agreement, NCM paid the Company approximately \$174,000 upon execution of the Exhibitor Services Agreement on February 13, 2007. Regal and AMC similarly amended their exhibitor service arrangements with NCM.

At the closing of the initial public offering, the underwriters exercised their over-allotment option to purchase additional shares of common stock of NCM, Inc. at the initial public offering price, less underwriting discounts and commissions. In connection with the over-allotment option exercise, Regal, AMC and the Company each sold to NCM, Inc. common units of NCM on a pro-rata basis at the initial public offering price, less underwriting discounts and expenses. The Company sold 1,014,088 common units to NCM, Inc. for proceeds of \$19,911, and upon completion of this sale of common units, the Company owned 13,145,239 common units of NCM or a 14% interest. In the future, the Company expects to receive mandatory quarterly distributions of excess cash from NCM.

In consideration for NCM's exclusive access to the Company's theatre attendees for on-screen advertising and use of off-screen locations within the Company's theatres for the lobby entertainment network and lobby promotions, the Company will receive a monthly theatre access fee under the Exhibitor Services Agreement. The theatre access fee is composed of a fixed payment per patron, initially seven cents, and a fixed payment per digital screen, which may be adjusted for certain enumerated reasons. The payment per theatre patron will increase by 8% every five years, with the first such increase taking effect after the end of fiscal 2011, and the payment per digital screen, initially eight hundred dollars per digital screen per year, will increase annually by 5%, beginning after 2007. The theatre access fee paid in the aggregate to Regal, AMC and the Company will not be less than 12% of NCM's Aggregate Advertising Revenue (as defined in the Exhibitor Services Agreement), or it will be adjusted upward to reach this minimum payment. Additionally, with respect to any on-screen advertising time provided to the Company's beverage concessionaire, the Company is required to purchase such time from NCM at a negotiated rate. The Exhibitor Services Agreement has, except with respect to certain limited services, a term of 30 years.

**25. SUBSEQUENT EVENT DIGITAL CINEMA IMPLEMENTATION PARTNERS, LLC.**

On February 12, 2007, the Company, along with AMC and Regal entered into a joint venture known as Digital Cinema Implementation Partners LLC, or DCIP, to explore the possibility of implementing digital cinema in the Company's theatres and to establish agreements with major motion picture studios for the implementation and financing of digital cinema. In addition, DCIP has entered into a digital cinema services agreement with NCM for

purposes of assisting DCIP in the development of digital cinema systems. Future digital cinema developments will be managed by DCIP, subject to the Company's approval, along with the Company's partners, AMC and Regal.

F-47

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**Table of Contents**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands, except share and per share data)**

**26. SUBSEQUENT EVENT LONG-TERM DEBT**

On March 6, 2007, the Company commenced an offer to purchase for cash, on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement, any and all of its 9% senior subordinated notes, of which \$332,250 aggregate principal amount remains outstanding. In connection with the tender offer, the Company is soliciting consents for certain proposed amendments to the indenture pursuant to which the 9% senior subordinated notes were issued. The Company expects to fund the repurchase with the net proceeds received from NCM in connection with the consummation of its initial public offering and modification of certain agreements with NCM.

On March 14, 2007, Cinemark USA, Inc. amended its new senior secured credit facility to, among other things, modify the interest rate on the term loans under the new senior secured credit facility, modify certain prepayment terms and covenants, and facilitate the tender offer for the 9% senior subordinated notes. The term loans now accrue interest, at Cinemark USA, Inc.'s option, at: (A) the base rate equal to the higher of (1) the prime lending rate as set forth on the British Banking Association Telerate page 5, or (2) the federal funds effective rate from time to time plus 0.50%, plus a margin that ranges from 0.50% to 0.75% per annum, or (B) a Eurodollar rate plus a margin that ranges from 1.50% to 1.75%, per annum. In each case the margin is a function of the corporate credit rating applicable to the borrower. The interest rate on the revolving credit line was not amended. Additionally, the amendment removed any obligation to prepay amounts outstanding under the new senior secured credit facility in an amount equal to the amount of the net cash proceeds received from the NCM transactions or from excess cash flows, and imposed a 1% prepayment premium for one year on certain prepayments of the term loans. The amendment was a condition precedent to the consummation of the tender offer for the senior subordinated notes.

**Table of Contents**

**Schedule I Condensed Financial Information of Registrant**

**Cinemark Holdings, Inc.**

**Parent Company Balance Sheet  
(In thousands, except share amounts)**

|                                                                                                                 | <b>December 31,<br/>2006</b> |
|-----------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>ASSETS</b>                                                                                                   |                              |
| Cash and cash equivalents                                                                                       | \$                           |
| Accounts receivable from affiliates                                                                             | 35                           |
| Investment in subsidiaries                                                                                      | 674,935                      |
|                                                                                                                 | \$ 674,970                   |
| <b>LIABILITIES</b>                                                                                              | \$                           |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                     |                              |
| Class A common stock, \$0.001 par value: 40,000,000 shares authorized, 31,286,338 shares issued and outstanding | 31                           |
| Additional paid-in-capital                                                                                      | 682,631                      |
| Retained earnings (deficit)                                                                                     | (7,692)                      |
| Total stockholders' equity                                                                                      | 674,970                      |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                               | <b>\$ 674,970</b>            |

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

**Cinemark Holdings, Inc**

**Parent Company Statement of Operations  
(In thousands)**

|                               | <b>For the Period From<br/>October 5, 2006 to<br/>December 31, 2006</b> |
|-------------------------------|-------------------------------------------------------------------------|
| Revenues                      | \$                                                                      |
| Costs and expenses            |                                                                         |
| Equity losses of subsidiaries | (7,692)                                                                 |
| Net loss                      | \$ (7,692)                                                              |

The accompanying notes are an integral part of these financial statements.

F-50

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**Table of Contents**

**Cinemark Holdings, Inc**  
**Parent Company Statement of Stockholders' Equity**  
**For the Period from October 5, 2006 to December 31, 2006**  
**(in thousands)**

|                                                             | <b>Class A<br/>Common Stock</b> |               | <b>Additional</b>          | <b>Retained</b>               |              |
|-------------------------------------------------------------|---------------------------------|---------------|----------------------------|-------------------------------|--------------|
|                                                             | <b>Shares<br/>Issued</b>        | <b>Amount</b> | <b>Paid-in<br/>Capital</b> | <b>Earnings<br/>(Deficit)</b> | <b>Total</b> |
| Balance at October 5, 2006                                  |                                 | \$            | \$                         | \$                            | \$           |
| Shares issued as a result of the Cinemark<br>Share Exchange | 27,896                          | 28            | 532,599                    |                               | 532,627      |
| Shares issued as a result of the Century<br>Acquisition     | 3,388                           | 3             | 149,997                    |                               | 150,000      |
| Shares issued as a result of option exercises               | 2                               |               | 35                         |                               | 35           |
| Net loss                                                    |                                 |               |                            | (7,692)                       | (7,692)      |
| Balance at December 31, 2006                                | 31,286                          | \$ 31         | \$ 682,631                 | \$ (7,692)                    | \$ 674,970   |

The accompanying notes are an integral part of these financial statements.

F-51

**Table of Contents**

**Cinemark Holdings, Inc**

**Parent Company Statement of Cash Flows  
(In thousands)**

|                                                                              | <b>For the Period From<br/>October 5, 2006 to<br/>December 31, 2006</b> |
|------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Net loss                                                                     | \$ (7,692)                                                              |
| <b>OPERATING ACTIVITIES</b>                                                  |                                                                         |
| Noncash items to reconcile net loss to cash flows from operating activities: |                                                                         |
| Equity loss in subsidiaries                                                  | 7,692                                                                   |
| Net cash provided by operating activities                                    |                                                                         |
| <b>INVESTING ACTIVITIES</b>                                                  |                                                                         |
| Net cash used for investing activities                                       |                                                                         |
| <b>FINANCING ACTIVITIES</b>                                                  |                                                                         |
| Net cash used for financing activities                                       |                                                                         |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                      |                                                                         |
| <b>CASH AND CASH EQUIVALENTS:</b>                                            |                                                                         |
| Beginning of period                                                          |                                                                         |
| End of period                                                                | \$                                                                      |

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

**Cinemark Holdings, Inc.**

**Notes to Parent Company Financial Statements  
(In thousands)**

**1. Basis of Presentation**

On August 2, 2006, Cinemark Holdings, Inc. ( Cinemark Holdings ) was formed as the Delaware holding company of Cinemark, Inc. Cinemark, Inc. is the holding company of Cinemark USA, Inc. On August 7, 2006, Cinemark USA, Inc., entered into the following agreements in which it agreed to acquire Century Theatres, Inc. ( Century ) for a purchase price of approximately \$681,225 and the assumption of debt of Century of approximately \$360,000.

Cinemark USA, Inc., Century and Syufy Enterprises, LP ( Syufy ) entered into a definitive stock purchase agreement, dated August 7, 2006 (the Purchase Agreement ), pursuant to which CUSA agreed to acquire approximately 77% of the issued and outstanding capital stock of Century.

Syufy entered into a stock contribution and exchange agreement, dated August 7, 2006 (the Contribution Agreement ), with Cinemark Holdings, pursuant to which Syufy has agreed to contribute the remaining shares of capital stock of Century to Cinemark Holdings, Inc. in exchange for shares of Cinemark Holdings, Inc. upon the consummation of the transactions contemplated by the Purchase Agreement. Of the total purchase price, \$150,000 consisted of the issuance of shares of Class A common stock of Cinemark Holdings:

The current stockholders of Cinemark, Inc. entered into a share exchange agreement (the Exchange Agreement ) pursuant to which the stockholders agreed to, prior to the consummation of the transactions contemplated by the Purchase Agreement and the Contribution Agreement, exchange their shares of Class A common stock of Cinemark, Inc. for an equal number of shares of Class A common stock of Cinemark Holdings.

