

Cinemark Holdings, Inc.  
Form 10-Q  
May 05, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2011  
Commission File Number: 001-33401  
CINEMARK HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)**

**Delaware  
(State or other jurisdiction  
of incorporation or organization)**

**20-5490327  
(I.R.S. Employer  
Identification No.)**

**3900 Dallas Parkway  
Suite 500  
Plano, Texas  
(Address of principal executive offices)**

**75093  
(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 30, 2011, 114,171,336 shares of common stock were issued and outstanding.

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**Cautionary Statement Regarding Forward-Looking Statements**

Certain matters within this Quarterly Report on Form 10Q include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements include our current expectations, assumptions, estimates and projections about our business and our industry. They include statements relating to future revenues, expenses and profitability, the future development and expected growth of our business, projected capital expenditures, attendance at movies generally or in any of the markets in which we operate, the number or diversity of popular movies released and our ability to successfully license and exhibit popular films, national and international growth in our industry, competition from other exhibitors and alternative forms of entertainment and determinations in lawsuits in which we are defendants. Forward-looking statements can be identified by the use of words such as may, should, could, estimates, predicts, potential, continue, anticipates, believes, plans, expects, future and intends and similar expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. For a description of the risk factors, please review the Risk Factors section or other sections in the Company's Annual Report on Form 10-K filed March 1, 2011 and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such risk factors. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data, unaudited)

|                                                | <b>March 31,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|------------------------------------------------|---------------------------|----------------------------------|
| <b>Assets</b>                                  |                           |                                  |
| Current assets                                 |                           |                                  |
| Cash and cash equivalents                      | \$ 463,308                | \$ 464,997                       |
| Inventories                                    | 10,505                    | 11,686                           |
| Accounts receivable                            | 41,250                    | 50,607                           |
| Income tax receivable                          | 8,796                     | 30,733                           |
| Current deferred tax asset                     | 4,128                     | 8,099                            |
| Prepaid expenses and other                     | 8,479                     | 10,931                           |
| Total current assets                           | 536,466                   | 577,053                          |
| Theatre properties and equipment               | 2,080,882                 | 2,048,204                        |
| Less accumulated depreciation and amortization | 874,086                   | 832,758                          |
| Theatre properties and equipment net           | 1,206,796                 | 1,215,446                        |
| Other assets                                   |                           |                                  |
| Goodwill                                       | 1,125,482                 | 1,122,971                        |
| Intangible assets net                          | 328,491                   | 329,204                          |
| Investment in NCM                              | 72,162                    | 64,376                           |
| Investment in DCIP                             | 13,088                    | 10,838                           |
| Investment in Real D                           | 33,455                    | 27,993                           |
| Investments in and advances to affiliates      | 2,462                     | 2,619                            |
| Deferred charges and other assets net          | 85,737                    | 70,978                           |
| Total other assets                             | 1,660,877                 | 1,628,979                        |
| <b>Total assets</b>                            | <b>\$ 3,404,139</b>       | <b>\$ 3,421,478</b>              |
| <b>Liabilities and equity</b>                  |                           |                                  |
| Current liabilities                            |                           |                                  |
| Current portion of long-term debt              | \$ 10,836                 | \$ 10,836                        |
| Current portion of capital lease obligations   | 7,570                     | 7,348                            |
| Current liability for uncertain tax positions  | 463                       | 1,948                            |
| Accounts payable and accrued expenses          | 220,793                   | 251,808                          |
| Total current liabilities                      | 239,662                   | 271,940                          |

|                                                                                                                                                                                                                                       |                     |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Long-term liabilities                                                                                                                                                                                                                 |                     |                     |
| Long-term debt, less current portion                                                                                                                                                                                                  | 1,519,102           | 1,521,605           |
| Capital lease obligations, less current portion                                                                                                                                                                                       | 130,901             | 132,812             |
| Deferred tax liability                                                                                                                                                                                                                | 124,162             | 129,293             |
| Liability for uncertain tax positions                                                                                                                                                                                                 | 16,318              | 17,840              |
| Deferred lease expenses                                                                                                                                                                                                               | 31,239              | 30,454              |
| Deferred revenue NCM                                                                                                                                                                                                                  | 239,032             | 230,573             |
| Other long-term liabilities                                                                                                                                                                                                           | 53,982              | 53,809              |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| Total long-term liabilities                                                                                                                                                                                                           | 2,114,736           | 2,116,386           |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| Commitments and contingencies (see Note 19)                                                                                                                                                                                           |                     |                     |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| Equity                                                                                                                                                                                                                                |                     |                     |
| Cinemark Holdings, Inc.'s stockholders' equity:                                                                                                                                                                                       |                     |                     |
| Common stock, \$0.001 par value: 300,000,000 shares authorized, 117,546,762 shares issued and 114,156,237 shares outstanding at March 31, 2011; and 117,110,703 shares issued and 113,750,844 shares outstanding at December 31, 2010 | 118                 | 117                 |
| Additional paid-in-capital                                                                                                                                                                                                            | 1,040,856           | 1,037,586           |
| Treasury stock, 3,390,525 and 3,359,859 shares, at cost, at March 31, 2011 and December 31, 2010, respectively                                                                                                                        | (45,219)            | (44,725)            |
| Retained earnings                                                                                                                                                                                                                     | 1,294               | 388                 |
| Accumulated other comprehensive income                                                                                                                                                                                                | 40,827              | 28,181              |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| Total Cinemark Holdings, Inc.'s stockholders' equity                                                                                                                                                                                  | 1,037,876           | 1,021,547           |
| Noncontrolling interests                                                                                                                                                                                                              | 11,865              | 11,605              |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| Total equity                                                                                                                                                                                                                          | 1,049,741           | 1,033,152           |
| <br>                                                                                                                                                                                                                                  |                     |                     |
| <b>Total liabilities and equity</b>                                                                                                                                                                                                   | <b>\$ 3,404,139</b> | <b>\$ 3,421,478</b> |

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

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**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, unaudited)

|                                                           | <b>Three months ended March</b> |             |
|-----------------------------------------------------------|---------------------------------|-------------|
|                                                           | <b>31,</b>                      |             |
|                                                           | <b>2011</b>                     | <b>2010</b> |
| <b>Revenues</b>                                           |                                 |             |
| Admissions                                                | \$ 311,692                      | \$ 342,990  |
| Concession                                                | 146,681                         | 153,104     |
| Other                                                     | 24,763                          | 20,537      |
| Total revenues                                            | 483,136                         | 516,631     |
| <b>Cost of operations</b>                                 |                                 |             |
| Film rentals and advertising                              | 165,153                         | 188,819     |
| Concession supplies                                       | 23,282                          | 22,406      |
| Salaries and wages                                        | 50,079                          | 52,542      |
| Facility lease expense                                    | 66,426                          | 62,715      |
| Utilities and other                                       | 59,827                          | 55,221      |
| General and administrative expenses                       | 28,986                          | 25,530      |
| Depreciation and amortization                             | 38,922                          | 33,933      |
| Amortization of favorable/unfavorable leases              | 218                             | 158         |
| Impairment of long-lived assets                           | 1,015                           | 347         |
| Loss on sale of assets and other                          | 472                             | 3,167       |
| Total cost of operations                                  | 434,380                         | 444,838     |
| <b>Operating income</b>                                   | 48,756                          | 71,793      |
| <b>Other income (expense)</b>                             |                                 |             |
| Interest expense                                          | (29,290)                        | (26,010)    |
| Interest income                                           | 1,769                           | 1,053       |
| Foreign currency exchange gain (loss)                     | 823                             | (268)       |
| Distributions from NCM                                    | 9,863                           | 9,946       |
| Equity in income of affiliates                            | 2,438                           | 27          |
| Total other expense                                       | (14,397)                        | (15,252)    |
| <b>Income before income taxes</b>                         | 34,359                          | 56,541      |
| Income taxes                                              | 9,037                           | 19,830      |
| <b>Net income</b>                                         | \$ 25,322                       | \$ 36,711   |
| Less: Net income attributable to noncontrolling interests | 359                             | 1,618       |
| <b>Net income attributable to Cinemark Holdings, Inc.</b> | \$ 24,963                       | \$ 35,093   |

**Weighted average shares outstanding**

|         |         |         |
|---------|---------|---------|
| Basic   | 112,542 | 110,547 |
| Diluted | 112,899 | 110,880 |

**Earnings per share attributable to Cinemark Holdings, Inc. s common stockholders**

|         |         |         |
|---------|---------|---------|
| Basic   | \$ 0.22 | \$ 0.32 |
| Diluted | \$ 0.22 | \$ 0.31 |

|                                     |         |         |
|-------------------------------------|---------|---------|
| Dividends declared per common share | \$ 0.21 | \$ 0.18 |
|-------------------------------------|---------|---------|

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



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**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, unaudited)

|                                                                                                    | <b>Three months ended March</b> |             |
|----------------------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                                    | <b>31,</b>                      |             |
|                                                                                                    | <b>2011</b>                     | <b>2010</b> |
| <b>Operating activities</b>                                                                        |                                 |             |
| Net income                                                                                         | \$ 25,322                       | \$ 36,711   |
| Adjustments to reconcile net income to cash provided by operating activities:                      |                                 |             |
| Depreciation                                                                                       | 38,033                          | 32,829      |
| Amortization of intangible and other assets and unfavorable leases                                 | 1,107                           | 1,262       |
| Amortization of long-term prepaid rents                                                            | 667                             | 341         |
| Amortization of debt issue costs                                                                   | 1,184                           | 1,181       |
| Amortization of deferred revenues, deferred lease incentives and other                             | (2,339)                         | (1,399)     |
| Amortization of accumulated other comprehensive loss related to interest rate swap agreement       | 1,158                           | 1,158       |
| Amortization of bond discount                                                                      | 206                             | 188         |
| Impairment of long-lived assets                                                                    | 1,015                           | 347         |
| Share based awards compensation expense                                                            | 2,013                           | 1,313       |
| Loss on sale of assets and other                                                                   | 472                             | 1,457       |
| Loss on contribution and sale of digital projection systems to DCIP                                |                                 | 1,710       |
| Deferred lease expenses                                                                            | 780                             | 783         |
| Deferred income tax expenses                                                                       | (4,770)                         | (10,528)    |
| Equity in income of affiliates                                                                     | (2,438)                         | (27)        |
| Tax benefit related to stock option exercises and restricted stock vesting                         | 1,854                           | 1,667       |
| Distributions from equity investees                                                                | 2,420                           | 1,674       |
| Changes in assets and liabilities                                                                  | (5,642)                         | (26,566)    |
| Net cash provided by operating activities                                                          | 61,042                          | 44,101      |
| <b>Investing activities</b>                                                                        |                                 |             |
| Additions to theatre properties and equipment                                                      | (35,769)                        | (19,517)    |
| Proceeds from sale of theatre properties and equipment                                             | 485                             | 491         |
| Investment in joint venture DCIP and other                                                         | (572)                           | (644)       |
| Net cash used for investing activities                                                             | (35,856)                        | (19,670)    |
| <b>Financing activities</b>                                                                        |                                 |             |
| Proceeds from stock option exercises                                                               | 348                             | 5,081       |
| Payroll taxes paid as a result of noncash stock option exercises and restricted stock withholdings | (494)                           | (299)       |
| Dividends paid to stockholders                                                                     | (23,897)                        | (20,046)    |
| Payment of debt issue costs                                                                        | (74)                            | (8,706)     |
| Repayments of long-term debt                                                                       | (2,709)                         | (3,070)     |
| Payments on capital leases                                                                         | (1,722)                         | (1,739)     |
| Other                                                                                              | (110)                           |             |

|                                                                     |            |            |
|---------------------------------------------------------------------|------------|------------|
| Net cash used for financing activities                              | (28,658)   | (28,779)   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | 1,783      | (359)      |
| <b>Decrease in cash and cash equivalents</b>                        | (1,689)    | (4,707)    |
| <b>Cash and cash equivalents:</b>                                   |            |            |
| Beginning of period                                                 | 464,997    | 437,936    |
| End of period                                                       | \$ 463,308 | \$ 433,229 |

Supplemental information (See Note 15)

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

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

**1. The Company and Basis of Presentation**

Cinemark Holdings, Inc. and subsidiaries (the Company) is a leader in the motion picture exhibition industry, with theatres in the United States ( U.S. ), Brazil, Mexico, Chile, Colombia, Argentina, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. The Company also managed additional theatres in the U.S., Brazil, and Colombia during the three months ended March 31, 2011.

