

Cinemark Holdings, Inc.  
Form 10-Q  
August 06, 2012  
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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 June 30, 2012

Commission File Number: 001-33401

**CINEMARK HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of)

20-5490327  
(I.R.S. Employer)

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incorporation or organization)

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  (Do not check if a smaller reporting company)

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 July 31, 2012, 114,904,146 shares of common stock were issued and outstanding.

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**CINEMARK HOLDINGS, INC. AND SUBSIDIARIES**

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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, 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 February 29, 2012 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 and per share data, unaudited)**

	June 30, 2012	December 31, 2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 524,282	\$ 521,408
Inventories	12,495	11,284
Accounts receivable	65,964	54,757
Income tax receivable	3,797	17,786
Deferred tax asset	10,213	10,583
Prepaid expenses and other	10,495	11,300
<b>Total current assets</b>	<b>627,246</b>	<b>627,118</b>
Theatre properties and equipment	2,157,971	2,103,927
Less accumulated depreciation and amortization	915,276	865,077
Theatre properties and equipment, net	1,242,695	1,238,850
Other assets		
Goodwill	1,151,179	1,150,637
Intangible assets net	333,773	336,907
Investment in NCM	78,193	72,040
Investment in DCIP	16,202	12,798
Investment in marketable securities RealD	18,293	9,709
Investments in and advances to affiliates	1,793	1,543
Long-term deferred tax asset	9,147	8,826
Deferred charges and other assets net	63,839	63,980
<b>Total other assets</b>	<b>1,672,419</b>	<b>1,656,440</b>
<b>Total assets</b>	<b>\$ 3,542,360</b>	<b>\$ 3,522,408</b>
<b>Liabilities and equity</b>		
Current liabilities		
Current portion of long-term debt	\$ 12,006	\$ 12,145
Current portion of capital lease obligations	10,058	9,639
Income tax payable	5,467	6,506
Accounts payable and accrued expenses	262,733	276,737
<b>Total current liabilities</b>	<b>290,264</b>	<b>305,027</b>
Long-term liabilities		
Long-term debt, less current portion	1,554,390	1,560,076
Capital lease obligations, less current portion	129,572	131,533

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Deferred tax liability	161,602	162,449
Liability for uncertain tax positions	20,452	22,411
Deferred lease expenses	36,728	34,466
Deferred revenue NCM	243,428	236,310
Other long-term liabilities	47,788	46,497
<b>Total long-term liabilities</b>	<b>2,193,960</b>	<b>2,193,742</b>
Commitments and contingencies (see Note 18)		
<b>Equity</b>		
Cinemark Holdings, Inc. s stockholders equity:		
Common stock, \$0.001 par value: 300,000,000 shares authorized, 118,412,337 shares issued and 114,873,675 shares outstanding at June 30, 2012 and 117,593,329 shares issued and 114,201,737 shares outstanding at December 31, 2011	118	118
Additional paid-in-capital	1,055,013	1,047,237
Treasury stock, 3,538,662 and 3,391,592 shares, at cost, at June 30, 2012 and December 31, 2011, respectively	(48,482)	(45,219)
Retained earnings	79,749	34,423
Accumulated other comprehensive loss	(39,544)	(23,682)
<b>Total Cinemark Holdings, Inc. s stockholders equity</b>	<b>1,046,854</b>	<b>1,012,877</b>
Noncontrolling interests	11,282	10,762
<b>Total equity</b>	<b>1,058,136</b>	<b>1,023,639</b>
<b>Total liabilities and equity</b>	<b>\$ 3,542,360</b>	<b>\$ 3,522,408</b>

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

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

(in thousands, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
Admissions	\$ 418,073	\$ 405,917	\$ 791,866	\$ 717,609
Concession	201,414	189,353	381,234	336,034
Other	30,119	25,323	55,324	50,086
<b>Total revenues</b>	<b>649,606</b>	<b>620,593</b>	<b>1,228,424</b>	<b>1,103,729</b>
<b>Cost of operations</b>				
Film rentals and advertising	227,301	222,620	422,716	387,773
Concession supplies	31,787	29,628	60,238	52,910
Salaries and wages	62,349	58,029	120,841	108,108
Facility lease expense	71,614	69,367	140,176	135,793
Utilities and other	69,574	65,576	136,083	125,403
General and administrative expenses	35,951	31,187	70,015	60,173
Depreciation and amortization	36,341	39,897	73,157	79,037
Impairment of long-lived assets	311	1,594	496	2,609
Loss on sale of assets and other	469	5,694	1,305	6,166
<b>Total cost of operations</b>	<b>535,697</b>	<b>523,592</b>	<b>1,025,027</b>	<b>957,972</b>
<b>Operating income</b>	<b>113,909</b>	<b>97,001</b>	<b>203,397</b>	<b>145,757</b>
<b>Other income (expense)</b>				
Interest expense	(31,375)	(29,777)	(63,508)	(59,067)
Interest income	493	1,724	2,260	3,493
Foreign currency exchange (loss) gain	(1,418)	523	447	1,346
Loss on early retirement of debt		(4,945)		(4,945)
Distributions from NCM	386	1,559	8,417	11,422
Equity in income (loss) of affiliates	988	(1,804)	2,778	634
<b>Total other expense</b>	<b>(30,926)</b>	<b>(32,720)</b>	<b>(49,606)</b>	<b>(47,117)</b>
<b>Income before income taxes</b>	<b>82,983</b>	<b>64,281</b>	<b>153,791</b>	<b>98,640</b>
Income taxes	30,844	23,272	58,776	32,309
<b>Net income</b>	<b>\$ 52,139</b>	<b>\$ 41,009</b>	<b>\$ 95,015</b>	<b>\$ 66,331</b>
Less: Net income attributable to noncontrolling interests	501	598	1,273	957
<b>Net income attributable to Cinemark Holdings, Inc.</b>	<b>\$ 51,638</b>	<b>\$ 40,411</b>	<b>\$ 93,742</b>	<b>\$ 65,374</b>
<b>Weighted average shares outstanding</b>				
Basic	113,301	112,764	113,063	112,654
Diluted	113,737	113,209	113,568	113,080

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

Basic	\$	0.45	\$	0.35	\$	0.82	\$	0.57
Diluted	\$	0.45	\$	0.35	\$	0.82	\$	0.57
Dividends declared per common share	\$	0.21	\$	0.21	\$	0.42	\$	0.42

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 COMPREHENSIVE INCOME

(In thousands, unaudited)

	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
<b>Net income</b>	\$ 52,139	\$ 41,009	\$ 95,015	\$ 66,331
<b>Other comprehensive income, net of tax</b>				
Unrealized (loss) gain due to fair value adjustments on interest rate swap agreements, net of taxes of \$399, \$1,644, \$24 and \$292	(666)	(3,746)	44	(1,030)
Unrealized (loss) gain due to fair value adjustments on available-for-sale securities, net of taxes of \$669, \$353, \$3,219 and \$1,082	1,116	(3,043)	5,365	(1,720)
Amortization of accumulated other comprehensive loss on terminated interest rate swap agreement	988	1,101	1,976	2,259
Foreign currency translation adjustment	(39,239)	16,030	(23,440)	23,380
<b>Total other comprehensive income (loss), net of tax</b>	<b>(37,801)</b>	<b>10,342</b>	<b>(16,055)</b>	<b>22,889</b>
<b>Total comprehensive income, net of tax</b>	<b>14,338</b>	<b>51,351</b>	<b>78,960</b>	<b>89,220</b>
<b>Comprehensive income attributable to noncontrolling interests</b>	<b>(398)</b>	<b>(845)</b>	<b>(1,080)</b>	<b>(1,105)</b>
<b>Comprehensive income attributable to Cinemark Holdings, Inc.</b>	<b>\$ 13,940</b>	<b>\$ 50,506</b>	<b>\$ 77,880</b>	<b>\$ 88,115</b>

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

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

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net income	\$ 95,015	\$ 66,331
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	71,025	77,091
Amortization of intangible and other assets and favorable/unfavorable leases	2,132	1,946
Amortization of long-term prepaid rents	1,310	1,284
Amortization of debt issue costs	2,386	2,371
Amortization of deferred revenues, deferred lease incentives and other	(4,544)	(4,798)
Amortization of accumulated other comprehensive loss related to interest rate swap agreement	1,976	2,259
Fair value change in interest rate swap agreements not designated as hedges	(567)	(328)
Amortization of bond discount	456	417
Impairment of long-lived assets	496	2,609
Share based awards compensation expense	6,868	4,572
Loss on sale of assets and other	1,305	5,128
Loss on contribution and sale of digital projection systems to DCIP		1,038
Loss on early retirement of debt		4,945
Deferred lease expenses	2,330	1,650
Deferred income tax expenses	(3,993)	5,881
Equity in income of affiliates	(2,778)	(634)
Distributions from equity investees	2,803	2,835
Changes in assets and liabilities	(844)	7,151
Net cash provided by operating activities	175,376	181,748
<b>Investing activities</b>		
Additions to theatre properties and equipment	(93,587)	(85,302)
Proceeds from sale of theatre properties and equipment	667	4,471
Acquisition of theatre in U.S.	(14,080)	
Investment in DCIP and other	(406)	(993)
Net cash used for investing activities	(107,406)	(81,824)
<b>Financing activities</b>		
Proceeds from stock option exercises	2	444
Payroll taxes paid as a result of restricted stock withholdings	(3,263)	(494)
Dividends paid to stockholders	(48,106)	(47,873)
Repayments of long-term debt	(6,052)	(162,254)
Proceeds from issuance of senior subordinated notes		200,000
Payment of debt issue costs		(4,521)
Payments on capital leases	(4,598)	(3,495)
Purchase of noncontrolling interest in Cinemark Chile		(1,443)
Other	231	(191)
Net cash used for financing activities	(61,786)	(19,827)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(3,310)</b>	<b>5,810</b>

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<b>Increase in cash and cash equivalents</b>	2,874	85,907
<b>Cash and cash equivalents:</b>		
Beginning of period	521,408	464,997
End of period	\$ 524,282	\$ 550,904

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, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. The Company also managed additional theatres in the U.S., Brazil, and Colombia during the six months ended June 30, 2012.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. 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, 2011, included in the Annual Report on Form 10-K filed February 29, 2012 by the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results to be achieved for the full year.