Upon closing of the transactions contemplated by the Purchase Agreement, the Contribution Agreement and the Exchange Agreement, Syufy will own approximately 10.8% of the issued and outstanding shares of Class A common stock of Cinemark Holdings. The stockholders party to the Exchange Agreement will own the remaining 89.2% of the issued and outstanding shares of Class A common stock of Cinemark Holdings. The stockholders party to the Exchange Agreement include, among others, Lee Roy Mitchell, the Company's Chairman, The Mitchell Special Trust, a trust in which Mr. Mitchell is co-trustee, certain of the Company's executive officers, Madison Dearborn Capital Partners IV, LP, the Company's majority stockholder, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP, Quadrangle (Cinemark) Capital Partners LP and Quadrangle Capital Partners LP.

The transactions contemplated by the Purchase Agreement, the Contribution Agreement and the Exchange Agreement closed on October 5, 2006.

Cinemark Holdings conducts substantially all of its operations through its subsidiaries. There are significant restrictions over Cinemark Holdings ability to obtain funds from its subsidiaries through dividends, loans or advances. Accordingly, these financial statements have been presented on a parent-only basis.

**2. Long-Term Debt**

Cinemark Holdings has no direct outstanding debt obligations, but its subsidiaries do. For a discussion of the debt obligations of Cinemark Holdings subsidiaries, see Note 12 to the Company's notes to the consolidated financial statements included elsewhere in this prospectus.



**Table of Contents**

**3. Capital Stock**

Cinemark Holdings capital stock along with its 2006 long-term incentive plan is discussed in Note 16 of its consolidated financial statements included elsewhere in this prospectus.

**4. Commitments and Contingencies**

Cinemark Holdings has no direct commitments and contingencies, but its subsidiaries do. See Note 19 of its consolidated financial statements included elsewhere in this prospectus.

F-54

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**Table of Contents**

**Report of Independent Certified Public Accountants**

Board of Directors  
Century Theatres, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Century Theatres, Inc. and Subsidiaries (the Company ) as of September 28, 2006 and September 29, 2005, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years ended September 28, 2006, September 29, 2005, and September 30, 2004. 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 auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Century Theatres, Inc. and Subsidiaries as of September 28, 2006 and September 29, 2005, and the results of their operations and their cash flows for each of the three years ended September 28, 2006, September 29, 2005, and September 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the accompanying consolidated financial statements for the years ended September 28, 2006 and September 29, 2005 have been restated.

/s/ Grant Thornton LLP

San Francisco, California  
December 1, 2006 (except for Note 13 as to which the date is January 29, 2007)

**Table of Contents****CENTURY THEATRES INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**  
**September 28, 2006 and September 29, 2005**

|                                                                   | 2006                                               | 2005<br>(as restated, see<br>Note 13) |
|-------------------------------------------------------------------|----------------------------------------------------|---------------------------------------|
|                                                                   | (In thousands of dollars,<br>except share amounts) |                                       |
| ASSETS                                                            |                                                    |                                       |
| CURRENT ASSETS:                                                   |                                                    |                                       |
| Cash and cash equivalents                                         | \$ 7,290                                           | \$ 43,518                             |
| Other receivables, net of allowance of \$25 each in 2006 and 2005 | 5,841                                              | 5,614                                 |
| Inventories                                                       | 2,299                                              | 1,956                                 |
| Prepaid expenses                                                  | 5,564                                              | 683                                   |
| Deferred income tax assets                                        | 10,602                                             | 4,320                                 |
| Total current assets                                              | 31,596                                             | 56,091                                |
| Property and equipment, net                                       | 426,418                                            | 386,777                               |
| Deferred financing fees, net                                      | 5,071                                              | 958                                   |
| Other assets                                                      | 7,697                                              | 7,063                                 |
| Total assets                                                      | \$ 470,782                                         | \$ 450,889                            |

**LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)**

|                                                   |             |             |
|---------------------------------------------------|-------------|-------------|
| <b>CURRENT LIABILITIES:</b>                       |             |             |
| Current portion of long-term debt                 | \$ 3,600    | \$ 6,237    |
| Current portion of capital lease obligations      | 4,002       | 2,125       |
| Accounts payable                                  | 24,760      | 16,222      |
| Accrued film rentals, net                         | 9,923       | 16,580      |
| Accrued expenses                                  | 29,484      | 16,544      |
| Deferred revenue                                  | 3,070       | 4,919       |
| <br>Total current liabilities                     | <br>74,839  | <br>62,627  |
| <br>Deferred income tax liabilities               | <br>3,071   | <br>7,886   |
| Deferred rent                                     | 28,604      | 29,169      |
| Deferred lease incentives                         | 20,677      | 22,415      |
| Long-term debt, net of current portion            | 356,400     | 41,995      |
| Capital lease obligations, net of current portion | 112,512     | 77,414      |
| Other long-term liabilities                       | 444         | 406         |
| <br>Total liabilities                             | <br>596,547 | <br>241,912 |

Commitments and contingencies (Note 9)

STOCKHOLDERS' EQUITY (DEFICIT):

Common stock, no par value; 50,000,000 shares authorized:

7,829,063 and 10,000,000 shares issued and outstanding in 2006 and 2005

|                                        |           |         |
|----------------------------------------|-----------|---------|
|                                        | 4,112     | 5,252   |
| Retained earnings (deficit)            | (131,367) | 203,725 |
| Accumulated other comprehensive income | 1,490     |         |

|                                      |           |         |
|--------------------------------------|-----------|---------|
| Total stockholders' equity (deficit) | (125,765) | 208,977 |
|--------------------------------------|-----------|---------|

|                                                      |            |            |
|------------------------------------------------------|------------|------------|
| Total liabilities and stockholders' equity (deficit) | \$ 470,782 | \$ 450,889 |
|------------------------------------------------------|------------|------------|

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

F-56

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**Table of Contents****CENTURY THEATRES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****Years Ended September 28, 2006, September 29, 2005 and September 30, 2004**

|                                             | <b>2006</b><br>(as restated, see<br>Note 13) | <b>2005</b><br>(as restated, see<br>Note 13) | <b>2004</b> |
|---------------------------------------------|----------------------------------------------|----------------------------------------------|-------------|
|                                             | (In thousands of dollars)                    |                                              |             |
| Revenues                                    |                                              |                                              |             |
| Admissions                                  | \$ 354,961                                   | \$ 338,760                                   | \$ 351,353  |
| Concessions                                 | 146,172                                      | 135,625                                      | 136,957     |
| Management fee from Syufy Enterprises, L.P. | 60                                           | 60                                           | 60          |
| Other                                       | 14,801                                       | 14,202                                       | 10,447      |
| Total revenues                              | 515,994                                      | 488,647                                      | 498,817     |
| Expenses                                    |                                              |                                              |             |
| Film rental                                 | 184,837                                      | 177,491                                      | 181,896     |
| Concessions                                 | 21,357                                       | 19,750                                       | 19,744      |
| Theatre operating expenses                  | 164,485                                      | 153,930                                      | 153,727     |
| General and administrative expenses         | 37,849                                       | 26,765                                       | 32,284      |
| Depreciation and amortization               | 47,522                                       | 49,500                                       | 45,930      |
| Total expenses                              | 456,050                                      | 427,436                                      | 433,581     |
| Income from operations                      | 59,944                                       | 61,211                                       | 65,236      |
| Interest expense                            | 29,367                                       | 13,081                                       | 11,713      |
| Other (income)/expense, net                 | (221)                                        | 3,564                                        | (935)       |
| Income before provision for income taxes    | 30,798                                       | 44,566                                       | 54,458      |
| Provision for income taxes                  | 12,674                                       | 17,310                                       | 21,216      |
| Net income                                  | \$ 18,124                                    | \$ 27,256                                    | \$ 33,242   |

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

Table of Contents**CENTURY THEATRES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)****Years Ended September 28, 2006, September 29, 2005 and September 30, 2004**

|                                                                | <b>Common Stock<br/>Shares</b> | <b>Common Stock<br/>Amount</b> | <b>Retained<br/>Earnings<br/>(Deficit)</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Total</b> |
|----------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------------------|-----------------------------------------------------------|--------------|
| <b>(In thousands of dollars, except share amounts)</b>         |                                |                                |                                            |                                                           |              |
| Balance, September 25, 2003                                    | 10,000,000                     | \$ 5,252                       | \$ 143,227                                 | \$                                                        | \$ 148,479   |
| Net income and comprehensive income                            |                                |                                | 33,242                                     |                                                           | 33,242       |
| Balance, September 30, 2004                                    | 10,000,000                     | 5,252                          | 176,469                                    |                                                           | 181,721      |
| Net income and comprehensive income (as restated, see Note 13) |                                |                                | 27,256                                     |                                                           | 27,256       |
| Balance, September 29, 2005 (as restated, see Note 13)         | 10,000,000                     | 5,252                          | 203,725                                    |                                                           | 208,977      |
| Redemption of common stock                                     | (2,170,937)                    | (1,140)                        | (106,539)                                  |                                                           | (107,679)    |
| Dividends paid                                                 |                                |                                | (12,500)                                   |                                                           | (12,500)     |
| Distribution in connection with refinancing (see Note 1)       |                                |                                | (234,177)                                  |                                                           | (234,177)    |
| Comprehensive income:                                          |                                |                                |                                            |                                                           |              |
| Fair value of interest rate swaps (net of tax of \$987)        |                                |                                |                                            | 1,490                                                     | 1,490        |
| Net income (as restated, see Note 13)                          |                                |                                | 18,124                                     |                                                           | 18,124       |
| Comprehensive income (as restated, see Note 13)                |                                |                                |                                            |                                                           | 19,614       |
| Balance, September 28, 2006                                    | 7,829,063                      | \$ 4,112                       | \$ (131,367)                               | \$ 1,490                                                  | \$ (125,765) |