The condensed consolidated financial statements have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these interim financial statements reflect all adjustments of a recurring nature necessary to state fairly the financial position and results of operations as of, and for, the periods indicated. Majority-owned subsidiaries that the Company has control of are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method. Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2010, included in the Annual Report on Form 10-K filed March 1, 2011 by the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results to be achieved for the full year.

**2. New Accounting Pronouncements**

There were no new accounting pronouncements issued or effective during 2011 that had or are expected to have an impact on the Company's condensed consolidated financial statements.

**3. Earnings Per Share**

The Company considers its unvested share based payment awards, which contain non-forfeitable rights to dividends, participating securities, and includes such participating securities in its computation of earnings per share pursuant to the two-class method. Basic earnings per share for the two classes of stock (common stock and unvested restricted stock) is calculated by dividing net income by the weighted average number of shares of common stock and unvested restricted stock outstanding during the reporting period. Diluted earnings per share is calculated using the weighted average number of shares of common stock and unvested restricted stock plus the potentially dilutive effect of common equivalent shares outstanding determined under both the two class method and the treasury stock method.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

The following table presents computations of basic and diluted earnings per share under the two class method:

|                                                                       | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                       | <b>2011</b>                             | <b>2010</b> |
| <b>Numerator:</b>                                                     |                                         |             |
| Net income attributable to Cinemark Holdings, Inc.                    | \$ 24,963                               | \$ 35,093   |
| Earnings allocated to participating share-based awards <sup>(1)</sup> | (225)                                   | (232)       |
| Net income attributable to common stockholders                        | \$ 24,738                               | \$ 34,861   |
| <b>Denominator</b> (shares in thousands):                             |                                         |             |
| Basic weighted average common stock outstanding                       | 112,542                                 | 110,547     |
| Common equivalent shares for stock options                            | 53                                      | 332         |
| Common equivalent shares for restricted stock units                   | 304                                     | 1           |
| Diluted                                                               | 112,899                                 | 110,880     |
| Basic earnings per share attributable to common stockholders          | \$ 0.22                                 | \$ 0.32     |
| Diluted earnings per share attributable to common stockholders        | \$ 0.22                                 | \$ 0.31     |

<sup>(1)</sup> For the three months ended March 31, 2011 and 2010, a weighted average of approximately 1,027 and 737 shares of unvested restricted stock, respectively, are considered participating securities.

**4. Equity**

Below is a summary of changes in stockholders' equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the three months ended March 31, 2011 and 2010:

|                                                                                                         | <b>Cinemark<br/>Holdings, Inc.<br/>Stockholders'<br/>Equity</b> | <b>Noncontrolling<br/>Interests</b> | <b>Total<br/>Equity</b> |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------|-------------------------|
| Balance at January 1, 2011                                                                              | \$ 1,021,547                                                    | \$ 11,605                           | \$ 1,033,152            |
| Share based awards compensation expense                                                                 | 2,013                                                           |                                     | 2,013                   |
| Stock withholdings related to restricted stock that vested during the three months ended March 31, 2011 | (494)                                                           |                                     | (494)                   |
| Exercise of stock options                                                                               | 348                                                             |                                     | 348                     |
| Tax benefit related to stock option exercises and restricted stock vesting                              | 910                                                             |                                     | 910                     |
| Dividends paid to stockholders <sup>(1)</sup>                                                           | (23,897)                                                        |                                     | (23,897)                |
| Dividends accrued on unvested restricted stock unit awards <sup>(1)</sup>                               | (160)                                                           |                                     | (160)                   |

|                                                                                      |             |           |             |
|--------------------------------------------------------------------------------------|-------------|-----------|-------------|
| Comprehensive income:                                                                |             |           |             |
| Net income                                                                           | 24,963      | 359       | 25,322      |
| Fair value adjustments on interest rate swap agreements,<br>net of taxes of \$1,936  | 2,716       |           | 2,716       |
| Amortization of accumulated other comprehensive loss on<br>terminated swap agreement | 1,158       |           | 1,158       |
| Fair value adjustments on available-for-sale securities, net<br>of taxes of \$729    | 1,323       |           | 1,323       |
| Foreign currency translation adjustment                                              | 7,449       | (99)      | 7,350       |
| Total comprehensive income                                                           | 37,609      | 260       | 37,869      |
| Balance at March 31, 2011                                                            | \$1,037,876 | \$ 11,865 | \$1,049,741 |

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

|                                                                                                         | <b>Cinemark<br/>Holdings,<br/>Inc.<br/>Stockholders'<br/>Equity</b> | <b>Noncontrolling<br/>Interests</b> | <b>Total<br/>Equity</b> |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------|-------------------------|
| Balance at January 1, 2010                                                                              | \$899,832                                                           | \$ 14,796                           | \$914,628               |
| Share based awards compensation expense                                                                 | 1,313                                                               |                                     | 1,313                   |
| Stock withholdings related to restricted stock that vested during the three months ended March 31, 2010 | (182)                                                               |                                     | (182)                   |
| Exercise of stock options, net of stock withholdings                                                    | 4,965                                                               |                                     | 4,965                   |
| Tax benefit related to stock option exercises                                                           | 1,667                                                               |                                     | 1,667                   |
| Dividends paid to stockholders <sup>(2)</sup>                                                           | (20,046)                                                            |                                     | (20,046)                |
| Dividends accrued on unvested restricted stock unit awards <sup>(2)</sup>                               | (58)                                                                |                                     | (58)                    |
| Comprehensive income:                                                                                   |                                                                     |                                     |                         |
| Net income                                                                                              | 35,093                                                              | 1,618                               | 36,711                  |
| Fair value adjustments on interest rate swap agreements, net of taxes of \$314                          | (518)                                                               |                                     | (518)                   |
| Amortization of accumulated other comprehensive loss on terminated swap agreement                       | 1,158                                                               |                                     | 1,158                   |
| Foreign currency translation adjustment                                                                 | (268)                                                               | (236)                               | (504)                   |
| Total comprehensive income                                                                              | 35,465                                                              | 1,382                               | 36,847                  |
| Balance at March 31, 2010                                                                               | \$922,956                                                           | \$ 16,178                           | \$939,134               |

(1) On February 24, 2011, the Company's board of directors declared a cash dividend for the fourth quarter of 2010 in the amount of \$0.21 per share of common stock payable to stockholders of record on March 4, 2011. The dividend was paid on March 16, 2011.

(2) On February 25, 2010, the Company's board of directors declared a cash dividend for the fourth quarter of 2009 in the amount of \$0.18 per share of common stock payable to stockholders of record on March 5, 2010. The dividend was paid on March 19, 2010.

**5. Investment in National CineMedia**

Below is a summary of activity with National CineMedia, LLC ( NCM ) included in the Company's condensed consolidated financial statements:

| <b>Investment<br/>in NCM</b> | <b>Deferred<br/>Revenue</b> | <b>Distributions<br/>from<br/>NCM</b> | <b>Equity<br/>in<br/>Earnings</b> | <b>Other<br/>Revenue</b> | <b>Cash<br/>Received</b> |
|------------------------------|-----------------------------|---------------------------------------|-----------------------------------|--------------------------|--------------------------|
|------------------------------|-----------------------------|---------------------------------------|-----------------------------------|--------------------------|--------------------------|

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|                                                                       |          |             |           |         |           |          |
|-----------------------------------------------------------------------|----------|-------------|-----------|---------|-----------|----------|
| Balance as of<br>December 31, 2010                                    | \$64,376 | \$(230,573) |           |         |           |          |
| Receipt of common<br>units due to annual<br>common unit<br>adjustment | 9,302    | (9,302)     | \$        | \$      | \$        | \$       |
| Revenues earned<br>under exhibitor<br>services agreement              |          |             |           |         | (1,299)   | 1,299    |
| Receipt of excess cash<br>distributions                               | (1,708)  |             | (5,909)   |         |           | 7,617    |
| Receipt under tax<br>receivable agreement                             | (712)    |             | (3,954)   |         |           | 4,666    |
| Equity in earnings                                                    | 904      |             |           | (904)   |           |          |
| Amortization of<br>deferred revenue                                   |          | 843         |           |         | (843)     |          |
| Balance as of and for<br>the period ended<br>March 31, 2011           | \$72,162 | \$(239,032) | \$(9,863) | \$(904) | \$(2,142) | \$13,582 |

During March 2011, NCM performed its annual common unit adjustment calculation under the Common Unit Adjustment Agreement. As a result of the calculation, the Company received an additional 549,417 common units of NCM, each of which is convertible into one share of National CineMedia, Inc. common stock. The Company recorded the additional common units received at fair value as an investment with a corresponding adjustment to deferred revenue of approximately \$9,302. The deferred revenue will be recognized under the units of revenue method over the remaining term of the Company's Exhibitor Services Agreement with NCM, which is approximately 26 years. The common unit adjustment resulted in a change in the Company's ownership percentage in NCM from approximately 15.3% to 15.8%.

As of March 31, 2011, the Company owned a total of 17,495,920 common units of NCM. The Company continues to account for its investment in NCM under the equity method of accounting. During the three months ended March 31, 2011 and March 31, 2010, the Company recorded equity earnings of approximately \$904 and \$821, respectively.

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Pursuant to the terms of the Exhibitor Services Agreement, the Company recorded other revenues, excluding the amortization of deferred revenue, of approximately \$1,299 and \$1,190 during the three months ended March 31, 2011 and 2010, respectively. These amounts include the per patron and per digital advertising screen theatre access fee and theatre rental revenue, net of amounts due to NCM for on-screen advertising time provided to the Company's beverage concessionaire of \$2,316 and \$2,513, respectively.

Below is summary financial information for NCM for the year ended December 31, 2010 (financial information was not yet available for the three months ended March 31, 2011):

|                  | <b>Year Ended<br/>December<br/>31, 2010</b> |
|------------------|---------------------------------------------|
| Gross revenues   | \$ 427,445                                  |
| Operating income | \$ 190,559                                  |
| Net earnings     | \$ 139,541                                  |

**6. Investment in Digital Cinema Implementation Partners**

On February 12, 2007, the Company, AMC Entertainment Inc. and Regal Entertainment Group entered into a joint venture known as Digital Cinema Implementation Partners LLC ( DCIP ) to facilitate the implementation of digital cinema in the Company's theatres and to establish agreements with major motion picture studios for the financing of digital cinema.

On March 10, 2010, the Company signed a master equipment lease agreement and other related agreements (collectively the agreements ) with Kasima LLC ( Kasima ), which is an indirect subsidiary of DCIP and a related party to the Company. Upon signing the agreements, the Company contributed digital projection systems at a fair value of \$16,380 to DCIP (collectively the contributions ), which DCIP then contributed to Kasima. The net book value of the contributed equipment was approximately \$18,090, and as a result, the Company recorded a loss of approximately \$1,710, which is reflected in loss on sale of assets and other on the condensed consolidated statement of income for the three months ended March 31, 2010. As of March 31, 2011, the Company continues to have a 33% voting interest in DCIP and a 24.3% economic interest in DCIP.

