Cinemark Holdings, Inc.
Form 10-K
March 13, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2008
Commission File Number 001-33401
CINEMARK HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5490327**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3900 Dallas Parkway Suite 500 Plano, Texas	**75093**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (972) 665-1000
Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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 definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2008, computed by reference to the closing price for the registrant s common stock on the New York Stock Exchange on such date was $389,216,993 (29,802,220 shares at a closing price per share of $13.06).

As of February 28, 2009, 108,860,563 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant s definitive proxy statement, in connection with its 2009 Annual Meeting of Stockholders, to be filed within 120 days of December 31, 2008, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, based on our current expectations, assumptions, estimates and projections about our business and our industry. They include statements relating to:

- future revenues, expenses and profitability;
- the future development and expected growth of our business;
- projected capital expenditures;
- attendance at movies generally or in any of the markets in which we operate;
- the number or diversity of popular movies released and our ability to successfully license and exhibit popular films;
- national and international growth in our industry;
- competition from other exhibitors and alternative forms of entertainment; and
- determinations in lawsuits in which we are defendants.

You can identify forward-looking statements by the use of words such as may, should, could, estimates, predic potential, continue, anticipates, believes, plans, expects, future and intends and similar expressions whi to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. In evaluating forward-looking statements, you should carefully consider the risks and uncertainties described in the Risk Factors section in Item 1A of this Form 10-K and elsewhere in this Form 10-K. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained in this Form 10-K. Forward-looking statements contained in this Form 10-K reflect our view only as of the date of this Form 10-K. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain Definitions

Unless the context otherwise requires, all references to we, our, us, the issuer or Cinemark relate to Cinemark Holdings, Inc. and its consolidated subsidiaries, including Cinemark, Inc., Cinemark USA, Inc. and Century Theatres, Inc. Unless otherwise specified, all operating and other statistical data for the U.S. include one theatre in Canada. All references to Latin America are to Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama and Peru. Unless otherwise specified, all operating and other statistical data are as of and for the year ended December 31, 2008.

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PART I

Item 1. Business

Our Company

Cinemark Holdings, Inc. and subsidiaries (the Company) are leaders in the motion picture exhibition industry in terms of both revenues and the number of screens in operation, with theatres in the United States (U.S.), Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia. The Company also managed theatres in the U.S., Brazil and Colombia during the year ended December 31, 2008.

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

As of December 31, 2008, we managed our business under two operating segments U.S. markets and international markets, in accordance with Statement of Financial Accounting Standards (SFAS) No. 131 *Disclosures about Segments of an Enterprise and Related Information.* See Note 23 to the consolidated financial statements.

Our principal executive offices are at 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. Our telephone number is (972) 665-1000. We maintain a corporate website at *www.cinemark.com.* Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments, are available on our website free of charge under the heading Investor Relations SEC Filings as soon as practicable after such reports are filed or furnished electronically to the Securities and Exchange Commission.

Description of Business

We are a leader in the motion picture exhibition industry with 420 theatres and 4,783 screens in the U.S. and Latin America. Our circuit is the third largest in the U.S. with 293 theatres and 3,742 screens in 38 states and one Canadian province. We are the most geographically diverse circuit in Latin America with 127 theatres and 1,041 screens in 12 countries. During the year ended December 31, 2008, approximately 211.3 million patrons attended our theatres. Our modern theatre circuit features stadium seating in approximately 83% of our first-run auditoriums.

We selectively build or acquire new theatres in markets where we can establish and maintain a leading market position. We believe our portfolio of modern theatres provides a preferred destination for moviegoers and contributes to our significant cash flows from operating activities. Our significant presence in the U.S. and Latin America has made us an important distribution channel for movie studios, particularly as they look to increase revenues generated in Latin America. Our market leadership is attributable in large part to our senior executives, who average approximately 34 years of industry experience and have successfully navigated us through multiple industry and economic cycles.