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

**Table of Contents****CENTURY THEATRES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****Years Ended September 28, 2006, September 29, 2005 and September 30, 2004**

|                                                                                   | <b>2006</b><br><b>(as</b><br><b>restated,</b><br><b>see</b><br><b>Note 13)</b> | <b>2005</b><br><b>(as restated,</b><br><b>see Note 13)</b> | <b>2004</b> |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|-------------|
|                                                                                   | <b>(In thousands of dollars)</b>                                               |                                                            |             |
| Cash flows from operating activities:                                             |                                                                                |                                                            |             |
| Net income                                                                        | \$ 18,124                                                                      | \$ 27,256                                                  | \$ 33,242   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                                                                |                                                            |             |
| Depreciation and amortization                                                     | 46,557                                                                         | 49,338                                                     | 45,712      |
| Loss on disposal of assets                                                        | 61                                                                             | 4,967                                                      | 110         |
| Impairment of investment                                                          | 852                                                                            |                                                            |             |
| Deferred income taxes                                                             | (12,084)                                                                       | (2,359)                                                    | 1,040       |
| Amortization of deferred lease incentives                                         | (1,738)                                                                        | (1,738)                                                    | (1,734)     |
| Amortization of loan fees                                                         | 1,419                                                                          | 162                                                        | 218         |
| Changes in assets and liabilities:                                                |                                                                                |                                                            |             |
| Other receivables                                                                 | (227)                                                                          | 674                                                        | (4,294)     |
| Inventories                                                                       | (343)                                                                          | 115                                                        | (217)       |
| Prepaid expenses                                                                  | (4,881)                                                                        | (143)                                                      | 41          |
| Accounts payable                                                                  | 8,538                                                                          | (19,664)                                                   | 9,951       |
| Accrued film rentals, net                                                         | (6,657)                                                                        | 2,380                                                      | (108)       |
| Accrued expenses                                                                  | 12,940                                                                         | (1,129)                                                    | (8,505)     |
| Deferred revenue                                                                  | (1,849)                                                                        | (397)                                                      | 1,674       |
| Deferred rent                                                                     | (565)                                                                          | 744                                                        | 1,803       |
| Other long-term liabilities                                                       | 38                                                                             | 34                                                         | 343         |
| Net cash provided by operating activities                                         | 60,185                                                                         | 60,240                                                     | 79,276      |
| Cash flows from investing activities:                                             |                                                                                |                                                            |             |
| Capital expenditures                                                              | (46,190)                                                                       | (23,427)                                                   | (55,853)    |
| Change in other assets, net                                                       | 305                                                                            | 178                                                        | 65          |
| Net cash used for investing activities                                            | (45,885)                                                                       | (23,249)                                                   | (55,788)    |
| Cash flows from financing activities:                                             |                                                                                |                                                            |             |
| Borrowings under line of credit                                                   | 15,000                                                                         |                                                            | 23,850      |
| Repayment of borrowings under line of credit                                      | (15,000)                                                                       |                                                            | (23,850)    |
| Payment of loan fees in connection with refinancing                               | (5,532)                                                                        |                                                            |             |
| Redemption of common stock                                                        | (107,679)                                                                      |                                                            |             |
| Dividends paid                                                                    | (12,500)                                                                       |                                                            |             |
| Distribution in connection with refinancing                                       | (234,177)                                                                      |                                                            |             |

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|                                                                            |           |           |           |
|----------------------------------------------------------------------------|-----------|-----------|-----------|
| Payments on capital lease obligations                                      | (2,408)   | (1,838)   | (1,387)   |
| Proceeds from issuance of long-term debt                                   | 360,000   |           |           |
| Payments on long-term debt                                                 | (48,232)  | (13,737)  | (6,237)   |
| Net cash used for financing activities                                     | (50,528)  | (15,575)  | (7,624)   |
| Increase (decrease) in cash and cash equivalents                           | (36,228)  | 21,416    | 15,864    |
| Cash and cash equivalents at beginning of period                           | 43,518    | 22,102    | 6,238     |
| Cash and cash equivalents at end of period                                 | \$ 7,290  | \$ 43,518 | \$ 22,102 |
| Supplemental disclosures of cash flow information                          |           |           |           |
| Cash paid during the year for                                              |           |           |           |
| Income taxes, net of refunds                                               | \$ 30,200 | \$ 19,314 | \$ 25,864 |
| Interest                                                                   | \$ 28,651 | \$ 12,616 | \$ 11,583 |
| Increases in property, plant and equipment under capital lease obligations | \$ 39,383 | \$ 5,659  | \$ 25,705 |
| Stock received from online ticket distributor                              | \$        | \$ 313    | \$        |

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

**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of dollars, except share amounts)**

**NOTE 1 ORGANIZATION AND SUMMARY OF OPERATIONS**

Century Theatres, Inc. (the Company), a California corporation, was owned by Syufy Enterprises, L.P. (the Parent) and its affiliate, Syufy Properties, Inc. at the beginning of the fiscal year. On January 3, 2006, the Company redeemed and retired all of the common stock (2,170,937 shares) of the Company owned by Syufy Properties, Inc. for \$107,679 (comprised of a \$75,000 note and \$32,679 in cash). After a refinancing transaction (discussed below), the Company is now a wholly owned subsidiary of Century Theatres Holdings, LLC, which is wholly owned by Syufy Enterprises, L.P. The Company is primarily engaged in the ownership and operation of movie theatres in the states of Alaska, Arizona, California, Colorado, Illinois, Iowa, Nevada, New Mexico, Oregon, South Dakota, Texas, and Utah.

The Company is comprised of Century Theatres, Inc., the operating company, and three wholly-owned subsidiaries: NBE, Inc., Marin Theatre Management, LLC, and Century Theatres of Canada, ULC. Century Theatres of Canada is a foreign subsidiary incorporated in Nova Scotia, Canada on August 8, 2003.

The Company is subject to a number of risk factors, which could adversely affect future results including, but not limited to, (a) an increase in the costs of film rental from the major film distributors, as well as access to differing qualities of films based on the Company's relationship with the distributors and (b) a general economic downturn resulting in decreased consumer spending on discretionary entertainment.

**Refinancing**

On March 1, 2006, the Company entered into a \$435,000 senior secured credit facility consisting of a \$360,000 Term Loan B and a \$75,000 revolving credit facility with Morgan Stanley & Co. Inc. (see Notes 6 and 7). To facilitate this financing, the Parent formed Century Theatres Holdings, LLC (Holdings) as a single-member California limited liability company on February 17, 2006. In addition, Century California Subsidiary, Inc. (Century California) was created as a wholly owned subsidiary of Holdings for the sole purpose of entering into the credit facility with Morgan Stanley. A portion of the proceeds of the \$360,000 Term Loan B was used by Century California to purchase all outstanding shares of Century Theatres, Inc. common stock from the Parent for \$234,177. On the day of the financing, Century California was merged into the Company and the Company assumed all outstanding obligations under the credit facility. The purchase of Century Theatres, Inc. shares from the Parent has been treated as a distribution to the Parent. Furthermore, since the purchase transaction took place between entities under common control the transaction has been accounted for on a historical cost basis.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of Century Theatres, Inc. and its three wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

**Use of Estimates**



In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates applied in the preparation of the accompanying consolidated financial statements.

F-60

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**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

**Fiscal Year-End**

The Company uses a 52/53 week fiscal year ending with the last Thursday in September. The fiscal years presented in these consolidated financial statements ended on September 28, 2006, September 29, 2005 and September 30, 2004.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with an original maturity of less than 90 days. Included in cash and cash equivalents in the accompanying consolidated balance sheets is restricted cash of \$392 at September 28, 2006 and \$152 at September 29, 2005.

The Company invests excess cash in deposits with major banks and money market funds with major financial institutions. The Company has not experienced any losses related to these deposits or investments, which may exceed federal insurance limits.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short-term maturity of those instruments. The fair value of the long-term debt cannot be estimated because there is no readily available market for these securities. At September 28, 2006, the Company holds derivative financial instruments relating to the interest rate hedge of its \$360,000 Term Loan B and the fair value of the swap is estimated based upon quoted market prices of comparable agreements (see Note 8).

**Other Receivables**

Other receivables consist primarily of tenant allowances, various rebates from concession vendors, auditorium rentals and income taxes receivable. The Company generally does not require collateral from its customers. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of its other receivables.

**Inventories**

Inventories consist of concession and theatre supplies and are stated at the lower of cost or market. The Company values inventory using the weighted average cost method, which approximates FIFO (first-in first-out) cost.

**Interest Rate Swaps**

Interest rate swaps are used principally in the management of the Company's interest rate exposures and are recorded on the consolidated balance sheet at fair value. If the swap is designated as a cash flow hedge, the effective portions of changes in the fair value of the swap are recorded in other comprehensive income and are recognized in the consolidated statements of operations when the hedged items affect earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized as a charge or credit to earnings.



**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company uses the straight-line method to compute depreciation and amortization over the estimated useful lives of the assets as follows:

|                            |                                       |
|----------------------------|---------------------------------------|
| Buildings and improvements | 20-30 years                           |
| Leasehold improvements     | Lesser of term of lease or asset life |
| Land improvements          | 15 years                              |
| Fixtures and equipment     | 3-7 years                             |

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The costs of maintenance and repairs are expensed as incurred and are included in theatre operating expenses. Significant renewals and betterments are capitalized.

**Capitalized Interest**

Financing costs associated with the Company's construction projects are capitalized as part of the cost of the assets constructed. The Company capitalized interest in the amount of \$1,087, \$327 and \$782 for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively.

**Deferred Financing Fees**

Deferred financing fees include costs associated with the \$435,000 senior secured credit facility as described in Notes 6 and 7. These costs amounted to \$5,532 and are being amortized over 7 years. For the year ended September 28, 2006 unamortized costs associated with the Company's former private placement notes of \$892 were charged to expense upon repayment of the notes (see Note 7).