**2. New Accounting Pronouncements**

There have been no new accounting pronouncements issued or effective through the six months ended June 30, 2012 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 restricted stock awards, which contain non-forfeitable rights to dividends, as 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Numerator:</b>				
Net income attributable to Cinemark Holdings, Inc.	\$ 51,638	\$ 40,411	\$ 93,742	\$ 65,374
Earnings allocated to participating share-based awards <sup>(1)</sup>	(698)	(480)	(1,084)	(667)
Net income attributable to common stockholders	\$ 50,940	\$ 39,931	\$ 92,658	\$ 64,707
<b>Denominator</b> (shares in thousands):				
Basic weighted average common stock outstanding	113,301	112,764	113,063	112,654
Common equivalent shares for stock options	39	41	38	46
Common equivalent shares for restricted stock units	397	404	467	380
<b>Diluted</b>	<b>113,737</b>	<b>113,209</b>	<b>113,568</b>	<b>113,080</b>
Basic earnings per share attributable to common stockholders	\$ 0.45	\$ 0.35	\$ 0.82	\$ 0.57
Diluted earnings per share attributable to common stockholders	\$ 0.45	\$ 0.35	\$ 0.82	\$ 0.57

<sup>(1)</sup> For the three months ended June 30, 2012 and 2011, a weighted average of approximately 1,558 and 1,357 shares of unvested restricted stock, respectively, were considered participating securities. For the six months ended June 30, 2012 and 2011, a weighted average of approximately 1,328 and 1,162 shares of unvested restricted stock, respectively, were considered participating securities.

**4. Long-Term Debt Activity**

On June 3, 2011, Cinemark USA, Inc. issued \$200,000 aggregate principal amount of 7.375% senior subordinated notes due 2021, at par value. The proceeds, after payment of fees, were primarily used to fund the prepayment of the remaining \$157,235 of the Company's unextended portion of term loan debt under its senior secured credit facility. Interest on the senior subordinated notes is payable on June 15 and December 15 of each year. The senior subordinated notes mature on June 15, 2021. The Company incurred debt issue costs of approximately \$4,500 in connection with the issuance. There were no prepayment penalties incurred upon the prepayment of the term loan debt. Subsequent to the prepayment, the quarterly payments due on the term loan are approximately \$2,311 per quarter through March 2016 with the remaining principal amount of approximately \$866,602 due April 30, 2016. The prepayment did not impact the interest rate applicable to the remaining portion of the term loan debt nor did it impact the interest rates applicable to or the maturity of the Company's revolving credit line.

As a result of the prepayment, the Company wrote-off approximately \$2,183 in unamortized debt issue costs related to the unextended portion of term loan debt that was prepaid. In addition, the Company determined that a portion of the quarterly interest payments hedged by two of its current interest rate swap agreements under cash flow hedges and the quarterly interest payments related to its previously terminated interest rate swap agreement were probable not to occur and therefore reclassified approximately \$2,760 of its accumulated other comprehensive loss related to these cash flow hedges to earnings, as a component of loss on early retirement of debt. The Company also recorded fees of \$2 to loss on early retirement of debt during the three and six months ended June 30, 2011.

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As of June 30, 2012, there was approximately \$901,266 outstanding under the term loan and no borrowings outstanding under the revolving credit line.

### *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 in paragraph 10-35 of Financial Accounting Standards Board Accounting Standards Codification Topic 820

*Fair Value Measurement* ( FASB ASC Topic 820 ). The carrying value of the Company's long-term debt was \$1,566,396 and \$1,572,221 as of June 30, 2012 and December 31, 2011, respectively. The fair value of the Company's long-term debt was \$1,628,826 and \$1,622,286 as of June 30, 2012 and December 31, 2011, respectively.

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## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

**5. Equity**

Below is a summary of changes in stockholders' equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the six months ended June 30, 2012 and 2011:

	<b>Cinemark Holdings, Inc. Stockholders Equity</b>	<b>Noncontrolling Interests</b>	<b>Total Equity</b>
Balance at January 1, 2012	\$ 1,012,877	\$ 10,762	\$ 1,023,639
Share based awards compensation expense	6,868		6,868
Stock withholdings related to restricted stock that vested during the six months ended June 30, 2012	(3,263)		(3,263)
Exercise of stock options	2		2
Tax benefit related to restricted stock vesting	906		906
Dividends paid to stockholders <sup>(1)</sup>	(48,106)		(48,106)
Dividends accrued on unvested restricted stock unit awards <sup>(1)</sup>	(310)		(310)
Dividends paid to noncontrolling interests		(560)	(560)
Net income	93,742	1,273	95,015
Fair value adjustments on interest rate swap agreements designated as hedges, net of taxes of \$24	44		44
Amortization of accumulated other comprehensive loss on terminated swap agreement	1,976		1,976
Fair value adjustments on available-for-sale securities, net of taxes of \$3,219	5,365		5,365
Foreign currency translation adjustment	(23,247)	(193)	(23,440)
Balance at June 30, 2012	\$ 1,046,854	\$ 11,282	\$ 1,058,136

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## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

	Cinemark Holdings, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2011	\$ 1,021,547	\$ 11,605	\$ 1,033,152
Purchase of noncontrolling interests share of Chile subsidiary	(917)	(526)	(1,443)
Share based awards compensation expense	4,572		4,572
Stock withholdings related to restricted stock that vested during the six months ended June 30, 2011	(494)		(494)
Exercise of stock options	445		445
Tax benefit related to stock option exercises and restricted stock vesting	910		910
Dividends paid to stockholders <sup>(2)</sup>	(47,873)		(47,873)
Dividends accrued on unvested restricted stock unit awards <sup>(2)</sup>	(334)		(334)
Dividends paid to noncontrolling interests		(1,101)	(1,101)
Write-off of accumulated other comprehensive loss related to cash flow hedges, net of taxes of \$723	2,037		2,037
Net income	65,374	957	66,331
Fair value adjustments on interest rate swap agreements, net of taxes of \$292	(1,030)		(1,030)
Amortization of accumulated other comprehensive loss on terminated swap agreement	2,259		2,259
Fair value adjustments on available-for-sale securities, net of taxes of \$1,082	(1,720)		(1,720)
Foreign currency translation adjustment	23,232	148	23,380
Balance at June 30, 2011	\$ 1,068,008	\$ 11,083	\$ 1,079,091

<sup>(1)</sup> On May 11, 2012 the Company's board of directors declared a cash dividend for the first quarter of 2012 in the amount of \$0.21 per share of common stock payable to stockholders of record on June 4, 2012. The dividend was paid on June 19, 2012. On February 3, 2012, the Company's board of directors declared a cash dividend for the fourth quarter of 2011 in the amount of \$0.21 per share of common stock payable to stockholders of record on March 2, 2012. The dividend was paid on March 16, 2012.

<sup>(2)</sup> On May 12, 2011, the Company's board of directors declared a cash dividend for the first quarter of 2011 in the amount of \$0.21 per share of common stock payable to stockholders of record on June 6, 2011. The dividend was paid on June 17, 2011. 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.

**6. Investment in National CineMedia**

The Company has an investment in National CineMedia, LLC ( NCM ). NCM operates a digital in-theatre network in the U.S. for providing cinema advertising and non-film events. Upon joining NCM, the Company entered into an Exhibitor Services Agreement with NCM ( ESA ), pursuant to which NCM provides advertising, promotion and event services to our theatres. As described further in Note 6 to the Company's financial statements as included in its 2011 Annual Report on Form 10-K, on February 13, 2007, National CineMedia, Inc. ( NCM, Inc. ), an entity that serves as the sole manager of NCM, completed an IPO of its common stock. In connection with the NCM Inc. initial public offering, the Company amended its operating agreement and the ESA. Following the NCM, Inc. IPO, the Company does not recognize undistributed



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equity in the earnings on its original NCM membership units (referred to herein as the Company's Tranche 1 Investment) until NCM's future net earnings, less distributions received, surpass the amount of the excess distribution. The Company recognizes equity in earnings on its Tranche 1 Investment only to the extent it receives cash distributions from NCM. The Company recognizes cash distributions it receives from NCM on its Tranche 1 Investment as a component of earnings as Distributions from NCM. The Company believes that the accounting model provided by ASC 323-10-35-22 for recognition of equity investee losses in excess of an investor's basis is analogous to the accounting for equity income subsequent to recognizing an excess distribution.