We grew our total revenue per patron at a compound annual growth rate (CAGR) during the last three fiscal years of 10.2%. Revenues, operating income and net loss for the year ended December 31, 2008, were $1,742.3 million, $60.2 million and $(48.3) million, respectively. At December 31, 2008 we had cash and cash equivalents of $349.6 million and long-term debt of $1,508.5 million. Approximately $797.0 million of our long-term debt accrues interest at variable rates.

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Motion Picture Industry Overview

Domestic Markets

The U.S. motion picture exhibition industry has a track record of long-term growth, with box office revenues growing at an estimated CAGR of 5.1% from 1992 to 2007. Against this background of steady long-term growth, the exhibition industry has experienced periodic short-term increases and decreases in attendance, and consequently box office revenues. According to industry sources, in 2008, the motion picture exhibition industry experienced one of its best performances in history, with total box office almost equaling the record breaking 2007 box office. One of the films released during 2008, *The Dark Knight*, which grossed over $500 million in domestic box office, broke several box office records, including the single day box office record on its opening day and the single film three-day weekend record during its opening weekend. We believe box office revenues will continue to perform well in 2009 with a solid slate of films, including *Harry Potter and the Half Blood Prince, Transformers: Revenge of the Fallen, Angels & Demons, X-Men Origins: Wolverine, Night at the Museum II: Escape from the Smithsonian,* and *Watchmen* and the release of 3-D movies such as *Monsters vs. Aliens, Ice Age: Dawn of the Dinosaurs, Avatar, A Christmas Carol,* and Disney s next Pixar installment*, Up.*

As of the date of this report, MPAA Worldwide Market Research (MPAA) had not yet released the 2008 box office information. The following table represents the results of a survey by MPAA published during March 2008, outlining the historical trends in U.S. box office revenues for the ten year period from 1997 to 2007:

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

International Markets

International growth also continues to be consistent. (As of the date of this report, MPAA had not yet released the 2008 box office information.) According to MPAA, international box office revenues grew steadily at a CAGR of 11.9% from 2003 to 2007 as a result of the increasing acceptance of moviegoing as a popular form of entertainment throughout the world, ticket price increases and new theatre construction.

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

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

Drivers of Continued Industry Success

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

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

Increased Importance of International Markets for Box Office Success. International markets continue to be an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for $17.1 billion, or 64% of 2007 total worldwide box office revenues according to MPAA. (As of the date of this report, MPAA had not yet released the 2008 industry information.) With continued growth of the international motion picture exhibition industry, we believe the relative contribution of markets outside North America will become even more significant.

Stable Long-Term Attendance Trends. We believe that long-term trends in motion picture attendance in the U.S. will continue to benefit the industry. Despite historical economic and industry cycles, domestic attendance has grown at a 1.6% CAGR over the last 15 years to an estimated 1.4 billion patrons in 2007. (As of the date of this report, MPAA had not yet released the 2008 industry information.) According to Nielsen Entertainment/NRG, 77% of moviegoers stated their overall theatre experience in 2007 was time and money well spent.

Convenient and Affordable Form of Out-Of-Home Entertainment. Moviegoing continues to be one of the most convenient and affordable forms of out-of-home entertainment, with an estimated average ticket price in the U.S. of $6.88 in 2007. (As of the date of this report, MPAA had not yet released the 2008 box office information.) Average prices in 2007 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, range from approximately $23.50 to $65.25 per ticket according to MPAA. Movie ticket prices have risen at approximately the rate of inflation, while ticket prices for other forms of out-of-home entertainment have increased at higher rates.

Innovation with Digital Technology. The industry has begun to convert to the use of digital projection technology, which will allow exhibitors to expand their product offerings. Digital technology will allow the presentation of 3-D content and alternative entertainment venues such as live sports programs, the opera and concert events. These additional programming alternatives may enhance the level of patronage for exhibitors.