**Rent Expense**

Minimum rental expenses are recognized on a straight-line basis over the term of the lease starting when the Company has access to the property. Therefore, the amortization period occasionally includes a construction period prior to the theatre opening. When a lease contains a predetermined fixed escalation of minimum rents, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. The Company also receives tenant allowances, which are treated as deferred lease incentives for operating leases. The deferred lease incentive is amortized over the base term of the lease (including the construction period) as a reduction to rent expense. Renewal periods are included in the lease term only if they are reasonably assured.

Certain leases provide for contingent rents that are not measurable at the inception of the lease because they are based on a percentage of sales that are in excess of a predetermined breakpoint. These amounts are excluded from minimum rent but are included in the determination of total rent expense when it is probable that the expense has been incurred

and the amount is reasonably estimable.

**Capital Leases**

Under Emerging Issues Task Force (EITF) 97-10, *The Effect of Lessee Involvement in Asset Construction*, various forms of lessee involvement during the pre-construction or construction periods of leased property may cause the lessee to be the accounting owner of the asset during the construction period. If the lessee is involved with the construction of a built-to-suit real estate project to be leased to the lessee when construction

F-62

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**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

is completed, the transaction may constitute a sale-leaseback within Statement of Financial Accounting Standards (SFAS) No. 98, *Accounting for Leases*. In addition to the nine leases capitalized under EITF 97-10 as of the year ended September 29, 2005, management determined that three additional leases for the year ended September 28, 2006 should be capitalized and maintained on the Company's books until the theatre opens in accordance with EITF 97-10. None of these twelve leases qualified for sale-leaseback accounting under SFAS No. 98 and were treated as capital leases.

**Impairment of Long-Lived Assets**

The Company follows SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires the Company to review long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company reviews assets held and used on an individual theatre basis, which is the lowest level of assets for which there are identifiable cash flows. The Company evaluates the recoverability of long-lived assets to be held and used by measuring the carrying amount of the assets against the estimated future net cash flows associated with them. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company recorded impairment charges of \$406 and \$295 during the years ended September 28, 2006 and September 30, 2004, respectively, included in depreciation and amortization in the consolidated statement of operations and consolidated statement of cash flows. No impairment charge was recorded during the year ended September 29, 2005.

**Income Taxes**

The Company accounts for income taxes using the liability method so that deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws and tax rates. Deferred income tax expenses or credits are based on the changes in the financial statement basis versus the tax basis in the Company's assets or liabilities from period to period.

**Revenue Recognition and Film Rental Costs**

Revenues are recognized when admissions and concession sales are collected at the theatres. For advance ticket sales, revenue is recognized when the purchased film is shown. Film rental costs are accrued based on the applicable box office receipts and the terms of the film licensing agreement. Any amounts paid to the film distributor relating to unsettled film obligations are netted against the film rental accrual.

Other revenues result mainly from rental of the Company's screens and auditoriums, video game sales, and ATM fees.

**Deferred Revenue**

The Company offers gift certificates for sale in the form of paper gift certificates. Revenue from certificates issued is deferred until the gift certificates are redeemed at the theatre or when it has been determined that, based on the Company's past experience and as allowed by state laws, those gift certificates will not be redeemed. Deferred revenue also results from advanced tickets sales and from rebate programs with certain concession distributors.

**Theatre Preopening Costs**

Costs of a non-capital nature incurred prior to the opening of a new theatre are expensed as incurred.

F-63

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**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

**Advertising Costs**

Advertising costs are expensed when incurred. Advertising expense totaled \$7,279, \$6,639 and \$6,408 for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively.

**Other Assets**

Other Assets include intangible assets, long-term prepaid expenses, and an investment in an on-line ticketing distributor. The intangible assets relate to the cost to acquire the rights to lease six theatre locations in November 2001 and are amortized over the remaining term of each lease.

The Company's investment in the online ticketing distributor was deemed to be impaired based on an independent analysis of the fair market value of the ticketing distributor's common stock during 2006. The Company recorded an impairment charge of \$852 during the year ended September 28, 2006, included as part of other (income)/expense in the consolidated statements of operations. No impairment charge was recorded during the years ended September 29, 2005 and September 30, 2004 (see Note 4).

**Recent Accounting Pronouncements**

In March 2005, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of SFAS No. 143, *Asset Retirement Obligations*. SFAS No. 143, as amended by FIN No. 47, applies to all entities that have legal obligations to perform asset retirement activities, including those in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty about the timing and/or method of settlement should be factored into the measurement of the liability if sufficient information is available to reasonably estimate the fair value of the asset retirement obligation. Accordingly, an entity should recognize a liability for the fair value of an asset retirement obligation when incurred if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The adoption of FIN No. 47 has not had a material effect on the Company's consolidated financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. This new standard replaces APB Opinion No. 20, *Accounting Changes in Interim Financial Statements*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statement*, and represents another step in the FASB's goal to converge its standards with those issued by the International Accounting Standards Board ( IASB ). Among other changes, SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS No. 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a restatement. The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

In July 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken



or expected to be taken in a tax return. Additionally, FIN No. 48 provides guidance on the recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN No. 48 will be effective for the Company beginning September 28, 2007. The Company is in the process of determining the effect, if any, that the adoption of FIN No. 48 will have on its consolidated financial position or results of operations.

F-64

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Table of Contents**CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of dollars, except share amounts)**

In September 2006, the SEC issued Staff Accounting Bulletin ( SAB ) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors considered, is material. SAB No. 108 is effective for fiscal years ending on or after November 15, 2006, with early application encouraged. The Company believes that SAB No. 108 will not have a significant impact on its consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 on its consolidated financial position and results of operations.

**Financial Statement Presentation**

Certain prior year balances, including prepaid expenses and interest income, have been reclassified in order to conform to the current year presentation.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment at September 28, 2006 and September 29, 2005, consist of:

|                                                | <b>2006</b> | <b>2005</b> |
|------------------------------------------------|-------------|-------------|
| Land and land improvements                     | \$ 24,446   | \$ 24,473   |
| Buildings and improvements                     | 317,682     | 301,548     |
| Property under capital leases                  | 124,249     | 84,866      |
| Fixtures and equipment                         | 238,193     | 211,957     |
| Construction in progress                       | 17,597      | 13,886      |
| Subtotal                                       | 722,167     | 636,730     |
| Less accumulated depreciation and amortization | (295,749)   | (249,953)   |
|                                                | \$ 426,418  | \$ 386,777  |

Depreciation and amortization expense for property and equipment, including property under capital leases, totaled \$45,871, \$48,652 and \$45,705 for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively. Accumulated depreciation and amortization includes \$5,799 and \$4,954 for property under capital leases

as of September 28, 2006 and September 29, 2005, respectively.

#### **NOTE 4 INVESTMENTS**

The Company has an ownership interest in an on-line ticketing distributor (the Distributor ). The Company also contracts with the Distributor for on-line ticketing services. The Company earned \$1,063, \$894 and \$944 for service fee revenues in the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively. During the year ended September 29, 2005, the company renewed its ticketing agreement with the Distributor and received an additional 179,112 shares of the Distributor's common stock in consideration. At September 28, 2006 and September 29, 2005, the Company owned 6.00%

F-65

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Table of Contents**CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of dollars, except share amounts)**

and 6.92%, respectively, of the Distributor's outstanding common stock. The investment balance of \$1,971 and \$2,823 at September 28, 2006 and September 29, 2005, respectively, is being accounted for at cost, as the Company does not have the ability to exercise significant influence over the Distributor, and is included in other assets in the accompanying consolidated balance sheets. The Company reviews the carrying value of its investment for impairment whenever events or circumstances indicate that the carrying amount may not be fully recoverable. During the fiscal year ended September 28, 2006, the Company recorded an impairment charge of \$852 relating to its investment in the Distributor. No impairment charge was recorded during the years ended September 29, 2005 and September 30, 2004 (see Note 2).

**NOTE 5 INCOME TAXES (AS RESTATED, SEE NOTE 13)****Provision for Income Taxes**

The Company's income tax provision consists of the following for the years ended September 28, 2006, September 29, 2005 and September 30, 2004:

|          | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|----------|-------------|-------------|-------------|
| Current  | \$ 24,758   | \$ 19,823   | \$ 20,059   |
| Deferred | (12,084)    | (2,513)     | 1,157       |
| Total    | \$ 12,674   | \$ 17,310   | \$ 21,216   |

A reconciliation between the expected income tax provisions at the federal statutory rate of 35% and the reported income tax provision for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, is as follows:

|                                                | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|------------------------------------------------|-------------|-------------|-------------|
| Federal statutory rate                         | 35.0%       | 35.0%       | 35.0%       |
| State income taxes, net of federal tax benefit | 4.7         | 4.8         | 4.3         |
| Non-deductible expenses                        | 0.2         | 0.2         | 0.1         |
| Tax settlements                                | 0.9         |             |             |
| Other, net                                     | 0.3         | (1.2)       | (0.4)       |
|                                                | 41.1%       | 38.8%       | 39.0%       |

At September 28, 2006, the Company had income taxes receivable of \$3,062, which is included in other receivables on the accompanying consolidated balance sheet. At September 29, 2005, the Company had income taxes payable of

\$2,384, which is included in accrued expenses on the accompanying consolidated balance sheet.