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Below is a summary of activity with NCM included in the Company's condensed consolidated financial statements:

	Investment in NCM	Deferred Revenue	Distributions from NCM	Equity in Loss	Other Revenue	Cash Received
Balance as of January 1, 2012	\$ 72,040	\$ (236,310)				
Receipt of common units due to annual common unit adjustment	9,137	(9,137)	\$	\$	\$	\$
Revenues earned under ESA <sup>(1)</sup>					(3,554)	3,554
Receipt of excess cash distributions	(1,836)		(5,494)			7,330
Receipt under tax receivable agreement	(967)		(2,923)			3,890
Equity in loss	(181)			181		
Amortization of deferred revenue		2,019			(2,019)	
Balance as of and for the period ended June 30, 2012	\$ 78,193	\$ (243,428)	\$ (8,417)	\$ 181	\$ (5,573)	\$ 14,774

<sup>(1)</sup> Amount includes the per patron and per digital screen theatre access fees due to the Company, net of amounts due to NCM for on-screen advertising time provided to the Company's beverage concessionaire of approximately \$5,547. During the six months ended June 30, 2012 and 2011, the Company recorded equity earnings (loss) of approximately \$(181) and \$1,072, respectively.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCM, Inc. and the Company, AMC Entertainment, Inc. and Regal Entertainment Group, which we refer to collectively as the Founding Members, annual adjustments to the common membership units are made primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each Founding Member. To account for the receipt of additional common units under the Common Unit Adjustment Agreement, the Company follows the guidance in FASB ASC 323-10-35-29 (formerly EITF 02-18, Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments equates to making additional investments in NCM. The Company evaluated the receipt of the additional common units in NCM and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. The Company accounts for these additional common units, which it refers to herein as its Tranche 2 Investment, as a separate investment than its Tranche 1 Investment. The common units received are recorded at fair value as an increase in the Company's investment in NCM with an offset to deferred revenue. The deferred revenue is amortized over the remaining term of the ESA. The Company's Tranche 2 Investment is accounted for following the equity method, with undistributed equity earnings related to its Tranche 2 Investment included as a component of earnings in equity in income of affiliates and distributions received related to its Tranche 2 Investment are recorded as a reduction of its investment basis. In the event that a common unit adjustment is determined to be a negative number, the Founding Member can elect to either transfer and surrender to NCM the number of common units equal to all or part of such Founding Member's common unit adjustment or to pay to NCM an amount equal to such Founding Member's common unit adjustment calculated in accordance with the Common Unit Adjustment Agreement. If the Company elects to surrender common units as part of a negative common unit adjustment, the Company would record a reduction to deferred revenue at the then fair value of the common units surrendered and a reduction of the Company's Tranche 2 Investment at an amount equal to the weighted average cost for Tranche 2 common units, with the difference between the two values recorded as a gain or loss on sale of assets and other.

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During March 2012, 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 598,724 common units of NCM, each of which is convertible into one share of NCM, Inc. common stock. The Company recorded the additional common units received at fair value as part of its Tranche 2 Investment with a corresponding adjustment to deferred revenue of approximately \$9,137. The deferred revenue will be recognized over the remaining term of the ESA, which is approximately 24 years. As of June 30, 2012, the Company owned a total of 18,094,644 common units of NCM, representing an ownership interest of approximately 16%.

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Below is summary financial information for NCM for the quarter ended March 29, 2012 (financial information was not yet available for the six months ended June 28, 2012).

	<b>Quarter Ended March 29, 2012</b>
Gross revenues	\$ 79,136
Operating income	\$ 16,948
Net earnings	\$ 3,151

**7. 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. As of June 30, 2012, the Company had 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 six months ended June 30, 2012 and 2011, the Company recorded equity income (loss) of approximately \$2,997 and \$(283), respectively, relating to this investment.

Below is a summary of changes in the Company's investment in DCIP for the six months ended June 30, 2012:

	<b>Investment in DCIP</b>
Balance as of January 1, 2012	\$ 12,798
Cash contributions to DCIP	407
Equity in income	2,997
Balance as of June 30, 2012	\$ 16,202

The digital projection systems that are leased from Kasima are 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 June 30, 2012, the Company had 3,461 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company recorded equipment lease expense of approximately \$3,871 and \$2,123 during the six months ended June 30, 2012 and 2011, respectively, which is included in utilities and other costs on the condensed consolidated

statements of income.

The digital projection systems leased from Kasima have replaced 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 its 35 millimeter projection systems, based on the estimated replacement timeframe. The Company recorded depreciation expense of approximately \$7,065 on its domestic 35 millimeter projection systems during the six months ended June 30, 2011. The Company's domestic 35 millimeter projection systems became fully depreciated as of September 30, 2011.

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**8. Investment in Marketable Securities RealD**

Under its license agreement with RealD, the Company earned an aggregate of 1,222,780 options to purchase shares of common stock upon installation of a certain number of 3-D systems as outlined in the license agreement. Upon vesting in these options, the Company recorded an investment in RealD with an offset to deferred lease incentive liability. During March 2011, the Company exercised all of its options to purchase shares of common stock in RealD for \$0.00667 per share.

The Company accounts for its investment in RealD as a marketable security. The Company has determined that its RealD 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 loss until realized.

As of June 30, 2012, the Company owned 1,222,780 shares in RealD, with an estimated fair value of \$18,293, which is based on the closing price of RealD's common stock on June 29, 2012, which falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. During the six months ended June 30, 2012, the Company recorded an unrealized holding gain of approximately \$8,584, before taxes, as a component of accumulated other comprehensive loss on the condensed consolidated balance sheet.

**9. 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 six months ended June 30, 2012:

	Number of Treasury Shares	Cost
Balance at January 1, 2012	3,391,592	\$ 45,219
Restricted stock withholdings <sup>(1)</sup>	147,070	3,263
Balance at June 30, 2012	3,538,662	\$ 48,482

<sup>(1)</sup> 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 market values ranging from \$21.95 to \$22.50 per share.

As of June 30, 2012, the Company had no plans to retire any shares of treasury stock.

*Stock Options* A summary of stock option activity and related information for the six months ended June 30, 2012 is as follows:

Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
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Outstanding at January 1, 2012	82,166	\$	7.63	
Exercised	(200)	\$	7.63	
<b>Outstanding at June 30, 2012</b>	<b>81,966</b>	<b>\$</b>	<b>7.63</b>	<b>\$ 1,251</b>
Options exercisable at June 30, 2012	81,966	\$	7.63	\$ 1,251

There were no options granted or forfeited during the six months ended June 30, 2012. The total intrinsic value of options exercised during the six months ended June 30, 2012 was \$3. As of June 30, 2012, 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 June 30, 2012 have an average remaining contractual life of approximately two years.

*Restricted Stock* During the six months ended June 30, 2012, the Company granted 622,758 shares of restricted stock to employees and directors 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 dates of grant, which ranged from \$21.63 to \$22.08 per

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share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock awards. Certain of the restricted stock granted to employees vests over three years based on continued service and the remaining restricted stock granted to employees vests over four years based on continued service. The restricted stock granted to the directors vests over one year based on continued service. 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.

Below is a summary of restricted stock activity for the six months ended June 30, 2012:

	<b>Shares of Restricted Stock</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at January 1, 2012	1,384,390	\$ 16.85
Granted	622,758	\$ 21.63
Vested	(449,522)	\$ 16.77
Outstanding at June 30, 2012	1,557,626	\$ 18.79
Unvested restricted stock at June 30, 2012	1,557,626	\$ 18.79

The Company receives an income tax deduction upon vesting of certain of the restricted stock awards. The total fair value of shares that vested during the six months ended June 30, 2012 was \$9,938. The Company recognized a tax benefit of approximately \$3,693 during the six months ended June 30, 2012 related to these vested shares.

The Company recorded compensation expense of \$5,397 and \$3,074 related to restricted stock awards during the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012, the remaining unrecognized compensation expense related to restricted stock awards was \$22,771 and the weighted average period over which this remaining compensation expense will be recognized is approximately three years.

*Restricted Stock Units* During the six months ended June 30, 2012, the Company granted restricted stock units representing 152,955 hypothetical shares of common stock to employees of the Company. 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, 2014 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 one year service requirement and will be paid in the form of common stock if the participant continues to provide services through March 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 six months ended June 30, 2012 at each of the three target levels of financial performance (excluding forfeiture assumptions):



	<b>Number of Shares Vesting</b>	<b>Value at Grant</b>
at IRR of at least 8.5%	50,981	\$ 1,103
at IRR of at least 10.5%	101,974	\$ 2,206
at IRR of at least 12.5%	152,955	\$ 3,308

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

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date of grant, which was \$21.63 per share. The Company assumed a forfeiture rate of 5% for the restricted stock unit 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.

There were no forfeitures of restricted stock unit awards during the six months ended June 30, 2012. The Company recorded compensation expense of \$1,471 and \$1,498 related to restricted stock unit awards during the six months ended June 30, 2012 and 2011, respectively.

During the six months ended June 30, 2012, 196,051 restricted stock unit awards vested. Upon vesting, each restricted stock unit was converted into one share of the Company's common stock. In addition, the Company paid approximately \$600 in dividends on the vested restricted stock units, which represented dividends that had accumulated on the awards since they were granted in 2008. The fair value of the restricted stock unit awards that vested during the six months ended June 30, 2012 was approximately \$4,400. The Company recognized a tax benefit of approximately \$1,848 during the six months ended June 30, 2012 related to these vested awards.