Competitive Strengths

We believe the following strengths allow us to compete effectively:

Disciplined Operating Philosophy. We generated operating income and net loss of $60.2 million and $(48.3) million, respectively, for the year ended December 31, 2008. (Our net loss for the year ended December 31, 2008 was primarily due to $113.5 million of non-cash impairment charges.) Our solid operating performance is a result of our disciplined operating philosophy that centers on building high quality assets, while negotiating favorable theatre level economics and controlling theatre operating costs. As a result, we grew our admissions and concession revenues per patron at the highest CAGR during the last five fiscal years among the three largest motion picture exhibitors in the U.S.

Leading Position in Our U.S. Markets. We have a leading market share in the U.S. metropolitan and suburban markets we serve. For the year ended December 31, 2008, we ranked either first or second based on box office revenues in 21 out of our top 25 U.S. markets, including the San Francisco Bay Area, Dallas, Houston and Salt Lake City.

Strategically Located in Heavily Populated Latin American Markets. Since 1993, we have invested throughout Latin America due to the continued growth of the region. We operate 127 theatres and 1,041 screens in 12 countries, generating revenues of $385.8 million for the year ended December 31, 2008. We have successfully established a significant presence in major cities in the region, with theatres in thirteen of the fifteen largest metropolitan areas. With a geographically diverse circuit, we are an important distribution channel to the movie studios. The projected annual population growth for the Latin American countries in which we operate ranges from 1% to 2% for each of the next three years. We are well-positioned with our modern, large-format theatres to take advantage of these factors for further growth and diversification of our revenues.

State-of-the-Art Theatre Circuit. We offer state-of-the-art theatres, which we believe makes our theatres a preferred destination for moviegoers in our markets. We feature stadium seating in approximately 83% of our first run auditoriums. During 2008, we continued our expansion by adding 203 new screens. We currently have commitments to build 147 additional screens over the next three years.

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Solid Balance Sheet with Significant Cash Flow from Operating Activities. We generate significant cash flow from operating activities as a result of several factors, including management s ability to contain costs, predictable revenues and a geographically diverse, modern theatre circuit. Additionally, a strategic advantage that enhances our cash flows, is our ownership of land and buildings for 43 of our theatres. We believe our expected level of cash flow generation will provide us with the strategic and financial flexibility to pursue growth opportunities, support our debt payments and make dividend payments to our stockholders. As of December 31, 2008, we had cash of $349.6 million. Our senior debt and senior subordinated debt do not mature until 2013 and 2014, respectively.

Experienced Management. Led by Chairman and founder Lee Roy Mitchell, Chief Executive Officer Alan Stock, President, Chief Operating Officer Timothy Warner and Chief Financial Officer Robert Copple, our management team has an average of approximately 34 years of theatre operating experience executing a focused strategy which has led to consistent operating results. This management team has successfully navigated us through many industry and economic cycles.

Our Strategy

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

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

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

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

Dividend Policy

In August 2007, we initiated a quarterly dividend policy. Below is a summary of our dividend activity since the initiation of this policy:

Date Declared	Date of Record	Date Paid	Amount per Common Share[(1)]	Total Dividends
08/13/07	09/04/07	09/18/07	$ 0.13	$13.9 million
11/12/07	12/03/07	12/18/07	$ 0.18	$19.2 million
02/26/08	03/06/08	03/14/08	$ 0.18	$19.3 million
05/09/08	05/30/08	06/12/08	$ 0.18	$19.3 million
08/07/08	08/25/08	09/12/08	$ 0.18	$19.3 million
11/06/08	11/26/08	12/11/08	$ 0.18	$19.6 million

(1) The dividend paid on September 18, 2007 was based on a quarterly dividend rate of

$0.18 per common share, prorated based on the April 24, 2007 closing date of our initial public offering.