F-66

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Table of Contents**CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of dollars, except share amounts)****NOTE 5 INCOME TAXES (AS RESTATED, SEE NOTE 13) (Continued)****Deferred Income Taxes**

The significant components of the deferred income tax assets (liabilities) as of September 28, 2006, and September 29, 2005, are as follows:

|                                              | <b>2006</b> | <b>2005</b> |
|----------------------------------------------|-------------|-------------|
| Deferred tax assets:                         |             |             |
| Accrued employee and legal expenses          | \$ 7,908    | \$ 1,214    |
| Deferred revenue                             | 1,668       | 2,066       |
| Deferred lease expense                       | 17,055      | 15,911      |
| Deferred benefit of state income taxes       | 1,311       | 1,215       |
| State credit carryforwards                   | 42          | 116         |
| Other                                        | 64          |             |
| Total deferred tax assets                    | 28,048      | 20,522      |
| Deferred tax liabilities:                    |             |             |
| Fixed assets                                 | (19,530)    | (23,903)    |
| Other, net                                   | (987)       | (185)       |
| Total deferred tax liabilities               | (20,517)    | (24,088)    |
| Net deferred income tax assets/(liabilities) | \$ 7,531    | \$ (3,566)  |

**NOTE 6 LINE OF CREDIT**

In March 2006, the Company entered into a \$75,000 revolving credit facility with Morgan Stanley & Co., Incorporated. Interest is payable on any outstanding balance at Morgan Stanley's base rate (prime rate) or, at the company's option, the LIBOR rate plus 1.25% to 2.50% (the Margin). A Commitment Fee is paid quarterly on unused balances at 0.375% to 0.50%. The margin and Commitment Fees are tied to various leverage ratios, as defined, achieved by the Company. At September 28, 2006 the Company's borrowing rate was at LIBOR plus 2.50% and the Commitment Fee was 0.50%. The revolving credit facility expires March 1, 2012. Prior to March 2006, the Company maintained an uncollateralized \$75,000 credit facility with Bank of America, N.A. which was extinguished as part of the March 2006 refinancing. As of September 28, 2006 and September 29, 2005 there were no outstanding borrowings under the credit facilities. The Company must comply with various financial and non-financial covenants under the line of credit agreement. At September 28, 2006, the Company was in compliance with these covenants.

**NOTE 7 LONG-TERM DEBT**

In March 2006, the Company borrowed a \$360,000 Term Loan B as part of the \$435,000 senior secured credit facility with Morgan Stanley. The proceeds from the Term Loan B were used to pay the outstanding principal balance of \$41,995 associated with the Company's former private placement notes plus a \$3,151 penalty associated with the early retirement of the notes. The fees paid for early extinguishment of debt are reflected in interest expense. In addition, the Company used Term Loan B proceeds to pay in full the \$75,000 note to Syufy Properties for the stock redemption and retirement which occurred on January 3, 2006 and

F-67

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Table of Contents**CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of dollars, except share amounts)**

\$234,177 to purchase the shares of Century Theatres, Inc. as part of the refinancing transaction (see Note 1). As of September 28, 2006, the term and amount of the Term Loan B payable of \$360,000 is as follows:

|                                                                                                                                                                                                                      |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Term Loan B, interest due quarterly at LIBOR plus 1.875% (7.275% at September 28, 2006) with annual principal payments of \$3,600 beginning in March 2007 and the remaining principal and interest due in March 2013 | \$ 360,000 |
| Less current portion                                                                                                                                                                                                 | (3,600)    |
|                                                                                                                                                                                                                      | \$ 356,400 |

The Term Loan B is collateralized by all assets of the Company.

The Term Loan B agreement requires that the Company maintain certain financial and non-financial covenants. At September 28, 2006, the Company was in compliance with these covenants.

At September 28, 2006, the contractual maturities of long-term debt are as follows:

**Fiscal Year Ending**

|            |            |
|------------|------------|
| 2007       | \$ 3,600   |
| 2008       | 3,600      |
| 2009       | 3,600      |
| 2010       | 3,600      |
| 2011       | 3,600      |
| Thereafter | 342,000    |
|            | \$ 360,000 |

**NOTE 8 INTEREST RATE SWAPS**

On January 17, 2006, the Company entered into seven distinct interest rate swap agreements to provide for interest rate protection on the \$360 million variable rate Term Loan B with an effective date of March 1, 2006. The maturity terms on the swap agreements range from one to seven years each. Per the terms of the interest rate swap agreements, the Company pays interest at fixed rates ranging from 4.773% to 4.836% and receives interest at a variable rate based on the 3-month LIBOR. The interest rate swaps settle any accrued interest for cash on the last day of each calendar quarter until expiration. On these dates, the differences paid or received on the interest rate swaps are included in interest expense. No premium or discount was incurred upon the Company entering into the interest rate swaps because the pay and receive rates on the interest rate swaps represented prevailing rates for each party at the time the interest rate swaps were entered into.



The interest rate swaps qualify for cash flow hedge accounting treatment in accordance with SFAS No. 133,

Accounting for Derivative Instruments and Hedging Activities. Based on the guidelines established in SFAS No. 133, the Company has effectively hedged its exposure to variability in the future cash flows attributable to the 3-month LIBOR on the \$360,000 credit facility. The change in the fair values of the interest rate swaps is recorded on the Company's consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of other comprehensive income (OCI). As interest expense is accrued on the debt obligation, amounts in accumulated OCI related to the designated hedging instruments will be reclassified into earnings to obtain a net cost on the debt obligation equal to the effective yield of the fixed rate of each swap. The fair value of the Company's interest rate swaps is based on dealer quotes, and represents an estimate of the amounts the Company would receive or pay to terminate the agreements taking into consideration various factors, including current interest rates. As of September 28, 2006, the aggregate fair value of the interest rate swaps was determined to be approximately

F-68

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**Table of Contents****CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of dollars, except share amounts)**

\$2,476, which has been recorded as a component of other non-current assets with a corresponding amount of \$1,490, net of tax, recorded to accumulated other comprehensive income. The interest rate swaps exhibited no ineffectiveness for the year ended September 28, 2006.

**NOTE 9 COMMITMENTS AND CONTINGENCIES****Minimum Lease Commitments**

At September 28, 2006, total minimum annual rentals under long-term leases are as follows:

|                                         | <b>Operating Leases</b>                 |              | <b>Capital Leases</b> |
|-----------------------------------------|-----------------------------------------|--------------|-----------------------|
|                                         | <b>To Parent<br/>and<br/>Affiliates</b> | <b>Total</b> | <b>Total</b>          |
| 2007                                    | \$ 31,236                               | \$ 41,516    | \$ 16,561             |
| 2008                                    | 30,896                                  | 44,663       | 16,609                |
| 2009                                    | 30,120                                  | 43,901       | 16,631                |
| 2010                                    | 30,216                                  | 43,513       | 16,794                |
| 2011                                    | 31,606                                  | 44,640       | 15,777                |
| Thereafter                              | 154,398                                 | 297,435      | 158,524               |
|                                         | \$ 308,472                              | \$ 515,668   | 240,896               |
| Amount representing interest            |                                         |              | (124,382)             |
| Present value of net minimum obligation |                                         |              | \$ 116,514            |

Several of the Company's operating lease agreements provide for scheduled rent increases during the lease term. Rent expense is recognized on a straight-line basis over the term of these lease agreements including the construction period, if applicable. Theatre rent expense under these long-term operating leases aggregated \$44,191, \$42,038 and \$45,432 which included \$7,415, \$6,394 and \$8,148, respectively, of rent expense computed based on specified theatre revenues for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively.

**Workers' Compensation Reserve**

The Company carries a \$250 deductible limit per occurrence for workers' compensation claims. An estimate of uninsured loss has been used to record a liability. The reserve for estimated claim costs amounted to \$852 and \$502 at September 28, 2006 and September 29, 2005, respectively, and is included in accrued liabilities on the accompanying consolidated balance sheet.

**Theatre Construction**

At September 28, 2006, the Company was committed to three contracts for the construction of three new theatres. At September 28, 2006, total amounts committed on these signed general contractor contracts, including both incurred and open commitments, were approximately \$32,478 of which \$3,907 had been incurred as of September 28, 2006.

F-69

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**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

**Contingencies**

The Company is subject to various lawsuits, claims and inquiries from time to time that are incidental to its business. In the opinion of management, the resolution of these pending or threatened litigation matters will not materially affect the consolidated financial position, results of operations or liquidity of the Company. The Company operates in numerous jurisdictions with varying state and local tax and unclaimed property laws and regulations. While the Company believes that it is in compliance with such laws and regulations, state and local authorities could potentially assert claims against the Company relating to these laws and regulations. The Company believes that these claims, if any, would not materially affect the Company's consolidated financial position and results of operations. However, there can be no assurances as to the ultimate resolution of any such potential claims.

**NOTE 10 EMPLOYEE BENEFIT PLANS**

**Defined Contribution Plan**

The Company provides a 401(k) plan for its employees. Employees are eligible to participate in the 401(k) plan upon completing three months of service and attaining age 21. An employee has completed three months of service when they have worked three consecutive months. Employees may withhold from 1% to 15% of their compensation plus up to 100% of any bonus paid, not to exceed predetermined IRS limits.

The Company makes matching contributions equal to 100% of the election deferrals, not to exceed 4% of the participant's compensation. The Company's contributions to the 401(k) plan were \$603, \$604 and \$523 for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively.

**Long-Term Incentive Plan**

The Company provides a long-term incentive plan ( LTIP ) for the benefit of its senior management. The LTIP rewards participants based on corporate performance over three-year rolling periods and is aimed at retaining key executives. The LTIP payment for year ending September 28, 2006 was eliminated and replaced with a change of control payment of \$15,429 which was activated as a result of the subsequent sale of the Company on October 5, 2006 (see Note 12). During the years ended September 29, 2005 and September 30, 2004 an award of \$2,782 and \$7,487, respectively, was earned and payable to the LTIP participants. Both the change of control payment related to the year ended September 28, 2006 and the LTIP payment related to the years ended September 29, 2005 and September 30, 2004 are included in accrued expenses on the accompanying consolidated balance sheets.