As of June 30, 2012, the remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was \$5,550. The weighted average period over which this remaining compensation expense will be recognized is approximately two years. As of June 30, 2012, the Company had restricted stock units outstanding that represented a total of 994,674 hypothetical shares of common stock, net of actual cumulative forfeitures of 11,608 units, assuming the maximum IRR of at least 12.5% is achieved for all of the grants.

#### **10. Interest Rate Swap Agreements**

The Company is currently a party to five 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 loss and the ineffective portion reported in earnings. The changes in fair values are reclassified from accumulated other comprehensive loss into earnings in the same period that the hedged items affect earnings. For the six months ended June 30, 2012 and 2011, the Company reclassified approximately \$6,263 and \$7,945, respectively, from accumulated other comprehensive loss into earnings.

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 and no transfers in or out of Level 3. See Note 13 for a summary of unrealized gains or losses recorded in accumulated other comprehensive loss and earnings.

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Below is a summary of the Company's current interest rate swap agreements designated as hedge agreements as of June 30, 2012:

Amount Designated as a Hedge	Nominal Amount	Effective Date	Pay Rate	Receive Rate	Expiration Date	Current Liability <sup>(1)</sup>	Long-Term Liability <sup>(2)</sup>	Estimated Total Fair Value at June 30, 2012
\$106,632 <sup>(3)</sup>	\$ 125,000	August 2007	4.9220%	3-Month LIBOR	August 2012	\$ 680	\$	\$ 680
\$63,983 <sup>(4)</sup>	\$ 75,000	November 2008	3.6300%	1-Month LIBOR	November 2012	960		960
\$175,000	\$ 175,000	December 2010	1.3975%	1-Month LIBOR	September 2015	1,823	3,198	5,021
\$175,000	\$ 175,000	December 2010	1.4000%	1-Month LIBOR	September 2015	1,845	3,233	5,078
\$100,000	\$ 100,000	November 2011	1.7150%	1-Month LIBOR	April 2016	1,475	2,775	4,250
\$620,615	\$ 650,000					\$ 6,783	\$ 9,206	\$ 15,989

(1) Included in accounts payable and accrued expenses on the condensed consolidated balance sheet as of June 30, 2012.

(2) Included in other long-term liabilities on the condensed consolidated balance sheet as of June 30, 2012.

(3) An additional \$18,368 of this original \$125,000 swap is no longer designated as a hedge as a result of the prepayment of the unextended portion of the Company's term loan debt.

(4) An additional \$11,017 of this original \$75,000 swap is no longer designated as a hedge as a result of the prepayment of the unextended portion of the Company's term loan debt.

The Company amortized approximately \$1,976 and \$2,259 to interest expense during the six months ended June 30, 2012 and 2011, respectively, related to a previously terminated interest rate swap agreement. The Company will amortize approximately \$494 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.

**11. Goodwill and Other Intangible Assets**

The Company's goodwill was as follows:

	U.S. Operating Segment	International Operating Segment	Total
Balance at January 1, 2012 <sup>(1)</sup>	\$ 948,026	\$ 202,611	\$ 1,150,637
Acquisition of U.S. theatre	8,971		8,971
Foreign currency translation adjustments		(8,429)	(8,429)
Balance at June 30, 2012 <sup>(1)</sup>	\$ 956,997	\$ 194,182	\$ 1,151,179

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<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 seven and a half times for the evaluation performed during the fourth quarter of 2011.

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No events or changes in circumstances occurred during the six months ended June 30, 2012 that indicated the carrying value of goodwill might exceed its estimated fair value.

Intangible assets consisted of the following:

	January 1, 2012	Amortization	Other <sup>(1)</sup>	June 30, 2012
<i>Intangible assets with finite lives:</i>				
Gross carrying amount	\$ 74,381	\$	\$ (825)	\$ 73,556
Accumulated amortization	(47,313)	(2,298)		(49,611)
Total net intangible assets with finite lives	\$ 27,068	\$ (2,298)	\$ (825)	\$ 23,945
<i>Intangible assets with indefinite lives:</i>				
Tradename	309,839		(11)	309,828
Total intangible assets net	\$ 336,907	\$ (2,298)	\$ (836)	\$ 333,773

<sup>(1)</sup> Consists primarily of foreign currency translation adjustments.

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

For the six months ended December 31, 2012	\$ 2,388
For the twelve months ended December 31, 2013	4,469
For the twelve months ended December 31, 2014	3,911
For the twelve months ended December 31, 2015	3,592
For the twelve months ended December 31, 2016	3,362
Thereafter	6,223
Total	\$ 23,945

**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

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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 six months ended June 30, 2012 and 2011. As of June 30, 2012, the estimated aggregate fair value of the long-lived assets impaired during the six months ended June 30, 2012 was \$0.

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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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
United States theatre properties	\$ 311	\$ 721	\$ 377	\$ 1,064
International theatre properties		873	119	1,545
<b>Subtotal</b>	<b>\$ 311</b>	<b>\$ 1,594</b>	<b>\$ 496</b>	<b>\$ 2,609</b>
Intangible assets				
<b>Impairment of long-lived assets</b>	<b>\$ 311</b>	<b>\$ 1,594</b>	<b>\$ 496</b>	<b>\$ 2,609</b>

**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 June 30, 2012:

Description	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Interest rate swap liabilities current (see Note 10)	\$ (6,783)	\$	\$	\$ (6,783)
Interest rate swap liabilities long-term (see Note 10)	\$ (9,206)	\$	\$	\$ (9,206)
Investment in RealD (see Note 8)	\$ 18,293	\$ 18,293	\$	\$

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, 2011:

Description	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3

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Interest rate swap liabilities - current (see Note 10)	\$ (9,979)	\$	\$	\$ (9,979)
Interest rate swap liabilities - long-term (see Note 10)	\$ (6,597)	\$	\$	\$ (6,597)
Investment in RealD (see Note 8)	\$ 9,709	\$ 9,709	\$	\$

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

	Liabilities		Assets	
	2012	2011	2012	2011
Beginning balances - January 1	\$ (16,576)	\$ (15,970)	\$	\$ 8,955
Total gain (loss) included in accumulated other comprehensive loss	20	4,690		(6,012)
Total gain included in earnings	567	328		
Ending balances - June 30	\$ (15,989)	\$ (10,952)	\$	\$ 2,943



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## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

There were no changes in valuation techniques during the period. There were no transfers in or out of Level 3 during the six months ended June 30, 2012.

**14. Foreign Currency Translation**

The accumulated other comprehensive loss account in stockholders' equity of \$23,682 and \$39,544 at December 31, 2011 and June 30, 2012, respectively, includes the cumulative foreign currency adjustments of \$(11,325) and \$(34,572), 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 that are designated as hedges and the change in fair value of the Company's available-for-sale securities.

All foreign countries where the Company has operations are 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 loss.

Below is a summary of the impact of translating the June 30, 2012 financial statements of certain of the Company's international subsidiaries:

Country	Exchange Rate as of		Total Assets at June 30, 2012	Accumulated Other Comprehensive Income (Loss) For Six Months Ended
	June 30, 2012	December 31, 2011		June 30, 2012
Brazil	2.08	1.87	\$ 300,827	\$ (25,234)
Mexico	13.48	14.00	\$ 129,894	2,819
Argentina	4.53	4.31	\$ 131,859	(4,948)
Colombia	1,785.0	1,950.0	\$ 41,769	2,451
Chile	501.0	520.7	\$ 44,146	1,242
All other				423
				\$ (23,247)

**15. Supplemental Cash Flow Information**

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

	Six Months Ended June 30,	
	2012	2011
Cash paid for interest	\$ 59,651	\$ 53,402
Cash paid for income taxes, net of refunds received	\$ 48,612	\$ 4,223
Noncash investing and financing activities:		
	\$ (9,938)	\$ (1,245)

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Change in accounts payable and accrued expenses for the acquisition of theatre properties and equipment <sup>(1)</sup>

Theatre properties acquired under capital lease	\$ 3,569	\$ 535
Change in fair market values of interest rate swap agreements, net of taxes	\$ 611	\$ (1,030)
Investment in NCM receipt of common units (see Note 6)	\$ 9,137	\$ 9,302
Dividends accrued on unvested restricted stock unit awards	\$ (310)	\$ (334)
Investment in RealD (see Note 8)	\$	\$ 3,402
Change in fair market value of available-for-sale securities, net of taxes (see Note 8)	\$ 5,365	\$ (1,720)

<sup>(1)</sup> Additions to theatre properties and equipment included in accounts payable as of December 31, 2011 and June 30, 2012 were \$18,512 and \$8,574, respectively.