We, at the discretion of our board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

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Theatre Operations

As of December 31, 2008, we operated 420 theatres and 4,783 screens in 38 states, one Canadian province and 12 Latin American countries. Our theatres in the U.S. are primarily located in mid-sized U.S. markets, including suburbs of major metropolitan areas. We believe these markets are generally less competitive and generate high, stable margins. Our theatres in Latin America are primarily located in major metropolitan markets, which we believe are generally underscreened. The following tables summarize the geographic locations of our theatre circuit as of December 31, 2008.

United States Theatres

State	Total Theatres	Total Screens
Texas	79	1,024
California	64	760
Ohio	20	223
Utah	13	169
Nevada	10	154
Illinois	9	122
Colorado	8	127
Kentucky	8	95
Arizona	7	106
Oregon	7	102
Oklahoma	6	67
Indiana	6	58
Louisiana	5	74
Pennsylvania	5	73
New Mexico	4	54
Virginia	4	52
North Carolina	4	41
Iowa	4	39
Mississippi	3	41
Arkansas	3	30
Florida	2	40
Washington	2	30
Georgia	2	27
New York	2	27
South Carolina	2	22
Kansas	1	20
Michigan	1	16
Alaska	1	16
New Jersey	1	16
Missouri	1	15
South Dakota	1	14
Tennessee	1	14
Wisconsin	1	14
Massachusetts	1	12
Delaware	1	10
West Virginia	1	10
Minnesota	1	8

Montana	1	8
Total United States	292	3,730
Canada	1	12
Total	293	3,742

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International Theatres

Country	Total Theatres	Total Screens
Brazil	44	368
Mexico	31	300
Chile	12	91
Central America[1]	12	79
Colombia	10	60
Argentina	9	74
Peru	5	43
Ecuador	4	26
Total	127	1,041

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

We first entered Latin America operating movie theatres in Chile in 1993 and Mexico in 1994. Since then, through our focused international strategy, we have developed into the most geographically diverse theatre circuit in the region. We have balanced our risk through a diversified international portfolio, currently operating theatres in thirteen of the fifteen largest metropolitan areas in Latin America. In addition, we have achieved significant scale in Mexico and Brazil, the two largest Latin American economies, with 300 screens in Mexico and 368 screens in Brazil as of December 31, 2008.

We believe that certain markets within Latin America continue to be underserved as penetration of movie screens per capita in Latin American markets is substantially lower than in the U.S. and European markets. We will continue to build and expand our presence in underserved international markets, with emphasis on Latin America, and fund our expansion primarily with cash flow generated in those markets. We are able to mitigate exposure to currency fluctuations by using local currencies to fund substantially all costs of our international operations, including film and facility lease expense. Our geographic diversity throughout Latin America has allowed us to maintain consistent revenue growth, notwithstanding currency and economic fluctuations that may affect any particular market. Our international revenues were approximately $385.8 million during 2008 versus $333.6 million during 2007.

Film Licensing

In the U.S., we license films on a theatre-by-theatre and film-by-film basis from film distributors that are owned by major film production companies or from independent film distributors that distribute films for smaller production companies. For new release films, film distributors typically establish geographic zones and offer each available film to one theatre in each zone. The size of a film zone is generally determined by the population density, demographics and box office revenues potential of a particular market or region. We currently operate theatres in 242 first run film zones in the U.S. New film releases are licensed at the discretion of the film distributors. As the sole exhibitor in approximately 86% of the first run film zones in which we operate, we have maximum access to film product, which allows us to select those pictures we believe will be the most successful in our markets from those offered to us by distributors. We usually license films on an allocation basis in film zones where we face competition.

In the international markets in which we operate, distributors do not allocate film to a single theatre in a geographic film zone, but allow competitive theatres to play the same films simultaneously. In these markets, films are still licensed on a theatre-by-theatre and film-by-film basis. Our theatre personnel focus on providing excellent customer service, and we provide a modern facility with the most up-to-date sound systems, comfortable stadium style seating and other amenities typical of modern American-style multiplexes, which we believe gives us a competitive advantage in markets where competing theatres play the same films. Of the 1,041 screens we operate in international markets, approximately 73% have no direct competition from other theatres.