The Company has a variable interest in Kasima through the terms of its master equipment lease agreement; however, the Company has determined that it is not the primary beneficiary of Kasima, as the Company does not have the ability to direct the activities of Kasima that most significantly impact Kasima's economic performance. The Company accounts for its investment in DCIP and its subsidiaries under the equity method of accounting. During the three months ended March 31, 2011 and 2010, the Company recorded equity income (losses) of \$1,686 and (\$818), respectively, relating to this investment. Below is a summary of activity with DCIP for the three months ended March 31, 2011:

|                                 | <b>Investment<br/>in<br/>DCIP</b> |
|---------------------------------|-----------------------------------|
| Balance as of December 31, 2010 | \$ 10,838                         |
| Cash contributions to DCIP      | 564                               |
| Equity in income                | 1,686                             |
| Balance as of March 31, 2011    | \$ 13,088                         |

The Company continues to roll out digital projection systems to a majority of its first run U.S. theatres. The digital projection systems are leased from Kasima under an operating lease with an initial term of twelve years that contains



ten one-year fair value renewal options. The equipment lease agreement also contains a fair value purchase option. Under the equipment lease agreement, the Company pays minimum annual rent of one thousand dollars per digital projection system for the first six and a half years from the effective date of the agreement and minimum annual rent of three thousand dollars per digital projection system beginning at six and a half years from the effective date through the end of the lease term. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the agreements. Certain of the other rent payments are subject to either a monthly or an annual maximum. As of March 31, 2011, the Company had

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1,881 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company recorded equipment lease expense of approximately \$912 and \$65 during the three months ended March 31, 2011 and 2010, respectively, which is included in utilities and other costs on the condensed consolidated statement of income.

The digital projection systems leased from Kasima will replace a majority of the Company's existing 35 millimeter projection systems in its U.S. theatres. Therefore, upon signing the agreements, the Company began accelerating the depreciation of these existing 35 millimeter projection systems, based on the estimated two year replacement timeframe. The Company recorded depreciation expense of approximately \$3,541 on its domestic 35 millimeter projectors during the three months ended March 31, 2011. The net book value of the existing 35 millimeter projection systems to be replaced was approximately \$7,058 as of March 31, 2011.

**7. Investment in Real D**

Under its license agreement with Real D, a publicly traded company from whom the Company licenses its 3-D systems, the Company earned options to purchase shares of common stock upon installation of a certain number of 3-D systems as outlined in the license agreement. During 2010, the Company earned a total of 1,085,828 options to purchase shares of common stock in Real D. Upon vesting in these options, the Company recorded a total investment in Real D of approximately \$18,909, which represented the estimated aggregate fair value of the options, with an offset to deferred lease incentive liability.

During the three months ended March 31, 2011, the Company vested in an additional 136,952 Real D options by reaching the final target level, as outlined in the license agreement. Upon vesting in these additional options, the Company recorded an increase in its investment in Real D and its deferred lease incentive liability of approximately \$3,402, which represented the estimated fair value of the Real D options. The fair value measurements were based upon Real D's closing stock prices on the dates of vesting. These fair value measurements fall under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. The deferred lease incentive liability, which is reflected in other long-term liabilities on the condensed consolidated balance sheets, is being amortized over the term of the license agreement, which is approximately seven and one-half years.

During March 2011, the Company exercised all of its options to purchase shares of common stock in Real D for \$0.00667 per share. The Company accounts for its investment in Real D as a marketable security. The Company has determined that its Real D shares are available-for-sale securities in accordance with ASC Topic 320-10-35-1, therefore unrealized holding gains and losses are reported as a component of accumulated other comprehensive income (loss) until realized.

As of March 31, 2011, the Company owned 1,222,780 shares in Real D, with an estimated fair value of \$33,455. The fair value of the Real D shares as of March 31, 2011 was determined based upon the closing price of Real D's common stock on that date, which falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. During the three months ended March 31, 2011, the Company recorded an unrealized holding gain of approximately \$2,052 as a component of accumulated other comprehensive income on the condensed consolidated balance sheet.

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**8. Treasury Stock and Share Based Awards**

*Treasury Stock* Treasury stock represents shares of common stock repurchased or withheld by the Company and not yet retired. The Company has applied the cost method in recording its treasury shares.

Below is a summary of the Company's treasury stock activity for the three months ended March 31, 2011:

|                                                 | <b>Number of<br/>Treasury<br/>Shares</b> | <b>Cost</b> |
|-------------------------------------------------|------------------------------------------|-------------|
| Balance at December 31, 2010                    | 3,359,859                                | \$ 44,725   |
| Restricted stock forfeitures <sup>(1)</sup>     | 853                                      |             |
| Restricted stock withholdings <sup>(2)</sup>    | 25,200                                   | 494         |
| Restricted stock awards canceled <sup>(1)</sup> | 4,613                                    |             |
| Balance at March 31, 2011                       | 3,390,525                                | \$ 45,219   |

- 1) The Company repurchased forfeited and canceled restricted shares at a cost of \$0.001 per share in accordance with the Amended and Restated 2006 Cinemark Holdings, Inc. Long Term Incentive Plan.
- 2) The Company withheld restricted shares as a result of the election by certain employees to satisfy their tax liabilities upon vesting in restricted stock. The Company determined the number of shares to be withheld based upon a market value of \$19.60 per share.

*Stock Options* A summary of stock option activity and related information for the three months ended March 31, 2011 is as follows:

|                                       | <b>Number<br/>of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Grant<br/>Date<br/>Fair<br/>Value</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|---------------------------------------|----------------------------------|----------------------------------------------------|-------------------------------------------------------------------|------------------------------------------|
| Outstanding at December 31, 2010      | 140,356                          | \$ 7.63                                            | \$ 3.51                                                           |                                          |
| Exercised                             | (45,596)                         | \$ 7.63                                            | \$ 3.51                                                           |                                          |
| Outstanding at March 31, 2011         | 94,760                           | \$ 7.63                                            | \$ 3.51                                                           | \$ 1,111                                 |
| Options exercisable at March 31, 2011 | 94,760                           | \$ 7.63                                            | \$ 3.51                                                           | \$ 1,111                                 |

The total intrinsic value of options exercised during the three month period ended March 31, 2011 was \$520. The Company recognized a tax benefit of approximately \$203 during the three months ended March 31, 2011 related to these option exercises.

As of March 31, 2011, there was no remaining unrecognized compensation expense related to outstanding stock options as all outstanding options fully vested on April 2, 2009. Options outstanding at March 31, 2011 have an average remaining contractual life of approximately four years.

*Restricted Stock* - During the three months ended March 31, 2011, the Company granted 390,463 shares of restricted stock to employees of the Company. The fair value of the restricted stock granted was determined based on

the market value of the Company's common stock on the date of grant, which was \$19.35 per share. The Company assumed a forfeiture rate of 5% for the restricted stock awards. The restricted stock granted vests over four years based on continued service.

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Below is a summary of restricted stock activity for the three months ended March 31, 2011:

|                                             | <b>Shares of<br/>Restricted<br/>Stock</b> | <b>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</b> |
|---------------------------------------------|-------------------------------------------|-----------------------------------------------------------|
| Outstanding at December 31, 2010            | 1,254,691                                 | \$ 14.60                                                  |
| Granted                                     | 390,463                                   | \$ 19.35                                                  |
| Forfeited                                   | (853)                                     | \$ 12.89                                                  |
| Vested                                      | (226,883)                                 | \$ 10.21                                                  |
| Canceled                                    | (4,613)                                   | \$ 18.35                                                  |
| Outstanding at March 31, 2011               | 1,412,805                                 | \$ 16.60                                                  |
| Unvested restricted stock at March 31, 2011 | 1,412,805                                 | \$ 16.60                                                  |

The Company recorded compensation expense of \$1,315 and \$745 related to restricted stock awards during the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, the remaining unrecognized compensation expense related to restricted stock awards was \$18,264 and the weighted average period over which this remaining compensation expense will be recognized is approximately three years. Upon vesting, the Company receives an income tax deduction. The total fair value of shares that vested during the three months ended March 31, 2011 was \$4,381. The Company recognized a tax benefit of approximately \$1,651 during the three months ended March 31, 2011 related to these vested shares. The recipients of restricted stock are entitled to receive dividends and to vote their respective shares, however the sale and transfer of the restricted shares is prohibited during the restriction period.

*Restricted Stock Units* During the three months ended March 31, 2011, the Company granted restricted stock units representing 153,727 hypothetical shares of common stock. The restricted stock units vest based on a combination of financial performance factors and continued service. The financial performance factors are based on an implied equity value concept that determines an internal rate of return ( IRR ) during the three fiscal year period ending December 31, 2013 based on a formula utilizing a multiple of Adjusted EBITDA subject to certain specified adjustments (as defined in the restricted stock unit award agreement). The financial performance factors for the restricted stock units have a threshold, target and maximum level of payment opportunity. If the IRR for the three year period is at least 8.5%, which is the threshold, one-third of the restricted stock units vest. If the IRR for the three year period is at least 10.5%, which is the target, two-thirds of the restricted stock units vest. If the IRR for the three year period is at least 12.5%, which is the maximum, 100% of the restricted stock units vest. Grantees are eligible to receive a ratable portion of the common stock issuable if the IRR is within the targets previously noted. All payouts of restricted stock units that vest will be subject to an additional service requirement and will be paid in the form of common stock if the participant continues to provide services through March 31, 2015, which is the fourth anniversary of the grant date. Restricted stock unit award participants are eligible to receive dividend equivalent payments if and at the time the restricted stock unit awards vest.

Below is a table summarizing the potential number of shares that could vest under restricted stock unit awards granted during the three months ended March 31, 2011 at each of the three target levels of financial performance (excluding forfeiture assumptions):

| <b>Number of<br/>Shares</b> | <b>Value at</b> |
|-----------------------------|-----------------|
|-----------------------------|-----------------|

|                          | <b>Vesting</b> | <b>Grant</b> |
|--------------------------|----------------|--------------|
| at IRR of at least 8.5%  | 51,239         | \$ 991       |
| at IRR of at least 10.5% | 102,488        | \$1,983      |
| at IRR of at least 12.5% | 153,727        | \$2,975      |

Due to the fact that the IRR for the three year performance period could not be determined at the time of grant, the Company estimated that the most likely outcome is the achievement of the mid-point IRR level. The fair value of the restricted stock unit awards was determined based on the market value of the Company's common stock on the date of grant, which was \$19.35 per share. The Company assumed a forfeiture rate of 5% for the restricted stock unit

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awards. If during the service period, additional information becomes available to lead the Company to believe a different IRR level will be achieved for the three year performance period, the Company will reassess the number of units that will vest for the grant and adjust its compensation expense accordingly on a prospective basis over the remaining service period.

No restricted stock unit awards have vested. There were no forfeitures of restricted stock unit awards during the three months ended March 31, 2011. The Company recorded compensation expense of \$698 and \$568 related to restricted stock unit awards during the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, the Company had restricted stock units outstanding that represented a total of 1,037,770 hypothetical shares of common stock, net of actual cumulative forfeitures of 19,918 units, assuming the maximum IRR of at least 12.5% is achieved for all of the grants. As of March 31, 2011, the remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was \$7,617. The weighted average period over which this remaining compensation expense will be recognized is approximately two years.