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## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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In thousands, except share and per share data

**16. Segments**

The Company manages its international market and its U.S. market as separate reportable segments, with the international segment consisting of operations in Brazil, Mexico, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. 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 segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
U.S.	\$ 443,765	\$ 444,479	\$ 854,990	\$ 775,345
International	208,372	178,720	378,247	333,191
Eliminations	(2,531)	(2,606)	(4,813)	(4,807)
<b>Total revenues</b>	<b>\$ 649,606</b>	<b>\$ 620,593</b>	<b>\$ 1,228,424</b>	<b>\$ 1,103,729</b>
<b>Adjusted EBITDA</b>				
U.S.	\$ 103,391	\$ 110,015	\$ 207,684	\$ 178,806
International	53,561	39,776	89,596	73,691
<b>Total Adjusted EBITDA</b>	<b>\$ 156,952</b>	<b>\$ 149,791</b>	<b>\$ 297,280</b>	<b>\$ 252,497</b>
<b>Capital expenditures</b>				
U.S.	\$ 27,109	\$ 27,977	\$ 46,803	\$ 39,445
International	19,494	21,556	46,784	45,857
<b>Total capital expenditures</b>	<b>\$ 46,603</b>	<b>\$ 49,533</b>	<b>\$ 93,587</b>	<b>\$ 85,302</b>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 52,139	\$ 41,009	\$ 95,015	\$ 66,331
Add (deduct):				
Income taxes	30,844	23,272	58,776	32,309
Interest expense <sup>(1)</sup>	31,375	29,777	63,508	59,067

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Loss on early retirement of debt		4,945		4,945
Other income <sup>(2)</sup>	(63)	(443)	(5,485)	(5,473)
Depreciation and amortization <sup>(3)</sup>	36,341	39,897	73,157	79,037
Impairment of long-lived assets	311	1,594	496	2,609
Loss on sale of assets and other	469	5,694	1,305	6,166
Deferred lease expenses	1,207	870	2,330	1,650
Amortization of long-term prepaid rents	776	617	1,310	1,284
Share based awards compensation expense	3,553	2,559	6,868	4,572
<b>Adjusted EBITDA</b>	<b>\$ 156,952</b>	<b>\$ 149,791</b>	<b>\$ 297,280</b>	<b>\$ 252,497</b>

<sup>(1)</sup> Includes amortization of debt issue costs.

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

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## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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In thousands, except share and per share data

*Financial Information About Geographic Areas*

Below is a breakdown of selected financial information by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
U.S.	\$ 443,765	\$ 444,479	\$ 854,990	\$ 775,345
Brazil	83,632	91,602	162,030	178,443
Other international countries	124,740	87,118	216,217	154,748
Eliminations	(2,531)	(2,606)	(4,813)	(4,807)
Total	\$ 649,606	\$ 620,593	\$ 1,228,424	\$ 1,103,729

	June 30, 2012	December 31, 2011
<b>Theatre Properties and Equipment-net</b>		
U.S.	\$ 939,707	\$ 934,279
Brazil	144,745	149,294
Other international countries	158,243	155,277
Total	\$ 1,242,695	\$ 1,238,850

**17. Related Party Transactions**

The Company manages theatres 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. Lee Roy Mitchell is the Company's Chairman of the Board and directly and indirectly owns approximately 9% of the Company's common stock. 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 \$267 and \$57 of management fee revenues during the six months ended June 30, 2012 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. 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 six months ended June 30, 2012 and 2011, the Company paid total rent of approximately \$9,404 and \$9,340, respectively, to Syufy.

**18. Commitments and Contingencies**

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On February 15, 2012, the Company's Chief Executive Officer ( CEO ), Alan Stock, announced his retirement. As a result of the retirement, the Company's employment agreement with Mr. Stock was effectively terminated. Mr. Stock served in a transitional role until May 1, 2012 and then became a consultant for the Company for a two-year period that ends April 30, 2014. Mr. Stock has retained his share based awards under their original vesting terms.

Upon Mr. Stock's retirement, the Company appointed Tim Warner as its CEO. Mr. Warner previously served as the Company's President and Chief Operating Officer. In connection with his appointment as the CEO, the Company and Mr. Warner entered into an Amended and Restated Employment Agreement dated as of March 30, 2012 (the Amended and Restated Agreement ). The Amended and Restated Agreement amends and restates the Employment Agreement dated June 16, 2008 by and between the Company and Mr. Warner. The term of the Amended and Restated Agreement goes through April 1, 2014 and may be extended at the Company's election for an additional one-year period upon six months prior written notice by the Company to Mr. Warner. The base salary stipulated in the Amended and Restated Agreement is subject to review during the term of the agreement for increase (but not decrease) each year by the Company's Compensation Committee. Mr. Warner is eligible to receive annual cash incentive bonuses upon the Company meeting certain performance targets established by its Compensation Committee and will continue to be eligible to participate in and receive grants of equity incentive awards under the Company's long-term incentive plan.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

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.

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**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, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. As of June 30, 2012, we managed our business under two reportable 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 sports programs, concert events, the opera, special live documentaries and other cultural events. Films leading the box office during the six months ended June 30, 2012 included *The Avengers*, *The Hunger Games*, *Dr. Suess' The Lorax*, *Madagascar 3: Europe's Most Wanted*, *Men in Black 3*, *Snow White and the Huntsman*, *21 Jump Street*, *Safe House*, *The Vow*, *Brave*, *Prometheus* and *Journey 2: The Mysterious Island*, among other films. 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 currently scheduled for release during the remainder of 2012 include sequels such as *The Amazing Spider-Man*, *Ice Age: Continental Drift*, *The Dark Knight Rises*, *The Bourne Legacy* and *The Twilight Saga: Breaking Dawn Part 2* and highly anticipated original titles such as *The Hobbit: An Unexpected Journey*, and *Life of Pi*, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Operating data (in millions):</b>				
Revenues				
Admissions	\$ 418.1	\$ 405.9	\$ 791.9	\$ 717.6
Concession	201.4	189.3	381.2	336.0
Other	30.1	25.4	55.3	50.1
Total revenues	\$ 649.6	\$ 620.6	\$ 1,228.4	\$ 1,103.7
Cost of operations				
Film rentals and advertising	227.3	222.6	422.7	387.8
Concession supplies	31.8	29.6	60.2	52.9
Salaries and wages	62.3	58.0	120.8	108.1
Facility lease expense	71.6	69.4	140.2	135.8
Utilities and other	69.6	65.6	136.1	125.4
General and administrative expenses	36.0	31.2	70.0	60.2
Depreciation and amortization	36.3	39.9	73.2	79.0
Impairment of long-lived assets	0.3	1.6	0.5	2.6
Loss on sale of assets and other	0.5	5.7	1.3	6.2
Total cost of operations	535.7	523.6	1,025.0	958.0
Operating income	\$ 113.9	\$ 97.0	\$ 203.4	\$ 145.7
<b>Operating data as a percentage of total revenues:</b>				
Revenues				
Admissions	64.4%	65.4%	64.5%	65.0%
Concession	31.0%	30.5%	31.0%	30.5%
Other	4.6%	4.1%	4.5%	4.5%
Total revenues	100.0%	100.0%	100.0%	100.0%
Cost of operations <sup>(1)</sup>				
Film rentals and advertising	54.4%	54.8%	53.4%	54.0%
Concession supplies	15.8%	15.6%	15.8%	15.7%
Salaries and wages	9.6%	9.4%	9.8%	9.8%
Facility lease expense	11.0%	11.2%	11.4%	12.3%
Utilities and other	10.7%	10.6%	11.1%	11.4%
General and administrative expenses	5.5%	5.0%	5.7%	5.5%
Depreciation and amortization	5.6%	6.4%	6.0%	7.1%
Impairment of long-lived assets	0.0%	0.3%	0.0%	0.2%
Loss on sale of assets and other	0.1%	0.9%	0.1%	0.6%
Total cost of operations	82.5%	84.4%	83.4%	86.8%
Operating income	17.5%	15.6%	16.6%	13.2%
Average screen count (month end average)	5,195	4,967	5,181	4,955
Revenues per average screen (dollars)	\$ 125,057	\$ 124,950	\$ 237,089	\$ 222,731

- (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 June 30, 2012 versus June 30, 2011**

*Revenues.* Total revenues increased \$29.0 million to \$649.6 million for the three months ended June 30, 2012 ( second quarter of 2012 ) from \$620.6 million for the three months ended June 30, 2011 ( second quarter of 2011 ), representing a 4.7% increase. The table below, presented by reportable segment, summarizes our period-over-period revenue performance and certain key performance indicators that impact our revenues.

	U.S. Segment			International Segment			Consolidated		
	Three Months Ended			Three Months Ended			Three Months Ended		
	June 30,			June 30,			June 30,		
	2012	2011	% Change	2012	2011	% Change	2012	2011	% Change
Admissions revenues <sup>(1)</sup>	\$ 287.2	\$ 291.3	(1.4)%	\$ 130.9	\$ 114.6	14.2%	\$ 418.1	\$ 405.9	3.0%
Concession revenues <sup>(1)</sup>	\$ 141.8	\$ 139.9	1.4%	\$ 59.6	\$ 49.4	20.6%	\$ 201.4	\$ 189.3	6.4%
Other revenues <sup>(1)(2)</sup>	\$ 12.2	\$ 10.7	14.0%	\$ 17.9	\$ 14.7	21.8%	\$ 30.1	\$ 25.4	18.5%
Total revenues <sup>(1)(2)</sup>	\$ 441.2	\$ 441.9	(0.2)%	\$ 208.4	\$ 178.7	16.6%	\$ 649.6	\$ 620.6	4.7%
Attendance <sup>(1)</sup>	42.0	43.9	(4.3)%	26.8	22.2	20.7%	68.8	66.1	4.1%

<sup>(1)</sup> Amounts in millions.

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

U.S. The decrease in admissions revenues of \$4.1 million was attributable to a 4.3% decrease in attendance partially offset by a 3.0% increase in average ticket price from \$6.64 for the second quarter of 2011 to \$6.84 for the second quarter of 2012. The increase in concession revenues of \$1.9 million was attributable to a 6.0% increase in concession revenues per patron from \$3.19 for the second quarter of 2011 to \$3.38 for the second quarter of 2012 partially offset by the 4.3% decrease in attendance. The increase in average ticket price was primarily due to the increase in 3-D and premium content business and price increases. The increase in concession revenues per patron was primarily due to incremental sales.