Our film rental licenses in the U.S. typically specify that rental fees are based on the applicable box office receipts and either the mutually agreed upon firm terms or a sliding scale formula, which are established prior to the opening of the film, or a mutually agreed upon settlement, which occurs at the conclusion of the film run, subject to the film licensing agreement. Under a firm terms formula, we pay the distributor a specified percentage of box office receipts, which reflects either a mutually agreed upon aggregate rate for the life of the film or rates that decline over the term of the run. Under the sliding scale formula, film rental is paid as a percentage of box office revenues using a pre-determined

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matrix based upon box office performance of the film. The settlement process allows for negotiation of film rental fees upon the conclusion of the film run based upon how the film performs. Internationally, our film rental licenses are primarily based on mutually agreed upon firm terms established prior to the opening of the picture. The film rental percentages paid by our international locations are generally lower than in the U.S. markets and gradually decline over a period of several weeks.

We operate six art theatres with 21 screens under the CineArts brand. We also regularly play art and independent films at many of our other theatres, providing a variety of film choices to our patrons. Operating under the CineArts brand and bringing art and independent films to our other brands, allows us to benefit from the growth in the art and independent market driven by the more mature patron and the increased interest in art, foreign and documentary films. High profile film festivals, such as the Sundance Film Festival, have contributed to growth and interest in this genre. Recent hits such as *Slumdog Millionaire* and *Doubt* have demonstrated the box office potential of art and independent films.

Concessions

Concession sales are our second largest revenue source, representing approximately 31% of total revenues for the year ended December 31, 2008. Concession sales have a much higher margin than admissions sales. We have devoted considerable management effort to increase concession sales and improve operating margins. These efforts include implementation of the following strategies:

Optimization of product mix. We offer concession products that primarily include various sizes of popcorn, soft drinks and candy. Different varieties and flavors of candy and soft drinks are offered at theatres based on preferences in that particular geographic region. Our point of sale system allows us to monitor product sales and make changes to product mix as necessary. Specially priced combos and promotions are launched on a regular basis to increase average concession purchases as well as to attract new buyers.

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

Theatre design. Our theatres are designed to optimize efficiencies at the concession stands, which include multiple service stations to facilitate serving more customers more quickly. We strategically place large concession stands within theatres to heighten visibility, reduce the length of concession lines, and improve traffic flow around the concession stands. Some of our concession areas are designed as self-service stations which allow customers to select their own refreshments and proceed to the cash register when they are ready. This design presents efficient service, enhanced choice and superior visibility of concession items. Concession designs in many of our new theatres have incorporated the benefits experienced with the self-service model.

Cost control. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain bulk rates. Concession supplies are distributed through a national distribution network. The concession distributor supplies and distributes inventory to the theatres, who place orders directly with the vendors to replenish stock.

Participation in National CineMedia

In March 2005, Regal Entertainment, Inc., (Regal), and AMC Entertainment, Inc., (AMC), formed National CineMedia, LLC, (NCM), and on July 15, 2005, we joined NCM, as one of the founding members. NCM operates an in-theatre digital network in the U.S. The digital network consists of projectors used to display advertising and other non-film events. NCM s primary activities that impact us include:

advertising through its branded *First Look* pre-feature entertainment program, and lobby promotions and displays,

live and pre-recorded networked and single-site meetings and events, live and pre-recorded concerts, sporting events and other non-film entertainment programming.

We believe that the reach, scope and digital delivery capability of NCM s network provides an effective platform for national, regional and local advertisers to reach an engaged audience. We receive a monthly theatre access fee for participation in the NCM network. In addition, we are entitled to receive mandatory quarterly distributions of excess cash from NCM. We currently have an approximate 14.1% interest in NCM. See Note 7 to the consolidated financial statements.