**9. Long-Term Debt Activity***Amendment and Extension of Senior Secured Credit Facility*

On March 2, 2010, the Company completed an amendment and extension to its senior secured credit facility to primarily extend the maturities of the facility and make certain other modifications. Approximately \$924,375 of the Company's then remaining outstanding \$1,083,600 term loan debt was extended from an original maturity date of October 2013 to a maturity date of April 2016. The remaining term loan debt of approximately \$159,225 that was not extended matures on the original maturity date of October 2013. Payments on the extended amount are due in equal quarterly installments of approximately \$2,311 through March 31, 2016 with the remaining principal amount of approximately \$866,602 due April 30, 2016. Payments on the original amount that was not extended are due in equal quarterly installments of approximately \$398 beginning March 31, 2010 through September 30, 2012 and increase to approximately \$37,418 each calendar quarter from December 31, 2012 to June 30, 2013 with one final payment of approximately \$42,593 due at maturity on October 5, 2013. The amendment also imposed a 1.0% prepayment premium for one year on certain prepayments of the extended portion of the term loan debt. The interest rate on the original term loan debt that was not extended accrues 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% (the "base rate"), 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. The margin of the original term loan debt that was not extended is determined by the applicable corporate credit rating. The interest rate on the extended portion of the term loan debt accrues 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 2.25% margin per annum, or (B) a eurodollar rate plus a 3.25% margin per annum.

The maturity date of \$73,500 of Cinemark USA, Inc.'s \$150,000 revolving credit line was extended from October 2012 to March 2015. The maturity date of the remaining \$76,500 of Cinemark USA, Inc.'s revolving credit line did not change and remains October 2012. The interest rate on the original revolving credit line accrues 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. The interest rate on the extended revolving credit line accrues 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 1.75% to 2.0% per annum, or (B) a eurodollar rate plus a margin that ranges from 2.75% to 3.0% per annum. The margin of the revolving credit line is determined by the consolidated net senior secured leverage ratio as defined in the credit agreement.

The Company incurred debt issue costs of approximately \$8,700 during the three months ended March 31, 2010 related to the amendment and extension of its senior secured credit facility. These costs will be amortized over the remaining term of the facility.



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*Fair Value of Long-Term Debt*

The Company estimates the fair value of its long-term debt primarily using quoted market prices, which fall under Level 2 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35. The carrying value of the Company's long-term debt was \$1,529,938 and \$1,532,441 as of March 31, 2011 and December 31, 2010, respectively. The fair value of the Company's long-term debt was \$1,585,183 and \$1,581,963 as of March 31, 2011 and December 31, 2010, respectively.

**10. Interest Rate Swap Agreements**

The Company is currently a party to four interest rate swap agreements that qualify for cash flow hedge accounting. No premium or discount was incurred upon the Company entering into any of its interest rate swap agreements because the pay rates and receive rates on the interest rate swap agreements represented prevailing rates for each counterparty at the time each of the interest rate swap agreements was consummated. The fair values of the interest rate swaps are 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 accumulated other comprehensive income (loss) and the ineffective portion reported in earnings. The Company's current interest rate swap agreements exhibited no ineffectiveness during the three months ended March 31, 2011 and 2010.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparties to the interest rate swap agreements and the fixed rates that the Company is obligated to pay under these agreements. Therefore, the Company's measurements use significant unobservable inputs, which fall in Level 3 of the U.S. GAAP hierarchy as defined by FASB ASC Topic 820-10-35. There were no changes in valuation techniques during the period, no transfers in or out of Level 3 and no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to the interest rate swap agreements.

Below is a summary of the Company's current interest rate swap agreements designated as hedge agreements:

| Category                              | Amount<br>Hedged | Effective<br>Date | Pay<br>Rate | Receive<br>Rate | Expiration<br>Date | Estimated<br>Fair Value<br>at<br>March 31,<br>2011 |
|---------------------------------------|------------------|-------------------|-------------|-----------------|--------------------|----------------------------------------------------|
| <i>Interest Rate Swap Assets</i>      |                  |                   |             |                 |                    |                                                    |
|                                       | \$ 175,000       | December 2010     | 1.4000%     | 1-Month LIBOR   | September 2015     | \$ 5,380                                           |
|                                       | \$ 175,000       | December 2010     | 1.3975%     | 1-Month LIBOR   | September 2015     | 5,447                                              |
|                                       |                  |                   |             |                 |                    | \$ 10,827                                          |
| <i>Interest Rate Swap Liabilities</i> |                  |                   |             |                 |                    |                                                    |
|                                       | \$ 125,000       | August 2007       | 4.9220%     | 3-Month LIBOR   | August 2012        | \$ (7,514)                                         |
|                                       | \$ 175,000       | November 2008     | 3.6300%     | 1-Month LIBOR   | (1)                | (5,676) <sup>(2)</sup>                             |
|                                       |                  |                   |             |                 |                    | \$ (13,190)                                        |
| Total                                 | \$ 650,000       |                   |             |                 |                    |                                                    |

(1) \$100,000 of this swap expires November 2011 and \$75,000 expires November 2012.

- (2) Approximately \$2,093 is reflected in other current liabilities on the condensed consolidated balance sheet as of March 31, 2011.

The Company amortized approximately \$1,158 to interest expense during each of the three months ended March 31, 2010 and 2011, related to a previously terminated interest rate swap agreement. The Company will amortize approximately \$4,633 to interest expense for this terminated interest rate swap agreement over the next twelve months. See Note 13 for additional information about the Company's fair value measurements related to its interest rate swap agreements.

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**11. Goodwill and Other Intangible Assets**

The Company's goodwill was as follows:

|                                             | <b>U.S.<br/>Operating<br/>Segment</b> | <b>International<br/>Operating<br/>Segment</b> | <b>Total</b> |
|---------------------------------------------|---------------------------------------|------------------------------------------------|--------------|
| Balance at December 31, 2010 <sup>(1)</sup> | \$948,026                             | \$174,945                                      | \$1,122,971  |
| Foreign currency translation adjustments    |                                       | 2,511                                          | 2,511        |
| Balance at March 31, 2011 <sup>(1)</sup>    | \$948,026                             | \$177,456                                      | \$1,125,482  |

<sup>(1)</sup> Balances are presented net of accumulated impairment losses of \$214,031 for the U.S. operating segment and \$27,622 for the international operating segment.

The Company evaluates goodwill for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill might exceed its estimated fair value.

The Company evaluates goodwill for impairment at the reporting unit level and has allocated goodwill to the reporting unit based on an estimate of its relative fair value. The Company considers the reporting unit to be each of its sixteen regions in the U.S. and each of its eight countries internationally (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are considered one reporting unit). Goodwill impairment is evaluated using a two-step approach requiring the Company to compute the fair value of a reporting unit and compare it with its carrying value. If the carrying value of the reporting unit exceeds the estimated fair value, a second step is performed to measure the potential goodwill impairment. Significant judgment is involved in estimating cash flows and fair value. Management's estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was six and a half times for the evaluation performed during the fourth quarter of 2010. No events or changes in circumstances occurred during the three months ended March 31, 2011 that indicated that the carrying value of goodwill might exceed its estimated fair value.

Intangible assets consisted of the following:

|                                                 | <b>Balance at<br/>December<br/>31,<br/>2010</b> | <b>Amortization</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Adjustments</b> | <b>Balance at<br/>March 31,<br/>2011</b> |
|-------------------------------------------------|-------------------------------------------------|---------------------|-------------------------------------------------------------|------------------------------------------|
| <i>Intangible assets with finite lives:</i>     |                                                 |                     |                                                             |                                          |
| Gross carrying amount                           | \$ 64,319                                       | \$                  | \$ 47                                                       | \$ 64,366                                |
| Accumulated amortization                        | (46,185)                                        | (1,126)             |                                                             | (47,311)                                 |
| Total net intangible assets with finite lives   | \$ 18,134                                       | \$(1,126)           | \$ 47                                                       | \$ 17,055                                |
| <i>Intangible assets with indefinite lives:</i> |                                                 |                     |                                                             |                                          |
| Tradename                                       | 311,070                                         |                     | 366                                                         | 311,436                                  |
| Total intangible assets net                     | \$329,204                                       | \$(1,126)           | \$ 413                                                      | \$328,491                                |



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

|                                               |               |
|-----------------------------------------------|---------------|
| For the nine months ended December 31, 2011   | \$ 2,854      |
| For the twelve months ended December 31, 2012 | 2,997         |
| For the twelve months ended December 31, 2013 | 2,437         |
| For the twelve months ended December 31, 2014 | 1,902         |
| For the twelve months ended December 31, 2015 | 1,799         |
| Thereafter                                    | 5,066         |
| <br>Total                                     | <br>\$ 17,055 |

**12. Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment indicators on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable.

The Company considers actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, amortizing intangible asset carrying values, the age of a recently built theatre, competitive theatres in the marketplace, the impact of recent ticket price changes, available lease renewal options and other factors considered relevant in its assessment of impairment of individual theatre assets. Long-lived assets are evaluated for impairment on an individual theatre basis, which the Company believes is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods for leased properties and a period of approximately 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 group (theatre) with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group (theatre), the asset group (theatre) is written down to its estimated fair value. Significant judgment is involved in estimating cash flows and fair value. Management's estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was six and a half times for the evaluations performed during the three months ended March 31, 2010 and 2011. As of March 31, 2011, the estimated aggregate fair value of the long-lived assets impaired during the three months ended March 31, 2011 was approximately \$176.

The long-lived asset impairment charges recorded during each of the periods presented are specific to theatres that were directly and individually impacted by increased competition, adverse changes in market demographics or adverse changes in the development or the conditions of the areas surrounding the theatre.

|                                  | <b>Three Months Ended<br/>March 31,</b> |             |
|----------------------------------|-----------------------------------------|-------------|
|                                  | <b>2011</b>                             | <b>2010</b> |
| United States theatre properties | \$ 343                                  | \$347       |
| International theatre properties | 672                                     |             |
| Subtotal                         | \$1,015                                 | \$347       |
| Intangible assets                |                                         |             |
| Impairment of long-lived assets  | \$1,015                                 | \$347       |



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**13. Fair Value Measurements**

The Company determines fair value measurements in accordance with FASB ASC Topic 820, which establishes a fair value hierarchy under which an asset or liability is categorized based on the lowest level of input significant to its fair value measurement. The levels of input defined by FASB ASC Topic 820 are as follows:

Level 1 quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2 other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 unobservable and should be used to measure fair value to the extent that observable inputs are not available.