**Annual Incentive Plans**

The Company maintains various annual incentive plans for its employees based on individual, department, theatre and Company performance. For the years ended September 28, 2006, September 29, 2005 and September 30, 2004 such incentive compensation expense recognized was \$2,217, \$2,265 and \$2,442, respectively.

**Table of Contents**

**CENTURY THEATRES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of dollars, except share amounts)**

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Company leased 32 of its theatres and facilities from the Parent and Affiliates as of September 28, 2006 and 33 as of September 29, 2005 and September 30, 2004. The leases are all classified as operating leases and carry terms ranging from 2 to 20 years. Total rent expense incurred under those related-party leases was \$31,079, \$29,661 and \$30,660 for the years ended September 28, 2006, September 29, 2005 and September 30, 2004, respectively. Future minimum rental commitments from these related-party leases are summarized in Note 9.

The Company has a service agreement with the Parent whereby the Company provides limited operational and administrative assistance to the Parent for the operations of the Parent's drive-in theatres and public merchandise markets. Under this services agreement, the Parent paid \$60 to the Company for each of the years ended September 28, 2006, September 29, 2005 and September 30, 2004. The Company also pays certain operating costs on behalf of the Parent. As of September 28, 2006 and September 29, 2005, the balance of the receivable from the Parent was \$73 and \$887, respectively, and is included in other receivables on the accompanying consolidated balance sheets.

**NOTE 12 SUBSEQUENT EVENTS**

On August 7, 2006, the Company entered into a stock purchase agreement with Cinemark Holdings, Inc. and Cinemark USA, Inc., a national theatre chain headquartered in Plano, Texas. The sale was completed on October 5, 2006 for a purchase price of approximately \$681,000 (comprised of \$531,000 in cash and \$150,000 in shares of common stock of Cinemark Holdings, Inc.) and the assumption of approximately \$360,000 of debt of the Company.

At the sale date the Company's Term Loan B was paid off and the interest rate swaps were terminated.

**NOTE 13 RESTATEMENT OF FINANCIAL STATEMENTS**

During the fiscal year ended September 29, 2005, the Company incorrectly recorded adjustments related to the settlement associated with certain prior year tax returns as a permanent difference, thereby recording the tax settlements as an increase to the Company's provision for income taxes in its consolidated statement of operations, rather than appropriately recording the adjustments as a temporary difference with a corresponding adjustment to deferred income taxes in the Company's consolidated balance sheet. The amount of the error, which approximated \$1.6 million, was identified and corrected in the subsequent fiscal year and was previously reported by the Company as a reduction to its provision for income taxes during the fiscal year ended September 28, 2006. The Company's consolidated financial statements, including Note 5 to the Company's consolidated financial statements, have been restated from the amounts previously reported to reflect the impact of the error in the proper period. Since the error was corrected during the fiscal year ended September 28, 2006, the balance sheet as of September 28, 2006 did not need to be restated.

**Table of Contents****CENTURY THEATRES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(In thousands of dollars, except share amounts)**

The following is a summary of the effects of this adjustment on the Company's consolidated financial statements:

|                                                 | <b>2006</b>                           |                    | <b>2005</b>                           |                    |
|-------------------------------------------------|---------------------------------------|--------------------|---------------------------------------|--------------------|
|                                                 | <b>As<br/>previously<br/>reported</b> | <b>As restated</b> | <b>As<br/>previously<br/>reported</b> | <b>As restated</b> |
| Consolidated Balance Sheets                     |                                       |                    |                                       |                    |
| Deferred income tax liabilities                 |                                       |                    | \$ 9,486                              | \$ 7,886           |
| Total liabilities                               |                                       |                    | 243,512                               | 241,912            |
| Retained earnings (deficit)                     |                                       |                    | 202,125                               | 203,725            |
| Total stockholders' equity (deficit)            |                                       |                    | 207,377                               | 208,977            |
| Consolidated Statements of Operations           |                                       |                    |                                       |                    |
| Provision for income taxes                      | \$ 11,074                             | \$ 12,674          | 18,910                                | 17,310             |
| Net income                                      | 19,724                                | 18,124             | 25,656                                | 27,256             |
| Consolidated Statements of Stockholders' Equity |                                       |                    |                                       |                    |
| (Deficit)                                       |                                       |                    |                                       |                    |
| Net income                                      | 19,724                                | 18,124             | 25,656                                | 27,256             |
| Comprehensive income                            | 21,214                                | 19,614             | 25,656                                | 27,256             |
| Consolidated Statements of Cash Flows           |                                       |                    |                                       |                    |
| Net income                                      | 19,724                                | 18,124             | 25,656                                | 27,256             |
| Deferred income taxes                           | (13,684)                              | (12,084)           | (759)                                 | (2,359)            |

F-72

**Table of Contents**

Shares

**Cinemark Holdings, Inc.**

**Common Stock**

PROSPECTUS  
, 2007

**Lehman Brothers**

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**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. *Other Expenses of Issuance and Distribution.***

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, to be paid by the registrant in connection with the issuance and distribution of the shares of common stock being registered hereby. All amounts are estimates except for the Securities and Exchange Commission registration fee, the NASD filing fee and the New York Stock Exchange listing fee. The selling stockholders will not pay any of the registration expenses.

|                                                     |           |
|-----------------------------------------------------|-----------|
| Securities and Exchange Commission registration fee | \$ 42,800 |
| NASD filing fee                                     | \$ 40,500 |
| New York Stock Exchange listing fee                 | \$ *      |
| Accounting fees and expenses                        | \$ *      |
| Legal fees and expenses                             | \$ *      |
| Printing and engraving expenses                     | \$ *      |
| Blue Sky qualification fees and expenses            | \$ *      |
| Transfer agent and registrar fees and expenses      | \$ *      |
| Miscellaneous expenses                              | \$ *      |
| Total                                               | \$ *      |

\* To be completed by amendment.

**Item 14. *Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Section 102(b)(7) of the Delaware General Corporation Law provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director provided that such provision shall not eliminate or limit the liability



of a director:

- (1) for any breach of the director's duty of loyalty to the corporation or its stockholders;
- (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- (3) under Section 174 (relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock) of the Delaware General Corporation Law; or
- (4) for any transaction from which the director derived an improper personal benefit.

II-1

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**Table of Contents**

Section 145 of the Delaware General Corporation Law further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation against any liability asserted against and incurred by such person in any such capacity, or arising out of such person's status as such.

Our amended and restated certificate of incorporation provides that we may, to the fullest extent permitted by Delaware General Corporation Law, indemnify all persons whom it may indemnify under Delaware law and contains provisions permitted by Section 102(b)(7) of the Delaware General Corporation Law.

Our certificate of incorporation and bylaws provide that:

we are required to indemnify our directors and officers, subject to very limited exceptions;

we may indemnify other employees and agents, subject to very limited exceptions;

we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding, subject to very limited exceptions; and

we may advance expenses, as incurred, to our employees and agents in connection with a legal proceeding.

The indemnification provisions in our amended and restated certificate of incorporation and bylaws may be sufficiently broad to permit indemnification of our directors and officers for liabilities arising under the Securities Act.

Reference is also made to the form of Underwriting Agreement, filed with this registration statement as Exhibit 1, which provides for the indemnification of our officers, directors and controlling persons against certain liabilities.

We have obtained an insurance policy providing for indemnification of officers and directors and certain other persons against liabilities and expenses incurred by any of them in certain stated proceedings and conditions.

**Item 15. *Recent Sales of Unregistered Securities***

On August 2, 2006, Cinemark Holdings, Inc. was formed as a Delaware holding company of Cinemark, Inc. On October 5, 2006, our subsidiary, Cinemark USA, Inc., completed the acquisition of Century Theatres, Inc., for a purchase price of approximately \$681 million and the assumption of debt of Century. A portion of the purchase price consisted of the issuance of            shares of our common stock. The closing of the acquisition of Century involved the following transactions:

Pursuant to a stock purchase agreement, dated August 7, 2006, and amendment thereto, dated October 4, 2006, among Cinemark USA, Inc., Century and Syufy Enterprise, LP, Cinemark USA, Inc. acquired approximately 77% of the issued and outstanding capital stock of Century.

Pursuant to a contribution and exchange agreement, dated August 7, 2006, by and between Syufy, Cinemark, Inc., Century Theatres Holdings, LLC and Cinemark Holdings, Inc., Syufy contributed the remaining shares of capital stock of Century to Cinemark Holdings in exchange for            shares of Cinemark Holdings.

Pursuant to a share exchange agreement, dated August 7, 2006, by and among Cinemark Holdings, Inc. and then current stockholders of Cinemark, Inc., the stockholders, immediately prior to the consummation of the transactions contemplated by the purchase agreement and the contribution and exchange agreement referenced above, exchanged their            shares of common stock of Cinemark, Inc. for an equal number of shares of

Cinemark Holdings common stock.

In December 2006, we issued            shares upon the exercise of options outstanding under our 2006 Long Term Incentive Plan.

The sales and issuances of securities described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act or Regulation D or Rule 701 promulgated thereunder.