International. The increase in admissions revenues of \$16.3 million was attributable to a 20.7% increase in attendance partially offset by a 5.4% decrease in average ticket price from \$5.16 for the second quarter of 2011 to \$4.88 for the second quarter of 2012. The increase in concession revenues of \$10.2 million was attributable to the 20.7% increase in attendance. Concession revenues per patron were \$2.23 for the second quarter of 2012 and 2011. The increase in attendance was primarily due to new theatres, including the ten theatres in Argentina acquired during August 2011. The decrease in average ticket price was primarily due to the unfavorable impact of exchange rates in certain countries in which we operate. The 21.8% increase in other revenues was primarily due to increased screen advertising revenues in Brazil, Argentina and Mexico.

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

	U.S. Segment		International Segment		Consolidated	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011
Film rentals and advertising	\$ 162.7	\$ 163.8	\$ 64.6	\$ 58.8	\$ 227.3	\$ 222.6
Concession supplies	18.1	17.6	13.7	12.0	31.8	29.6
Salaries and wages	44.3	43.8	18.0	14.2	62.3	58.0
Facility lease expense	47.9	46.3	23.7	23.1	71.6	69.4
Utilities and other	46.9	44.6	22.7	21.0	69.6	65.6

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U.S. Film rentals and advertising costs were \$162.7 million, or 56.7% of admissions revenues, for the second quarter of 2012 compared to \$163.8 million, or 56.2% of admissions revenues, for the second quarter of 2011. The increase in the film rentals and advertising rate was primarily due to the significant amount of box office generated from the film *The Avengers*, which grossed over \$600 million domestically in the second quarter of 2012. Blockbuster films like *The Avengers* typically have a higher film rental rate associated with them. Concession supplies expense was \$18.1 million, or 12.8% of concession revenues, for the second quarter of 2012 compared to \$17.6 million, or 12.6% of concession revenues, for the second quarter of 2011.

Salaries and wages increased to \$44.3 million for the second quarter of 2012 from \$43.8 million for the second quarter of 2011 primarily due to new theatres. Facility lease expense increased to \$47.9 million for the second quarter of 2012 from \$46.3 million for the second quarter of 2011 primarily due to new theatres. Utilities and other costs increased to \$46.9 million for the second quarter of 2012 from \$44.6 million for the second quarter of 2011 primarily due to new theatres and increased expenses related to digital and 3-D equipment.

International. Film rentals and advertising costs were \$64.6 million, or 49.4% of admissions revenues, for the second quarter of 2012 compared to \$58.8 million, or 51.3% of admissions revenues, for the second quarter of 2011. The decrease in the film rentals and advertising rate is primarily due to the mix of films during the second quarter of 2012 compared to the second quarter of 2011 and the impact of increased virtual print fees that we earn from studios on certain films played in our international locations. Concession supplies expense was \$13.7 million, or 23.0% of concession revenues, for the second quarter of 2012 compared to \$12.0 million, or 24.3% of concession revenues, for the second quarter of 2011. The decrease in the concession supplies rate is due to the mix of products sold during the second quarter of 2012 compared to the second quarter of 2011 and the impact from concession sales price increases.

Salaries and wages increased to \$18.0 million for the second quarter of 2012 from \$14.2 million for the second quarter of 2011 primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011, increased wage rates and increased staffing levels to support the 20.7% increase in attendance. Facility lease expense increased to \$23.7 million for the second quarter of 2012 from \$23.1 million for the second quarter of 2011 primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011. Utilities and other costs increased to \$22.7 million for the second quarter of 2012 from \$21.0 million for the second quarter of 2011 primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011, increased expenses related to 3-D equipment and increased repairs and maintenance expenses.

General and Administrative Expenses. General and administrative expenses increased to \$36.0 million for the second quarter of 2012 from \$31.2 million for the second quarter of 2011. The increase was primarily due to increased salaries and incentive compensation expense of approximately \$1.8 million, increased share based awards compensation expense of approximately \$1.0 million and additional overhead expenses associated with the ten theatres in Argentina acquired in August 2011.

Depreciation and Amortization. Depreciation and amortization expense was \$36.3 million during the second quarter of 2012 compared to \$39.9 million during the second quarter of 2011. Depreciation and amortization expense for the three months ended June 30, 2011 included approximately \$3.5 million related to the accelerated depreciation on the Company's domestic 35-millimeter projection systems that became fully depreciated as of September 30, 2011.

Impairment of Long-Lived Assets. We recorded asset impairment charges on assets held and used of \$0.3 million during the second quarter of 2012 compared to \$1.6 million during the second quarter of 2011. Impairment charges for the second quarter of 2012 consisted of U.S. theatre properties, impacting six of our twenty-four reporting units. Impairment charges for the second quarter of 2011 consisted of U.S. and international theatre properties, impacting eight of our twenty-four reporting units. The long-lived asset impairment charges recorded during each of the periods presented were 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. 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 second quarter of 2012 compared to \$5.7 million during the second quarter of 2011. The loss recorded during the second quarter of 2012 was primarily due to the retirement of certain theatre equipment that was replaced during the period. The loss recorded during the second quarter of 2011 included a loss of approximately \$2.3 million related to a settlement for a previously terminated interest rate swap agreement, a loss of \$1.0 million related to the sale of digital projection systems to DCIP, a loss of \$0.5 million for the write-off of an intangible asset associated with a screen advertising contract in Brazil that was terminated during the period, and the write-off of theatre properties and equipment as a result of theatre remodels.

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**Interest Expense.** Interest costs incurred, including amortization of debt issue costs, were \$31.4 million during the second quarter of 2012 compared to \$29.8 million during the second quarter of 2011. The increase was primarily due to the refinancing of the \$157.2 million unextended portion of our term loan debt outstanding with \$200 million of 7.375% senior subordinated notes due 2021, which occurred during June 2011. See Note 4 to our condensed consolidated financial statements for further discussion of the refinance.

**Loss on Early Retirement of Debt.** We recorded a loss on early retirement of debt \$4.9 million during the second quarter of 2011 related to the prepayment of approximately \$157.2 million of the unextended portion of our term loan debt. The loss included the write-off of \$2.2 million of unamortized debt issue costs related to the portion of the term loan debt that was prepaid and the reclassification of \$2.7 million from accumulated other comprehensive loss to earnings as a result of our determination that quarterly interest payments hedged by certain of our interest rate swap agreements are no longer probable to occur. See Note 4 to our condensed consolidated financial statements for further discussion of our long-term debt and Note 10 to our condensed consolidated financial statements for discussion of our interest rate swap agreements.

**Distributions from NCM.** We recorded distributions from NCM of \$0.4 million during the second quarter of 2012 compared to \$1.6 million during the second quarter of 2011, which were in excess of the carrying value of our Tranche 1 investment. See Note 6 to our condensed consolidated financial statements.

**Equity in Income (Loss) of Affiliates.** We recorded equity in income of affiliates of \$1.0 million during the second quarter of 2012 compared to a loss of \$1.8 million during the second quarter of 2011. The equity in income of affiliates recorded during the second quarter of 2012 primarily included income of approximately \$1.9 million related to our equity investment in DCIP (see Note 7 to our condensed consolidated financial statements) partially offset by a loss of approximately \$0.9 million related to our equity investment in NCM (see Note 6 to our condensed consolidated financial statements). The equity in loss of affiliates recorded during the second quarter of 2011 primarily included a loss of approximately \$2.0 million related to our equity investment in DCIP partially offset by income of approximately \$0.2 million related to our equity investment in NCM.

**Income Taxes.** Income tax expense of \$30.8 million was recorded for the second quarter of 2012 compared to \$23.3 million for the second quarter of 2011. The effective tax rate was 37.2% for the second quarter of 2012 compared to 36.2% for the second quarter of 2011. 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.

**Six months ended June 30, 2012 versus June 30, 2011**

**Revenues.** Total revenues increased \$124.7 million to \$1,228.4 million for the six months ended June 30, 2012 ( the 2012 period ) from \$1,103.7 million for the six months ended June 30, 2011 ( the 2011 period ), representing an 11.3% increase. The table below, presented by reportable segment, summarizes our year-over-year revenue performance and certain key performance indicators that impact our revenues.

	U.S. Segment			International Segment			Consolidated		
	Six Months Ended June 30,		%	Six Months Ended June 30,		%	Six Months Ended June 30,		%
	2012	2011	Change	2012	2011	Change	2012	2011	Change
Admissions revenues <sup>(1)</sup>	\$ 553.8	\$ 504.9	9.7%	\$ 238.1	\$ 212.7	11.9%	\$ 791.9	\$ 717.6	10.4%
Concession revenues <sup>(1)</sup>	\$ 273.1	\$ 244.7	11.6%	\$ 108.1	\$ 91.3	18.4%	\$ 381.2	\$ 336.0	13.5%
Other revenues <sup>(1)(2)</sup>	\$ 23.3	\$ 21.0	11.0%	\$ 32.0	\$ 29.1	10.0%	\$ 55.3	\$ 50.1	10.4%
Total revenues <sup>(1)(2)</sup>	\$ 850.2	\$ 770.6	10.3%	\$ 378.2	\$ 333.1	13.5%	\$ 1,228.4	\$ 1,103.7	11.3%
Attendance <sup>(1)</sup>	81.8	77.3	5.8%	48.5	42.6	13.8%	130.3	119.9	8.7%

<sup>(1)</sup> Amounts in millions.