Below is a summary of assets and liabilities measured at fair value on a recurring basis by the Company under FASB ASC Topic 820 as of March 31, 2011:

| Description                                            | Carrying<br>Value | Fair Value<br>Level |    |            |
|--------------------------------------------------------|-------------------|---------------------|----|------------|
|                                                        |                   | Level 1             | 2  | Level 3    |
| Interest rate swap liabilities current (see Note 10)   | \$ (2,093)        | \$                  | \$ | \$ (2,093) |
| Interest rate swap liabilities long term (see Note 10) | \$(11,097)        | \$                  | \$ | \$(11,097) |
| Interest rate swap assets long term (see Note 10)      | \$ 10,827         | \$                  | \$ | \$ 10,827  |
| Investment in Real D (see Note 7)                      | \$ 33,455         | \$33,455            | \$ | \$         |

Below is a summary of assets and liabilities measured at fair value on a recurring basis by the Company under FASB ASC Topic 820 as of December 31, 2010:

| Description                                            | Carrying<br>Value | Fair Value<br>Level |          |            |
|--------------------------------------------------------|-------------------|---------------------|----------|------------|
|                                                        |                   | Level 1             | Level 2  | Level 3    |
| Interest rate swap liabilities current (see Note 10)   | \$ (2,928)        | \$                  | \$       | \$ (2,928) |
| Interest rate swap liabilities long term (see Note 10) | \$(13,042)        | \$                  | \$       | \$(13,042) |
| Interest rate swap assets long term (see Note 10)      | \$ 8,955          | \$                  | \$       | \$ 8,955   |
| Investment in Real D (see Note 7)                      | \$ 27,993         | \$                  | \$27,993 | \$         |

Below is a reconciliation of the beginning and ending balance for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

|                                                                             | Liabilities |            | Assets   |      |
|-----------------------------------------------------------------------------|-------------|------------|----------|------|
|                                                                             | 2011        | 2010       | 2011     | 2010 |
| Beginning balance January 1                                                 | \$(15,970)  | \$(18,524) | \$ 8,955 | \$   |
| Total gain (loss) included in accumulated other comprehensive income (loss) | 2,780       | (832)      | 1,872    | \$   |
| Ending balance March 31                                                     | \$(13,190)  | \$(19,356) | \$10,827 | \$   |

There were no changes in valuation techniques during the period. The fair value measurement for the Company's investment in Real D transferred from Level 2 to Level 1. Previous fair value estimates for the investment were based on Real D's stock price, discounted to reflect the impact of a lock-up period to which the Company was subject. The lock-up period expired during January 2011; therefore, the fair value estimate for the investment as of March 31, 2011

was based on Real D's stock price with no adjustments. There were no transfers in or out of Level 3 and no gains or losses included in the earnings that were attributable to the change in unrealized gains or losses related to the interest rate swap agreements.



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**14. Foreign Currency Translation**

The accumulated other comprehensive income account in stockholders' equity of \$28,181 and \$40,827 at December 31, 2010 and March 31, 2011, respectively, includes the cumulative foreign currency adjustments of \$34,248 and \$41,696, respectively, from translating the financial statements of the Company's international subsidiaries, and also includes the change in fair values of the Company's interest rate swap agreements and the change in fair value of the Company's available-for-sale securities.

In 2010 and 2011, all foreign countries where the Company has operations were deemed non-highly inflationary and the local currency is the same as the functional currency in all of the locations. Thus, any fluctuation in the currency results in a cumulative foreign currency translation adjustment recorded to accumulated other comprehensive income (loss).

On March 31, 2011, the exchange rate for the Brazilian real was 1.65 reais to the U.S. dollar (the exchange rate was 1.67 reais to the U.S. dollar at December 31, 2010). As a result, the effect of translating the March 31, 2011 Brazilian financial statements into U.S. dollars is reflected as a foreign currency translation adjustment to the accumulated other comprehensive income account as an increase in stockholders' equity of \$3,498. At March 31, 2011, the total assets of the Company's Brazilian subsidiaries were U.S. \$321,097.

On March 31, 2011, the exchange rate for the Mexican peso was 11.95 pesos to the U.S. dollar (the exchange rate was 12.39 pesos to the U.S. dollar at December 31, 2010). As a result, the effect of translating the March 31, 2011 Mexican financial statements into U.S. dollars is reflected as a foreign currency translation adjustment to the accumulated other comprehensive income account as an increase in stockholders' equity of \$3,054. At March 31, 2011, the total assets of the Company's Mexican subsidiaries were U.S. \$140,754.

On March 31, 2011, the exchange rate for the Colombian peso was 1,894.60 pesos to the U.S. dollar (the exchange rate was 2,004.10 pesos to the U.S. dollar at December 31, 2010). As a result, the effect of translating the March 31, 2011 Colombian financial statements into U.S. dollars is reflected as a foreign currency translation adjustment to the accumulated other comprehensive income account as an increase in stockholders' equity of \$1,115. At March 31, 2011, the total assets of the Company's Colombian subsidiaries were U.S. \$28,035.

The effect of translating the March 31, 2011 financial statements of the Company's other international subsidiaries, with local currencies other than the U.S. dollar, is reflected as a foreign currency translation adjustment to the accumulated other comprehensive income account as a decrease in stockholders' equity of \$219.

**15. Supplemental Cash Flow Information**

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

|                                                                                                                        | <b>Three Months Ended</b> |             |
|------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|
|                                                                                                                        | <b>March 31,</b>          |             |
|                                                                                                                        | <b>2011</b>               | <b>2010</b> |
| Cash paid for interest                                                                                                 | \$16,678                  | \$12,371    |
| Cash paid for income taxes, net of refunds received                                                                    | \$ (6,610)                | \$12,903    |
| Noncash investing and financing activities:                                                                            |                           |             |
| Change in construction lease obligations related to construction of theatres                                           | \$                        | \$ 2,370    |
| Change in accounts payable and accrued expenses for the acquisition of theatre properties and equipment <sup>(1)</sup> | \$ 1,466                  | \$ 2,543    |
| Change in fair market values of interest rate swap agreements, net of taxes                                            | \$ 2,716                  | \$ (518)    |
| Investment in NCM - receipt of common units (see Note 5)                                                               | \$ 9,302                  | \$30,683    |
| Equipment contributed to DCIP (see Note 6)                                                                             | \$                        | \$18,090    |
| Dividends accrued on unvested restricted stock unit awards                                                             | \$ (160)                  | \$ (58)     |
| Shares issued upon non-cash stock option exercises, at exercise price of \$7.63 per share                              | \$                        | \$ 413      |

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|                                                                                         |          |    |
|-----------------------------------------------------------------------------------------|----------|----|
| Investment in Real D (see Note 7)                                                       | \$ 3,402 | \$ |
| Change in fair market value of available-for-sale securities, net of taxes (see Note 7) | \$ 1,323 | \$ |

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- (1) Additions to theatre properties and equipment included in accounts payable as of December 31, 2010 and March 31, 2011 were \$11,162 and \$9,696, respectively.

**16. Segments**

The Company manages its international market and its U.S. market as separate reportable operating segments. The international segment consists of operations in Brazil, Mexico, Chile, Colombia, Argentina, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. The U.S. segment includes U.S. and Canada operations (note that the Company's only Canadian theatre was sold during November 2010.) Each segment's revenue is derived from admissions and concession sales and other ancillary revenues, primarily screen advertising. The measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, as defined in the reconciliation table below. The Company does not report asset information by segment because that information is not used to evaluate the performance of or allocate resources between segments.

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

|                            | <b>Three Months Ended<br/>March 31,</b> |             |
|----------------------------|-----------------------------------------|-------------|
|                            | <b>2011</b>                             | <b>2010</b> |
| Revenues                   |                                         |             |
| U.S.                       | \$330,866                               | \$388,615   |
| International              | 154,471                                 | 129,271     |
| Eliminations               | (2,201)                                 | (1,255)     |
| Total revenues             | \$483,136                               | \$516,631   |
| Adjusted EBITDA            |                                         |             |
| U.S.                       | \$ 68,791                               | \$ 89,405   |
| International              | 33,915                                  | 32,376      |
| Total Adjusted EBITDA      | \$102,706                               | \$121,781   |
| Capital expenditures       |                                         |             |
| U.S.                       | \$ 11,468                               | \$ 12,500   |
| International              | 24,301                                  | 7,017       |
| Total capital expenditures | \$ 35,769                               | \$ 19,517   |

The following table sets forth a reconciliation of net income to Adjusted EBITDA:

|            | <b>Three Months Ended<br/>March 31,</b> |             |
|------------|-----------------------------------------|-------------|
|            | <b>2011</b>                             | <b>2010</b> |
| Net income | \$ 25,322                               | \$ 36,711   |

|                                              |           |           |
|----------------------------------------------|-----------|-----------|
| Add (deduct):                                |           |           |
| Income taxes                                 | 9,037     | 19,830    |
| Interest expense <sup>(1)</sup>              | 29,290    | 26,010    |
| Other income <sup>(2)</sup>                  | (5,030)   | (812)     |
| Depreciation and amortization                | 38,922    | 33,933    |
| Amortization of favorable/unfavorable leases | 218       | 158       |
| Impairment of long-lived assets              | 1,015     | 347       |
| Loss on sale of assets and other             | 472       | 3,167     |
| Deferred lease expenses                      | 780       | 783       |
| Amortization of long-term prepaid rents      | 667       | 341       |
| Share based awards compensation expense      | 2,013     | 1,313     |
| Adjusted EBITDA                              | \$102,706 | \$121,781 |

(1) Includes amortization of debt issue costs.

(2) Includes interest income, foreign currency exchange gain (loss), and equity in income of affiliates and excludes distributions from NCM. Distributions from NCM are reported entirely within the U.S. operating segment.

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*Financial Information About Geographic Areas*

The Company has operations in the U.S., Brazil, Mexico, Chile, Colombia, Argentina, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala, which are reflected in the condensed consolidated financial statements. Below is a breakdown of selected financial information by geographic area:

| <b>Revenues</b>                             | <b>Three Months Ended</b> |                     |
|---------------------------------------------|---------------------------|---------------------|
|                                             | <b>March 31,</b>          |                     |
|                                             | <b>2011</b>               | <b>2010</b>         |
| U.S.                                        | \$330,866                 | \$388,615           |
| Brazil                                      | 86,841                    | 69,218              |
| Mexico                                      | 15,917                    | 17,382              |
| Other foreign countries                     | 51,713                    | 42,671              |
| Eliminations                                | (2,201)                   | (1,255)             |
| <b>Total</b>                                | <b>\$483,136</b>          | <b>\$516,631</b>    |
|                                             | <b>March 31,</b>          | <b>December 31,</b> |
|                                             | <b>2011</b>               | <b>2010</b>         |
| <b>Theatre Properties and Equipment-net</b> |                           |                     |
| U.S.                                        | \$ 956,994                | \$ 972,358          |
| Brazil                                      | 129,768                   | 129,361             |
| Mexico                                      | 46,549                    | 43,127              |
| Other foreign countries                     | 73,485                    | 70,600              |
| <b>Total</b>                                | <b>\$1,206,796</b>        | <b>\$1,215,446</b>  |

**17. Related Party Transactions**

The Company leased one theatre from Plitt Plaza Joint Venture ( Plitt Plaza ) on a month-to-month basis. Plitt Plaza is indirectly owned by Lee Roy Mitchell, the Company's Chairman of the Board, who directly and indirectly owns approximately 10% of the Company's issued and outstanding shares of common stock. The Company closed this theatre during March 2010. The Company recorded \$30 of facility lease and other operating expenses payable to Plitt Plaza joint venture during the three months ended March 31, 2010.

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 \$22 and \$27 of management fee revenues during the three months ended March 31, 2010 and 2011, respectively. All such amounts are included in the Company's condensed consolidated financial statements with the intercompany amounts eliminated in consolidation.

The Company leases 20 theatres and one parking facility from Syufy Enterprises, LP ( Syufy ) or affiliates of Syufy. Raymond Syufy is one of the Company's directors and is an officer of the general partner of Syufy. Of these 21 leases, 17 have fixed minimum annual rent in an aggregate amount of approximately \$21,044. The four 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. For the three months ended March 31, 2010 and 2011, the Company paid approximately \$321 and \$281, respectively, in percentage rent for these four leases.

**18. Income Taxes**

During the three months ended March 31, 2011, the Company had a reduction in its liabilities for uncertain tax positions and a reduction in its income tax expense of approximately \$3,637 due to settlements and closures of various tax years.

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**19. Commitments and Contingencies**

From time to time, the Company is involved in various legal proceedings arising from the ordinary course of its business operations, such as personal injury claims, employment matters, landlord-tenant disputes, patent claims and contractual disputes, some of which are covered by insurance. The Company believes its potential liability with respect to proceedings currently pending is not material, individually or in the aggregate, to the Company's financial position, results of operations and cash flows.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes and schedules included elsewhere in this report.