II-2

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**Table of Contents**

**Item 16. Exhibits and Financial Statement Schedules.**

(a) The following exhibits are filed herewith:

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **1           | Form of Underwriting Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2.1           | Stock Contribution and Exchange Agreement, dated as of August 7, 2006, by and between Cinemark Holdings, Inc., Cinemark, Inc., Syufy Enterprises, LP and Century Theatres Holdings, LLC (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on August 11, 2006).                                                                                                                                                                                                                                                                                                                                   |
| 2.2           | Contribution and Exchange Agreement, dated as of August 7, 2006, by and among Cinemark Holdings, Inc. and Lee Roy Mitchell, The Mitchell Special Trust, Alan W. Stock, Timothy Warner, Robert Copple, Michael Cavalier, Northwestern University, John Madigan, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP, Madison Dearborn Capital Partners IV, L.P., K&E Investment Partners, LLC 2004-B-DIF, Piola Investments Ltd., Quadrangle (Cinemark) Capital Partners LP and Quadrangle Capital Partners LP (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on August 11, 2006). |
| **3.1         | Amended and Restated Certificate of Incorporation of Cinemark Holdings, Inc. filed with the Delaware Secretary of State on , 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| **3.2         | Amended and Restated Bylaws of Cinemark Holdings, Inc. dated , 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| **4.1         | Form of common stock certificate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4.2(a)        | Indenture, dated as of March 31, 2004, between Cinemark, Inc. and The Bank of New York Trust Company, N.A. governing the 93/4% senior discount notes issued thereunder (incorporated by reference to Exhibit 4.2(a) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004).                                                                                                                                                                                                                                                                                                                                                                 |
| 4.2(b)        | Form of 93/4% senior discount notes (contained in the indenture listed as Exhibit 4.2(a) above) (incorporated by reference to Exhibit 4.2(b) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004).                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.3(a)        | Indenture, dated as of February 11, 2003, between Cinemark USA, Inc. and The Bank of New York Trust Company of Florida, N.A. governing the 9% senior subordinated notes issued thereunder (incorporated by reference to Exhibit 10.2(b) to Cinemark USA, Inc. s Annual Report on Form 10-K (File 033-47040) filed March 19, 2003).                                                                                                                                                                                                                                                                                                                                                    |
| 4.3(b)        | First Supplemental Indenture, dated as of May 7, 2003, between Cinemark USA, Inc., the subsidiary guarantors party thereto and The Bank of New York Trust Company of Florida, N.A. (incorporated by reference from Exhibit 4.2(i) to Cinemark USA, Inc. s Registration Statement on Form S-4/A (File No. 333-104940) filed May 28, 2003).                                                                                                                                                                                                                                                                                                                                             |
| 4.3(c)        | Second Supplemental Indenture dated as of November 11, 2004, between Cinemark USA, Inc., the subsidiary guarantors party thereto and The Bank of New York Trust Company of Florida, N.A. (incorporated by reference to Exhibit 4.2(c) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-047040, filed March 28, 2005).                                                                                                                                                                                                                                                                                                                                                 |
| 4.3(d)        | Third Supplemental Indenture, dated as of October 5, 2006, among Cinemark USA, Inc., the subsidiaries of Cinemark USA, Inc. named therein, and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006).                                                                                                                                                                                                                                                                                                                      |
| 4.3(e)        | Form of 9% Senior Subordinated Note, Due 2013 (contained in the Indenture listed as Exhibit 4.3(a) above) (incorporated by reference to Exhibit 10.2(b) to Cinemark USA, Inc. s Annual Report on                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

- Form 10-K (File 033-47040) filed March 19, 2003).
- 4.4 Stockholders Agreement, dated as of August 7, 2006, effective October 5, 2006, by and among Cinemark Holdings, Inc. and the stockholders party thereto (incorporated by reference to Exhibit 4.4 to Cinemark Holdings, Inc.'s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).

**Table of Contents**

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                          |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.5           | Registration Agreement, dated as of August 7, 2006, effective October 5, 2006, by and among Cinemark Holdings, Inc. and the stockholders thereto (incorporated by reference to Exhibit 4.5 to Cinemark Holdings Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                      |
| **5           | Opinion of Akin Gump Strauss Hauer & Feld LLP.                                                                                                                                                                                                                                                                                                                |
| 10.1(a)       | Management Agreement, dated December 10, 1993, between Laredo Theatre, Ltd. and Cinemark USA, Inc. (incorporated by reference to Exhibit 10.14(b) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1994).                                                                                                              |
| 10.1(b)       | First Amendment to Management Agreement of Laredo Theatre, Ltd., effective as of December 10, 2003, between CNMK Texas Properties, Ltd. (successor in interest to Cinemark USA, Inc.) and Laredo Theatre Ltd. (incorporated by reference to Exhibit 10.1(d) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004). |
| 10.2          | Amended and Restated Agreement to Participate in Profits and Losses, dated as of March 12, 2004, between Cinemark USA, Inc. and Alan W. Stock (incorporated by reference to Exhibit 10.2 to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                      |
| 10.3          | License Agreement, dated December 10, 1993, between Laredo Joint Venture and Cinemark USA, Inc. (incorporated by reference to Exhibit 10.14(c) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1994).                                                                                                                 |
| 10.4(a)       | Tax Sharing Agreement, between Cinemark USA, Inc. and Cinemark International, L.L.C. (f/k/a Cinemark II, Inc. ), dated as of June 10, 1992 (incorporated by reference to Exhibit 10.22 to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1993).                                                                         |
| 10.4(b)       | Tax Sharing Agreement, dated as of July 28, 1993, between Cinemark USA, Inc. and Cinemark Mexico (USA) (incorporated by reference to Exhibit 10.10 to Cinemark Mexico (USA) s Registration Statement on Form S-4, File No. 033-72114, filed on November 24, 1993).                                                                                            |
| +10.5(a)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Lee Roy Mitchell (incorporated by reference to Exhibit 10.14(a) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                  |
| +10.5(b)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Lee Roy Mitchell (incorporated by reference to Exhibit 10.1 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                       |
| +10.5(c)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Alan Stock (incorporated by reference to Exhibit 10.14(b) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                        |
| +10.5(d)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Alan W. Stock (incorporated by reference to Exhibit 10.2 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                          |
| +10.5(e)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Tim Warner (incorporated by reference to Exhibit 10.14(c) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                        |
| +10.5(f)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Timothy Warner (incorporated by reference to Exhibit 10.3 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                         |
| +10.5(g)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Robert Copple (incorporated by reference to Exhibit 10.14(d) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                     |
| +10.5(h)      |                                                                                                                                                                                                                                                                                                                                                               |

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Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Rob Carmony (incorporated by reference to Exhibit 10.14(e) to Cinemark USA, Inc.'s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).

- +10.5(i) Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Tandy Mitchell (incorporated by reference to Exhibit 10.14(f) to Cinemark USA, Inc.'s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).

II-4

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**Table of Contents**

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| +10.5(j)      | First Amendment to Employment Agreement, dated January 25, 2007, between Cinemark, Inc. and Robert Copple (incorporated by reference to Exhibit 10.5(j) to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 10.6(a)       | Credit Agreement, dated as of October 5, 2006, among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc., the several banks and other financial institutions or entities from time to time parties to the Agreement, Lehman Brothers Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Morgan Stanley Senior Funding, Inc., as syndication agent, BNP Paribas and General Electric Capital Corporation as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006). |
| *10.6(b)      | First Amendment to Credit Agreement dated as of March 14 2007 among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Lehman Brothers Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Morgan Stanley Senior Funding, Inc., as syndication agent, BNP Paribas and General Electric Capital Corporation, as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent.                                                                                                                                                      |
| 10.6(c)       | Guarantee and Collateral Agreement, dated as of October 5, 2006, among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc. and each subsidiary guarantor party thereto (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006).                                                                                                                                                                                                                                                                                                                                                                  |
| +10.7(a)      | Cinemark Holdings, Inc. 2006 Long Term Incentive Plan, dated December 22, 2006 (incorporated by reference to Exhibit 10.7(a) to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| +10.7(b)      | Form of Stock Option Agreement (incorporated by reference to Exhibit 10.7(b) to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| *10.8         | Exhibitor Services Agreement, dated as of February 13, 2007, by and between National CineMedia, LLC. and Cinemark USA, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| *10.9         | Third Amended and Restated Limited Liability Company Operating Agreement, dated as of February 12, 2007, by and between Cinemark Media, Inc., American Multi-Cinema, Inc., Regal CineMedia, LLC and National CineMedia, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 21            | Subsidiaries of the registrant (incorporated by reference to Exhibit 21 to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| *23.1         | Consent of Deloitte & Touche LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| *23.2         | Consent of Grant Thornton LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| **23.3        | Consent of Akin Gump Strauss Hauer & Feld LLP (included in the opinion filed as Exhibit 5 to this Registration Statement).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 24            | Power of Attorney (included on the signature page of Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

\* Filed herewith.

\*\* To be filed by amendment.

+ Management contract, compensatory plan or arrangement.



(b) The following financial statement schedule is filed herewith:

Schedules included in the F pages.

II-5

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**Table of Contents**

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plano, State of Texas, on March 16, 2007.

CINEMARK HOLDINGS, INC.

By: /s/ ALAN W. STOCK

Alan W. Stock, *Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| <b>Name</b>           | <b>Title</b>                                                                                                          | <b>Date</b>    |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------|----------------|
| *                     | Chairman of the Board of Directors and<br>Director                                                                    | March 16, 2007 |
| Lee Roy Mitchell      |                                                                                                                       |                |
| /s/ ALAN W. STOCK     | Chief Executive Officer<br>(principal executive officer)                                                              | March 16, 2007 |
| Alan W. Stock         |                                                                                                                       |                |
| /s/ ROBERT COPPLE     | Executive Vice President; Treasurer and<br>Chief Financial Officer<br>(principal financial and<br>accounting officer) | March 16, 2007 |
| Robert Copple         |                                                                                                                       |                |
| *                     | Director                                                                                                              | March 16, 2007 |
| Benjamin D. Chereskin |                                                                                                                       |                |
| *                     | Director                                                                                                              | March 16, 2007 |
| James N. Perry, Jr.   |                                                                                                                       |                |
| *                     | Director                                                                                                              | March 16, 2007 |
| Robin P. Selati       |                                                                                                                       |                |
| *                     | Director                                                                                                              | March 16, 2007 |