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

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U.S. The increase in admissions revenues of \$48.9 million was attributable to a 5.8% increase in attendance and a 3.7% increase in average ticket price from \$6.53 for the 2011 period to \$6.77 for the 2012 period. The increase in concession revenues of \$28.4 million was attributable to the 5.8% increase in attendance and a 5.4% increase in concession revenues per patron from \$3.17 for the 2011 period to \$3.34 for the 2012 period. The increase in average ticket price was primarily due to the increase in 3-D and premium content business and price increases. The increase in concession revenues per patron was primarily due to incremental sales.

International. The increase in admissions revenues of \$25.4 million was attributable to a 13.8% increase in attendance partially offset by a 1.6% decrease in average ticket price from \$4.99 for the 2011 period to \$4.91 for the 2012 period. The increase in concession revenues of \$16.8 million was attributable to the 13.8% increase in attendance and a 4.2% increase in concession revenues per patron from \$2.14 for the 2011 period to \$2.23 for the

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2012 period. The increase in attendance was primarily due to new theatres, including the ten theatres in Argentina acquired during August 2011. The decrease in average ticket price was primarily due to the unfavorable impact of exchange rates in certain countries in which we operate. The increase in concession revenues per patron was primarily due to price increases.

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

	U.S. Segment		International Segment		Consolidated	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011
Film rentals and advertising	\$ 306.8	\$ 280.0	\$ 115.9	\$ 107.8	\$ 422.7	\$ 387.8
Concession supplies	34.9	30.2	25.3	22.7	60.2	52.9
Salaries and wages	85.9	81.7	34.9	26.4	120.8	108.1
Facility lease expense	95.6	92.0	44.6	43.8	140.2	135.8
Utilities and other	91.2	84.5	44.9	40.9	136.1	125.4

*U.S.* Film rentals and advertising costs were \$306.8 million, or 55.4% of admissions revenues for the 2012 period compared to \$280.0 million, or 55.5% of admissions revenues, for the 2011 period. Concession supplies expense was \$34.9 million, or 12.8% of concession revenues, for the 2012 period compared to \$30.2 million, or 12.3% of concession revenues, for the 2011 period. The increase in the concession supplies rate was primarily due to increased inventory procurement costs.

Salaries and wages increased to \$85.9 million for the 2012 period from \$81.7 million for the 2011 period primarily due to increased staffing levels to support the 5.8% increase in attendance and new theatres. Facility lease expense increased to \$95.6 million for the 2012 period from \$92.0 million for the 2011 period primarily due to new theatres. Utilities and other costs increased to \$91.2 million for the 2012 period from \$84.5 million for the 2011 period primarily due to new theatres, increased expenses related to digital and 3-D equipment and increased repairs and maintenance expenses.

*International.* Film rentals and advertising costs were \$115.9 million, or 48.7% of admissions revenues, for the 2012 period compared to \$107.8 million, or 50.7% of admissions revenues, for the 2011 period. The decrease in the film rentals and advertising rate is primarily due to the mix of films during the 2012 period compared to the 2011 period and the impact of increased virtual print fees that we earn from studios on certain films played in our international locations. Concession supplies expense was \$25.3 million, or 23.4% of concession revenues, for the 2012 period compared to \$22.7 million, or 24.9% of concession revenues, for the 2011 period. The decrease in the concession supplies rate is due to the mix of products sold during the 2012 period compared to the 2011 period and the impact from concession sales price increases.

Salaries and wages increased to \$34.9 million for the 2012 period from \$26.4 million for the 2011 period primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011, increased wage rates and increased staffing levels to support the 13.8% increase in attendance. Facility lease expense increased to \$44.6 million for the 2012 period from \$43.8 million for the 2011 period primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011. Utilities and other costs increased to \$44.9 million for the 2012 period from \$40.9 million for the 2011 period primarily due to new theatres, including the ten theatres in Argentina acquired in August 2011, increased expenses related to 3-D equipment and increased repairs and maintenance expenses.

*General and Administrative Expenses.* General and administrative expenses increased to \$70.0 million for the 2012 period from \$60.2 million for the 2011 period. The increase was primarily due to increased salaries and incentive compensation expense of approximately \$4.7 million, increased share based awards compensation expense of approximately \$2.3 million and additional overhead expenses associated with the ten theatres in Argentina acquired in August 2011.

*Depreciation and Amortization.* Depreciation and amortization expense was \$73.2 million for the 2012 period compared to \$79.0 million for the 2011 period. Depreciation and amortization expense for the 2011 period included approximately \$7.1 million related to the accelerated depreciation on the Company's domestic 35-millimeter projection systems that became fully depreciated as of September 30, 2011.

*Impairment of Long-Lived Assets.* We recorded asset impairment charges on assets held and used of \$0.5 million for the 2012 period compared to \$2.6 million for the 2011 period. Impairment charges for the 2012 period consisted of U.S. and international theatre properties, impacting nine of our twenty-four reporting units. Impairment charges for the 2011 period consisted of U.S. and international theatre properties, impacting thirteen of our twenty-four reporting units. The long-lived asset impairment charges recorded during each of the periods presented were specific to theatres that





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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. 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 \$1.3 million during the 2012 period compared to \$6.2 million during the 2011 period. The loss recorded during the 2012 period was primarily due to the retirement of certain theatre equipment that was replaced during the period. The loss recorded during the 2011 period included a loss of \$2.3 million related to a settlement for a previously terminated interest rate swap agreement, a loss of \$1.0 million related to the sale of digital projection systems to DCIP, a loss of \$0.5 million for the write-off of an intangible asset associated with a screen advertising contract in Brazil that was terminated during the 2011 period, and the write-off of theatre properties and equipment as a result of theatre remodels.

*Interest Expense.* Interest costs incurred, including amortization of debt issue costs, were \$63.5 million for the 2012 period compared to \$59.1 million for the 2011 period. The increase was primarily due to the refinancing of the \$157.2 million unextended portion of our term loan debt outstanding with \$200 million of 7.375% senior subordinated notes due 2021, which occurred during June 2011. See Note 4 to our condensed consolidated financial statements for further discussion of the refinancing.

*Loss on Early Retirement of Debt.* We recorded a loss on early retirement of debt of \$4.9 million during the 2011 period related to the prepayment of approximately \$157.2 million of the unextended portion of our term loan debt. The loss included the write-off of \$2.2 million of unamortized debt issue costs related to the portion of the term loan debt that was prepaid and the reclassification of \$2.7 million from accumulated other comprehensive loss to earnings as a result of our determination that quarterly interest payments hedged by certain of our interest rate swap agreements are no longer probable to occur. See Note 4 to our condensed consolidated financial statements for further discussion of the prepayment and Note 10 to our condensed consolidated financial statements for discussion of our interest rate swap agreements.

*Distributions from NCM.* We recorded distributions from NCM of \$8.4 million during the 2012 period and \$11.4 million during the 2011 period, which were in excess of the carrying value of our Tranche 1 investment. See Note 6 to our condensed consolidated financial statements.

*Equity in Income of Affiliates.* We recorded equity in income of affiliates of \$2.8 million during the 2012 period compared to \$0.6 million during the 2011 period. The equity in income of affiliates recorded during the 2012 period primarily included income of approximately \$3.0 million related to our equity investment in DCIP (see Note 7 to our condensed consolidated financial statements) partially offset by a loss of approximately \$0.2 million related to our equity investment in NCM (see Note 6 to our condensed consolidated financial statements). The equity in income of affiliates recorded during the 2011 period primarily included income of approximately \$1.1 million related to our equity investment in NCM partially offset by a loss of approximately \$0.3 million related to our equity investment in DCIP.

*Income Taxes.* Income tax expense of \$58.8 million was recorded for the 2012 period compared to \$32.3 million for the 2011 period. The effective tax rate was 38.2% for the 2012 period compared to 32.8% for the 2011 period. 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. Income tax expense for the 2011 period includes the impact of a reduction of our 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 for the 2011 period.

**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, nearly all 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 \$175.4 million for the six months ended June 30, 2012 compared to \$181.7 million for the six months ended June 30, 2011.

**Table of Contents***Investing Activities*

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 \$107.4 million for the six months ended June 30, 2012 compared to \$81.8 million for the six months ended June 30, 2011. The increase in cash used for investing activities was primarily due to the acquisition of a theatre in the U.S. for approximately \$14.1 million and an increase in capital expenditures.

Capital expenditures for the six months ended June 30, 2012 and 2011 were as follows (in millions):

<b>Period</b>	<b>New Theatres</b>	<b>Existing Theatres</b>	<b>Total</b>
Six Months Ended June 30, 2012	\$ 42.1	\$ 51.5	\$ 93.6
Six Months Ended June 30, 2011	\$ 29.2	\$ 56.1	\$ 85.3

We continue to invest in our U.S. theatre circuit. We acquired one theatre with 16 screens, added one screen to an existing theatre and built two new theatres with 30 screens during the six months ended June 30, 2012, bringing our total domestic screen count to 3,925 as of June 30, 2012. At June 30, 2012, we had signed commitments to open two new theatres with 27 screens in domestic markets during the remainder of 2012 and open 11 new theatres with 132 screens subsequent to 2012. We estimate the remaining capital expenditures for the development of these 159 domestic screens will be approximately \$105 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

We also continue to invest in our international theatre circuit. We built two new theatres and 12 screens and closed four screens during the six months ended June 30, 2012, bringing our total international screen count to 1,282 as of June 30, 2012. At June 30, 2012, we had signed commitments to open nine new theatres and 64 screens in international markets during the remainder of 2012 and open five new theatres and 35 screens subsequent to 2012. We estimate the remaining capital expenditures for the development of these 99 international screens will be approximately \$80 million. Actual expenditures for continued theatre development and acquisitions are subject to change based upon the availability of attractive opportunities.