We are a leader in the motion picture exhibition industry, with theatres in the U.S., Brazil, Mexico, Chile, Colombia, Argentina, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. As of March 31, 2011, we managed our business under two reportable operating segments – U.S. markets and international markets. See Note 16 to our condensed consolidated financial statements.

We generate revenues primarily from box office receipts and concession sales with additional revenues from screen advertising sales and other revenue streams, such as vendor marketing promotions and electronic video games located in some of our theatres. Our contracts with NCM have assisted us in expanding our offerings to domestic advertisers and broadening ancillary revenue sources such as digital video monitor advertising, third party branding, and the use of our domestic theatres for alternative entertainment, such as live and pre-recorded concert events, the opera, sports programs and other cultural events. Films leading the box office during the three months ended March 31, 2011 included *Rango*, *Just Go With It*, *King's Speech*, *True Grit*, and *Green Hornet*. Our revenues are affected by changes in attendance and average admissions and concession revenues per patron. Attendance is primarily affected by the quality and quantity of films released by motion picture studios. Films scheduled for release during the remainder of 2011 include *Rio*, *Fast Five*, *Thor*, *Pirates of the Caribbean: On Stranger Tides*, *The Hangover Part II*, *Kung Fu Panda 2: The Kaboom of Doom*, *Cars 2*, *X Men: First Class*, *Super 8*, *Transformers: Dark of the Moon*, *Harry Potter and the Deathly Hallows: Part 2*, *Twilight: Breaking Dawn*, *Captain America: The First Avenger*, *Cowboys and Aliens*, *Rise of the Planet of the Apes*, *Puss in Boots*, *Happy Feet 2*, *Mission: Impossible – Ghost Protocol*, *Sherlock Holmes 2* and *Alvin and the Chipmunks: Chipwrecked*, among other films.

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

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

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

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

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



**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, certain operating data and, the percentage of revenues represented by certain items reflected in our condensed consolidated statements of income:

| <b>Operating data (in millions):</b>                         | <b>Three Months Ended</b> |                |
|--------------------------------------------------------------|---------------------------|----------------|
|                                                              | <b>2011</b>               | <b>2010</b>    |
|                                                              | <b>March 31,</b>          |                |
| Revenues                                                     |                           |                |
| Admissions                                                   | \$ 311.7                  | \$ 343.0       |
| Concession                                                   | 146.7                     | 153.1          |
| Other                                                        | 24.7                      | 20.5           |
| <b>Total revenues</b>                                        | <b>483.1</b>              | <b>516.6</b>   |
| Cost of operations                                           |                           |                |
| Film rentals and advertising                                 | 165.2                     | 188.8          |
| Concession supplies                                          | 23.3                      | 22.4           |
| Salaries and wages                                           | 50.1                      | 52.5           |
| Facility lease expense                                       | 66.4                      | 62.7           |
| Utilities and other                                          | 59.8                      | 55.2           |
| General and administrative expenses                          | 29.0                      | 25.5           |
| Depreciation and amortization                                | 39.1                      | 34.1           |
| Impairment of long-lived assets                              | 1.0                       | 0.4            |
| Loss on sale of assets and other                             | 0.5                       | 3.2            |
| <b>Total cost of operations</b>                              | <b>434.4</b>              | <b>444.8</b>   |
| <b>Operating income</b>                                      | <b>\$ 48.7</b>            | <b>\$ 71.8</b> |
| <br><b>Operating data as a percentage of total revenues:</b> |                           |                |
| Revenues                                                     |                           |                |
| Admissions                                                   | 64.5%                     | 66.4%          |
| Concession                                                   | 30.4%                     | 29.6%          |
| Other                                                        | 5.1%                      | 4.0%           |
| <b>Total revenues</b>                                        | <b>100.0%</b>             | <b>100.0%</b>  |
| Cost of operations <sup>(1)</sup>                            |                           |                |
| Film rentals and advertising                                 | 53.0%                     | 55.0%          |
| Concession supplies                                          | 15.9%                     | 14.6%          |
| Salaries and wages                                           | 10.4%                     | 10.2%          |
| Facility lease expense                                       | 13.7%                     | 12.1%          |
| Utilities and other                                          | 12.4%                     | 10.7%          |
| General and administrative expenses                          | 6.0%                      | 4.9%           |
| Depreciation and amortization                                | 8.1%                      | 6.6%           |
| Impairment of long-lived assets                              | 0.2%                      | 0.1%           |
| Loss on sale of assets and other                             | 0.1%                      | 0.6%           |
| <b>Total cost of operations</b>                              | <b>89.9%</b>              | <b>86.1%</b>   |
| <b>Operating income</b>                                      | <b>10.1%</b>              | <b>13.9%</b>   |

|                                          |          |           |
|------------------------------------------|----------|-----------|
| Average screen count (month end average) | 4,941    | 4,891     |
| Revenues per average screen (dollars)    | \$97,791 | \$105,634 |

(1) All costs are expressed as a percentage of total revenues, except film rentals and advertising, which are expressed as a percentage of admissions revenues and concession supplies, which are expressed as a percentage of concession revenues.

**Table of Contents****Three months ended March 31, 2011 and 2010**

*Revenues.* Total revenues decreased \$33.5 million to \$483.1 million for the three months ended March 31, 2011 ( first quarter of 2011 ) from \$516.6 million for the three months ended March 31, 2010 ( first quarter of 2010 ). 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>Three Months Ended March 31,</b> |             |                 | <b>Three Months Ended March 31,</b>    |             |                 | <b>Three Months Ended March 31,</b> |             |                 |
|                                            | <b>2011</b>                         | <b>2010</b> | <b>% Change</b> | <b>2011</b>                            | <b>2010</b> | <b>% Change</b> | <b>2011</b>                         | <b>2010</b> | <b>% Change</b> |
| Admissions revenues <sup>(1)</sup>         | \$ 213.6                            | \$ 259.3    | (17.6%)         | \$ 98.1                                | \$ 83.7     | 17.2%           | \$ 311.7                            | \$ 343.0    | (9.1%)          |
| Concession revenues <sup>(1)</sup>         | \$ 104.8                            | \$ 118.5    | (11.6%)         | \$ 41.9                                | \$ 34.6     | 21.1%           | \$ 146.7                            | \$ 153.1    | (4.2%)          |
| Other revenues <sup>(1)</sup>              | \$ 10.3                             | \$ 9.5      | 8.4%            | \$ 14.4                                | \$ 11.0     | 30.9%           | \$ 24.7                             | \$ 20.5     | 20.5%           |
| Total revenues <sup>(1)</sup>              | \$ 328.7                            | \$ 387.3    | (15.1%)         | \$ 154.4                               | \$ 129.3    | 19.4%           | \$ 483.1                            | \$ 516.6    | (6.5%)          |
| Attendance <sup>(1)</sup>                  | 33.4                                | 39.6        | (15.7%)         | 20.4                                   | 18.9        | 7.9%            | 53.8                                | 58.5        | (8.0%)          |
| Revenues per average screen <sup>(2)</sup> | \$86,038                            | \$101,264   | (15.0%)         | \$137,859                              | \$121,325   | 13.6%           | \$97,791                            | \$105,634   | (7.4%)          |

(1) Amounts in millions.

(2) U.S. operating segment revenues include eliminations of intercompany transactions with the international operating segment. See Note 16 of our condensed consolidated financial statements.

*Consolidated.* The decrease in admissions revenues of \$31.3 million was attributable to an 8.0% decrease in attendance and a 1.2% decrease in average ticket price from \$5.86 for the first quarter of 2010 to \$5.79 for the first quarter of 2011. The decrease in concession revenues of \$6.4 million was attributable to the 8.0% decrease in attendance partially offset by a 4.2% increase in concession revenues per patron from \$2.62 for the first quarter of 2010 to \$2.73 for the first quarter of 2011. The decrease in average ticket price was primarily due to the increased weighting of 2-D attendance during the first quarter of 2011. The increase in concession revenues per patron was primarily due to price increases and the favorable impact of exchange rates in certain countries in which we operate. The 20.5% increase in other revenues was primarily due to increases in ancillary revenue and the favorable impact of exchange rates in certain countries in which we operate.

*U.S.* The decrease in admissions revenues of \$45.7 million was attributable to a 15.7% decrease in attendance and a 2.3% decrease in average ticket price from \$6.55 for the first quarter of 2010 to \$6.40 for the first quarter of 2011. The decrease in concession revenues of \$13.7 million was attributable to the 15.7% decrease in attendance, partially offset by a 5.0% increase in concession revenues per patron from \$2.99 for the first quarter of 2010 to \$3.14 for the first quarter of 2011. The decrease in average ticket price was primarily due to the increased weighting of 2-D attendance during the first quarter of 2011. The increase in concession revenues per patron was primarily due to price increases.

*International.* The increase in admissions revenues of \$14.4 million was attributable to a 7.9% increase in attendance and an 8.6% increase in average ticket price from \$4.43 for the first quarter of 2010 to \$4.81 for the first quarter of 2011. The increase in concession revenues of \$7.3 million was attributable to the 7.9% increase in attendance and a 12.0% increase in concession revenues per patron from \$1.83 for the first quarter of 2010 to \$2.05 for the first quarter of 2011. The increase in average ticket price was primarily due to the favorable impact of exchange rates in certain countries in which we operate and price increases. The increase in concession revenues per patron was primarily due to price increases and the favorable impact of exchange rates in certain countries in which we operate. The 30.9% increase in other revenues was primarily due to increases in ancillary revenue and the favorable impact of exchange rates in certain countries in which we operate.

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

|                              | U.S. Operating Segment |          | International Operating Segment |         | Consolidated       |          |
|------------------------------|------------------------|----------|---------------------------------|---------|--------------------|----------|
|                              | Three Months Ended     |          | Three Months Ended              |         | Three Months Ended |          |
|                              | March 31,              |          | March 31,                       |         | March 31,          |          |
|                              | 2011                   | 2010     | 2011                            | 2010    | 2011               | 2010     |
| Film rentals and advertising | \$ 116.2               | \$ 148.5 | \$ 49.0                         | \$ 40.3 | \$ 165.2           | \$ 188.8 |
| Concession supplies          | 12.6                   | 13.9     | 10.7                            | 8.5     | 23.3               | 22.4     |
| Salaries and wages           | 37.9                   | 42.4     | 12.2                            | 10.1    | 50.1               | 52.5     |
| Facility lease expense       | 45.7                   | 45.7     | 20.7                            | 17.0    | 66.4               | 62.7     |
| Utilities and other          | 39.9                   | 39.6     | 19.9                            | 15.6    | 59.8               | 55.2     |

*Consolidated.* Film rentals and advertising costs were \$165.2 million, or 53.0% of admissions revenues, for the first quarter of 2011 compared to \$188.8 million, or 55.0% of admissions revenues, for the first quarter of 2010. The decrease in film rentals and advertising costs of \$23.6 million was due to a \$31.3 million decrease in admissions revenues, which contributed \$19.3 million, and a decrease in our film rentals and advertising rate, which contributed \$4.3 million. The decrease in the film rentals and advertising rate was primarily due to lower film rental rates in the U.S. segment during the first quarter of 2011 due to fewer blockbuster films during that period. Concession supplies expense was \$23.3 million, or 15.9% of concession revenues, for the first quarter of 2011 compared to \$22.4 million, or 14.6% of concession revenues, for the first quarter of 2010. The increase in the concession supplies rate was primarily due to the increased weighting of our international segment and increases in inventory procurement costs.