Vahe A. Dombalagian

\*

Director

March 16, 2007

Peter R. Ezersky

\*

Director

March 16, 2007

Enrique F. Senior

\*

Director

March 16, 2007

Raymond W. Syufy

\*

Director

March 16, 2007

Joseph E. Syufy

\*By: /s/ MICHAEL CAVALIER

Michael Cavalier  
*Attorney-in-Fact*

**Table of Contents**

**EXHIBIT INDEX**

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **1           | Form of Underwriting Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2.1           | Stock Contribution and Exchange Agreement, dated as of August 7, 2006, by and between Cinemark Holdings, Inc., Cinemark, Inc., Syufy Enterprises, LP and Century Theatres Holdings, LLC (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on August 11, 2006).                                                                                                                                                                                                                                                                                                                                   |
| 2.2           | Contribution and Exchange Agreement, dated as of August 7, 2006, by and among Cinemark Holdings, Inc. and Lee Roy Mitchell, The Mitchell Special Trust, Alan W. Stock, Timothy Warner, Robert Copple, Michael Cavalier, Northwestern University, John Madigan, Quadrangle Select Partners LP, Quadrangle Capital Partners A LP, Madison Dearborn Capital Partners IV, L.P., K&E Investment Partners, LLC 2004-B-DIF, Piola Investments Ltd., Quadrangle (Cinemark) Capital Partners LP and Quadrangle Capital Partners LP (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on August 11, 2006). |
| **3.1         | Amended and Restated Certificate of Incorporation of Cinemark Holdings, Inc. filed with the Delaware Secretary of State on , 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| **3.2         | Amended and Restated Bylaws of Cinemark Holdings, Inc. dated , 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| **4.1         | Form of common stock certificate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4.2(a)        | Indenture, dated as of March 31, 2004, between Cinemark, Inc. and The Bank of New York Trust Company, N.A. governing the 93/4% senior discount notes issued thereunder (incorporated by reference to Exhibit 4.2(a) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004).                                                                                                                                                                                                                                                                                                                                                                 |
| 4.2(b)        | Form of 93/4% senior discount notes (contained in the indenture listed as Exhibit 4.2(a) above) (incorporated by reference to Exhibit 4.2(b) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004).                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.3(a)        | Indenture, dated as of February 11, 2003, between Cinemark USA, Inc. and The Bank of New York Trust Company of Florida, N.A. governing the 9% senior subordinated notes issued thereunder (incorporated by reference to Exhibit 10.2(b) to Cinemark USA, Inc. s Annual Report on Form 10-K (File 033-47040) filed March 19, 2003).                                                                                                                                                                                                                                                                                                                                                    |
| 4.3(b)        | First Supplemental Indenture, dated as of May 7, 2003, between Cinemark USA, Inc., the subsidiary guarantors party thereto and The Bank of New York Trust Company of Florida, N.A. (incorporated by reference from Exhibit 4.2(i) to Cinemark USA, Inc. s Registration Statement on Form S-4/A (File No. 333-104940) filed May 28, 2003).                                                                                                                                                                                                                                                                                                                                             |
| 4.3(c)        | Second Supplemental Indenture dated as of November 11, 2004, between Cinemark USA, Inc., the subsidiary guarantors party thereto and The Bank of New York Trust Company of Florida, N.A. (incorporated by reference to Exhibit 4.2(c) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-047040, filed March 28, 2005).                                                                                                                                                                                                                                                                                                                                                 |
| 4.3(d)        | Third Supplemental Indenture, dated as of October 5, 2006, among Cinemark USA, Inc., the subsidiaries of Cinemark USA, Inc. named therein, and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006).                                                                                                                                                                                                                                                                                                                      |
| 4.3(e)        | Form of 9% Senior Subordinated Note, Due 2013 (contained in the Indenture listed as Exhibit 4.3(a) above) (incorporated by reference to Exhibit 10.2(b) to Cinemark USA, Inc. s Annual Report on Form 10-K (File 033-47040) filed March 19, 2003).                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 4.4           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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Stockholders Agreement, dated as of August 7, 2006, effective October 5, 2006, by and among Cinemark Holdings, Inc. and the stockholders party thereto (incorporated by reference to Exhibit 4.4 to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).

4.5 Registration Agreement, dated as of August 7, 2006, effective October 5, 2006, by and among Cinemark Holdings, Inc. and the stockholders thereto (incorporated by reference to Exhibit 4.5 to Cinemark Holdings Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).

\*\*5 Opinion of Akin Gump Strauss Hauer & Feld LLP.

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**Table of Contents**

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                          |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1(a)       | Management Agreement, dated December 10, 1993, between Laredo Theatre, Ltd. and Cinemark USA, Inc. (incorporated by reference to Exhibit 10.14(b) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1994).                                                                                                              |
| 10.1(b)       | First Amendment to Management Agreement of Laredo Theatre, Ltd., effective as of December 10, 2003, between CNMK Texas Properties, Ltd. (successor in interest to Cinemark USA, Inc.) and Laredo Theatre Ltd. (incorporated by reference to Exhibit 10.1(d) to Cinemark, Inc. s Registration Statement on Form S-4, File No. 333-116292, filed June 8, 2004). |
| 10.2          | Amended and Restated Agreement to Participate in Profits and Losses, dated as of March 12, 2004, between Cinemark USA, Inc. and Alan W. Stock (incorporated by reference to Exhibit 10.2 to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                      |
| 10.3          | License Agreement, dated December 10, 1993, between Laredo Joint Venture and Cinemark USA, Inc. (incorporated by reference to Exhibit 10.14(c) to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1994).                                                                                                                 |
| 10.4(a)       | Tax Sharing Agreement, between Cinemark USA, Inc. and Cinemark International, L.L.C. (f/k/a Cinemark II, Inc. ), dated as of June 10, 1992 (incorporated by reference to Exhibit 10.22 to Cinemark USA, Inc. s Annual Report on Form 10-K, File No. 033-47040, filed March 31, 1993).                                                                         |
| 10.4(b)       | Tax Sharing Agreement, dated as of July 28, 1993, between Cinemark USA, Inc. and Cinemark Mexico (USA) (incorporated by reference to Exhibit 10.10 to Cinemark Mexico (USA) s Registration Statement on Form S-4, File No. 033-72114, filed on November 24, 1993).                                                                                            |
| +10.5(a)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Lee Roy Mitchell (incorporated by reference to Exhibit 10.14(a) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                  |
| +10.5(b)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Lee Roy Mitchell (incorporated by reference to Exhibit 10.1 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                       |
| +10.5(c)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Alan Stock (incorporated by reference to Exhibit 10.14(b) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                        |
| +10.5(d)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Alan W. Stock (incorporated by reference to Exhibit 10.2 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                          |
| +10.5(e)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Tim Warner (incorporated by reference to Exhibit 10.14(c) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                        |
| +10.5(f)      | First Amendment to Employment Agreement, effective as of December 12, 2006, by and between Cinemark, Inc. and Timothy Warner (incorporated by reference to Exhibit 10.3 to Cinemark, Inc. s Current Report on Form 8-K, File No. 001-31372, filed December 18, 2006).                                                                                         |
| +10.5(g)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Robert Copple (incorporated by reference to Exhibit 10.14(d) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                     |
| +10.5(h)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Rob Carmony (incorporated by reference to Exhibit 10.14(e) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                       |
| +10.5(i)      | Employment Agreement, dated as of March 12, 2004, between Cinemark, Inc. and Tandy Mitchell (incorporated by reference to Exhibit 10.14(f) to Cinemark USA, Inc. s Quarterly Report on Form 10-Q, File No. 033-47040, filed May 14, 2004).                                                                                                                    |

- +10.5(j) First Amendment to Employment Agreement, dated January 25, 2007, between Cinemark, Inc. and Robert Copple (incorporated by reference to Exhibit 10.5(j) to Cinemark Holdings, Inc.'s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).
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**Table of Contents**

| <b>Number</b> | <b>Exhibit Title</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.6(a)       | Credit Agreement, dated as of October 5, 2006, among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc., the several banks and other financial institutions or entities from time to time parties to the Agreement, Lehman Brothers Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Morgan Stanley Senior Funding, Inc., as syndication agent, BNP Paribas and General Electric Capital Corporation as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006). |
| *10.6(b)      | First Amendment to Credit Agreement dated as of March 14, 2007 among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Lehman Brothers Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Morgan Stanley Senior Funding, Inc., as syndication agent, BNP Paribas and General Electric Capital Corporation, as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent.                                                                                                                                                     |
| 10.6(c)       | Guarantee and Collateral Agreement, dated as of October 5, 2006, among Cinemark Holdings, Inc., Cinemark, Inc., CNMK Holding, Inc., Cinemark USA, Inc. and each subsidiary guarantor party thereto (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K, File No. 000-47040, filed by Cinemark USA, Inc. with the SEC on October 12, 2006).                                                                                                                                                                                                                                                                                                                                                                  |
| +10.7(a)      | Cinemark Holdings, Inc. 2006 Long Term Incentive Plan, dated December 22, 2006 (incorporated by reference to Exhibit 10.7(a) to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| +10.7(b)      | Form of Stock Option Agreement (incorporated by reference to Exhibit 10.7(b) to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| *10.8         | Exhibitor Services Agreement, dated as of February 13, 2007, by and between National CineMedia, LLC and Cinemark USA, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| *10.9         | Third Amended and Restated Limited Liability Company Operating Agreement, dated as of February 12, 2007, by and between Cinemark Media, Inc., American Multi-Cinema, Inc., Regal CineMedia, LLC and National CineMedia, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 21            | Subsidiaries of the registrant (incorporated by reference to Exhibit 21 to Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| *23.1         | Consent of Deloitte & Touche LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| *23.2         | Consent of Grant Thornton LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| **23.3        | Consent of Akin Gump Strauss Hauer & Feld LLP (included in the opinion filed as Exhibit 5 to this Registration Statement).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 24            | Power of Attorney (included on the signature page of Cinemark Holdings, Inc. s Registration Statement on Form S-1, File No. 333-140390, filed February 1, 2007).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

\* Filed herewith.

\*\* To be filed by amendment.

+ Management contract, compensatory plan or arrangement.