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

*Financing Activities*

Cash used for financing activities was \$61.8 million for the six months ended June 30, 2012 compared to \$19.8 million for the six months ended June 30, 2011. Cash used for financing activities for the six months ended June 30, 2011 included proceeds of \$200 million from the issuance of Cinemark USA, Inc.'s 7.375% senior subordinated notes due 2021, partially offset by the prepayment of the unextended portion of Cinemark USA, Inc.'s term loan debt of \$157.2 million. See Note 4 to our condensed consolidated financial statements.

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 June 30, 2012 (in millions):

Cinemark, USA, Inc. term loan	\$ 901.3
Cinemark USA, Inc. 8 <sup>5</sup> / <sub>8</sub> % senior notes due 2019 <sup>(1)</sup>	461.0
Cinemark USA, Inc. 7 <sup>3</sup> / <sub>8</sub> % senior subordinated notes due 2021	200.0
Hoyts General Cinema (Argentina) bank loan due 2013	4.1
<b>Total long-term debt</b>	<b>\$ 1,566.4</b>
Less current portion	12.0
<b>Long-term debt, less current portion</b>	<b>\$ 1,554.4</b>

- (1) Includes the \$470.0 million aggregate principal amount of the 8.625% senior notes before the original issue discount, which was \$9.0 million as of June 30, 2012.

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As of June 30, 2012, we had \$150.0 million in available borrowing capacity on our revolving credit line.

*Cinemark USA, Inc. Senior Secured Credit Facility*

On October 5, 2006, in connection with the Century Acquisition, 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 then remaining term loan debt of \$159.2 million that was not extended continued to have a maturity date of October 2013. On June 3, 2011, Cinemark USA, Inc. prepaid the remaining \$157.2 million of its unextended term loan debt utilizing a portion of the proceeds from the issuance of the Cinemark USA, Inc. 7.375% senior subordinated notes discussed below. There were no prepayment penalties incurred upon the prepayment of the term loan debt. Subsequent to the prepayment, the quarterly payments due on the term loan are approximately \$2.3 million per quarter through March 2016 with the remaining principal amount of approximately \$866.6 million due April 30, 2016.

The prepayment did not impact the interest rate applicable to the remaining portion of the term loan debt, which 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 prepayment did not impact the interest rates applicable to or the maturity of Cinemark USA, Inc.'s revolving credit line. 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 June 30, 2012, there was \$901.3 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 June 30, 2012 was approximately 4.9% per annum.

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

*Cinemark USA, Inc. 8.625% 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 9.75% senior discount notes. Interest on the senior notes is payable June 15 and December 15 of each year. The senior notes mature on June 15, 2019. As of June 30, 2012, the carrying value of the senior notes was approximately \$461.0 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

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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 June 30, 2012 was 5.5 to 1.

Prior to June 15, 2014, Cinemark USA, Inc. may redeem all or any part of the senior notes at its option at 100% of the principal amount plus a make-whole premium. After June 15, 2014, Cinemark USA, Inc. may redeem the senior notes in whole or in part at redemption prices described in the senior notes. In addition, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the senior notes from the net proceeds of certain equity offerings at the redemption price set forth in the senior notes.

*Cinemark USA, Inc. 7.375% Senior Subordinated Notes*

On June 3, 2011, Cinemark USA, Inc. issued \$200 million aggregate principal amount of 7.375% senior subordinated notes due 2021, at par value. The proceeds, after payment of fees, were primarily used to fund the prepayment of the remaining \$157.2 million of Cinemark USA's unextended term loan debt under its senior secured credit facility. Interest on the senior subordinated notes is payable on June 15 and December 15 of each year. The senior subordinated notes mature on June 15, 2021.

The indenture to the senior subordinated notes contains covenants that limit, among other things, the ability of Cinemark USA, Inc. and certain of its subsidiaries to (1) make investments or other restricted payments, including paying dividends, making other distributions or repurchasing subordinated debt or equity, (2) incur additional indebtedness and issue preferred stock, (3) enter into transactions with affiliates, (4) enter new lines of business, (5) merge or consolidate with, or sell all or substantially all of its assets to, another person and (6) create liens. Upon a change of control, as defined in the Indenture, Cinemark USA, Inc. would be required to make an offer to repurchase the senior subordinated notes at a price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest, if any, through the date of repurchase. The indenture governing the senior subordinated 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 June 30, 2012 was 5.5 to 1.

Prior to June 15, 2016, Cinemark USA, Inc. may redeem all or any part of the senior subordinated notes at its option at 100% of the principal amount plus a make-whole premium plus accrued and unpaid interest on the senior subordinated notes to the date of redemption. After June 15, 2016, Cinemark USA, Inc. may redeem the senior subordinated notes in whole or in part at redemption prices specified in the indenture. In addition, prior to June 15, 2014, Cinemark USA, Inc. may redeem up to 35% of the aggregate principal amount of the senior subordinated notes from the net proceeds of certain equity offerings at the redemption price set forth in the indenture.

Cinemark USA, Inc. and its guarantor subsidiaries filed a registration statement with the Securities and Exchange Commission (the Commission) on July 27, 2011 pursuant to which Cinemark USA, Inc. offered to exchange the senior subordinated notes for substantially similar registered senior subordinated notes. The registration statement became effective August 4, 2011 and approximately \$199.5 million of the notes were exchanged on September 7, 2011. The registered senior subordinated notes, issued in the exchange, do not have transfer restrictions. Approximately \$0.5 million of the notes were not exchanged as of June 30, 2012.

*Covenant Compliance*

As of June 30, 2012, we believe we were in full compliance with all agreements, including all related covenants, governing our outstanding debt.

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**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.

**Table of Contents****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 June 30, 2012, there was an aggregate of approximately \$280.7 million of variable rate debt outstanding under these facilities, which excludes \$620.6 million of Cinemark USA, Inc.'s term loan debt that is hedged with the Company's interest rate swap agreements in effect as of June 30, 2012 as discussed below. Based on the interest rates in effect on the variable rate debt outstanding at June 30, 2012, a 100 basis point increase in market interest rates would increase our annual interest expense by approximately \$2.8 million.

A majority of 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 loss and the ineffective portion reported in earnings.

Below is a summary of our interest rate swap agreements as of June 30, 2012:

Nominal Amount (in millions)	Amount Designated as a Hedge (in millions)	Effective Date	Pay Rate	Receive Rate	Expiration Date
\$125.0	\$ 106.6	August 2007	4.9220%	3-month LIBOR	August 2012
\$75.0	\$ 64.0	November 2008	3.6300%	1-month LIBOR	November 2012
\$175.0	\$ 175.0	December 2010	1.3975%	1-month LIBOR	September 2015
\$175.0	\$ 175.0	December 2010	1.4000%	1-month LIBOR	September 2015
\$100.0	\$ 100.0	November 2011	1.7150%	1-month LIBOR	April 2016

\$650.0      \$ 620.6

The table below provides information about our fixed rate and variable rate long-term debt agreements as of June 30, 2012:

	Expected Maturity for the Twelve-Month Periods Ending June 30, (in millions)						Total	Fair Value	Average Interest Rate
	2013	2014	2015	2016	2017	Thereafter			
Fixed rate <sup>(1)(2)</sup>	\$ 2.8	\$ 1.3	\$	\$ 620.6	\$	\$ 670.0	\$ 1,294.7	\$ 1,349.2	7.0%
Variable rate	9.2	9.3	9.3	252.9			280.7	279.6	3.6%
<b>Total debt</b>	<b>\$ 12.0</b>	<b>\$ 10.6</b>	<b>\$ 9.3</b>	<b>\$ 873.5</b>	<b>\$</b>	<b>\$ 670.0</b>	<b>\$ 1,575.4</b>	<b>\$ 1,628.8</b>	

(1) Includes \$620.6 million of the Cinemark USA, Inc. term loan, which represents the debt hedged with the Company's interest rate swap agreements in effect as of June 30, 2012 discussed above.

(2) Includes the 8.625% senior notes in the aggregate principal amount of \$470.0 million, excluding the discount of \$9.0 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 June 30, 2012, 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 \$49.1 million and would decrease the aggregate net income of our international subsidiaries by approximately \$4.9 million.

### **Item 4. Controls and Procedures**

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

As of June 30, 2012, we carried out an evaluation required by the Securities Exchange Act of 1934, as amended (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 June 30, 2012, 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 Control 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 June 30, 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **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 February 29, 2012.

### **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 February 29, 2012.



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**Item 6. Exhibits**

- \*31.1 Certification of Tim Warner, 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 Tim Warner, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.
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- \*101 Financial Statements from the quarterly report on Form 10-Q of Cinemark Holdings, Inc. for the quarter ended June 30, 2012, filed August 6, 2012, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements tagged as detailed 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:** August 6, 2012

/s/ Tim Warner  
Tim Warner

Chief Executive Officer

/s/ Robert Copple  
Robert Copple

Chief Financial Officer

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**EXHIBIT INDEX**

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