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

Participation in Digital Cinema Implementation Partners

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

As of the date of this report, DCIP had signed long-term agreements with five studios for the deployment of digital projection systems in movie theatres in North America. These agreements are the first of a number of agreements that DCIP intends to enter into with all of the major studios and independent distribution companies to ensure the widespread roll-out of digital technology. In accordance with these agreements, the digital projection systems deployed by DCIP will comply with the technology and security specifications developed by the Digital Cinema Initiatives studio consortium. DCIP is currently working with lenders and equity sources to finance the planned deployment of digital systems.

Marketing

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

Internationally, we exhibit upcoming and current film previews on screen, we implement co-promotions with film distributors and promote and advertise our new locations through various forms of media and events. We partner with large multi-national corporations in the large metropolitan areas in which we have theatres, to promote our brand, our image and to increase attendance levels at our theatres. Our customers are encouraged to register on our website to receive weekly information by email for showtime information, invitations to special screenings, sponsored events and promotional information. In addition, our customers can request to receive showtime information on their cell phones. We also have loyalty programs in certain of our international markets that allow customers to pay a nominal fee for a membership card that provides them with certain admissions and concession discounts.

Our marketing departments also focus on maximizing ancillary revenue, which includes the sale of our gift cards and our SuperSaver discount tickets. We market these programs to such business representatives as realtors, human resource managers, incentive program managers and hospital and pharmaceutical personnel. Gift cards can be purchased at our theatres or online through our website. SuperSavers are also sold online at our website or over the phone, fax or email by our local corporate offices and are also available at certain retailers in the U.S.

Online Sales

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

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Point of Sale Systems

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

Competition

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

We are the sole exhibitor in approximately 86% of the 242 first run film zones in which our first run U.S. theatres operate. In film zones where there is no direct competition from other theatres, we select those films we believe will be the most successful from among those offered to us by film distributors. Where there is competition, we usually license films based on an allocation process. Of the 1,041 screens we operate outside of the U.S., approximately 73% of those screens have no direct competition from other theatres. In areas where we face direct competition, our success in attracting patrons depends on location, accessibility and capacity of an exhibitor s theatre, theatre comfort, quality of projection and sound equipment, film showtime availability, level of customer service, and ticket prices. The competition for film licensing in the U.S. is dependent upon factors such as the location, condition and capacity of an exhibitor s theatre, revenue potential and licensing terms.

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

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

Corporate Operations

Our corporate headquarters is located in Plano, Texas. Personnel at our corporate headquarters provide oversight for our domestic and international theatres. Domestic personnel at our corporate headquarters include concessions, theatre operations support, film licensing, human resources, legal, finance and accounting, operational audit, theatre maintenance and construction, Internet and information systems support, real estate and marketing. Our U.S. operations are divided into sixteen regions, primarily organized geographically, each of which is headed by a region leader.

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

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Employees

We have approximately 12,900 employees in the U.S., approximately 10% of whom are full time employees and 90% of whom are part time employees. We have approximately 5,400 employees in our international markets, approximately 65% of whom are full time employees and approximately 35% of whom are part time employees. Some of our U.S. employees are represented by unions under collective bargaining agreements, and some of our international locations are subject to union regulations. We regard our relations with our employees to be satisfactory.

Regulations

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

We are subject to various general regulations applicable to our operations including the Americans with Disabilities Act of 1990, or the ADA. We develop new theatres to be accessible to the disabled and we believe we are in substantial compliance with current regulations relating to accommodating the disabled. Although we believe that our theatres comply with the ADA, we have been a party to lawsuits which claim that our handicapped seating arrangements do not comply with the ADA or that we are required to provide captioning for patrons who are deaf or are severely hearing impaired.

Our theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship, health and sanitation requirements and licensing.

Financial Information About Geographic Areas

We have operations in the U.S., Canada, Mexico, Argentina, Brazil, Chile, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Colombia, which are reflected in the consolidated financial statements. See Note 23 to the consolidated financial statements for segment information and financial information by geographic area.

Item 1A. Risk Factors

Our business depends on film production and performance.