Salaries and wages decreased to \$50.1 million for the first quarter of 2011 from \$52.5 million for the first quarter of 2010 primarily due to a reduction in staffing levels given the decline in attendance in the U.S. segment, partially offset by new theatres and the impact of exchange rates in certain countries in which we operate. Facility lease expense increased to \$66.4 million for the first quarter of 2011 from \$62.7 million for the first quarter of 2010 primarily due to new theatres, increased percentage rent in the international segment and the impact of exchange rates in certain countries in which we operate. Utilities and other costs increased to \$59.8 million for the first quarter of 2011 from \$55.2 million for the first quarter of 2010 primarily due to new theatres, increased expenses related to digital and 3-D equipment, increased utility expenses and the impact of exchange rates in certain countries in which we operate.

*U.S.* Film rentals and advertising costs were \$116.2 million, or 54.4% of admissions revenues, for the first quarter of 2011 compared to \$148.5 million, or 57.3% of admissions revenues, for the first quarter of 2010. The decrease in film rentals and advertising costs of \$32.3 million was due to a \$45.7 million decrease in admission revenues, which contributed \$26.2 million, and a decrease in our film rentals and advertising rate, which contributed \$6.1 million. The decrease in the film rentals and advertising rate was primarily due to the decrease in the number of blockbuster films released, which generally have higher film rental rates. Concession supplies expense was \$12.6 million, or 12.0% of concession revenues, for the first quarter of 2011 compared to \$13.9 million, or 11.7% of concession revenues, for the first quarter of 2010. The increase in the concession supplies rate was primarily due to increases in inventory procurement costs.

Salaries and wages decreased to \$37.9 million for the first quarter of 2011 from \$42.4 million for the first quarter of 2010 primarily due to a reduction in staffing levels given the 15.7% decline in attendance. Facility lease expense was \$45.7 million for the first quarter of 2011 and 2010. Utilities and other costs increased to \$39.9 million for the

first quarter of 2011 from \$39.6 million for the first quarter of 2010.

*International.* Film rentals and advertising costs were \$49.0 million, or 49.9% of admissions revenues, for the first quarter of 2011 compared to \$40.3 million, or 48.1% of admissions revenues, for the first quarter of 2010. The increase in film rentals and advertising costs was due to a \$14.4 million increase in admissions revenues, which contributed \$6.9 million, and an increase in the film rentals and advertising rate, which contributed \$1.8 million. Concession supplies expense was \$10.7 million, or 25.5% of concession revenues, for the first quarter of 2011 compared to \$8.5 million, or 24.6% of concession revenues, for the first quarter of 2010. The increase in concession supplies expense of \$2.2 million was primarily due to a \$7.3 million increase in concession revenues. The increased concession supplies rate was primarily due to increases in inventory procurement costs.

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Salaries and wages increased to \$12.2 million for the first quarter of 2011 from \$10.1 million for the first quarter of 2010 primarily due to new theatres, increased staffing levels to support the 7.9% increase in attendance, increased minimum wages and the impact of exchange rates in certain countries in which we operate. Facility lease expense increased to \$20.7 million for the first quarter of 2011 from \$17.0 million for the first quarter of 2010 primarily due to new theatres, increased percentage rent and the impact of exchange rates in certain countries in which we operate. Utilities and other costs increased to \$19.9 million for the first quarter of 2011 from \$15.6 million for the first quarter of 2010 primarily due to new theatres, increased expenses related to 3-D equipment, increased utility expenses and the impact of exchange rates in certain countries in which we operate.

*General and Administrative Expenses.* General and administrative expenses increased to \$29.0 million for the first quarter of 2011 from \$25.5 million for the first quarter of 2010. The increase was primarily due to increased salaries and incentive compensation expense, increased share based award compensation expense and the impact of exchange rates in certain countries in which we operate.

*Depreciation and Amortization.* Depreciation and amortization expense, including amortization of favorable/unfavorable leases, was \$39.1 million during the first quarter of 2011 compared to \$34.1 million during the first quarter of 2010. The increase was primarily related to the impact of exchange rates in certain countries in which we operate, new theatres and the impact of accelerated depreciation taken on our domestic 35 millimeter projection systems that are being replaced with digital projection systems, which began in March 2010. We recorded approximately \$3.5 million of depreciation expense related to these 35 millimeter projection systems during the first quarter of 2011 compared to \$1.3 million during the first quarter of 2010.

*Impairment of Long-Lived Assets.* We recorded asset impairment charges on assets held and used of \$1.0 million during the first quarter of 2011 compared to \$0.4 million during the first quarter of 2010. Impairment charges for the first quarter of 2011 consisted of U.S. and international theatre properties, impacting nine of our twenty-four reporting units. Impairment charges for the first quarter of 2010 consisted of U.S. theatre properties, impacting six of our twenty-four reporting units. See Note 12 to our condensed consolidated financial statements.

*Loss on Sale of Assets and Other.* We recorded a loss on sale of assets and other of \$0.5 million during the first quarter of 2011 compared to \$3.2 million during the first quarter of 2010. The loss recorded during the first quarter of 2010 included \$1.7 million that was recorded upon the contribution of digital projection systems to DCIP. See Note 6 to our condensed consolidated financial statements for discussion of DCIP.

*Interest Expense.* Interest costs incurred, including amortization of debt issue costs, were \$29.3 million during the first quarter of 2011 compared to \$26.0 million during the first quarter of 2010. The increase in interest expense is due to the increase in interest rates on a portion of our term loan debt that was amended and extended during March 2010.

*Distributions from NCM.* We recorded distributions from NCM of \$9.9 million during the first quarter of 2011 and 2010, which were in excess of the carrying value of our investment. See Note 5 to our condensed consolidated financial statements.

*Equity in Income of Affiliates* We recorded equity in income of affiliates of \$2.4 million during the first quarter of 2011 compared to \$0.03 million during the first quarter of 2010. The equity in income of affiliates recorded during the first quarter of 2011 primarily included income of approximately \$1.7 million related to our equity investment in DCIP (see Note 6 to our condensed consolidated financial statements) and income of approximately \$0.9 million related to our equity investment in NCM (see Note 5 to our condensed consolidated financial statements). The equity in income of affiliates recorded during the first quarter of 2010 primarily included income of approximately \$0.8 million related to our equity investment in NCM, offset by a loss of approximately \$0.8 million related to our equity investment in DCIP.

*Income Taxes.* Income tax expense of \$9.0 million was recorded for the first quarter of 2011 compared to \$19.8 million for the first quarter of 2010. The effective tax rate was 26.3% for the first quarter of 2011 compared to 35.1% for the first quarter of 2010. Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates and are adjusted for the effects of significant, infrequent or unusual items (i.e. discrete items) occurring during the interim period. As a result, the interim rate may vary significantly from the normalized annual rate. During the first quarter of 2011, the Company reduced its liabilities for uncertain tax positions due to settlements and closures of various tax years, which resulted in a tax benefit of approximately \$3.6 million that impacted the

effective tax rate for the period.



**Table of Contents****Liquidity and Capital Resources***Operating Activities*

We primarily collect our revenues in cash, mainly through box office receipts and the sale of concessions. In addition, a majority of our theatres provide the patron a choice of using a credit card or debit card in place of cash. Because our revenues are received in cash prior to the payment of related expenses, we have an operating float and historically have not required traditional working capital financing. Cash provided by operating activities was \$61.0 million for the three months ended March 31, 2011 compared to \$44.1 million for the three months ended March 31, 2010. The cash provided by operating activities was lower for the three months ended March 31, 2010 primarily due to a higher film rental liability at December 31, 2009 attributable to the record-breaking domestic box office performance during the latter part of December 2009.

*Investing Activities*

We plan to fund capital expenditures for our continued development with cash flow from operations, borrowings under our senior secured credit facility, and proceeds from debt issuances, sale leaseback transactions and/or sales of excess real estate. Our investing activities have been principally related to the development and acquisition of theatres. New theatre openings and acquisitions historically have been financed with internally generated cash and by debt financing, including borrowings under our senior secured credit facility. Cash used for investing activities was \$35.9 million for the three months ended March 31, 2011 compared to \$19.7 million for the three months ended March 31, 2010.

Capital expenditures for the three months ended March 31, 2011 and 2010 were as follows (in millions):

| <b>Period</b>                     | <b>New<br/>Theatres</b> | <b>Existing<br/>Theatres</b> | <b>Total</b> |
|-----------------------------------|-------------------------|------------------------------|--------------|
| Three Months Ended March 31, 2011 | \$ 11.3                 | \$ 24.5                      | \$ 35.8      |
| Three Months Ended March 31, 2010 | \$ 5.2                  | \$ 14.3                      | \$ 19.5      |

We continue to invest in our U.S. theatre circuit. Our total domestic screen count was 3,816 as of March 31, 2011. At March 31, 2011, we had signed commitments to open four new theatres and 50 screens in domestic markets during the remainder of 2011 and open five new theatres with 77 screens subsequent to 2011. We estimate the remaining capital expenditures for the development of these 127 domestic screens will be approximately \$62 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 built two theatres with 12 screens during the three months ended March 31, 2011, bringing our total international screen count to 1,125. At March 31, 2011, we had signed commitments to open seven new theatres with 45 screens in international markets during the remainder of 2011 and open seven new theatres with 48 screens subsequent to 2011. We estimate the remaining capital expenditures for the development of these 93 international screens will be approximately \$66 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

*Financing Activities*

Cash used for financing activities was \$28.7 million for the three months ended March 31, 2011 compared to \$28.8 million for the three months ended March 31, 2010.

On February 24, 2011, our board of directors declared a cash dividend for our fourth quarter of 2010 in the amount of \$0.21 per share of common stock payable to stockholders of record on March 4, 2011. The dividend was paid on March 16, 2011 in the total amount of approximately \$23.9 million.

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We may from time to time, subject to compliance with our debt instruments, purchase our debt securities on the open market depending upon the availability and prices of such securities. Long-term debt consisted of the following as of March 31, 2011 and December 31, 2010 (in millions):

|                                                             | <b>March 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|-------------------------------------------------------------|---------------------------|------------------------------|
| Cinemark, USA, Inc. term loan                               | \$1,070.1                 | \$ 1,072.8                   |
| Cinemark USA, Inc. 8 % senior notes due 2019 <sup>(1)</sup> | 459.9                     | 459.7                        |
| Total long-term debt                                        | \$1,530.0                 | \$ 1,532.5                   |
| Less current portion                                        | 10.8                      | 10.8                         |
| Long-term debt, less current portion                        | \$1,519.2                 | \$ 1,521.7                   |

<sup>(1)</sup> Includes the \$470.0 million aggregate principal amount of the 8.625% senior notes before the original issue discount, which was \$10.1 million as of March 31, 2011.

As of March 31, 2011, we had borrowings of \$1,070.1 million outstanding on the term loan under our senior secured credit facility and \$459.9 million accreted principal amount outstanding under our 8.625% senior discount notes. We had \$150.0 million in available borrowing capacity on our revolving credit line.