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

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

We rely on the film distributors to supply the films shown in our theatres. The film distribution business is highly concentrated, with six major film distributors accounting for approximately 81% of U.S. box office revenues and 47 of the top 50 grossing films during 2008. Numerous antitrust cases and consent decrees resulting from these anti-trust cases impact the distribution of films. The consent decrees bind certain major film distributors to license films to exhibitors on a theatre-by-theatre and film-by-film basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration in our relationship with any of the six major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

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

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

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

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

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

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

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

During the period between 1996 and 2000, theatre exhibitors focused on the development of large multiplexes. The strategy of aggressively building multiplexes was adopted throughout the industry during that time and resulted in an oversupply of screens in the North American exhibition industry and negatively impacted many older multiplex theatres, leading to financial difficulty for some of the exhibitors. According to MPAA, screen counts have increased each year since 2003. If exhibitors continue to build theatres and demand for such theatres does not grow at the same rate, the performance of some of our theatres could be adversely affected.

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

We have significant long-term debt service obligations and long-term lease obligations. As of December 31, 2008, we had $1,516.6 million in long-term debt obligations, $123.7 million in capital lease obligations and $1,839.1 million in long-term operating lease obligations. We incurred $116.1 million of interest expense for the year ended December 31, 2008. We incurred $225.6 million of rent expense for the year ended December 31, 2008 under operating leases (with terms, excluding renewal options, ranging from one to 28 years). Our substantial lease and debt obligations pose risk to you by:

making it more difficult for us to satisfy our obligations;

requiring us to dedicate a substantial portion of our cash flow to payments on our lease and debt obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other corporate requirements and to pay dividends;

impeding our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;

subjecting us to the risk of increased sensitivity to interest rate increases on our variable rate debt, including our borrowings under our senior secured credit facility; and

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

Our ability to make scheduled payments of principal and interest with respect to our indebtedness and service our lease obligations will depend on our ability to generate cash flow from our operations. To a certain extent, our ability to generate cash flow is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. We cannot assure you that we will continue to generate cash flow at current levels. If we fail to make any required payment under the agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default and our lenders would have the ability to require that we immediately repay our outstanding indebtedness. Any such defaults could materially impair our financial condition and liquidity. We cannot assure you that we would be able to refinance our outstanding indebtedness if debt holders require repayments as a result of a default. In addition, we may need to refinance all or a portion of our outstanding indebtedness prior to its scheduled maturity; however, we may not be able to refinance all or any portion of our indebtedness on commercially reasonable terms or at all. If we fail to make any required payment under our leases, we would be in default and our landlords would have the ability to terminate our leases and re-enter the premises. The involuntary termination of a substantial number of our leases could have a material adverse impact on our business and results of operations.

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

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

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

We have 127 theatres with 1,041 screens in twelve countries in Latin America. Brazil and Mexico represented approximately 10.7% and 4.5% of our consolidated 2008 revenues, respectively. Governmental regulation of the motion picture industry in foreign markets differs from that in the United States. Changes in regulations affecting prices, quota systems requiring the exhibition of locally-produced films and restrictions on ownership of property may adversely affect our international operations in foreign markets. Our international operations are subject to certain political, economic and other uncertainties not encountered by our domestic operations, including risks of severe economic downturns and high inflation. We also face risks of currency fluctuations, hard currency shortages and controls of foreign currency exchange and transfers abroad, all of which could have an adverse effect on the results of our international operations.