As of March 31, 2011, our long-term debt obligations, scheduled interest payments on long-term debt, future minimum lease obligations under non-cancelable operating and capital leases, scheduled interest payments under capital leases and other obligations for each period indicated are summarized as follows:

|                                                              | <b>Total</b>     | <b>Payments Due by Period<br/>(in millions)</b> |                        |                        |                          |
|--------------------------------------------------------------|------------------|-------------------------------------------------|------------------------|------------------------|--------------------------|
|                                                              |                  | <b>Less Than<br/>One Year</b>                   | <b>1 - 3<br/>Years</b> | <b>3 - 5<br/>Years</b> | <b>After<br/>5 Years</b> |
| <b>Contractual Obligations</b>                               |                  |                                                 |                        |                        |                          |
| Long-term debt <sup>(1)</sup>                                | \$1,540.1        | \$ 10.8                                         | \$174.2                | \$ 18.4                | \$1,336.7                |
| Scheduled interest payments on long-term debt <sup>(2)</sup> | 563.6            | 91.4                                            | 174.0                  | 164.7                  | 133.5                    |
| Operating lease obligations                                  | 1,800.5          | 203.0                                           | 403.4                  | 375.5                  | 818.6                    |
| Capital lease obligations                                    | 138.5            | 7.6                                             | 18.1                   | 23.2                   | 89.6                     |
| Scheduled interest payments on capital leases                | 96.9             | 13.7                                            | 24.9                   | 20.7                   | 37.6                     |
| Employment agreements                                        | 11.4             | 3.8                                             | 7.6                    |                        |                          |
| Purchase commitments <sup>(3)</sup>                          | 138.3            | 42.5                                            | 94.0                   | 0.5                    | 1.3                      |
| Current liability for uncertain tax positions <sup>(4)</sup> | 0.5              | 0.5                                             |                        |                        |                          |
| <b>Total obligations</b>                                     | <b>\$4,289.8</b> | <b>\$373.3</b>                                  | <b>\$896.2</b>         | <b>\$603.0</b>         | <b>\$2,417.3</b>         |

<sup>(1)</sup> Includes the 8.625% senior notes in the aggregate principal amount of \$470.0 million, excluding the discount of \$10.1 million.

<sup>(2)</sup> Amounts include scheduled interest payments on fixed rate and variable rate debt agreements. Estimates for the variable rate interest payments were based on interest rates currently in effect. The average interest rates currently

in effect on our fixed rate and variable rate debt are 7.0% and 3.2%, respectively.

- (3) Includes estimated capital expenditures associated with the construction of new theatres to which we were committed as of March 31, 2011.
- (4) The contractual obligations table excludes the long-term portion of our liability for uncertain tax positions of \$16.3 million because we cannot make a reliable estimate of the timing of the related cash payments.

*Senior Secured Credit Facility*

On October 5, 2006, in connection with the acquisition of Century Theatres, Inc., Cinemark USA, Inc. entered into a senior secured credit facility that provided for a \$1.12 billion term loan and a \$150 million revolving credit line. On March 2, 2010, Cinemark USA, Inc. completed an amendment and extension to the senior secured credit facility to primarily extend the maturities of the facility and make certain other modifications. Approximately \$924.4 million of Cinemark USA, Inc.'s then remaining outstanding \$1,083.6 million term loan debt was extended from an original maturity date of October 2013 to a maturity date of April 2016. The remaining term loan debt of approximately \$159.2 million that was not extended matures on the original maturity date of October 2013. Payments on the extended amount are due in equal quarterly installments of approximately \$2.3 million beginning March 31, 2010 through March 31, 2016 with the remaining principal amount of approximately \$866.6 million due April 30, 2016. Payments on the original amount that was not extended are due in equal quarterly installments of approximately \$0.4 million beginning March 31, 2010 through September 30, 2012 and increase to \$37.4 million each calendar quarter from December 31, 2012 to June 30, 2013, with one final payment of approximately \$42.6 million due at maturity on October 5, 2013. We expect to fund the upcoming payments due on the nonextended portion of the term loan debt with cash flows from operations, cash on hand or our ability to refinance such debt. The amendment also imposed a 1.0% prepayment premium for one year on certain prepayments of the extended portion of the term loan debt.

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The interest rate on the original term loan debt that was not extended accrues 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% (the base rate), 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. The margin of the original term loan debt that was not extended is determined by the applicable corporate credit rating. The interest rate on the extended portion of the term loan debt accrues 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 2.25% margin per annum, or (B) a eurodollar rate plus a 3.25% margin per annum.

The maturity date of \$73.5 million of Cinemark USA, Inc.'s \$150.0 million revolving credit line was extended from October 2012 to March 2015. The maturity date of the remaining \$76.5 million of Cinemark USA, Inc.'s revolving credit line did not change and remains October 2012. The interest rate on the original revolving credit line accrues 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. The interest rate on the extended revolving credit line accrues 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 1.75% to 2.0% per annum, or (B) a eurodollar rate plus a margin that ranges from 2.75% to 3.0% per annum. The margin of the revolving credit line is determined by the consolidated net senior secured leverage ratio as defined in the credit agreement.

At March 31, 2011, there was \$1,070.1 million outstanding under the term loan and no borrowings outstanding under the revolving credit line. Cinemark USA, Inc. had \$150.0 million in available borrowing capacity on the revolving credit line. The average interest rate on outstanding term loan borrowings under the senior secured credit facility at March 31, 2011 was approximately 4.8% per annum.

See discussion of interest rate swap agreements under Item 3. Quantitative and Qualitative Disclosures About Market Risk.

*Cinemark USA, Inc. 8% Senior Notes*

On June 29, 2009, Cinemark USA, Inc. issued \$470.0 million aggregate principal amount of 8.625% senior notes due 2019 with an original issue discount of approximately \$11.5 million, resulting in proceeds of approximately \$458.5 million. The proceeds were primarily used to fund the repurchase of the remaining \$419.4 million aggregate principal amount at maturity of Cinemark, Inc.'s 9/4% senior discount notes. Interest is payable on June 15 and December 15 of each year beginning on December 15, 2009. The senior notes mature on June 15, 2019. As of March 31, 2011, the carrying value of the senior notes was approximately \$459.9 million.

The indenture to the senior notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) consummate specified asset sales, (2) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (3) incur additional indebtedness and issue preferred stock, (4) enter into transactions with affiliates, (5) enter new lines of business, (6) merge or consolidate with, or sell all or substantially all of its assets to another person and (7) create liens. Upon a change of control of Cinemark Holdings, Inc. or Cinemark USA, Inc., Cinemark USA, Inc. would be required to make an offer to repurchase the senior notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest through the date of repurchase. Certain asset dispositions are considered triggering events that may require Cinemark USA, Inc. to use the proceeds from those asset dispositions to make an offer to purchase the notes at 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase if such proceeds are not otherwise used within 365 days as described in the indenture. The indenture governing the senior notes allows Cinemark USA, Inc. to incur additional indebtedness if we satisfy the coverage ratio specified in the indenture, after giving effect to the incurrence of the additional indebtedness, and in certain other circumstances. The required minimum coverage ratio is 2 to 1, and our actual ratio as of March 31, 2011 was 4.9 to 1.



**Table of Contents***Covenant Compliance*

As of March 31, 2011, we were in full compliance with all agreements, including all related covenants, governing our outstanding debt.

**Seasonality**

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

**Interest Rate Risk**

We are currently party to variable rate debt facilities. An increase or decrease in interest rates would affect our interest expense relating to our variable rate debt facilities. At March 31, 2011, there was an aggregate of approximately \$420.1 million of variable rate debt outstanding under these facilities, which excludes \$650.0 million of Cinemark USA, Inc.'s term loan debt that is hedged with the Company's interest rate swap agreements in effect as of March 31, 2011 as discussed below. Based on the interest rates in effect on the variable rate debt outstanding at March 31, 2011, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately \$4.2 million.

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

Below is a summary of our current interest rate swap agreements:

| <b>Amount Hedged (in thousands)</b> | <b>Effective Date</b> | <b>Pay Rate</b> | <b>Receive Rate</b> | <b>Expiration Date</b> |
|-------------------------------------|-----------------------|-----------------|---------------------|------------------------|
| \$ 125,000                          | August 2007           | 4.9220%         | 3-month LIBOR       | August 2012            |
| \$ 175,000                          | November 2008         | 3.6300%         | 1-month LIBOR       | (1)                    |
| \$ 175,000                          | December 2010         | 1.3975%         | 1-month LIBOR       | September 2015         |
| \$ 175,000                          | December 2010         | 1.4000%         | 1-month LIBOR       | September 2015         |

(1) \$100,000 expires November 2011 and \$75,000 expires November 2012.

The table below provides information about our fixed rate and variable rate long-term debt agreements as of March 31, 2011:

|                              | <b>Expected Maturity for the Twelve-Month Periods Ending March 31,</b> |               |               |              |              |                   |                  | <b>Fair Value</b> | <b>Average Interest Rate</b> |
|------------------------------|------------------------------------------------------------------------|---------------|---------------|--------------|--------------|-------------------|------------------|-------------------|------------------------------|
|                              | <b>(in millions)</b>                                                   |               |               |              |              |                   |                  |                   |                              |
|                              | <b>2012</b>                                                            | <b>2013</b>   | <b>2014</b>   | <b>2015</b>  | <b>2016</b>  | <b>Thereafter</b> | <b>Total</b>     |                   |                              |
| Fixed rate <sup>(1)(2)</sup> | \$                                                                     | \$            | \$            | \$           | \$           | \$1,120.0         | \$1,120.0        | \$1,164.2         | 7.0%                         |
| Variable rate                | 10.8                                                                   | 84.9          | 89.3          | 9.2          | 9.2          | 216.7             | 420.1            | 421.0             | 3.2%                         |
| <b>Total debt</b>            | <b>\$10.8</b>                                                          | <b>\$84.9</b> | <b>\$89.3</b> | <b>\$9.2</b> | <b>\$9.2</b> | <b>\$1,336.7</b>  | <b>\$1,540.1</b> | <b>\$1,585.2</b>  |                              |

(1)

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Includes \$650.0 million of the Cinemark USA, Inc. term loan, which represents the debt currently hedged with the Company's interest rate swap agreements discussed above.

- (2) Includes the 8.625% senior notes in the aggregate principal amount of \$470.0 million, excluding the discount of \$10.1 million.

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**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. A majority of 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. ( U.S. GAAP ) 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, U.S. GAAP requires that the U.S. dollar be used as the functional currency for the subsidiary. Currency fluctuations in the countries in which we operate result in us reporting exchange gains (losses) or foreign currency translation adjustments. Based upon our equity ownership in our international subsidiaries as of March 31, 2011, holding everything else constant, a 10% immediate, simultaneous, unfavorable change in all of the foreign currency exchange rates to which we are exposed would decrease the aggregate net book value of our investments in our international subsidiaries by approximately \$49 million and would decrease the aggregate net income of our international subsidiaries by approximately \$2 million.

**Item 4. Controls and Procedures**

**Evaluation of the Effectiveness of Disclosure Controls and Procedures**

As of March 31, 2011, we carried out an evaluation required by the Exchange Act, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2011, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

**Changes in Internal Controls Over Financial Reporting**

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 that occurred during the quarter ended March 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

Previously reported under Business Legal Proceedings in the Company's Annual Report on Form 10-K filed March 1, 2011.

**Item 1A. Risk Factors**

There have been no material changes from risk factors previously disclosed in Risk Factors in the Company's Annual Report on Form 10-K filed March 1, 2011.

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**Item 6. Exhibits**

- \*31.1 Certification of Alan Stock, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  - \*31.2 Certification of Robert Copple, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  - \*32.1 Certification of Alan Stock, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
  - \*32.2 Certification of Robert Copple, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
  - 101 Financial statements from the quarterly report on Form 10-Q of Cinemark Holdings, Inc. for the quarter ended March 31, 2011, filed May 5, 2011, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements tagged as block text.
- \* filed herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CINEMARK HOLDINGS, INC.**

Registrant

**DATE:** May 5, 2011

/s/ Alan W. Stock

Alan W. Stock  
Chief Executive Officer

/s/ Robert Copple

Robert Copple  
Chief Financial Officer

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