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

We joined Regal and AMC as founding members of NCM in 2005 and currently have an approximate 14.1% interest in NCM. We receive a monthly theatre access fee under our Exhibitor Services Agreement with NCM and we are entitled to receive mandatory quarterly distributions of excess cash from NCM. During the years ended December 31, 2007 and 2008, the Company received approximately $5.7 million and $1.8 million in other revenues from NCM, respectively and $11.5 million and $18.8 million in cash distributions from NCM, respectively. Cinema advertising is a small component of the U.S. advertising market and therefore, NCM competes with larger, established and well known media platforms such as broadcast radio and television, cable and satellite television, outdoor advertising and Internet portals. NCM also competes with other cinema advertising companies and with hotels, conference centers, arenas, restaurants and convention facilities for its non-film related events to be shown or held in our auditoriums. In-theatre advertising may not continue to attract advertisers or NCM s in-theatre advertising format may not continue to be received favorably by the theatre-going public. If NCM is unable to continue to generate expected sales of advertising, its results of operations may be adversely affected and our investment in and distributions and revenues from NCM may be adversely impacted.

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

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

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

We have greatly expanded our operations over the last decade through targeted worldwide theatre development and acquisitions. We will continue to pursue a strategy of expansion that will involve the development of new theatres and may involve acquisitions of existing theatres and theatre circuits both in the U.S. and internationally. There is significant competition for new site locations and for existing theatre and theatre circuit acquisition opportunities. As a result of such competition, we may not be able to acquire attractive site locations, existing theatres or theatre circuits on terms we consider acceptable. We cannot assure you that our expansion strategy will result in improvements to our business, financial condition, profitability, or cash flows. Further, our expansion programs may require financing above our existing borrowing capacity and internally generated funds. We cannot assure you that we will be able to obtain such financing nor that such financing will be available to us on acceptable terms.

If we do not comply with the Americans with Disabilities Act of 1990 and a consent order we entered into with the Department of Justice, we could be subject to further litigation.

Our theatres must comply with Title III of the ADA and analogous state and local laws. Compliance with the ADA requires among other things that public facilities reasonably accommodate individuals with disabilities and that new construction or alterations made to commercial facilities conform to accessibility guidelines unless structurally impracticable for new construction or technically infeasible for alterations. In March 1999, the Department of Justice, or DOJ, filed suit against us in Ohio alleging certain violations of the ADA relating to wheelchair seating arrangements in certain of our stadium-style theatres and seeking remedial action. We and the DOJ have resolved this lawsuit and a consent order was entered by the U.S. District Court for the Northern District of Ohio, Eastern Division, on November 15, 2004. Under the consent order, we are required to make modifications to wheelchair seating locations in fourteen stadium-style movie theatres and spacing and companion seating modifications in 67 auditoriums at other stadium-styled movie theatres. These modifications must be completed by November 2009. We are currently in compliance with the consent order. Upon completion of these modifications, these theatres will comply with wheelchair seating requirements, and no further modifications will be required to our other stadium-style movie theatres in the United States existing on the date of the consent order. In addition, under the consent order, the DOJ approved the seating plans for nine stadium-styled movie theatres then under construction and also created a safe harbor framework for us to construct all of our future stadium-style movie theatres. The DOJ has stipulated that all theatres built in compliance with the consent order will comply with the wheelchair seating requirements of the ADA. If we fail to comply with the ADA, remedies could include imposition of injunctive relief, fines, awards for damages to private litigants and additional capital expenditures to remedy non-compliance. Imposition of significant fines, damage awards or capital expenditures to cure non-compliance could adversely affect our business and operating results.

We depend on key personnel for our current and future performance.

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

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

We review long-lived assets for impairment indicators on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. We assess many factors when determining whether to impair individual theatre assets, including actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, amortizing intangible assets carrying values, the age of a recently built theatre, competitive theatres in the marketplace, changes in foreign currency exchange rates, the impact of recent ticket price changes, available lease renewal options and other factors considered relevant in our assessment of impairment of individual theatre assets. Long-lived assets are evaluated for impairment on an individual theatre basis, which we believe is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre s useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods, for leased properties and a period of twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset s carrying value, we then compare the carrying value of the asset group (theatre) with its estimated fair value. Fair value is determined based on a multiple of cash flows, which was eight times for the evaluations performed during 2006, 2007 and the first, second and third quarters of 2008 and six and a half times for the evaluation performed during the fourth quarter of 2008. When estimated fair value is determined to b